



Delivering  
Tomorrow's  
Solutions

# DTS Group REPORT 2020

Integrated Report



# Our Vision for the Group

The DTS Group has engaged in solving social issues through its IT business and creating value shared with society and communities. In the process, we have increased our corporate value and grown. Upon its 45th founding anniversary in 2017, the DTS Group formulated the DTS Group Way, comprising four elements: Philosophy, Vision, Credo, and Code of Conduct. Together, these present the reason for the DTS Group’s existence, our important values, and guidelines for the activities of individual employees as they go about their daily work. Through their implementation of the DTS Group Way, DTS Group employees will contribute to clients and society by maximizing value.

## The DTS Group Way

**Philosophy:** The universal, unchanging identity of DTS Group, which defines the meaning of its existence and its mission.

**Technology** is the power to make people happy, and create greater enrichment in society.  
At DTS Group, we use:  
**technology** to build the trust and confidence of our customers,  
**technology** to increase our corporate value,  
**technology** to improve the lives of our employees,  
**technology** to contribute to the society.

**Vision:** DTS Group Vision is our guideline for the activities that we aim to carry out in the medium to long term; the goals that we wish to achieve, and the type of corporate group that we aim to become over the next ten years.



The next technology, the next-generation personnel, the next value  
We create the next value.  
MADE BY DTS Group

The DTS Group strives to achieve continuous increase in the value of its clients, each Group employee aiming to become a creative and independent human being.  
We aim to be a corporate group that constantly considers the clients’ perspective, solving various issues, and thinking and acting on our own initiative.  
We will utilize our proprietary technologies to create new value.  
We will value people and the environment, and contribute to creating the society of tomorrow.

**Credo:** The important values and activity guidelines for deciding on the action of individual employees and the organization.

| (For our clients)   | (For our shareholders)  | (As individuals)           | (As members of the Group) | (As members of society) |
|---------------------|-------------------------|----------------------------|---------------------------|-------------------------|
| Sincerity and trust | Growth and contribution | Independence and challenge | Respect and co-creation   | Integrity and fairness  |

**Code of Conduct:** DTS Group employees observe the following eight items of the Code of Conduct.

- Respect for human rights and creation of workplaces with fulfillment through work
  - Maintain good relationships with customers and improve customer satisfaction (CS)
  - Rigorous information management and confidentiality
  - Free competition and fair trading
- Appropriate handling of intellectual property
  - Appropriate operation management and information disclosure
  - Prohibition on involvement with anti-social forces
  - Environmental and social contribution initiatives

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## Editorial policy

In this integrated report, the Company reports on a wide range of its activities, including its creation and provision of social value, business strategies for medium-term growth, and initiatives to achieve them. The Company refers to various reporting guidelines and strives to provide high value information to provide various stakeholders with a deeper understanding of the DTS Group. We hope that you will take time to read the report and we welcome your opinions.

In addition, the Company’s official website features information about its businesses and medium-term management plan under “IR Library” under “Investor Relations” as well as details about the Company’s initiatives related to corporate social responsibility under “CSR Activities.” Please refer to them.

Period covered  
April 1, 2019 to March 31, 2020  
(Includes information about certain events occurring after the reporting period)

Scope of report  
DTS CORPORATION and its Group companies in Japan and overseas

Guidelines referenced  
• Ministry of Economy, Trade and Industry Guidance for Collaborative Value Creation  
• International Integrated Reporting Council (IIRC)  
• ISO 26000 (Guidance on Social Responsibility)

Inquiries  
DTS CORPORATION  
ESG Promotion Office, General Affairs Department

Services  
<https://www.dts.co.jp/section/>

Investor Relations (IR)  
<https://www.dts.co.jp/ir/>

CSR Initiatives  
<https://www.dts.co.jp/csr/>

## Disclaimer

Statements concerning the future in this integrated report, such as forecasts on the DTS Group’s operating results, financial position and other general management information, targets, and plans, are based on information currently available to the Company and certain assumptions that it deems reasonable. By their nature, these judgments and assumptions are subjective and uncertain. Furthermore, there is no guarantee that statements regarding the future will be realized as stated, and actual business performance may differ significantly due to various factors.



## About the DTS Group

Empowered by the trust and technologies we have built up since our foundation, we will promote the digital transformation of society and our clients as an independent system integrator.

As an independent system integrator, the DTS Group has provided IT services to clients in a wide range of industries and formats, such as finance, telecommunications, and the public and private sectors.

We aim to continuously provide added value to society and our clients through the construction of information systems, ranging from consulting to design, development, operation, and infrastructure construction, as well as the development of solution provision-type businesses and business process outsourcing (BPO).

Furthermore, based on our industry leading operational knowledge and quality, we have earned the trust of clients in various fields through our performance record in development, including participation in major backbone system projects for financial institutions, provision of solutions such as various management system and e-commerce websites for the retail industry, and development of embedded systems for automated driving technology in automobiles.

We will drive the digital transformation of society and our clients using the technologies that we have refined since our foundation in 1972.

## Consolidated Highlights for the Fiscal Year Ended March 31, 2020

### Set new records in operating results

|                       |                                    |   |
|-----------------------|------------------------------------|---|
| Net sales             | Operating profit                   | Profit attributable to owners of parent |
| ¥ <b>94.6</b> billion | ¥ <b>10.6</b> billion              | ¥ <b>7.3</b> billion                    |
| ROE                   | ROA                                | Total return ratio                      |
| <b>13.8</b> %         | <b>15.8</b> %                      | <b>45.7</b> %                           |
| Equity-to-asset ratio | Number of employees (consolidated) | Number of Group customers               |
| <b>78.0</b> %         | <b>5,457</b>                       | Approx. <b>1,400</b>                    |



# The DTS Group will create new value towards realizing a sustainable society.



**Koichi Nishida,**  
President and Representative Director

## We stand now at a turning point in history.

In 2020, the novel coronavirus (COVID-19) spread worldwide, and there is still no indication of when it might be controlled. I would like to acknowledge those who have lost their lives, and their families, and extend my deepest sympathy to you all who are struggling with the disease. Moreover, I would like to express my deep respect and gratitude to all those in the national and local governments, as well as medical professionals, who are working on the front lines in support of our lives.

The impact of the recent global economic slowdown due to COVID-19 is still extremely severe; however, looking forward the situation is expected to recover gradually as the level of social and economic activity is increased step by step while taking measures to prevent infection. For this reason, we believe that the shift to new patterns of behavior, known as the “new normal,” will rapidly spread throughout society.

Specifically, we expect to see an acceleration trends in the business fields around us, including the adoption of “remote” workstyle such as telework, a decrease in face-to-face encounters as people adopt “online” services, and avoidance of infection through contact with the adoption of “touchless” technologies.

The Group is promoting a shift towards workstyles predicated on permanent telework. By adapting itself to the coming social changes, the Group aims to ensure the continuity of its business and increase efficiency, while actively developing and providing solutions to support society’s paradigm shift.

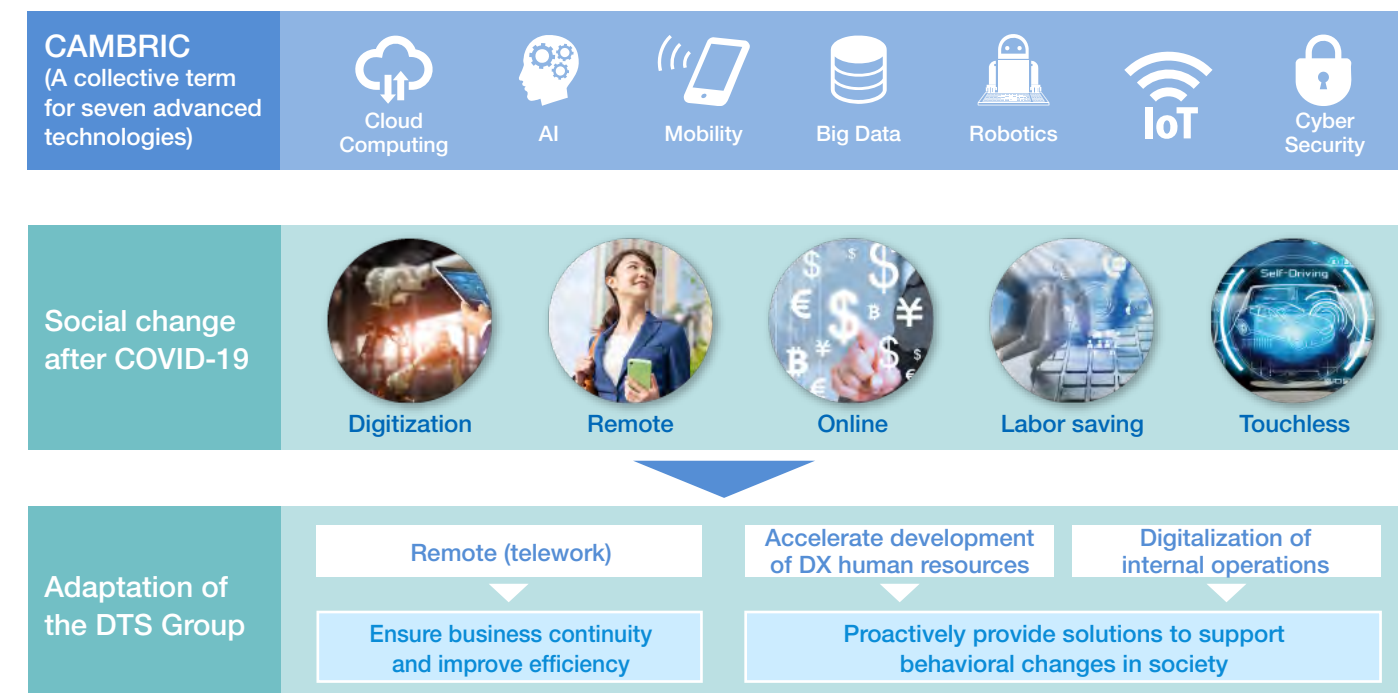
## We will use the advanced technologies represented by CAMBRIC to contribute to the new normal society

In this new normal environment, there is increasing demand for technologies that support the so-called digital transformation (DX). While there has been restraint in information technology investment among some companies in Japan, many of our clients have increased their investments from the previous year in information technology using digital technology.

In particular, digital transformations such as electronic money, automate driving, 5G, and connected industry are causing massive changes in the social environment. In the information service industry, we expect expansion of digital business and increased investment in information technology related to productivity improvement and work-style reforms for alleviating labor shortages. These initiatives will leverage group of technologies collectively referred to by the acronym CAMBRIC, which stands for cloud computing, AI, mobility, big data, robotics, IoT, and cybersecurity.

In its medium-term management plan, the Group aims to increase the ratio of net sales related to DX to 25% and human resources related to DX to 500 people. We have now brought forward the timing for achieving these targets by one year, aiming to reach them in the current fiscal year (fiscal year ending March 31, 2021). Furthermore, knowledge alone is not sufficient for human resource development. We will make use of our CAMBRIC Dojo and internal systems development projects to create areas for our trained DX personnel put their skills into practice, actively creating opportunities for them to practice development using the new technologies.

Keeping pace with the rapid advance of digitalization requires initiatives with an emphasis on speed. In place of the conventional PDCA cycle with its emphasis on planning, we will use a DCAP approach of implementing first, then evolving the project through a spiral-shaped improvement cycle. We will swiftly provide total solutions to support the digital transformation of society and our clients, thereby continuously increasing our corporate value.





[Review of the Fiscal Year Ended March 31, 2020]

Achieved profit growth for a 10th consecutive year and operating margin of 10% or higher for a fourth consecutive year

In its medium-term management plan (April 2019 to March 2022), the DTS Group has set forth its vision as “Next Value Creator, providing new value to the society of tomorrow.” Under its three basic policies: “realization of a sustainable society,” “evolution into a new system integrator,” and “transformation into self-driven employees,” the Group has been promoting the five key activities of “strengthening marketing capability and SI capability,” “creating new business,” “strengthening the Group’s management foundation,” “innovating in-house information systems and administrative processes,” and “carrying out work-style reforms,” as it works continuously to expand corporate value.

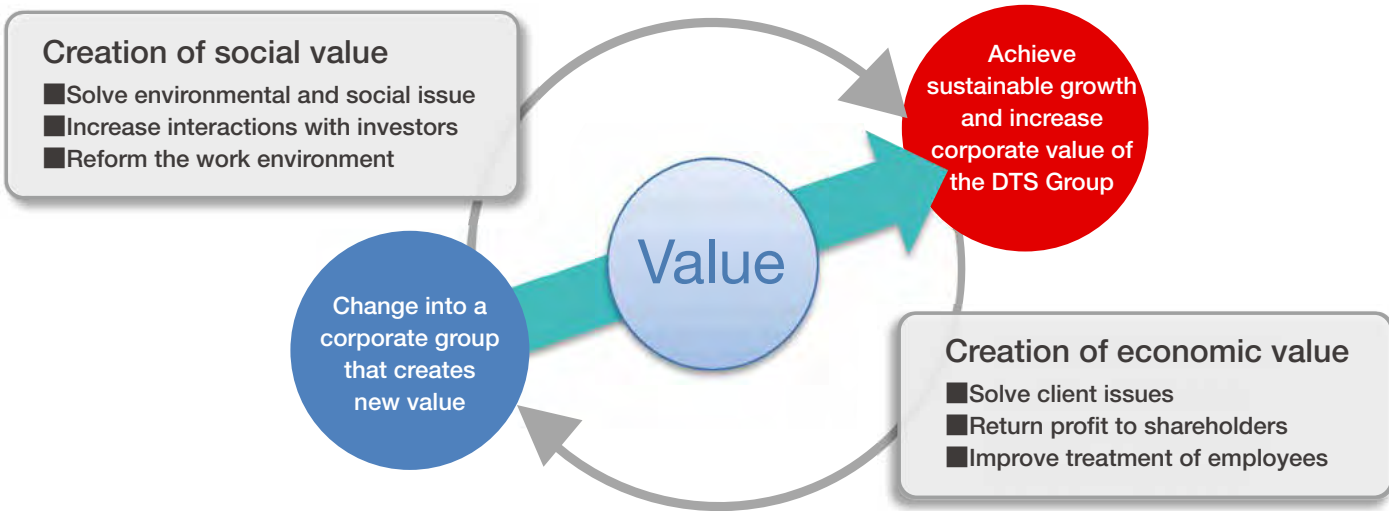
The fiscal year ended March 31, 2020 was the first year of the medium-term management plan that formed the final stage of the long-term management plan. During this year, the Company

continued from the previous fiscal year aiming to achieve sustainable growth and strengthen its earning capability. As a result, we achieved profit growth for a 10th consecutive year and an operating margin of 10% or higher for a fourth consecutive year.

[Medium-term management plan]

Aiming to be a Next Value Creator, providing new value to the society of tomorrow

In the medium-term management plan starting from fiscal 2019, the DTS Group will realize “sustainable growth” and “increase in corporate value” through the dual approaches of “creation of social value” and “creation of economic value,” aiming to change into a corporate group that creates new value to achieve a sustainable society through its environmental, social, and governance (ESG) activities. Furthermore, the Group will use the SDGs to frame the creation of social and economic value in terms of environmental and social issues, and the employees will work together as one to promote business activities, aiming to achieve the medium-term management vision.



The Group held DTS Symposium 2019 to bring all DTS Group employees together in one venue and announce each organization’s DX technologies, etc. (January 2020, Tokyo Big Sight)

[Three Basic Policies]

The medium-term management plan sets out three basic policies as management directions for achieving our vision. We will promote our business based on these policies.

Basic policy 1  
Realization of a sustainable society

Designing processes that will lead to achievement of the SDGs at the business planning stage

In “realization of a sustainable society,” the ESG Promotion Office, established in April 2019, will lead efforts to utilize the 17 Sustainable Development Goals (SDGs) to clarify each social value and proceed with reforms effective for business promotion by figuring out what kind of social problem a business or project can be associated with in order to solve it.

Moreover, the Group will accelerate innovation using new technologies such as AI and IoT, creating new solutions to contribute to society.

Basic policy 2  
Evolution into a new system integrator

Evolving from a system integrator to a solution and service integrator

In “evolution into a new system integrator,” the Group will adapt to digital transformation (DX) that will transform society through IT. We will realize an increase in the corporate value of the DTS Group by proposing and supplying to clients total solutions tailored to the issues faced by society and clients. In this way, we aim to evolve from our current role as a system integrator into a new system integrator that integrates solutions and services.

Basic policy 3  
Transformation into self-driven employees

To establish an organizational climate that produces human resources capable of voluntarily thinking and acting

In “transformation into self-driven employees,” the Group will reform the personnel system so that challenges for transformation are valued and promote “work-style reforms” to create an environment where employees can work comfortably. The Group will also promote “improvement of organizational management,” in an effort to accelerate decision making and expand the business promotion structure, and “reforming internal systems and clerical work” to promote work-style reforms using cutting-edge technologies. Moreover, the Group will work to establish an organizational climate of self-reform.





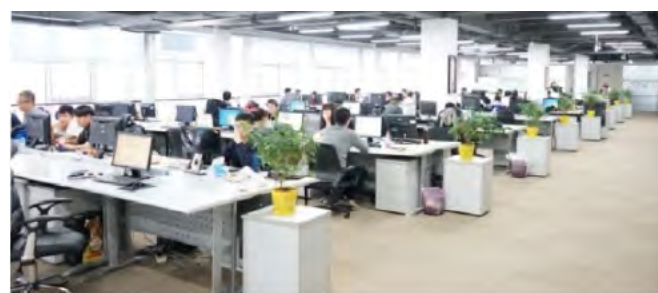
## [Status of the Five Key Activities]

We are engaged in five key activities to promote our three basic policies. Specific activities for each field have been planned for the key activities, and these are currently being executed.

### Status of Key Activity 1: Strengthening marketing capability and SI capability

#### Integration of the sales departments, rigorous project management, and expansion of offshore business

In order to enhance the value that we propose the customers, we have begun initiatives aimed at a systematic strengthening of the sales activities. Specifically, because we intend to propose wide-ranging solutions for issues faced by customers, we have enhanced the solution sales function of the Sales Sector. In addition, in order to promote proposal activities that utilize new technologies such as CAMBRIC, a DX Promotion Office has been set up in the Sales Sector. As an activity for strengthening marketing capability, the Group has innovated the SFA system so as to secure the visualization and efficiency of sales activities. Also, we have been promoting active use and training of our offshore bases such as Dalian SuperElectronics Co., Ltd. and DTS SOFTWARE VIETNAM CO., LTD., as well as developing and starting to place order with an Indian partner company for SAP development projects to strengthen the foundations of our IT employees, and enhance our SI competitiveness.



Dalian SuperElectronics Co., Ltd.



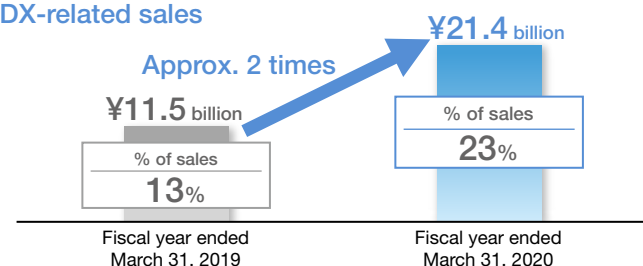
DTS SOFTWARE VIETNAM CO., LTD.

### Status of Key Activity 2: Creating new business

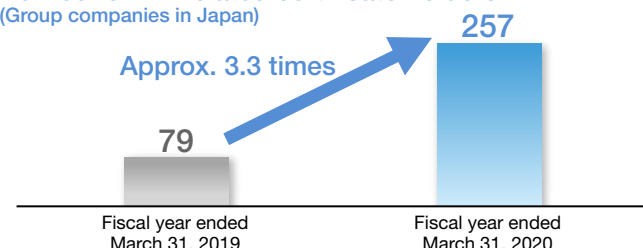
#### Strengthening the human resources base adapted to DX and creating new businesses and solutions

In an effort to strengthen our initiatives for digital business using new technologies such as CAMBRIC, we launched a groupwide working group led by the DX Promotion Office. This has enabled the Group to draw up the DTS Group's DX strategy and drive the creation of new businesses while sorting out common issues and examining and delivering initiatives to solve them. As a result, the proportion of net sales accounted for by DX-related businesses has increased to 23% (up 9 percentage points year on year). Furthermore, as we perceive the training of DX employees to a higher level to be an urgent issue, we are advancing our plan to train employees, which was set by each organization, and we are facilitating a change in attitudes through managers training in order to promote proposals that utilize AI. In the fiscal year under review, the number of DX-related certificate holders was increased to over 257, about three times as many as the number from the previous fiscal year.

#### DX-related sales



#### Number of DX-related certificate holders (Group companies in Japan)



### Status of Key Activity 3: Strengthening the Group's management foundation

#### Surveyed SDGs for all projects and consolidated Nelito

In terms of ESG initiatives, the ESG Promotion Office, which has been set up within the General Affairs Department, has surveyed SDGs for all of the Company's projects and prepared the integrated report, aiming at constructive dialog with stakeholders.

As part of the DTS Group's global business initiatives, Nelito Systems Limited was made a consolidated subsidiary in order to expand operations in India for the Group's financial industry business and push for growth in markets in Southeast Asia.

In addition, in April 2020, the Company's corporate website was renovated. Not only did the Company improve information on technical features, solutions, etc., which are the Company's strong points, and enhance convenience, but it also has started pushing ahead with the establishment of new centers with the aim of strengthening links between organizations and improving productivity.

### Status of Key Activity 4: Innovating in-house information systems and administrative processes

#### Reviewed and streamlined work processes

In preparation for work-style reforms and improvements to business efficiency, we have started rationalization through the reviewing of work processes, as well as the rebuilding of in-house systems. We have also worked to replace the Company's PCs with thin client devices and taken steps to promote teleworking with the aim of putting in place infrastructure for a variety of work styles, strengthening security, and reducing the amount of administrative work.

Additionally, with respect to internal systems, we have relocated our data center and enhanced our server performance with the aim of increasing business continuity.

### Status of Key Activity 5: Carrying out work-style reforms

#### Working to promote health and productivity management and reform personnel systems

In terms of health management, with the aim of realizing balance between work and private life, we hold regular seminars to support raising the next-generation using a combination of occupational doctors and those with experience in this matter to promote greater participation by women in the workplace, and greater participation by men in childcare.

In October 2019, the Company was awarded the second highest level (Class 2) "ERUBOSHI" certification based on the "Act on Promotion of Women's Participation and Advancement in the Workplace," and in March 2020, the Company was certified as "Health & Productivity Management Outstanding Organization 2020 (Large Enterprise Category)." In February 2020, DTS WEST CORPORATION, a DTS Group company, was certified as a "KURUMIN" company supporting childcare. We will continue to create environments where employees can work with confidence, giving consideration to the balance between work and private life and health and productivity management.

Moreover, in order to promote the transformation into self-driven employees and cultivate a company culture where employees can proactively take on new challenges, we are continually working on a personnel system reform that values challenges and reforms.



### Challenge for the Future

Striving diligently for continuous transformation; this is the DTS spirit.

Since our foundation, we have been striving to increase client value by "utilizing skills to build up the trust of clients." We have cultivated a company culture in which we diligently strive to explore and realize the potential of new services.

Amid the continuing fight against the risk of spreading COVID-19, a global paradigm shift has occurred, and it has become increasingly difficult to predict the changes occurring in many industries. It is this situation that makes it imperative that each DTS Group employee embraces change like a true challenger and transform as a Group, while growing autonomously.

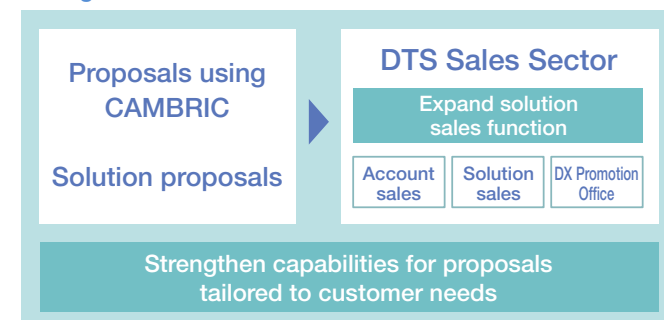
Up until now, the Group has overcome difficult phases brought about the changes in the external environment and achieved growth. At the time of the global financial crisis following the bankruptcy of Lehman Brothers, which had a particularly large impact on our business performance, we set about implementing "root management," sowing seeds in new business domains and growing strong roots so that our businesses would grow strong and be able to weather storms. These efforts led to expansion in our customer base. At the same time, we strengthened our project management systems (quality, cost, and delivery times) for the entire Group, increasing the precision of our cost management and our speed to strength our earnings structure, growing into a "lean" Group in the process.

In the current COVID-19 pandemic, the introduction of digital, remote, and other technologies has progressed rapidly, with an accompanying change in awareness that what was previously considered unfeasible is actually possible if tried. This has led us to change from a PDCA to a DCAP business model (start by "doing" rather than spending time on "planning"). In response, each individual DTS Group employee will strive to change and adapt, while retaining the same team capabilities for executing operations as always.

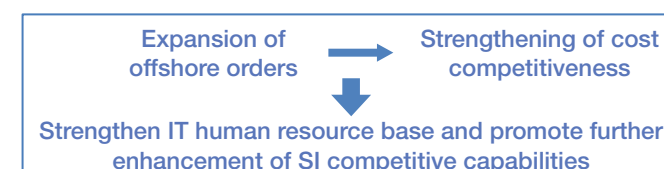
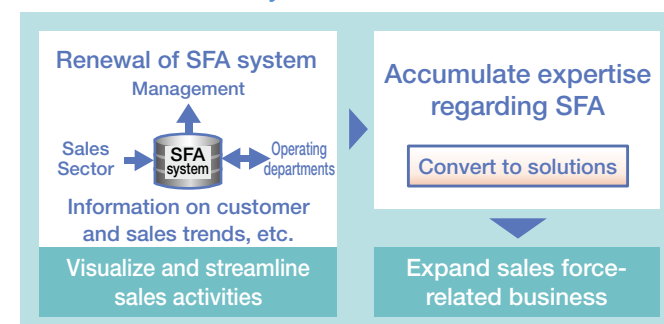
The employees of the DTS Group will come together to achieve transformation and growth, enhancing corporate value and shareholder value by creating new value unique to the Group so that in the near future we can look back and say, "it was because we overcame that crisis that we have achieved our current position."

I ask for your continued support going forward.

### Strengthen DTS's Sales Sector structure



### Renewal of DTS SFA system

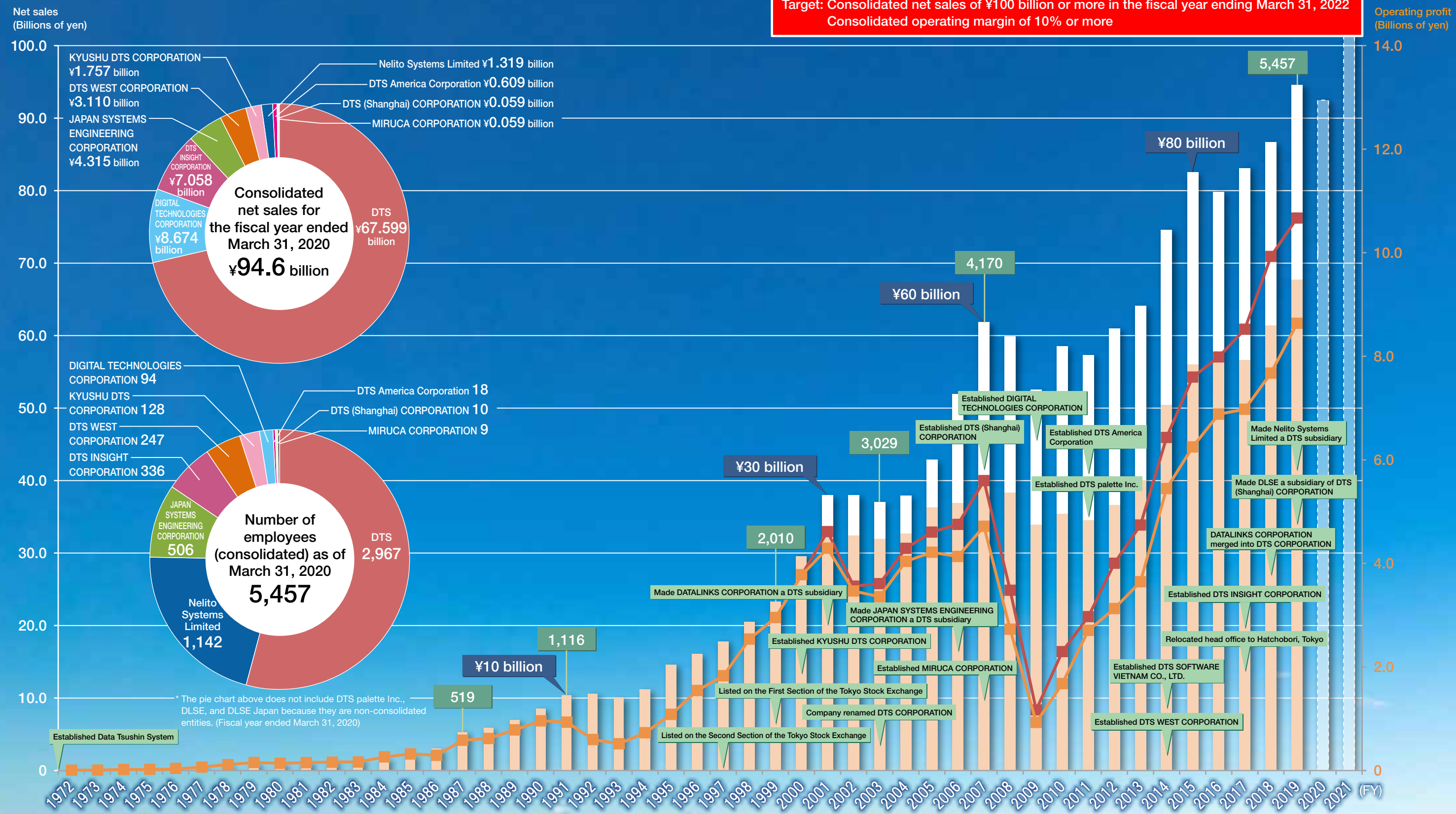




Growth Trajectory of the DTS Group

Consolidated net sales (Billions of yen)  
Non-consolidated net sales (Billions of yen)  
Consolidated operating profit (Billions of yen)  
Non-consolidated operating profit (Billions of yen)  
No. of employees (non-consolidated & consolidated)  
Topics

Target: Consolidated net sales of ¥100 billion or more in the fiscal year ending March 31, 2022  
Consolidated operating margin of 10% or more



Figures stated for FY2020 and FY2021 consolidated net sales and consolidated operating profit are target values



# Value Creation Milestones: We have facilitated advances in IT with the trust of our clients.

## DTS milestones

### Inception phase (1972-1979) 1st to 8th fiscal years

**August 25, 1972**  
Establishment of Data Tsushin System  
(present day DTS CORPORATION)  
Toshio Sasanuki, founder, Representative  
Director and President



Data Tsushin System was established with nine employees in the Shinbashi 2-chome district of Minato-ku, Tokyo. It embarked on business involving development of financial systems in the early days of computers in Japan, underpinned by the notion of the company's late founder, Toshio Sasanuki, who deemed that "development and dissemination of data communications systems will invariably rule supreme in the age of information."



Founding members

### Phase of business domain expansion (1980-1994) 9th to 23rd fiscal years

- 1984 Completed construction of the company's own building (former head office annex) in the Shinbashi 5-chome district of Minato-ku, Tokyo
- 1987 Obtained approval for specified worker dispatching undertaking from Ministry of Health, Labour and Welfare
- 1991 Registered with Japan Securities Dealers Association

Since its founding, the company has engaged in systems development across an extensive range of fields by taking on challenges in new domains that include control systems for manufacturing and systems for retail and distribution, in addition to financial systems. The company helped major corporations adopt information technologies upon having established a client support framework encompassing everything from design to development, operations, and maintenance.



### Phase of business scale expansion (1995-2001) 24th to 30th fiscal years

**1995**  
Takaichi Sugiyama  
appointed as  
Representative Director  
and President



- 1997 Completion of second head office building (former main headquarters building)  
Completion of third head office building (former Shimbashi Center)  
Listed on the Second Section of the Tokyo Stock Exchange
- 1999 Listed on the First Section of the Tokyo Stock Exchange
- 2000 Established KYUSHU DTS CORPORATION  
Launched sales of the Walk in home platform
- 2001 Made DATALINKS CORPORATION a subsidiary upon acquisition of its shares

The growing popularity of the Internet spurred mounting demand for robust IT investment among companies and prompted a shift from legacy systems to online systems. Technological transformation ensued centered on systems development involving programming languages such as C#, Java, Perl, Ruby and Python.



Listed on the First Section of  
the Tokyo Stock Exchange

Initial release of the Walk in  
home platform



### Phase of expansion as a corporate group entity (2002-2009) 31st to 38th fiscal years

**2002**  
Yasutaka Akabane  
appointed as Representative  
Director and President



- 2003 Data Tsushin System renamed DTS CORPORATION
- 2004 Completion of former new head office building
- 2006 Made JAPAN SYSTEMS ENGINEERING CORPORATION a subsidiary
- 2007 Made SOUGOU SYSTEM SERVICE Corporation a subsidiary upon acquisition of its shares  
Established MIRUCA CORPORATION  
Established DTS (Shanghai) CORPORATION
- 2009 Made DIGITAL TECHNOLOGIES CORPORATION a subsidiary upon acquisition of its shares  
Launched sales of Data Studio@WEB

Systems integration companies are growing in market size amid reorganizations in the industry. The company has increased in size and carried out mergers and acquisitions to enhance its development strengths. The company also promoted efforts to enhance its offshore and nearshore development strengths. The company arranged a framework for handling large-scale projects, which involved setting up development facilities in China and establishing the MIRUCA CORPORATION subsidiary for education of IT engineers.



Data Studio@WEB

### Phase of strengthening the Group's management foundation and expanding its overseas operations (2010-2020) 39th to 49th fiscal years (current FY)

**2010**  
Koichi Nishida appointed as  
Representative Director and  
President



- 2011 Established DTS palette Inc. as a special subsidiary  
Established DTS America Corporation
- 2014 Made ART System Co., Ltd. a subsidiary upon acquisition of its shares  
Made YOKOGAWA DIGITAL COMPUTER CORPORATION a subsidiary upon acquisition of its shares  
Established DTS SOFTWARE VIETNAM CO., LTD.
- 2015 Merged SOUGOU SYSTEM SERVICE Corporation with DTS WEST CORPORATION
- 2017 Relocated head office from the Shinbashi district in Minato-ku, Tokyo to the Hatchobori district in Chuo-ku, Tokyo
- 2018 Acquired shares of Nelito Systems Limited  
Launched sales of AMLion anti-money laundering solutions  
DATALINKS CORPORATION merged into DTS CORPORATION
- 2019 Launched sales of the DAVINCI LABS AI platform  
Made Dalian SuperElectronics Co., Ltd. a subsidiary of DTS (Shanghai) CORPORATION  
Made Nelito Systems Limited a subsidiary upon additional acquisition of its shares

DTS INSIGHT CORPORATION was established through the integration of three companies with the aim of enhancing the embedded systems business for the in-vehicle and medical fields in response to the arrival of the new era encapsulated by IoT, etc. Moreover, the company sought to encourage business promotion aligned with strengths and attributes of respective Group companies through a strategy of reorganization, which included establishment of DTS WEST CORPORATION and absorption-type merger of DATALINKS CORPORATION. Overseas, the company promoted expansion of its global development framework with a focus on subsidiaries in the United States, China, Vietnam and India. The company also significantly reduced unprofitable projects while improving quality by enhancing its project management strengths as a result of having adopted a project management strategy (PMS) enlisting DTS in-house development standards as well as a professional certification system. Meanwhile, net sales per employee also increased.



## Advances in information technology

### Mainframe era (1960s to 1970s)

This was an era of mainframes and office computers from the likes of FACOM, HITAC, NEAC, and IBM. The IBM System/360 family of mainframe computers was a dominant force. Systems development involved programming languages such as Assembler, FORTRAN, COBOL, and PL/1.



### Era of mainframe and PC connectivity (1980s)

During this era, personal computers were increasingly being put to use in places of business. Linking personal computers (office computers and minicomputers) to mainframes, and running emulators on personal computers for use as text terminals became commonplace.



### Era of Internet proliferation (1990s)

During this era, people began to access the Internet on a daily basis, using personal computers equipped with web browsers and e-mail software running standard operating systems such as Windows 95 and Mac OS. UNIX and other open source operating systems also gained in popularity. The C programming language took center stage as a development language.



### Era of mobile devices and SNS (2000s)

During this era, smartphones went on to replace standard mobile phones with the advent of the iPhone. Also, social networking services (SNS) increasingly became a medium of communication with the advent of Facebook, Twitter and other such platforms.



### Era of cloud computing, big data, IoT, AI, robotics (2000s)

This era gave rise to the popularization of cloud computing, virtual servers and thin client computers. Various IT services came into being with development of cutting-edge technologies amid the trend of digital transformation.



### Era of transformation to digital, remote, online, labor saving, and touchless computing (2000s)

This era is seeing accelerating shifts to digital, remote, online, labor saving, and touchless computing, amid a social transformation to a so-called "new normal" brought about by the COVID-19 pandemic.





DTS Group Supporting Society – We will bring about a society of abundance and joy among humanity.

Finance

Banking

We provide services that underpin banking transactions and financial services accessible to all with peace of mind, as well as services that support consistent and vibrant market transactions.

Trusts

We engage in systems development and maintenance involving major operations of domestic trust banks on the whole, including their banking, fiduciary and complementary services.

Securities

We develop and maintain premium-quality, high-performance systems to facilitate market business of securities companies.

Credit

We facilitate efforts to build core systems for comprehensive credit card processing, including membership administration and credit screening.

Society

Mutual aid pensions & annuities

We provide total support for systems that handle mutual aid pension services and various types of annuity plans.

Insurance

We address various needs of life insurance and nonlife insurance companies enlisting our extensive technical capabilities.

Government agencies & municipalities

We provide solutions that enable central government agencies and local municipalities to optimize their operations.

Telecommunications carriers

We handle everything from system architecture optimization to follow-up maintenance support drawing on our expertise amassed with respect to major telecommunications carriers.

Banking

Trusts

Securities

Credit

Mutual aid pensions & annuities

Insurance

Government agencies & municipalities

Telecommunications carriers

Housing

Manufacturing

Retail and distribution

Air transport

Systems administration services

BPO services

Platform architecture

Medical devices

In-vehicle equipment

Corporate Solutions

Housing

We develop systems that robustly support transitions to IT among companies in the housing sector, with a focus on 3D CAD for residential design.

Manufacturing

We provide total solutions combining IoT and big data based on our extensive development experience.

Retail and distribution

We develop core systems and otherwise facilitate efforts to increase client satisfaction through various channels.

Air transport

We provide system architecture fully drawing on our industry-specific expertise.

Operation and BPO

Systems administration services

We help our clients improve their operations by ensuring that their information systems run consistently 24 hours a day, 7 days a week.

Platform architecture

We help our clients implement their IT strategies and address challenges by fully leveraging the latest technologies and our business expertise.

BPO services

We provide total support for sales assistance, help desks, and various other operations.

Embedded systems

Medical devices

In the medical field, we help people maintain good health through our contract development services enlisting biometric information systems and other such technologies.

In-vehicle equipment

We provide various development and testing tools for in-vehicle systems and also engage in development with respect to in-vehicle electrification and automation.

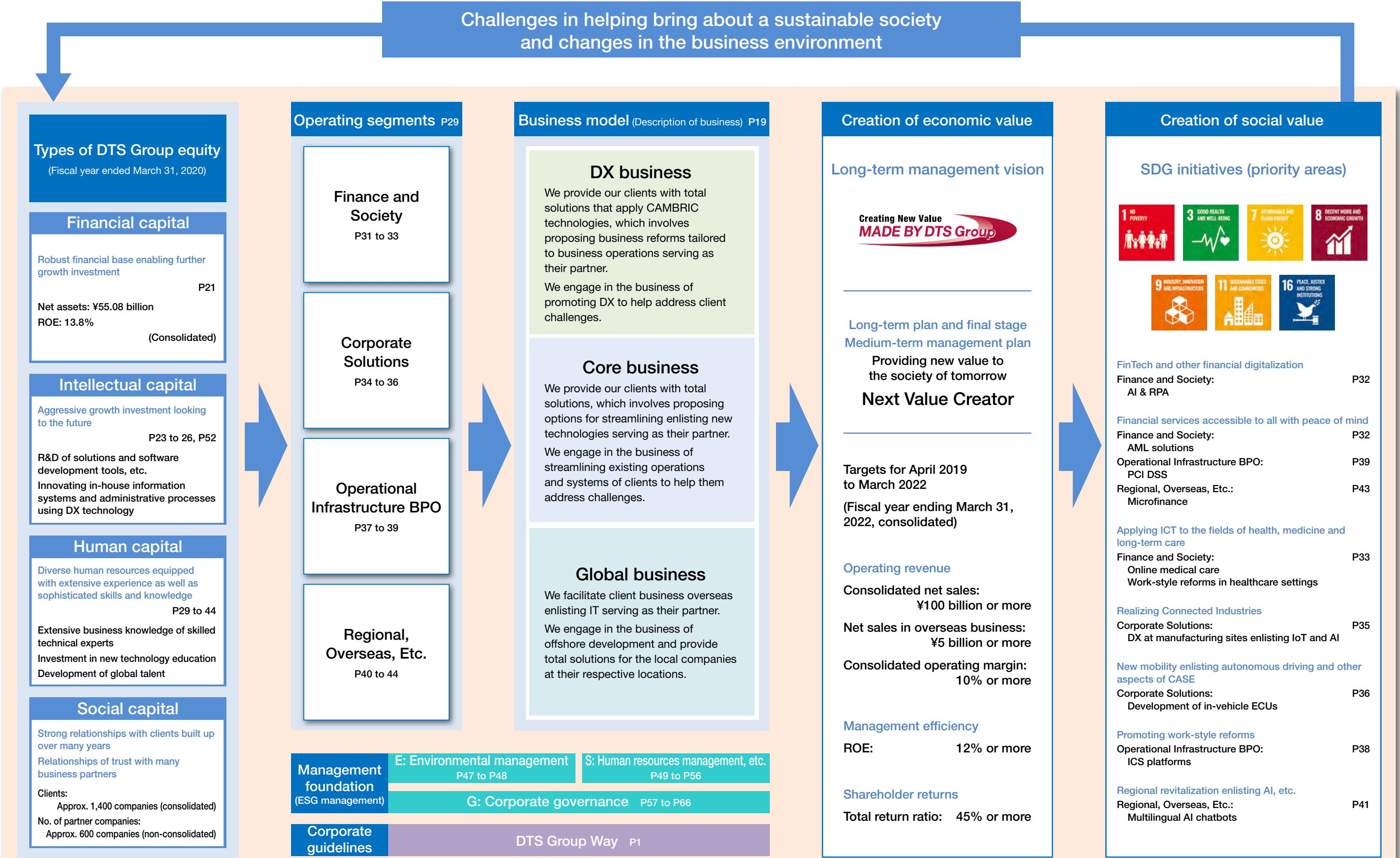
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The DTS Group creates new value by promoting ESG management that helps give rise to a sustainable society. We accordingly establish operating segments and business models in a manner that involves injecting various types of equity. The solutions and services that result from such efforts enable us to create new value for society and our clients.

We engage in this process repeatedly, which results in the DTS Group developing solid competitive advantages and achieving sustainable growth. That in turn enables us to further strengthen our financial standing which consequently helps us newly address social challenges.





# Chapter 1 DTS Group's Value Creation Business Model

(Description of business)

DTS Group's core business constitutes that of serving as a systems integrator that proposes options and provides services encompassing everything from consulting to design, development, platform architecture, operational BPO, product sales, education and training.

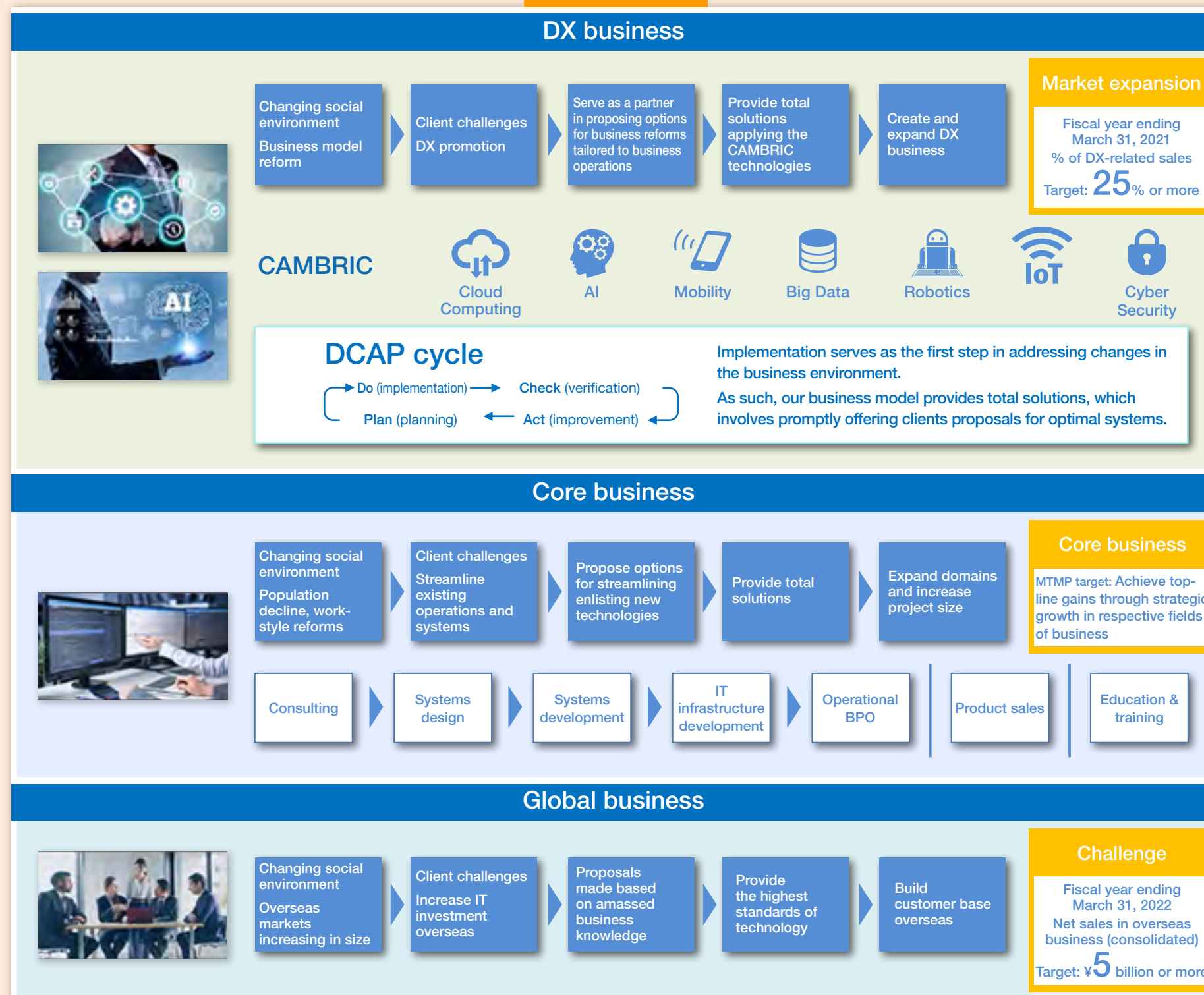
In addition, we are also striving to expand our DX business, which is poised for rapid growth, by providing and proposing options to our clients involving total solutions that apply the so-called CAMBRIC cutting-edge technologies encompassing cloud computing, AI, mobility, big data, robotics, IoT and cybersecurity. In addition, we are taking steps to expand our global business by building a new customer base.

Our business model involves addressing challenges of our clients and society, drawing on our DX, core and global businesses.

Creating New Value  
**MADE BY DTS Group**

## Addressing challenges of clients and society

### Evolution from serving as a systems integrator (Sler) to serving as a solutions and services integrator (new Sler)



## Strengths of the DTS Group

The DTS Group's strengths include its robust customer base, service quality aligned with sophisticated demands, and development of professional talent. These strengths contribute to substantial profitability, productivity and profit structure stability.

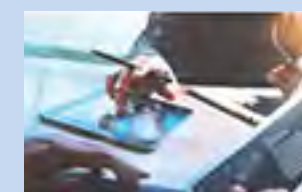
### Robust customer base

Since it was founded in 1972, the DTS Group has addressed various challenges by providing IT services to clients particularly in the public and corporate sphere, in areas such as finance and telecommunications. Our client portfolio currently consists of some 1,400 companies. The strong client relationships we have built up over many years as well as the business knowledge and technical expertise we have gained in different industries constitute business assets of the Group that serve as substantial strengths. In the Finance and Society Segment we have been involved in an integration project entailing three megabanks and an integration project for a major insurance company, and in the Corporate Solutions Segment we have been involved in development projects enlisting cutting-edge technologies, with entities that include major clothing manufacturers and leading automakers.



### Service quality aligned with sophisticated demands

In the systems integration business, which is subject to sophisticated client demands, we hold weekly project promotion meetings to achieve transparency in our efforts to ensure service quality. We visually monitor and analyze projects enlisting a quantitative and objective perspective. In addition, we implement procedural standards distinctive to DTS, which involves carefully developing frameworks that prevent project-related issues from arising. For instance, we have achieved CMMI® Level 4 with respect to our project management strategy (PMS) enlisting in-house development standards and we engage in operations management using the IT services management system (ITSMS) operations standard.



### Development of professional talent

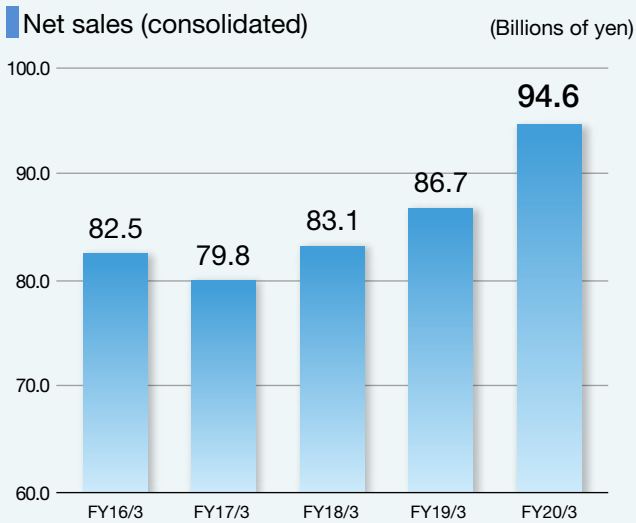
Group company MIRUCA CORPORATION, founded 13 years ago, provides education and training services for developing valuable human resources given its aim of turning out talented professionals.

Its training program consists of a wide variety of options aligned with prevailing needs in respective industries through content that includes new employee training, manager training, project management, enhancing proposal capabilities, and technical training. Meanwhile, the DTS Group has secured the industry's highest level of technology by having its employees take part in these training options, which serves as one of its strengths. In addition, we are redoubling efforts to develop DX professionals under the current medium-term management plan and have accordingly set a target seeking to increase the workforce of DX professionals employed by our domestic Group companies to 500 such employees in the fiscal year ending March 31, 2021.

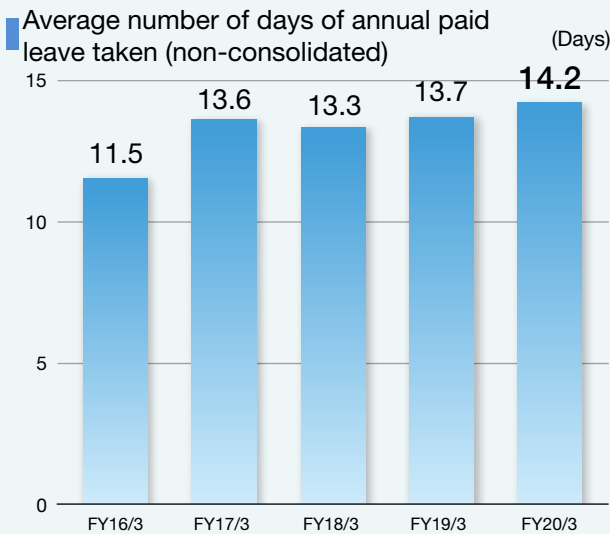
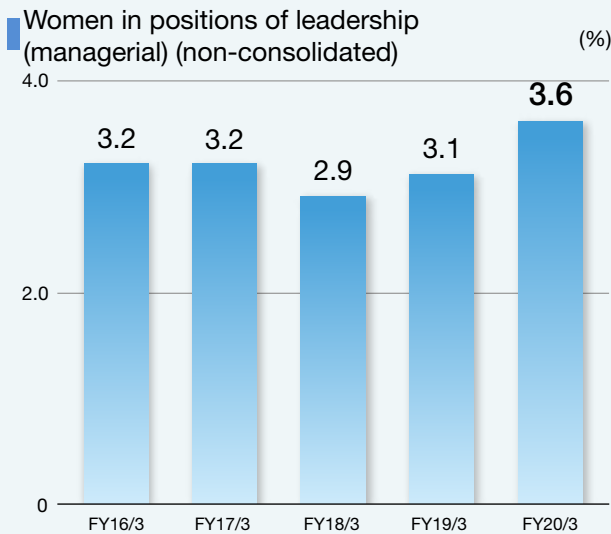
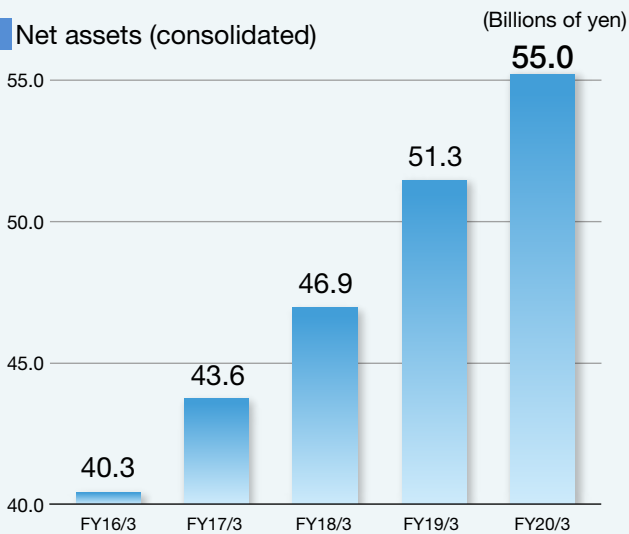
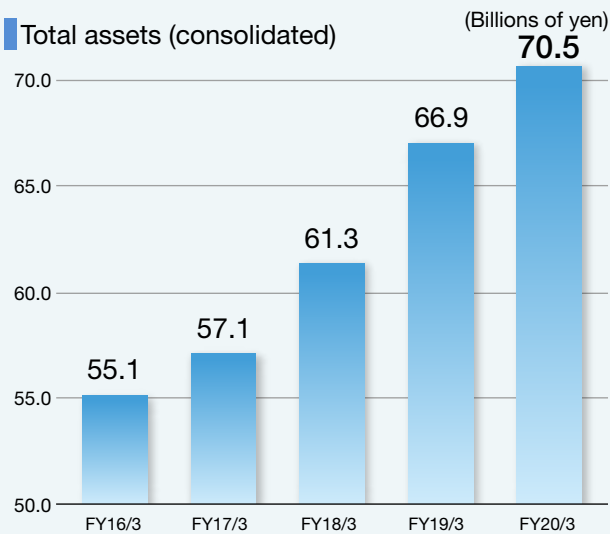
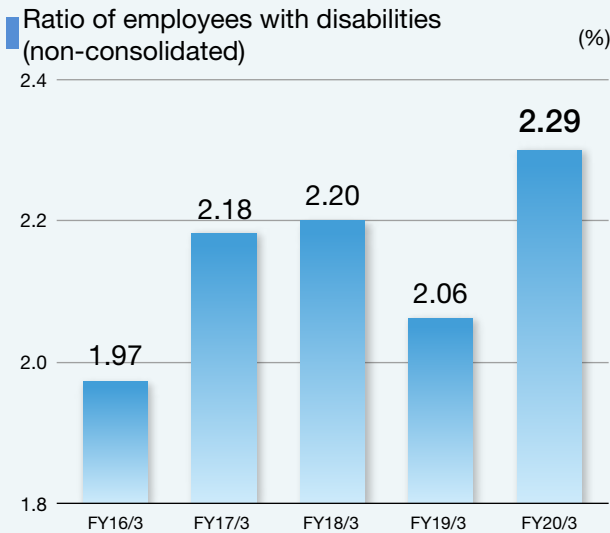
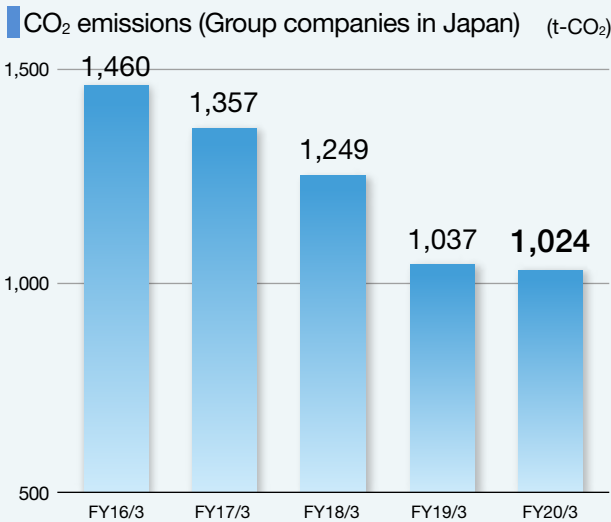
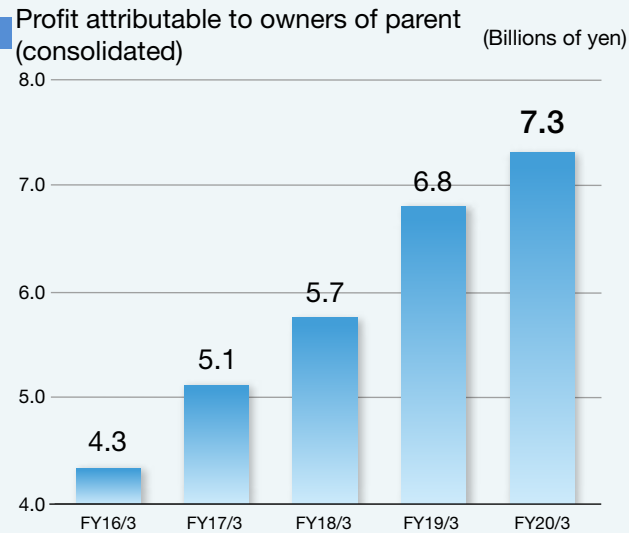
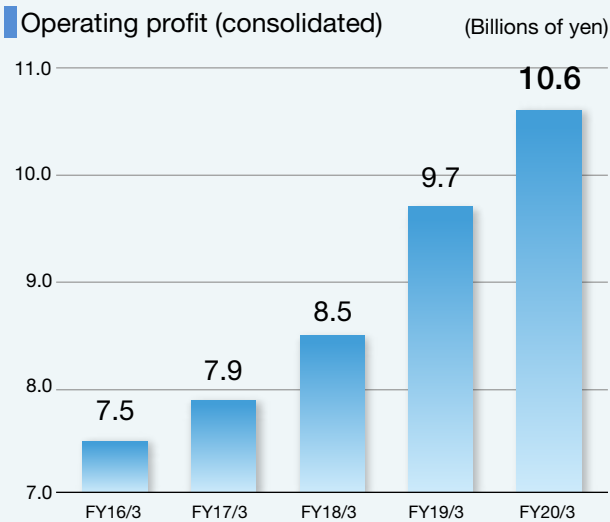
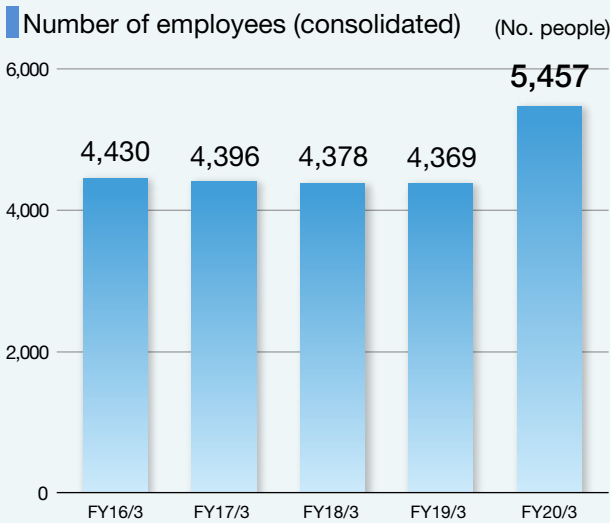




Financial highlights



Non-financial highlights





[Business Strategy]

Accelerating and strengthening  
our response to the social  
services environment as it enters  
a period of transformation

Challenges to be addressed amidst the COVID-19  
pandemic and responding to digitalization  
investment of our customer companies

Business environment poised for major changes

The COVID-19 pandemic has accelerated the  
shift to digitalization among our customers

The information services industry is entering a period in which there is a shift away from traditional business models such as contracted out system development and operation, creating an environment that is not conducive to large-scale future business growth. Instead, more than half of the information services industry is expected to adopt digital operations by 2030, with the DTS Group also likely to encounter market growth in business that entails providing services and solutions.

Moreover, needs of customers and society have changed drastically in the midst of the so-called “new normal,” amid a scenario where global ramifications of the COVID-19 pandemic have substantially affected economic activity and people’s daily lives. Particularly as is exemplified by remote work and other such new styles of work, the shift toward digital, online, remote, touchless, and labor-saving technologies is occurring at a faster pace than initially anticipated.



Director and Managing Executive Officer  
(In charge of sales departments, operating departments and global business)

Minoru Takeuchi

Accelerating pace of DX business

Targets for DX-related sales and professional  
development achieved one year ahead of schedule

The DTS Group has been redoubling its efforts to engage with DX technologies and regards such initiatives as prime opportunities to create new solutions. Seeking to promptly address such changes in the business environment, we have accordingly updated the initial medium-term management plan. For instance, we have changed our target for training of DX employees with qualifications related to AI and other advanced technologies, having increased the target for DX employees to 500 from 300 initially. We have also moved up the implementation schedule by one year, which in part has involved targeting DX-related sales at 25% of our business, which is an increase from 22% under our initial target. In so doing, we aim to address challenges posed by the chronic shortage of human resources and furthermore eliminate skills mismatch.

Swiftly establishing framework for adapting to  
and creating digital businesses

DTS seeks to address the accelerating flow of digital business by

revamping the contracted systems integration business, which is premised on undertaking conventional development from scratch, and accordingly strengthening its business framework for handling systems of engagement (SoE) technologies enlisting the low-code development and agile development approaches.

In particular, we have successfully accelerated operations that incorporate the low-code development approach. We have already adopted the GeneXus low-code development platform used in developing systems for financial institutions, and have furthermore managed to launch services in a short period of time by leveraging DTS’s business expertise and strengths in spearheading development. In December 2019, we launched ReSM Plus, a new employee support service that combines the Company’s ReSM comprehensive operations service with the ServiceNow platform for management of IT services.

Providing proprietary solutions that combine our  
business operations expertise with DX technologies

Over many years, the DTS Group has handled systems for clients across a wide range of industries encompassing finance, insurance, securities, retail, manufacturing, and housing and construction. We have also been working on development of proprietary solutions that combine our extensive knowledge of such business operations with DX technologies such as those involving cloud computing, AI, mobility, big data, robotics, IoT, and cybersecurity (CAMBRIC). Meanwhile, we have launched sales of offerings that include Store Intelligence data analytics services for retailers and physical stores using AI and BI, core business systems for the housing construction industry jointly developed with a major home manufacturer, and the Pasteriot IoT platform for manufacturing sites.

| Business acceleration<br>(Low-code development & agile development) | Proprietary solutions combining our<br>business expertise with DX technologies  |   |
|---|---|---|
| <div>servicenow</div> <div>GeneXus</div> <div>TERASOLUNA</div>      | Finance and Society<br><div>AMLion</div> <div>DAVINCI LABS (Distributors)</div> | Corporate Solutions<br><div>Pasteriot</div> <div>Store Intelligence</div> <div>GalleriaSolo</div> <div>DaTaStudio@WEB</div> |
|   | Operational Infrastructure BPO<br><div>ReSM</div> <div>ReSMplus</div>           | Regional and Overseas<br><div>kotosora</div> <div>FinCraft</div>  |

Underlying core business

One-stop support for digitalization efforts of  
our customers, leveraging expertise we have  
amassed in our core business thus far

It is essential that companies rebuild their IT systems when taking on digital transformation of their business operations given that such systems serve as the foundation of operations that require swift use of data in real time. Moreover, many companies urgently need to update their existing complicated, aging, and black-box legacy systems as they approach the so-called “2025 digital cliff.”

The DTS Group has many years of extensive experience building systems for clients across various categories of business including finance, the public sector, retail, and manufacturing. We furthermore employ many technical experts who are proficient with cloud computing, big data and other new technologies. We accordingly derive strengths from our ability to combine such experience and expertise with technologies in furnishing seamless support extending from grand design of IT systems to system reconstruction, operation and maintenance. We ultimately aim to facilitate progress of digital business enlisting DX technologies, while safeguarding our customers’ legacy systems.

Global business challenges

Local business expansion and enhanced offshore  
development achieved as a result of having made  
Group companies overseas consolidated subsidiaries

The DTS Group seeks global expansion as part of its efforts that involve “strengthening the Group’s management foundation,” which serves as one of its five key activities. Having made Nelito Systems Limited a consolidated subsidiary during the fiscal year ended March 31, 2020, our net sales in overseas business increased to ¥3.2 billion, yet we are closely monitoring the ramifications of the COVID-19 pandemic on the earnings performance of our Group companies overseas.

Under the second phase of the DTS Group’s global strategy, we have been encountering steady growth in offshore development, which we have been promoting from the very beginning, and have accordingly made DTS Vietnam and DLSE Corporation (incl. DLSE Japan), which operate development facilities, consolidated subsidiaries. Going forward, we intend to venture beyond enhancing offshore development with plans to expand our local business while taking on challenges of mergers and acquisitions as a means of bringing in additional operations at our respective locations in the United States, China, Vietnam, and India. We furthermore aim to achieve net sales in overseas business of no less than ¥5.0 billion in the fiscal year ending March 31, 2022.



## [Financial &amp; Non-financial Strategy]

## We are taking steps to increase our corporate value in terms of both the financial and non-financial (ESG) realms

## Financial initiatives

## Earnings results for the fiscal year ended March 31, 2020 and forecast for the fiscal year ending March 31, 2021

During the fiscal year ended March 31, 2020, we encountered an economic slowdown on a global scale. The situation was partially caused by uncertainties regarding economic developments and policies overseas stemming from protectionist policies of the United States and geopolitical risks in East Asia and the Middle East, amid ongoing improvement in the employment and income environment. The slowdown was also caused by the COVID-19 pandemic in the fourth quarter amid concerns regarding prevailing consumer sentiment in wake of the consumption tax hike.

Amid these circumstances, the DTS Group engaged in the key activities of its medium-term management plan, which enabled the Group to achieve net sales of ¥94,618 million, constituting a 9.1% increase relative to the previous fiscal year; operating profit of ¥10,674 million, thereby reaching the long-term management target two years ahead of schedule, and; operating margin of 11.3%, thereby marking the fourth consecutive fiscal year for which the Group achieved an operating margin of 10% or higher.

During the fiscal year ending March 31, 2021, the COVID-19 pandemic is unlikely to subside for an even longer period of time, which in turn gives rise to the likelihood of companies curbing their IT investment for even longer than initially anticipated in line with the global economic slowdown and deteriorating earnings performance among our customers.

On the other hand, we expect to encounter ongoing flows of investment looking toward developments that include advances in digital business and innovation drawing on new technologies such as those exemplified by the CAMBRIC fields (cloud computing, AI, mobility, big data, robotics, IoT, and cybersecurity), as well as a scenario of companies seeking to shift away from their legacy systems.

In light of the above-mentioned outlook and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2021 are as follows.

## Earnings forecasts for the fiscal year ending March 31, 2021 (consolidated)

|   |                               |
|---|-------------------------------|
| Net sales                               | ¥92.5 billion (down 2.2% YoY) |
| Operating profit                        | ¥10.0 billion (down 6.3% YoY) |
| Ordinary profit                         | ¥10.2 billion (down 6.0% YoY) |
| Profit attributable to owners of parent | ¥6.9 billion (down 5.7% YoY)  |



Director and Managing Executive Officer  
(In charge of administrative departments)

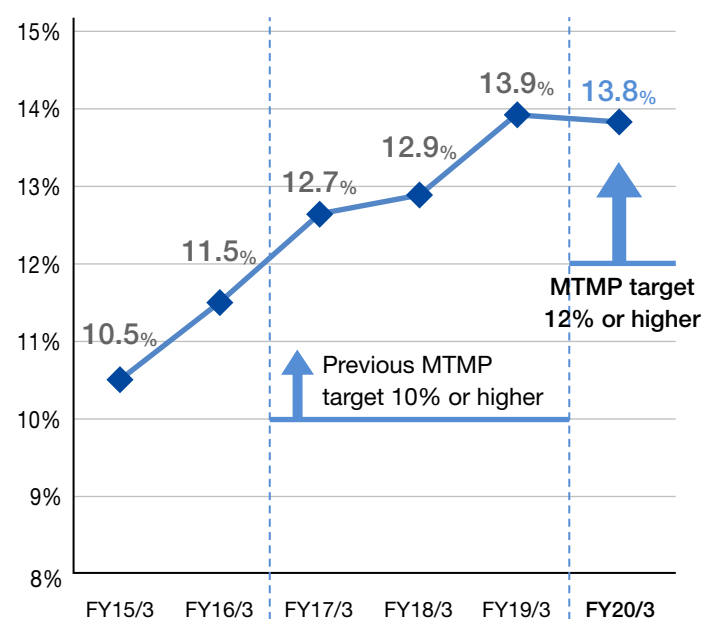
**Takao Sakamoto**

## Improving capital efficiency

## ROE steadily increased from 10.5% to 13.8% over the last five years

ROE serves as one of our key management indicators, as a comprehensive benchmark encompassing profitability, asset efficiency and financial leverage. The Company's ROE has achieved steady growth over the past five years, from 10.5% in the fiscal year ended March 31, 2015 to 13.8% in the fiscal year ended March 31, 2020. We have been aiming to achieve greater managerial efficiency, to which end we raised our ROE target to 12% or more under the medium-term management plan initiated beginning in the fiscal year ended March 31, 2020, from a target of 10% under the previous medium-term management plan. Looking forward, we must improve our earning power by working to reduce unprofitable projects while continuing efforts that involve "strengthening our marketing capability and SI capability." We will furthermore focus on deriving results from efforts that involve "creating new business," which thus far has entailed making upfront investment.

## ROE (consolidated)



## Growth investment

## Active investment in training DX employees, researching and developing new technologies, and transitioning to the new normal

Whereas a robust financial base is essential for stable management in order for a company to achieve sustainable growth, we also believe that it is important to balance that with aggressive growth investment looking to the future. The DTS Group has also been addressing the key challenge of undertaking investment looking to the future, particularly when it comes to technology development, R&D, and the Company's innovation, making the most of the stability of its financial base.

We will actively draw on our cash reserves for use as upfront investment to boost corporate value over the medium- to long-term, including investment in developing human resources, investment in developing new information technologies, investment in capital alliances for operational expansion and new business development, and investment in strengthening our business management infrastructure.

Our human resources serve as the key to our implementing the growth strategies drawn up for our respective fields of business looking toward achieving top-line gains. Under our medium-term management plan, we have set a 25% target for DX-related sales as a proportion of net sales overall. To achieve that target, we have been accelerating our training of technical experts particularly with respect to the CAMBRIC fields and have accordingly moved up by one year our target of training 500 digital professionals, and are accordingly focusing on undertaking educational investment toward such ends. In addition, we are furthermore working jointly with our clients to create new solutions.

The DTS Group will also invest in efforts to address anticipated social changes that include transition to the new normal stemming from the COVID-19 pandemic. This will specifically involve actively considering options entailing investment in research and development seeking new solutions necessary to bring about changes in social behaviors.

## New solutions created jointly with our clients during the fiscal year ended March 31, 2020

- Store Intelligence  
(Data analytics services for retailers and physical stores)
- Pasteriot (Digital platform for manufacturing sites)
- Framework Housing Solutions Platform  
(Solutions for the housing construction industry)



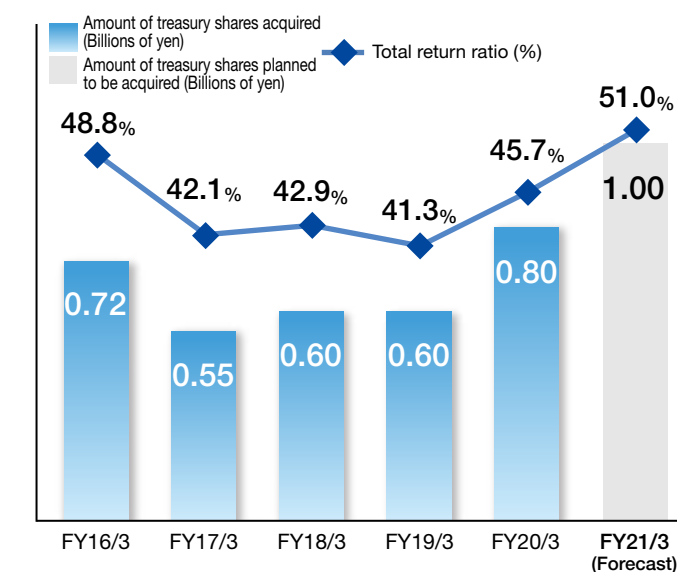
## Shareholder returns

## Maintaining a total return ratio of 45% or higher

The DTS Group regards the return of profits to shareholders and investors as one of the priority issues of management, and believes that medium- to long-term growth in corporate value is the largest source of profit return. The Company is working to pay stable dividends on an ongoing basis and implement a flexible capital policy such as purchase of treasury shares, aiming to ensure the return of profits to shareholders and investors in the medium- and long-term, after making a comprehensive consideration of results trends, its financial position and other factors as well as cash reserves needed for business expansion.

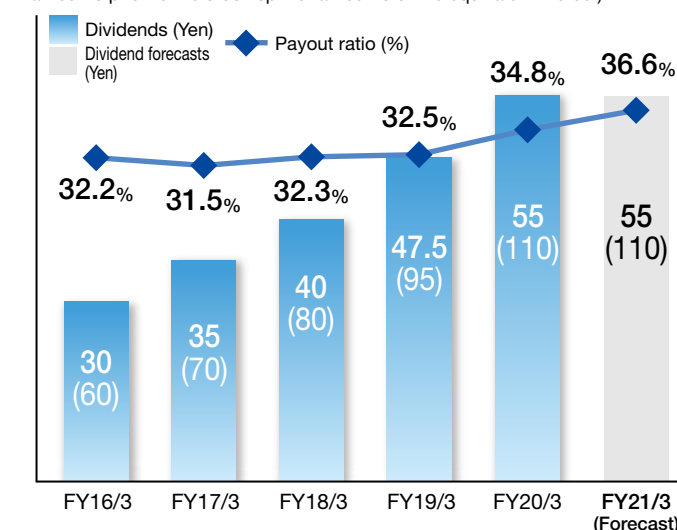
The annual dividend for the fiscal year ended March 31, 2020 was ¥55 per share.

## Total return ratio



## Dividends per share/Payout ratio

(The dividend amounts shown have been calculated upon having taken the stock split into account, and amounts stated in parentheses represent dividend amounts prior to the stock split or amounts of the equivalent thereof)





## Non-financial initiatives (ESG)

The DTS Group promotes ESG management and accordingly focuses on addressing environmental and social challenges as well as helping to achieve a sustainable society. In terms of the environment, the Group is building a framework for facilitating environmental management, promoting environmental activities including those that involve taking action to address climate change, and working to visually monitor environmental performance overseas. In addition, we have been shifting to the new era of workstyles by developing workplace environments that are mindful of work-life balance, which involves addressing

demands from society with respect to reforming workstyles, empowering women, and achieving diversity. We have gained recognition for our achievements from such initiatives, having been awarded Class 2 ERUBOSHI certification the Health & Productivity Management Outstanding Organization 2020 designation in October 2019 and March 2020, respectively.

With the aim of further increasing our corporate value, we have been strengthening our governance, continuing to promote ESG management and contributing to the achievement of the SDGs.

## Building a framework for promoting ESG management and SDG initiatives laterally across the Group

## ESG management



## FY20/3 (Actual)

- Established the ESG Promotion Office
- Assigned ESG Promotion Members to respective departments and Group companies in Japan
- Conducted surveys of SDG contributions with respect to all DTS projects

## FY21/3 (Target)

- Expand the scope of the Group survey of SDGs to encompass the Group's entire operations in Japan
- Enhance initiatives across the Group enlisting survey findings

## Shifting to flexible working styles in alignment with social transformations

## Work-style reforms



## FY20/3 (Actual)

- Overtime: 23 hours, 44 minutes per month
- Rate of usage of paid holidays: 75.5%
- Awarded Class 2 ERUBOSHI and certification and the Health & Productivity Management Outstanding Organization 2020 designation

## FY21/3 (Target)

- Overtime: 21 hours per month or less
- Rate of usage of paid holidays: 85% or higher
- Rate of telework particularly among head office employees: 50% or higher
- Systematization of telework and staggered working hours

## Initiatives to reduce environmental loads leading to global warming and other consequences

## Environmental conservation



## FY20/3 (Actual)

- Office CO<sub>2</sub> emissions (Scope 2): 3.1% reduction relative to the base fiscal year\*1
- Total paper use: 18.6% reduction relative to the base fiscal year
- Engaged in visual monitoring of Scope 3\*2 emissions

## FY21/3 (Target)

- Office CO<sub>2</sub> emissions (Scope 2): 10% reduction relative to the base fiscal year
- Total paper use: 55% reduction relative to the base fiscal year
- Expand visual monitoring of Scope 3\*2 emissions

\*1. The base fiscal year in both cases is the fiscal year ended March 31, 2019. The results are those of Group companies in Japan.  
\*2. This refers to carbon dioxide emitted from outside offices.

## Establishing highly transparent business practices

## Governance



## FY20/3 (Actual)

- Actively engaged with institutional investors in Japan and overseas
- Disclosed voting rights policy and integrated reports; improved convocation notices
- Summarized risks inherent in business operations at the Group; improved disclosure

## FY21/3 (Target)

- Identify new risks associated with the shift to telework and other workstyles under the new normal; overhaul management systems
- Review options for hybrid General Meetings of Shareholders that combine physical attendance and online participation

## Topics:

### Effects of COVID-19 on business operations and actions being taken to address the situation



The increasingly prolonged nature of the COVID-19 pandemic is resulting in customers curbing and postponing their IT investment. As such, the DTS Group will swiftly address social transformations while closely monitoring trends in Japan and overseas and placing top priority on the safety and security of its employees.

With the containment of the disease being prolonged, economic activity is on a recovery trend, but at a slower pace than initially expected. Full-year earnings results are likely to fall below those of initial projections, but earnings for the second half of the fiscal year are expected to exceed levels of the previous fiscal year, excluding effects of the change in fiscal year end for DIGITAL TECHNOLOGIES CORPORATION and under the assumption that performance will improve mainly in the fourth quarter. The primary effects of COVID-19 on the DTS Group and actions to be taken to address the situation are as follows.

## Effects of COVID-19 on the DTS Group and actions being taken to address the situation

## Financial results and dividend policy

## [Earnings performance]

- Sales for the first half of the fiscal year ending March 31, 2021 amounted to ¥43.59 billion, for a year-on-year decrease of ¥3.79 billion. We have downwardly revised our full-year earnings forecast and now project net sales of ¥92.5 billion and operating profit of ¥10.0 billion (as of October 30, 2020), despite having encountered gradual recovery of economic activity amid a scenario of the COVID-19 pandemic subsiding beginning in the second quarter.

## [Dividend policy]

- We intend to pay stable dividends and accordingly aim for a total return ratio of 45% or higher, in accordance with our dividend policy thus far.

## Business promotion including initiatives for new businesses

## [Carrying out initiatives for new business]

- As the state of society is changing due to the spread of COVID-19, we will accelerate and strengthen measures to adapt to this new generation known as the new normal that is shifting toward digital, online, remote, touchless and labor saving.
- We will actively work to create new solutions necessary to bring about changes in social behaviors.
- Our global business will persist in its efforts to enhance offshore development. We will also expand local business. Overseas business trips have been put on hold, but we will manage operations so business is not affected using web conferencing and other such means.

## Addressing new risks, etc.

## [Ensuring safe and secure workplace environments (measures to prevent further contagion)]

- We will painstakingly strive to prevent infection in our offices through efforts that include fully equipping offices with disinfectant and providing masks.
- Limit on travel and business trips, and refraining from social gatherings
- We will encourage telework, staggered working hours, and otherwise shift to working styles that result in less person-to-person contact.

## [BCP]

- We established the COVID-19 Countermeasure Division and are strengthening measures to prevent COVID-19 clusters.

## [Information security]

- We are strengthening and overhauling our information security measures in line with our shift to telework arrangements.

## Digitalization of business operations

## [Shift to remote development environments]

- We expanded the operation and application of the internal thin client environment, and created an environment where it is possible to carry out development that responds to customers' needs even when remote work.

## [Reform of internal systems and clerical work]

- In preparation for workstyle reform and improvements to business efficiency, we have been working on rationalization through the reviewing of work processes, as well as the rebuilding of in-house systems. As a first step, we have commenced operations of a base system for internal information sharing with the aims of integrating internal information and improving the effectiveness of searching for information by utilizing Business Intelligence (BI) tools.



# Business Overview of Each Segment

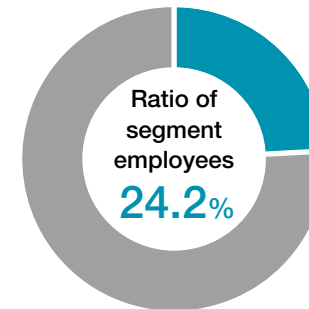
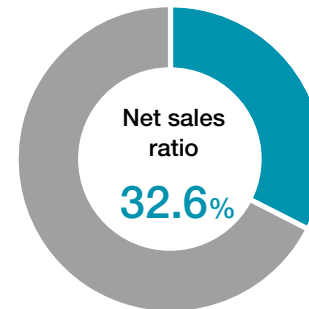
The DTS Group's business is comprised of four business segments. Thirteen Group companies are divided between each segment to conduct operations. The Company coordinates operations by segment to generate synergies and provide valuable services and solutions to customers.

## Finance and Society

P31 to 33

To clients in the finance field, which includes the banking, insurance and securities industries, and the public sector, which includes medical welfare, pensions, local governments and communications, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design and construction of platforms and networks and so on)
- Deployment, operation and maintenance etc. of in-house developed solutions



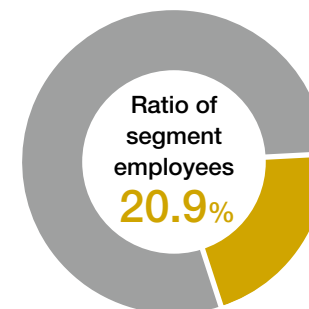
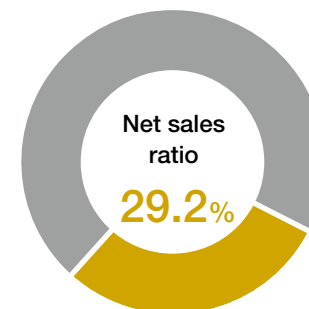
Contribution to society and clients

## Corporate Solutions

P34 to 36

To clients in the information services, manufacturing, retail, distribution, air transport and other industries, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design, construction and embedding of platforms and networks and so on)
- Deployment, operation and maintenance of in-house developed solutions and ERP solutions etc.



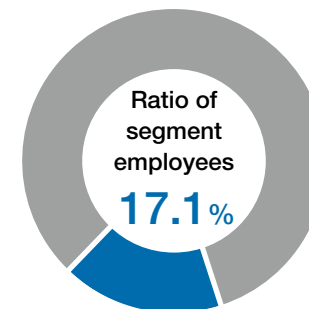
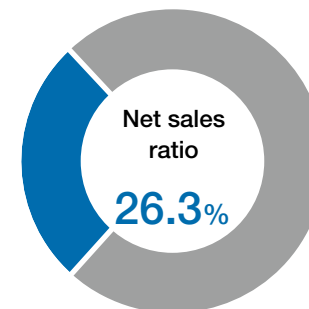
Provision of the DTS Group's value-added services

## Operational Infrastructure BPO

P37 to 39

The Group provides the following services to clients in a wide range of industries.

- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring operations
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Sales of system equipment, etc.



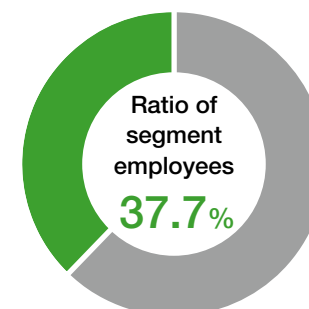
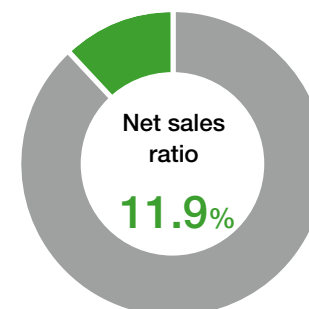
Business coordination between groups (Generation of synergies)

## Regional, Overseas, Etc.

P40 to 44

To clients such as regional companies and overseas companies developing globally, the Group provides the following services.

- Design, development and maintenance of systems, and deployment of solutions including in-house developed solutions
- Educational services in the IT field, etc.
- Outsourcing services, and design, development, operations, maintenance etc. of software



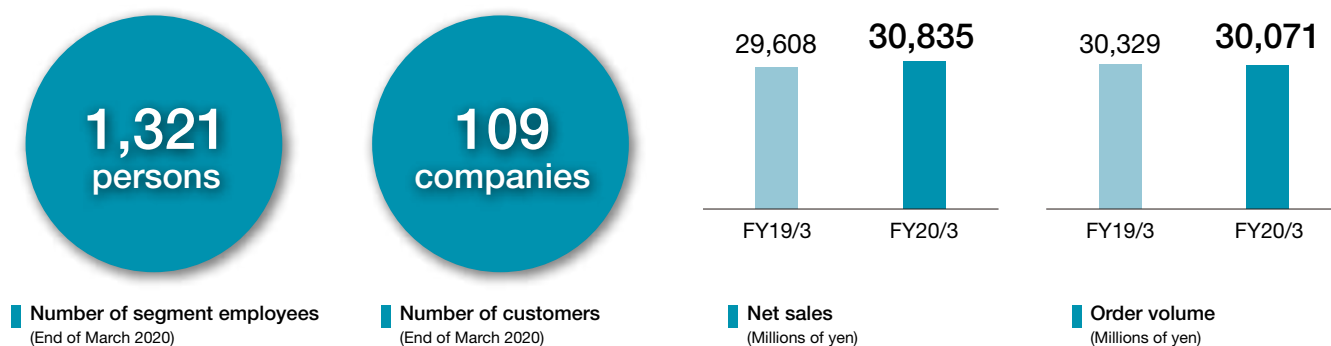
\*Group companies that are not included in the above segments included non-consolidated special subsidiary, **DTS パレット**, conducting BPO services for Group companies.



## Finance and Society

### Supporting solutions to increasingly sophisticated issues in the finance field and the public sector using industry-leading expertise and track record

To clients in the finance field, which includes the banking, insurance and securities industries, and the public sector, which includes medical welfare, pensions and local governments, the Group provides system consulting, system development, and operation services. Furthermore, the Group creates new value by solving various social issues using digital technologies such as AI.



#### Strengths in Finance and Society

**Over 40-year track record in the finance field and industry-leading operational expertise**  
**Strong track record, specialist knowledge and technological capabilities, along with trust relationships with customers in the public sector**

- Finance field**
- Since its founding, the Group has built a track record of more than 40 years in developing and maintaining general systems for the finance business, such as banking, trust banking, and securities.
  - Engineers with high-level financial operation knowledge deal with large-scale system integration and system reconstruction, and so forth.
- Society field**
- The Group has high-level operational knowledge and a wealth of experience and achievements in development in the fields of life insurance, pensions, life and non-life insurance, pensions, government agencies, local governments, and medical welfare.
  - Scale due to solid track record with major customers and strong trust relationship

#### Business environment (Review of the fiscal year ended March 31, 2020 and outlook for the fiscal year ending March 31, 2021)

In the fiscal year ended March 31, 2020, sales increased due to increases in large-scale projects in the finance field.  
 In the fiscal year ending March 31, 2021, the Group will expand SoE and digital business for banks and insurance companies.

In the fiscal year ended March 31, 2020, net sales in Finance and Society increased by 4.1% year on year to ¥30,835 million, mainly reflecting firm progress on the renewals of core system of a governmental financial institution and a sales terminal system for an insurance company. For the key activity of “strengthening sales capabilities and systems integration capabilities” in the current medium-term management plan, the Company promoted offshore business using its overseas subsidiaries and took steps to strengthen cost competitiveness.

On the other hand, for the fiscal year ending March 31, 2021, the number of projects at mega banks and life insurance companies is

expected to contract due to restrained investment in conventional systems among financial institutions and the impact of COVID-19. Even under this environment, concentrated investments in digitalization are expected in the banking and insurance industries. The Group will therefore engage in projects with new development methods, such as agile, which it has been working with from the past, promoting expansion of the SoE and digital business, while concentrating on development of human resources competent in DX technologies such as AI and the cloud. Furthermore, in medical and healthcare, the Group expects the shift to online interaction to accelerate, and therefore will expand its development of systems that contribute to health and longevity.

## Finance

Over 40-year track record and expertise in the finance field, offering support for large-scale projects through to overseas expansion



### Medium- to long-term growth strategies

Cashless settlement expected to complete the cycle, and mobile services expected to expand.  
 Strengthening training of development engineers while responding to the post-COVID-19 new normal.

Advances in FinTech will spark transformation in the finance industry. As the population of mobile banking service users increases, services are expected to expand, and progress on telework, labor-saving, and automation will accelerate towards the new normal after COVID-19. In response to this external environment, we will implement the items on the right in the finance field.

- Expand the number of staff working in business process analysis and RPA to 200
- Strengthen the number of experts in cloud services, smartphone apps, VDI, and communication tools
- Train human resources to be system architects
- Strengthen training of human resources to engage in development of new technologies to support solutions

#### Medium-term initiatives

**Fusion of finance industry expertise and advanced technologies such as AI and RPA**



The Company is combining FinTech-related technologies, such as AI (for natural language processing) and RPA software (for automating routine operations), utilizing its industry-leading finance expertise to provide operation streamlining services for the new normal. Furthermore, the Company also provides support for management of expanding RPA assets and their effective utilization based on usage statistics.



#### Track record in RPA introduction

- Introduction of RPA, mainly at financial institutions
  - Elimination of personalization through visualization of operations and operation efficiency improvement
  - Shortening of work time and creation of time for persons in charge
  - Elimination of operational errors through automation of manual operations
- Coordination of business process analysis tools

#### RPA asset management

- Reduction of RPA without a manager through asset management
- Effective use of RPA through usage statistics analysis

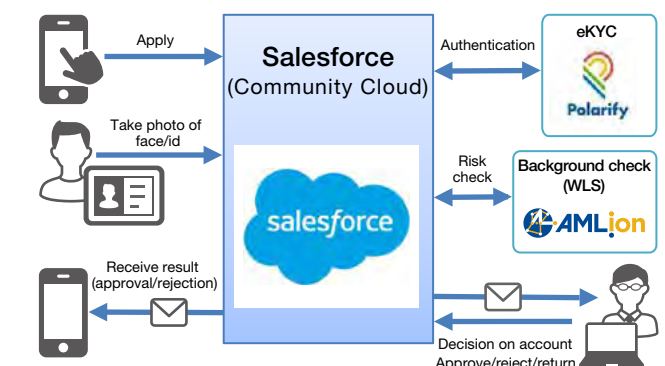
#### Long-term initiatives

**Supporting increasingly complex and sophisticated financial institution operations such as compliance and money laundering countermeasures with high-level expert knowledge and the latest technologies such as AI**



The issues surrounding the finance industry grow more sophisticated and advanced year after year, including increased regulations in Japan and overseas such as compliance, as well as anti-money laundering (AML) measures in response to increasing sophistication of financial crime globally.


DTS supports solutions for clients' issues by combining operational knowledge and expert IT knowledge cultivated over many years with authentication using AI (for image recognition and natural language processing) and IP address tracking functions. In addition, we are working on research into using new technologies in the finance business, and promoting service provision including overseas solutions.






Society


A strong track record and operational expertise in the development and maintenance of systems in the public sector




Life insurance




Non-life insurance




Medical welfare




Pension/annuities



Mutual aid



Government agencies & municipalities



Telecommunications carriers

Medium- to long-term growth strategies

Rapid growth of the mobile healthcare market due to falling birthrate and aging population  
Digitalization of the medical industry such as non-contact medical care, partly due to the impact of COVID-19

In terms of the numbers of workers by industry, by 2030 medical welfare is expected to exceed wholesale and retail. It is projected to grow into an industry that is comparable to manufacturing. However, the overall management situation for medical institutions is adverse, and efficiency gains and cost reductions are an urgent priority.

In addition, partly due to the impact of COVID-19, non-contact (online) medical cares seem likely to play an important role.

In response to this external environment, the Company will promote the measures on the right in the society field.

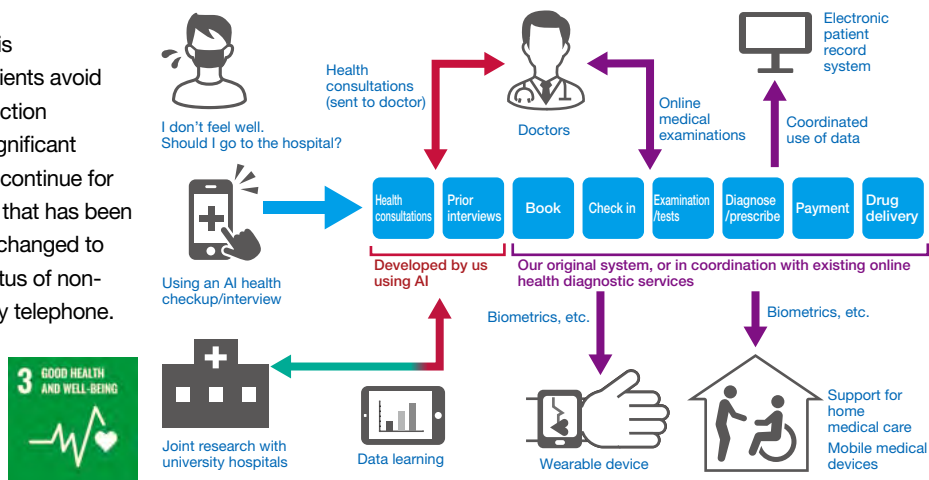
- Response to digitalization of the medical field, such as non-contact health consultations, prior interviews, and online medical examinations
- Initiatives for solutions combining medical and AI



Medium-term initiatives

Integrated solutions connecting health consultations, prior interviews, and online medical examinations  
Response to the new normal of the medical industry, such as non-contact (online) medical examinations

Financial condition of medical institutions is deteriorating, with a fall in revenues as patients avoid consultations and increasing costs for infection countermeasures. COVID-19 has had a significant impact. These conditions are expected to continue for some time. The face-to-face medical care that has been taken for granted before has unavoidably changed to non-contact medical care. The current status of non-contact medical care is operated mainly by telephone. Going forward, however, we expect online medical care to become the main method. We are therefore taking steps to shift medical care online, including health consultations and prior interviews.



Long-term initiatives

Realizing health consultations and prior interviews conducted by AI (machine learning)  
Conduct efficient medical examinations and prevent overwork among medical professionals

Work-style reform in the medical industry is lagging far behind other sectors, with over 40% of physicians working more than 60 hours per week. The problem of long working hours has become entrenched in medical institutions.

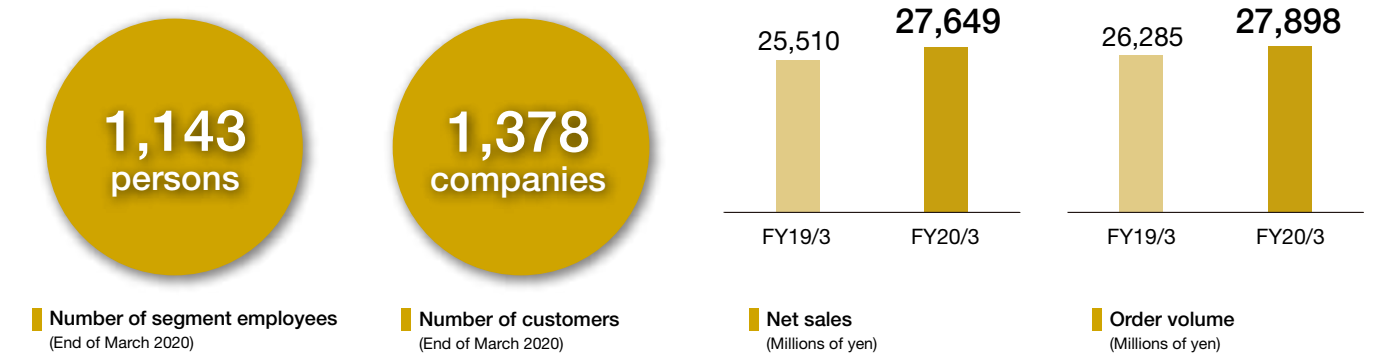
Introducing DTS's AI (machine learning) for health consultations and prior interviews to conduct triage screening to identify people who need to visit hospital will help to prevent excessive work for medical professionals, shorten waiting times for patients, and prevent cases from deteriorating to a serious condition.





Contribution to society through provision of optimal systems and the latest technologies to various industries

The Company provides support for building industrial infrastructure in the retail and distribution sector using the latest technologies and automation tools. In the manufacturing sector, we provide total solutions for rationalization and increasing efficiency. We are also upgrading infrastructure in the air transport industry. In addition, we are working to solve social issues using the latest technologies, such as reducing environmental impacts in the housing industry and using big data in the medical field.



Strengths in Corporate Solutions

Wealth of operational knowledge and development track record in diverse industries including retail, distribution, air transport, and manufacturing  
Supporting DX in in-vehicle and medical fields, mainly through development of embedded systems

Corporate field

- ◎ Wealth of operational knowledge and construction capability in retail, distribution, and air transport industries
- ◎ Strong development track record in systems for managing ordering and product development for major manufacturers. Provision of total solutions combining IoT and big data (AI and BI) form the production planning stage through to manufacturing and sales
- ◎ Solution lineup covering large-scale to medium- to small-range, including in-house packages, SAP, and intra-mart

Embedded systems field

- ◎ Provision of in-house products in the in-vehicle and embedded systems fields, such as development support tools and testing and production support tools
- ◎ Strong track record in measurement control systems and contracted development of hardware and firmware and so forth in the medical field

Business environment

(Review of the fiscal year ended March 31, 2020 and outlook for the fiscal year ending March 31, 2021)

In the fiscal year ended March 31, 2020, housing-related and SAP projects expanded.  
In the fiscal year ending March 31, 2021, we are aiming for growth in SAP S/4 HANA migration and new solution projects.

In the fiscal year ended March 31, 2020, net sales in Corporate Solutions increased by 8.4% year on year to ¥27,649 million, mainly reflecting strong progress of projects including development of housing-related core systems. In addition, smart factory solutions projects for the manufacturing industry and SAP license sales for the wholesale industry expanded.

For the fiscal year ending March 31, 2021, although the orders are expected to contract in air transport, retail, and manufacturing due to the impact of COVID-19, the Company expects a firm progress since strong activity with accelerated migration in every industry from existing products to SAP S/4 HANA is expected due to the end of support for SAP ERP. In addition, investment is expected to continue for strengthening demand production, automating and optimizing operations, and diversifying and decentralizing supply chains. The Company aims to capture this demand and expand solutions using the latest technologies, such as AI and IoT.



Corporate Solutions

Total provision of optimal systems and the latest technologies to various industries and business



Medium- to long-term growth strategies

Preparing companies for the 2025 problem. Priority on building systems and strengthening response capability

Support for SAP ERP will end in 2025 (with extended support until 2027). This SAP 2025 problem is expected to put pressure on many companies to renew their core systems. In 2025, 60% of companies' core systems will have been in operation for 21 years or longer. An increasing number of companies are therefore expected to be considering renewal. The Company will respond to this external environment in the following ways.

- Strengthen human resources (proposal staff, large project promotion staff, core human resources)
- Promote global business
- Attempt large-scale projects
- Strengthen systems for winning prime projects
- Increase ability to respond to emerging new customer needs

Medium-term initiatives

Joint development of core operation system with housing construction company YAMADA HOMES  
Start of sales as in-house solution

DTS jointly developed a core operation system with housing construction company YAMADA HOMES Co., LTD., and provided it to YAMADA HOMES in March 2020.

DTS has been providing various CAD-related solutions for housing construction and home builders for about 20 years, mainly the "Walk in home" housing space 3D presentation software. Now, DTS and YAMADA HOMES have jointly developed a core operation system for the housing construction industry as a new business. The new system has been launched for sale as an in-house solution. In addition, we will offer clients in the housing industry total solutions combining "Walk in home," "DataStudio@WEB," "GalleriaSolo," and other in-house software with other companies' software for accounting, human resources, and so forth.

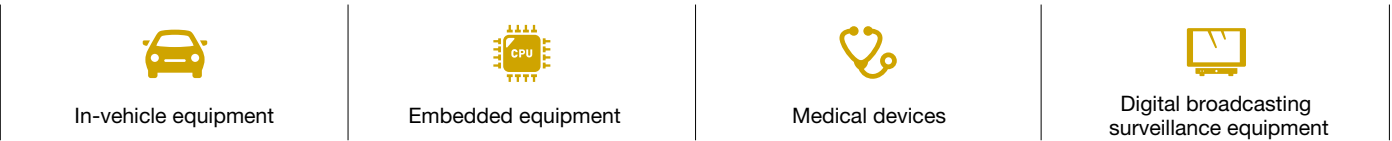
Long-term initiatives

DTS Connected Industries, connecting the manufacturing industry with IT  
—Realizing DX at manufacturing sites using the power of IoT and AI—

Sales of the IoT platform "Pasteriot," which supports digitization of manufacturing sites (edge), commenced in April 2020. Pasteriot enables visualization of the entire factory in real time, and productivity is improved, and management costs reduced by constraining with rules and AI. It make it possible to digitize the skills and expertise that have previously depended on the experience and intuition of workers at manufacturing sites, realizing operation efficiency and productivity gains while accelerating skills transfer and human resource development.

Embedded systems

Supporting DX in in-vehicle and medical fields, mainly through development of embedded systems



Medium- to long-term growth strategies

Increasing demand for development in automated driving and peripheral fields  
Priority on securing materials and creating new services and businesses

The automotive product market is expected to see continued growth in Tier 1 and Tier 2 capital investment. In addition, the automotive contracted services market is also expected to see an increase in demand for development, such as automated driving and peripheral fields. However, the medical market is expected to be sluggish, with a continued soft trend in investment during the medium-term management plan period. In response to this external environment, we will implement the items on the right in the embedded system field.

- Increase competitiveness within the industry
- Secure high level engineering personnel
- Create new products and services
- Concentrate and develop services for the development business of in-vehicle and mobility overall, capture evolution of medical technology, and shift technology towards major medical technology

Medium-term initiatives

RISC-V, the next generation processor for IoT devices  
Provide system LSI design, testing and prototype services

The new RISC-V processors will drive the DX/IoT business. As the general agent in Japan for SiFive in the United States, we provide total services around RISC-V processors, from Core IP sales through to system LSI design, testing, and prototyping services, as well as hardware design and manufacture, OS porting, driver development, and application development, contributing to the development of higher quality embedded systems.

Long-term initiatives

CASE, a technological innovation that is transforming the concept of the automobile  
In-vehicle development for realizing a society with advanced mobility

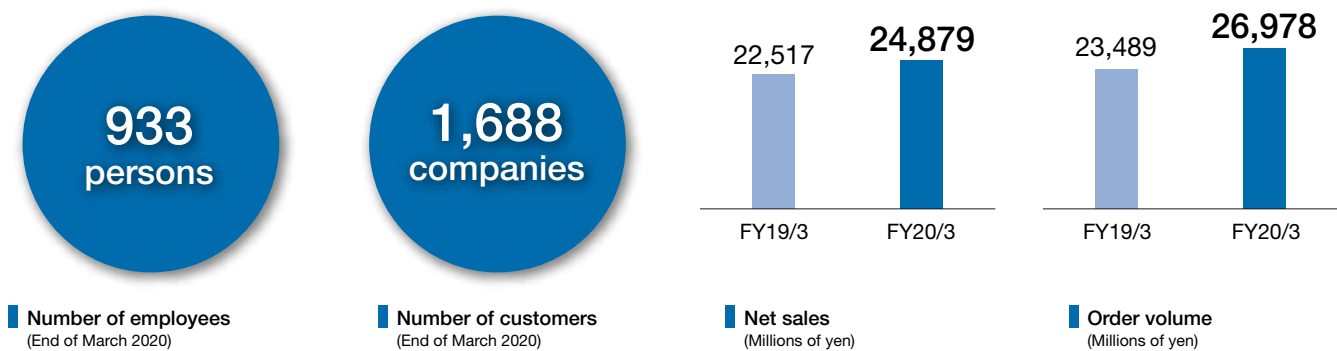
CASE is an acronym describing technological innovations on the themes of Connected, Autonomous, Shared & Services, and Electric. The Company will leverage its accumulated technologies and trust in the area of in-vehicle development to combine the four technology elements that make up CASE and accelerate development towards realization of Mobility as a Service (MaaS) for building safer, more comfortable, and highly convenient next-generation mobility services.





Operational and BPO services provide total support for routine day-to-day work

Our systems operation specialists solve problems for clients to optimize the operation of their systems. In addition, we offer BPO services that can support clients’ work processes, or specialists highly experienced in improving work procedures can use Robotic Process Automation (RPA) to offer proposals for automating tasks and improving work processes.



**Strengths of Operational Infrastructure BPO**

**Operational infrastructure field**

- Draws on more than 40 years’ experience and know-how to rapidly construct a high-quality operational structure. Supports all domains associated with systems operation. Also leverages our independent strengths to provide a wide array of operational design, construction, operation, and operational monitoring services ranging from on-premise and cloud-based servers to virtualization systems, according to clients’ needs.
- Provides a single, integrated service from design to construction of system infrastructure.
- Enables one-stop provision of servers, PC terminals, etc.

**BPO field**

- Offers total support for a variety of work, including assistance for sales, and help desks, and support for introduction of RPA.

**Frees clients from cumbersome systems operation work and ensures efficient, optimized operation**

**Solves clients’ IT strategy problems using up-to-date technology and know-how regarding work processes**

Business environment (Review of fiscal year ended March 31, 2020 and outlook for fiscal year ending March 31, 2021)

In the fiscal year ended March 31, 2020, net sales were on a par with the previous fiscal year; in the fiscal year ending March 31, 2021, we are aiming for higher sales due to an increase in 5G and other projects for the telecommunications industry

Net sales for the fiscal year ended March 31, 2020 amounted to ¥24,879 million, a 10.5% increase year on year, reflecting strong performance primarily in operation management projects associated with cloud-based services for domestic telecommunications carriers, as well as the effects of a change in the accounting period of DIGITAL TECHNOLOGIES CORPORATION.

During the fiscal year ending March 31, 2021, although curbs

on investment as a result of COVID-19 are a potential risk, in the telecommunications sector we are expecting demand related to augmentation of communications infrastructure, particularly for remote business, as well as increased investment in IT for development of new services and businesses employing 5G and DX. Within this environment, the DTS Group aims to grow sales mainly by increasing the number of projects it handles, with a focus on manufacturers and telecommunications carriers.

Operational Infrastructure

Freeing clients from cumbersome systems operation work and ensuring efficient, optimized operation



Medium- to long-term growth strategies

90% of IT budgets to be spent on maintenance and operation. Strengthen collaboration with business partners and develop new business

Japan faces a problem in 2025: it is said that 60% of companies will have been operating their core systems for 21 years or more, and the number of companies forced to renovate their systems is expected to increase. And, in addition to such renovation, it is predicted that factors such as work-style reforms and shortage of personnel will result in 90% or more of corporate IT budgets being spent on systems maintenance and operation. In response to this external environment, we are implementing the following

in the operational and BPO fields:

- Strengthening channels for developing new business categories and new customers
- Further strengthening collaboration with cooperating business partners and discovering new business partners
- Employing DX technologies, automation, and labor-saving measures

**Medium-term initiatives**

**Support customers in freeing themselves from legacy systems that suffer from aging technology, complexity, and “black boxing.” Improve productivity of customers through unified management of platforms and standardized processes.**

In March 2020, DTS signed a partnership agreement with ServiceNow, Inc., the operator of the ServiceNow® platform, which is attracting worldwide attention in the field of IT service management platforms. ServiceNow is a cloud-based platform for companies that provides digital workflows capable of realizing companies’ productivity. By integrating the ReSM plus infrastructure of DTS with an ICS platform constructed using ServiceNow, integrated management of a complicated environment has been enabled through a unified management process and high operational efficiency. This has enabled customer companies’ IT departments to improve employees’ productivity, while enabling their operational departments to create environments to focus on business.

**Customer** IT departments → General affairs /human resources → Operational departments → Environments in which employees can focus on business → Contribution to improving employees’ productivity

**Simple and integrated provision of multiple convenient services**

**<ReSM> Service integrator**  
Integration of the management of a complicated environment of IT services has been enabled through a unified management process and high operational efficiency (automation)

**servicenow**

**Employee support desk** | **System operation management**

Support portal | Support desk | Coordination with other-party services | Design architecture | Operational monitoring | Coordination with other-party services

**Improved productivity for employees (client)** | **Improved productivity for system (server)**

**Long-term initiatives**

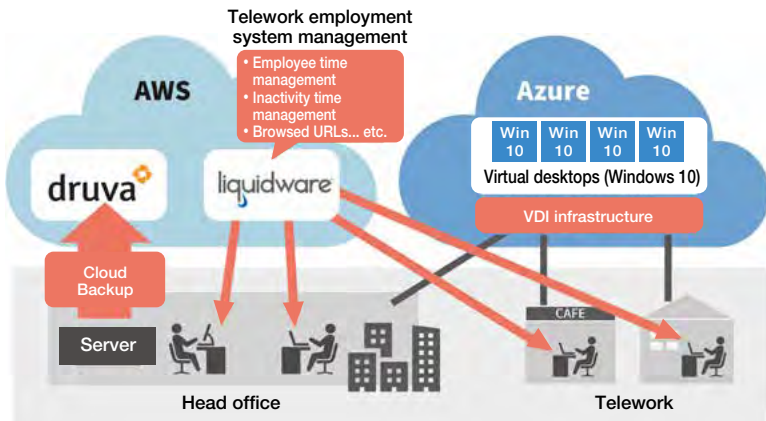
**Provide office reform outsourcing services**

To create a society in which all kinds of people can play an active role, we will increase our services that help to reform workstyles by reforming offices. This will entail provision of office reform outsourcing services, including through remote monitoring using ReSM and introduction of RPA.



Use DX technologies to support  
workstyle solutions and the shift to  
the cloud

Aiming to contribute to the early realization of a sustainable society through use of IT (DX), we are seeking to expedite use of the cloud to improve efficiency throughout society. To that end, we are supporting the construction and operation of the widely used cloud-based services Amazon Web Services and Microsoft Azure, and alleviating the burden on companies of operating cloud-based and other services by providing outsourcing services.



DIGITAL TECHNOLOGIES CORPORATION

As a trading company specializing in IT, DIGITAL TECHNOLOGIES CORPORATION engages in sales of software and system equipment (servers, storage devices, networks, and security products) as well as in the construction of related infrastructure. The company carries a large lineup of equipment from both domestic and overseas manufacturers.

BPO

Providing total support for a variety of work, including assistance for sales, and help desks



BPO



Card security

Medium- to long-term growth strategies

Draw on our experience in system development and operation for clients engaged in a variety of business types to support improvements in their productivity and operational efficiency

As of December 2019, the size of the IT-related BPO market (on a business operator sales basis) in the fiscal year ending March 31, 2023 was predicted to be ¥2,800 billion, while the size of the non-IT-related BPO market (on the same basis) was predicted to be ¥1,873 billion; both markets were therefore forecast to grow. Moreover, as a result of the COVID-19 crisis, work-style reforms are accelerating more than ever and demand for BPO services

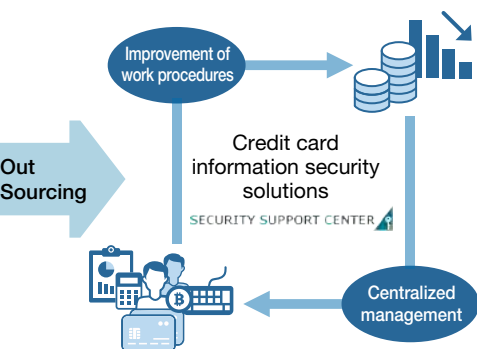
involving outsourcing of non-core tasks is expected to increase with a view to improving productivity and operational efficiency. To respond to these needs, we will continue to steadily expand our outsourcing services targeting help desks, kitting, and a variety of other work outside the IT domain.

Medium-term initiatives

Prevent leaks of credit card information and unauthorized use

Service overview

- Customer management
- Customer response
- Billing management
- Dispatch of various documents



Revisions to Japan's Installment Sales Act in September 2018 made it compulsory for all business operators handling credit card information to strictly manage the environment and security measures for handling such information. DTS securely processes data including application forms containing credit card information on behalf of customers within a high-security environment conforming to payment card industry data security standards.



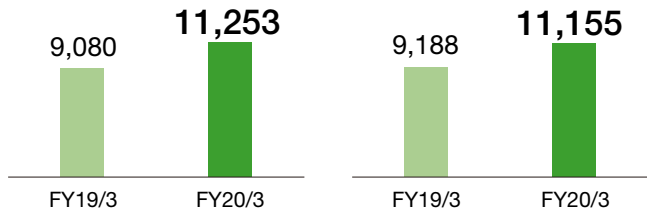
Regional, Overseas, Etc.

Providing solutions to clients such as regional companies and overseas companies developing globally

The 13 Group companies, made up of eight (including DTS) in Japan and five overseas, all leverage their own strengths as they collaborate to respond to a variety of IT-related needs. The DTS Group's 13 companies work in unison to provide clients with valuable solutions that are both optimal and up-to-date.



Number of employees  
(End of March 2020)



Net sales  
(Millions of yen)

Order volume  
(Millions of yen)

Strengths of  
Regional, Overseas, Etc.

Develop a network in Japan and overseas that extends beyond areas around capital cities to include other regions. Strengthen our global network to support the expansion of our customers' global businesses.

- Regional field**
  - Promotes nearshore development at regional subsidiaries.
  - Offers services including system integration services and implementation of solutions for local governments and local companies.
- Overseas field**
  - Promotes offshore development and BPO services at overseas subsidiaries.
  - Provides system integration services to clients that are Japanese-owned corporate enterprises expanding globally.
  - Provides solutions for global financial business at overseas subsidiaries.
- Others**
  - Education and training, skills development, and consultation in the IT field (→ P50).

Business environment (Review of fiscal year ended March 31, 2020 and outlook for fiscal year ending March 31, 2021)

In the fiscal year ended March 31, 2020, sales increased due to stable performance in the regional field and the new consolidation of Nelito

In the fiscal year ending March 31, 2021, we aim to expand by strengthening sales activities in regional locations

In the fiscal year ended March 31, 2020, net sales in the Regional, Overseas, Etc. segment were 19.6% higher year on year due to factors including a strong performance in the regional field and the conversion into a subsidiary and new consolidation of Nelito Systems (Mumbai, India). In June 2019, aiming to expand our global business in the financial business domain, we acquired additional shares in Nelito Systems, which commands competitive strengths in solutions for financial

institutions, and made it into a new consolidated subsidiary. In July of the same year, we acquired more shares of the company, taking our shareholding ratio to over 98%.

In the fiscal year ending March 31, 2021, in addition to new consolidation of subsidiaries in the overseas field, we aim to expand by strengthening sales activities in regional locations within Japan.





JAPAN SYSTEMS ENGINEERING, DTS WEST, and KYUSHU DTS solve regional issues

The three companies in the DTS Group’s regional unit (JAPAN SYSTEMS ENGINEERING, DTS WEST, and KYUSHU DTS) proactively offer their services not only in the area around Tokyo, but also in regional locations. The three companies also engage enthusiastically in projects contributing to local communities in the regions where they operate.

**JAPAN SYSTEMS ENGINEERING CORPORATION**

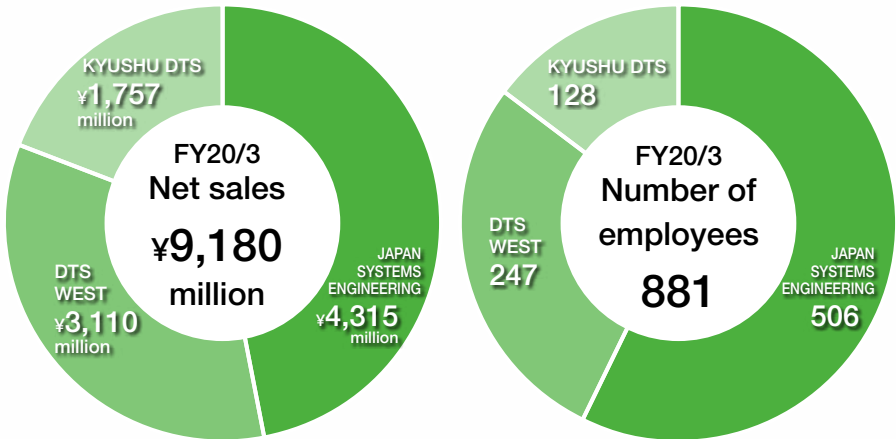
Having established development sites in Sapporo, Tokyo, and Numazu, JAPAN SYSTEMS ENGINEERING CORPORATION is primarily engaged in a range of activities extending from system proposals for wholesale, retail, insurance, securities, and local governments, to design, development, infrastructure construction, and operation and maintenance. It has a particularly extensive track record in sales administration.

**DTS WEST CORPORATION**

DTS WEST CORPORATION offers system integration services to customers including organizations involved in firefighting and disaster prevention, manufacturers, and local governments, primarily in Osaka, Kyoto, and Nagoya. The company is also engaging in new businesses focused on CAMBRIC technologies such as RPA, AI, and cloud computing.

**KYUSHU DTS CORPORATION**

KYUSHU DTS CORPORATION, with its origin being in the Kyushu region of Japan, engages in system integration services in various fields such as financial instructions, enterprises, and public sectors. In particular, in the financial field the company has a track record that includes helping megabanks and regional banks develop accounting- and information-related projects. The company is also able to provide nearshore support for the development for enterprises and financial institutions.



**Example project**

**Contributing to sustainable cities and communities as part of Kansai-wide initiatives**

In 2019, DTS WEST joined the Kansai SDGs Platform, engaging in a range of Kansai-wide initiatives to achieve the UN Sustainable Development Goals.

In December 2019, the company received the “Kyoto city Brilliant area enterprise award,” a category of awards that Kyoto city grants to regional companies, in recognition of initiatives such as the development of disaster prevention information systems for Kyoto city’s fire department and Kyoto city.

**Example project**

**Provision of a multilingual AI chatbot\* service for local governments and universities that can handle five languages**

As part of its efforts to create new businesses, DTS WEST is providing a solution for local governments named “kotosora,” which enables use of an automated FAQ system employing AI that can handle five languages (Japanese, English, Chinese, Korean, and Spanish).

In April 2020, the company contributed to society by providing this solution free-of-charge to universities as a tool to help those educational institutions that were struggling to implement measures to combat COVID-19 and deal with related inquiries.

\* Chatbot: A program that allows an AI-enabled computer hold conversations in place of humans.

Newly created character “kotosora”

**Growth strategy**

**Demand for systems engineering has increased due to customer needs shifting from labor-intensive businesses to service-oriented businesses**

**We will reinforce our efforts to build relationships with major companies in regional locations and collaborate on businesses with them**

Customer needs in the regional field have been shifting from labor-intensive businesses to service-oriented businesses. Furthermore, amid a lack of IT engineers throughout Japan, the number of inquiries regarding development projects among IT companies in regional locations has increased, resulting in high demand for system engineers in the regional field, as in other fields. We are keeping abreast of these changes in the external environment and implementing the initiatives to the right.

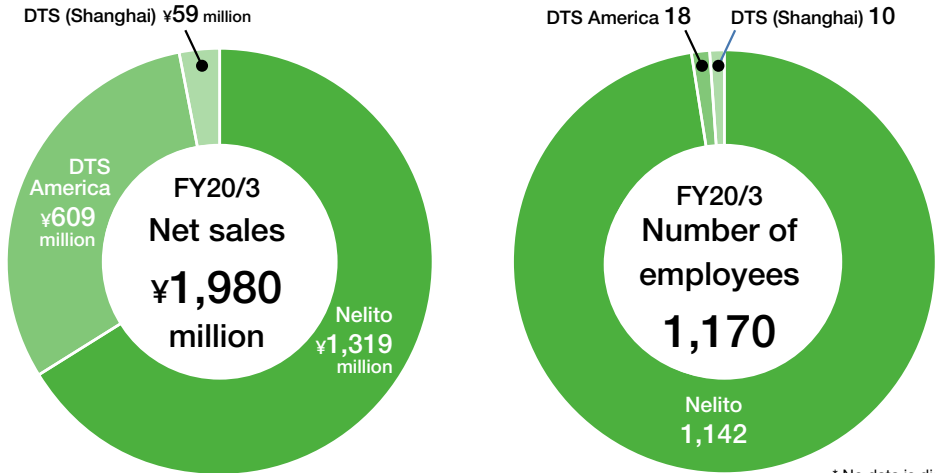
- Building relationships and collaborating on businesses with major companies in regional locations
- Establishing a broad business foundation
- Expanding our business domains (through new customers and new domains)
- Taking on the challenge of service-oriented businesses
- Strengthening our ability to make proposals
- Exploring nearshore and offshore options



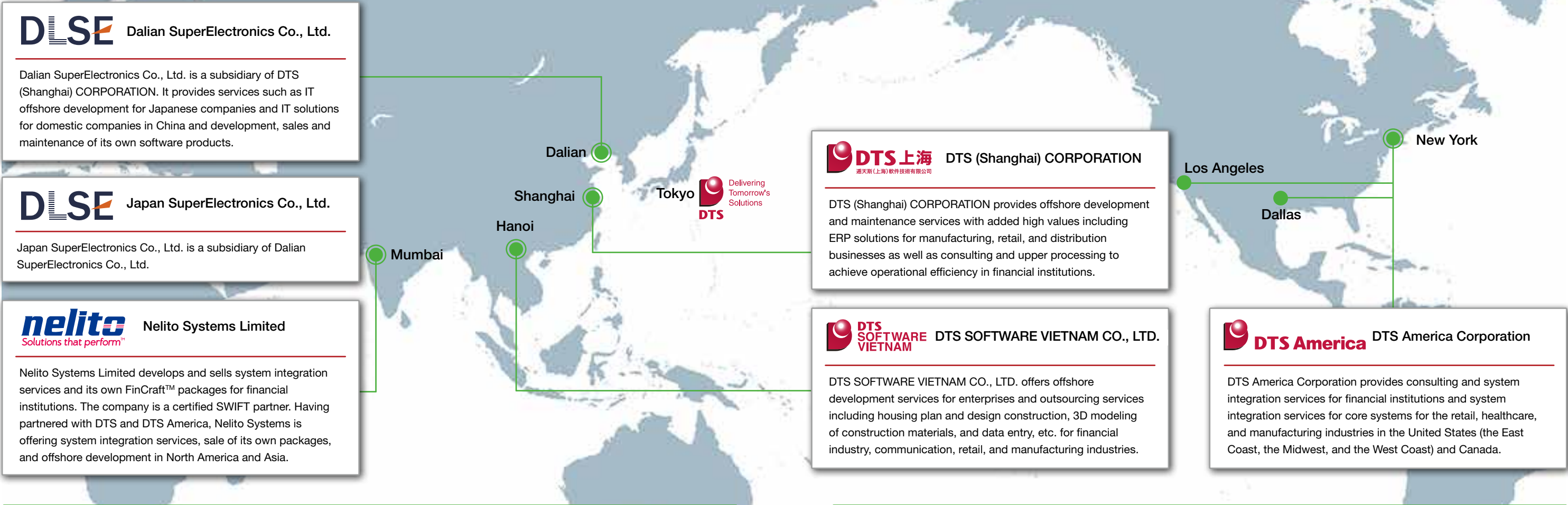


Viewing its global business as a key challenge; the DTS Group is accelerating business expansion, focusing particularly on India, China, Vietnam, and North America

In 2007, we started full-scale provision of system integration services to clients that are Japanese-owned corporate enterprises expanding globally, supporting clients in a wide range of fields. Aiming to strengthen our global competitiveness, we will continue to provide solutions addressing clients' requests.



\* No data is disclosed for DTS SOFTWARE VIETNAM or Dalian SuperElectronics, as these are non-consolidated subsidiaries.



**Example of social issue**

Using the FinCraft™ microfinance IT solution to support people who face economic challenges

Nelito Systems Limited is contributing to SDGs-related initiatives by providing IT solutions for microfinance as part of its own lineup of FinCraft™ packages. Microfinance is a financial service that provides small loans to people who face economic challenges, facilitating their economic independence. In addition to providing this solution to companies that support female entrepreneurs in remote areas in India, Nelito is also undertaking sales activities in countries within Southeast Asia and East Africa.

**Growth strategy**

We will respond to increasingly globalized customer needs with our organizational strength and aim for non-organic expansion of our overseas business

While the IT market within Japan is experiencing a slowdown, IT investment overseas is expected to grow strongly. In addition, the lack of IT personnel in Japan has become more acute, making it imperative for us to build up our offshore development capability and consider hiring non-Japanese personnel in Japan. Meanwhile, it is predicted that the increasing globalization of DX will give rise to a succession of new technologies and solutions.

We are implementing the following in the overseas field:

- Strengthening the business foundations at individual site
- Reinforcing services regarded as strengths in our overseas business
- Strengthening our ability to pick up on overseas products
- Development of personnel who can work globally



We will contribute to the achievement of the SDGs through ESG management and corporate activities, aiming to create new value unique to the DTS Group.

E: Environment

P47 to 48



Looking ahead, we will promote activities to reduce our environmental impact, such as reducing CO<sub>2</sub> emissions and creating a paperless environment, aiming to establish the DTS Group's reputation for being people and environment friendly.


- Group environmental policy, environmental management promotion structure, and initiatives for climate change, etc.

S: Social

P49 to 56

The DTS Group is shifting towards workstyles for a new era, including work-style reforms, promoting women's participation and advancement in the workplace, and realizing diversity. Moreover, we are actively participating in social contribution activities.

- Transformation of corporate culture to embrace challenges, development of human resources capable in DX and global settings, promotion of work-style reforms, health management, and social contribution activities, etc.



G: Governance

P57 to 70

Based on the external environment, we will strengthen governance by aiming for fair, efficient, shareholder-focused management and ensuring highly transparent management.

- Corporate governance system, effectiveness of the Board of Directors, risk management system, BCP, compliance, etc.









Resolving global environmental issues such as climate change and realizing a sustainable society are urgent priorities for all of humanity. Since 2005, the DTS Group has worked continuously to reduce its environmental impact, with seven Group companies in Japan acquiring ISO 14001 certification. Looking ahead, we will continue our environmental activities, aiming to establish the DTS Group’s reputation for being people and environment friendly.

Establishment of Group Environmental Policy

### DTS Group Environmental Policy

The DTS Group recognizes that preservation of the global environment is an important priority for all of humanity, and as a company with responsibility of the society of the future, we are voluntarily taking measures as we carry out our business activities (total consultation on IT systems, software development, and system operations, etc.)

#### 1. Ensure environmental consideration in business activities

The DTS Group will ensure environmental consideration in its business activities and strive to prevent pollution and promote resource-saving efforts in order to realize a resource- and energy-saving, sustainable society that is environment and people friendly. Furthermore, by selecting materials to use in business, we will give consideration to biodiversity.

**Main initiatives**

- Reduction of resource and energy consumption
- Promotion of recycling and reduction of waste
- Promotion of green procurement
- Provision of new social infrastructure based on IT

#### 2. Compliance with environmental laws and regulations, etc.

#### 3. Efforts to increase awareness of employees

#### 4. Maintenance and continuous improvement of the environmental management system

Building an environmental management promotion structure in the Group

The DTS Group has built environmental management systems at seven Group companies in Japan, which have acquired ISO14001 certification. Led by top management, the general managers of each business sector and the directors of Group companies serve as EMS promotion officers to promote environmental management in each sector and company. Moreover, to promote initiatives to reduce environmental impact,

such as groupwide climate change countermeasures, the EMS Promotion Liaison Meeting is held to ensure that measures for increasing environmental performance are being implemented.

Going forward, we will strengthen greenhouse gas emission reduction efforts across the entire supply chain towards achieving the long-term goals set out in the Paris Agreement.

### Seven Group companies in Japan that have obtained ISO0041 Certification



Delivering Tomorrow's Solutions



DTS INSIGHT



DTC



QDTS



DTSW



SE



MIRUCA

Initiatives for climate change

In response to the progression of global climate change, we are continuing our measures to reduce CO<sub>2</sub> emissions at our offices (Scope 2). Through groupwide long-term sustainable energy-saving activities, we aim to achieve an 80% reduction in CO<sub>2</sub> emissions by 2050.



In addition to office CO<sub>2</sub> emissions, we have also engaged in a step-by-step effort to visualize our supply chain CO<sub>2</sub> emissions (Scope 3), from upstream to downstream, starting from the fiscal year ended March 31, 2019. We widened the scope of this visualization from the fiscal year ended March 31, 2020, and have been managing CO<sub>2</sub> emissions from the entire supply chain, including Group subsidiaries in Japan.

Revision of offices and workstyles to suit the new normal

DTS has achieved dramatic energy savings by relocating its head office to an office building with superior environmental performance. At the new office, various synergy effects have been generated from business operation streamlining through optimization of the business environment, such as free addresses and paperless systems, as well as energy saving and strengthening inter-organization links through office consolidation. Looking ahead, we will look at environmentally considerate workstyles by reviewing the status of offices that utilize teleworking and workstyles.

Initiatives to use resources efficiently in business and to promote paperless operations



Aiming to utilize sustainable resources, the Group engages in green procurement, document recycling, and efforts to reduce the use of paper at its offices.

DTS has optimized the environment for its office printers by relocating and consolidating its head office. It has also created a paperless environment by installing monitors in every conference room.

DTS Group (in Japan) results for fiscal year ended March 31, 2020: Paper usage down 18.6% (compared with the fiscal year ended March 31, 2019)

CO<sub>2</sub> emissions (Group companies in Japan)

| Scope 2 KPI               | FY21/3 (Target) | Target for 2050 |
|---------------------------|-----------------|-----------------|
| CO <sub>2</sub> emissions | Vs FY19/3 -10%  | Vs FY14/3 -80%  |

Status of GHG emissions (Group companies in Japan) (t-CO<sub>2</sub>)

|         | FY18/3 | FY19/3 | FY20/3 |
|---------|--------|--------|--------|
| Scope 2 | 1,235  | 1,057  | 1,024  |
| Scope 3 | 1,117  | 1,274  | 41,935 |

Scope 2: Indirect emissions from electricity usage, etc.  
Scope 3: Indirect GHG emissions other than Scope 1 and Scope 2 (for the fiscal years ended March 31, 2018 and 2019, part of categories 1 and 2 are aggregated, and for the fiscal year ended March 31, 2020, categories 1, 2, 5, 6, 7 are aggregated)




### Promoting green procurement and preserving biodiversity

The DTS Group is promoting green procurement, having set out Green Procurement Procedures for procuring environmentally considerate products with respect to saving resources, recycling resources, and preserving biodiversity. Furthermore, the Group is also engaged in continuous tree-planting activities through cooperation with social contribution activities, along with efforts to create environments where more living things can coexist.


### Environment Solutions

Proposal of towns where people can continue living with earthquake simulation and low carbon simulation




Walk in home


Twenty years after its initial launch, the 3D home CAD package “Walk in home” has solved various social issues in the field of architectural design. We therefore issue a new version every year. With functions such as “earthquake simulation” to provide a visual reference for earthquake resistance performance and a “low-carbon simulation” that is environmentally considerate, “Walk in home” will contribute to the creation of towns where people can continue living.



7 AFFORDABLE AND CLEAN ENERGY



11 SUSTAINABLE CITIES AND COMMUNITIES







S: Social

Responding to external environmental changes, new social demands and five initiatives

Complying with new social demands is another issue to be addressed, including work-style reforms, promoting women’s participation and advancement in the workplace, and realizing diversity. The DTS Group is implementing five responses to these issues in order to shift to workstyles for a new era.



Response 1 Transformation of corporate culture to embrace challenges  
Realize personnel and human resource management

Creating a base for transformation into self-driven employees

In its medium-term management plan, the DTS Group has set forth three management policies: (1) “realization of a sustainable society,” (2) “evolution into a new system integrator,” and (3) “transformation into self-driven employees,” based on its vision, “Next Value Creator, providing new value to the society of tomorrow.” We are working to establish working environments and organizations in which people can think and act on their own initiative and to conduct personnel system reforms that recognize such initiative.

Among the five key activities, in “creation of new business,” we will focus on adapting to and creating digital business. To this end, we will promote the development and utilization of human

resources for digital transformation (DX) with expertise in new technologies such as AI and IoT and the utilization of such human resources.

To provide an environment in which promising human resources with these new skills can participate, in the fiscal year ended March 31, 2020 we started revising our appraisal system and phasing in a system that emphasizes taking on challenges and autonomy. In the fiscal year ending March 31, 2021, we will further promote creation of a system and corporate culture that appropriately value taking on challenges and autonomy, and revise various allowances to create a base for transformation into self-driven employees.



Response 2 Development of DX human resources and global human resources  
Strategic human resource development and capability development



Development of DX-related engineers

The DTS Group is promoting the development of DX human resources who have expertise in new technologies such as AI and IoT, and is also promoting the utilization of such human resources.

In DX human resource development, against the medium-term management plan target of securing a structure with 500 or more employees within the DTS Group, we have been progressing faster than planned, with 257 persons as of March 31, 2020.

We plan to develop a further 300 personnel in the fiscal year ending March 31, 2021, with the goal of achieving the medium-term management plan target on year ahead of schedule.



Education programs at a specialist training subsidiary in the IT field

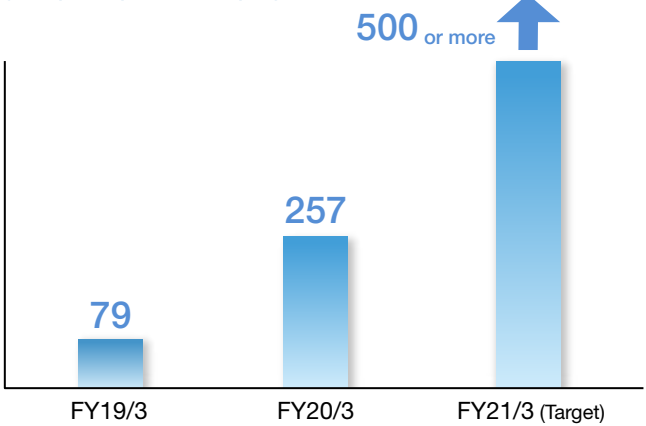
At our specialist education subsidiary, MIRUCA CORPORATION, we aim to develop professional human resources by providing education programs designed to develop human resources into “human assets.” We conduct education, training, and capability development, etc. with a particular focus on the IT field.

In addition to group training at our training facilities, we also provide e-learning training using the internet, as well as an online training system using two-way communication in real time with a training facility. In total, we offer around 1,400 types of training. For the DTS Group and many of our IT company clients, we offer professional development assistance for IT engineers and others.

Furthermore, in a bid to merge new technologies with the Company’s businesses to create new businesses and customer proposal opportunities, we are also strengthening education for executive employees in each business. In the fiscal year ended March 31, 2020, 40 such employees received AI training.

Looking ahead, to promote the utilization of our developed DX human resources, we will promote more fluidity and monitoring of human resource assignments, allowing them to actively participate in DX projects making use of AI and IoT, where they can demonstrate and utilize their skills. We will also actively create training and education opportunities.

Number of DX-related certificate holders  
(Group companies in Japan)



Development status of human resources competent in new technologies (AI, IoT) (As of March 31, 2020)

| Total number of DX-related certificate holders<br>(Group companies in Japan) |                 |         |
|--|-----------------|---------|
|  | Cloud computing | 82      |
|  | AI              | 111     |
|  | Big data        | 46      |
|  | Cybersecurity   | 38 etc. |





S: Social

Response 3 Work-style Reforms  
Promoting diverse and flexible workstyles, including telework

DTS encourages employees to adopt a balance between their work and their private life, regardless of time and place. We have established systems for increasing productivity and motivation, and built systems for staggered working hours (My Select Time) and working from home (telework) that can contribute to business by boosting productivity and motivation.



Promoting telework for over 1,600 employees, mainly working at head office

DTS has been steadily implementing initiatives to promote diverse workstyles, and started replacing the Company's PCs with thin clients progressively in November 2019. We have promoted telework for over 1,600 employees, mainly working at head office. This has not only established an environment where we can promote telework, but also helped to enhance security and reduce the operating burden and environmental impact of in-house systems.

Results of work-style reforms (non-consolidated)

Start: From November 2019  
Target: Over 1,600 employees, mainly working at head office

|        |  |
|--------|--|
| Effect | ■ Spread of telework                                     |
|        | ■ Enhancement of security                                |
|        | ■ Reduction of operating burden and environmental impact |
|        |  |

Exploring new workstyles in an era with COVID-19

DTS has been promoting workstyle reform centered on telework, aiming to achieve a teleworking rate of 70% or higher under the state of emergency declaration in April to June 2020 following the COVID-19 pandemic. In addition, in tandem with this, from April 2020, we introduced "My Select Time" shifts for all Group companies to prevent infections.

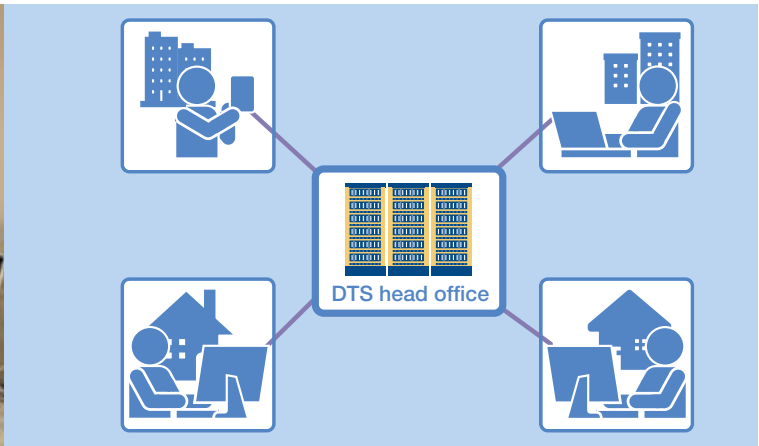
Furthermore, we are taking steps to shift to a workstyle predicated on telework at all times, even after the state of

emergency declaration is lifted, to prevent the spread of COVID-19.

Looking ahead, with the full-scale implementation of the Telework System, we will target a telework rate of 50% or higher for the fiscal year ending March 31, 2021. In this way, we will adapt to the changes in society under the new normal by realizing a new style of office predicated on increased efficiency of in-house operations and telework using DX technologies.



Employee engaged in telework from home



Reform of internal systems and clerical work using DX technologies

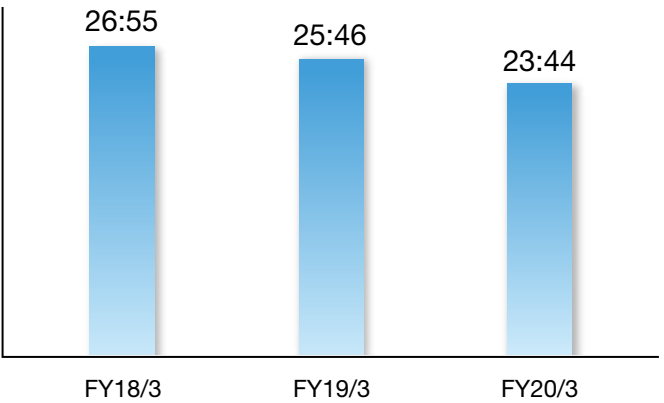
In preparation for workstyle reform and improvements to business efficiency, we started working on rationalization through the reviewing of work processes, as well as the rebuilding of in-house systems in the fiscal year ended March 31, 2020. We also established groupware and a web conference environment to facilitate smooth telework. Furthermore, we are promoting operational streamlining through the introduction of RPA for certain internal operations.

In the fiscal year ending March 31, 2021, we will accelerate these efforts, utilizing DX-related technologies for the development of in-house systems and using AI to streamlining operations as part of our drive to improve productivity and quality.

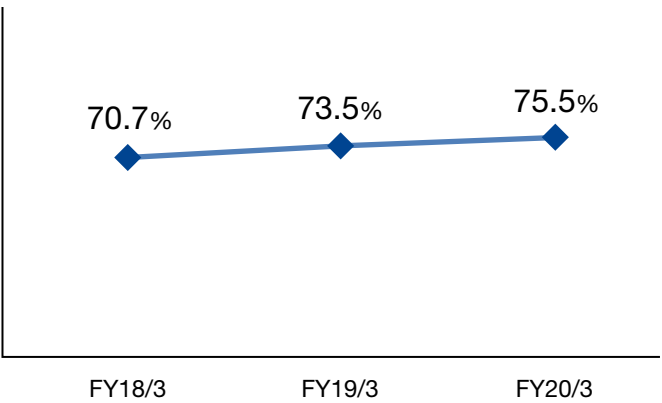
|                   |   |
|-------------------|---|
| Operation details | ■ Improve project support systems               |
|                   | ■ Renew product sales package                   |
|                   | ■ Build a base system for information searching |
|                   | ■ Build a base system for information sharing   |

Results of work-style reforms

Overtime work hours per person (non-consolidated) (Hours/month)



Rate of usage of paid holidays (non-consolidated)



Response 4 Health management promotion



Construction of a health management promotion system

DTS has been taking steps to promote mental and physical health through work-style reforms and so forth.

As part of this effort, the Health Promotion Office was established in the Human Resources Department in 2019 to provide a structure for internally promoting the importance of health and strengthening related initiatives. Occupational doctors and public health nurses will provide mental and physical health consultation services, and we will prepare structures and systems for health promotion, checking the effects of our initiatives and reflecting them in policies as we promote employee health management for those working from home.

Promoting good health

1. Promoting physical health
  - 100% participation in regular health examinations
  - Checking and enhancing medical examinations for high-risk individuals
  - Prevention of overwork, etc.
2. Promoting mental health
  - Establishing rules around returning-to-work support programs
  - Rapid response for unwell individuals
3. Other measures
  - Information dissemination and awareness raising activities, etc. for maintenance and promotion of good health





S: Social

Supporting workers balancing medical treatment, childcare, nursing care, etc. with work

We are strengthening our initiatives to support those who are balancing medical treatment and work from a perspective of health management (maintaining and promoting employee health). When employees require medical treatment, to ensure that their illness does not deteriorate due to working, we liaise with relevant persons so that they can give appropriate attention to their treatment. We respond flexibly to meet individual needs through the establishment of workplace environments, individual support for employees, and an in-house consultation service. To support employees taking leave on their return to work, we provide a return-to-work support program with advice from occupational doctors and so forth.

We are also conducting initiatives to support employees balancing other commitment with work, such as childcare and nursing care. As part of our promotion of women's active participation and advancement in the workplace and support for raising the next generation, we offer antenatal and postnatal

seminars as well as seminars on our support systems for returning to work and balancing other commitments with work. These provide a space for exchanging opinions with occupational doctors, people who have experience using the systems, and other people in the same situation. The seminars help to encourage people to balance work and childcare, while promoting internal understanding of women's health issues.



Antenatal and postnatal seminars and seminars on support systems for returning to work and balancing other commitments with work

Response 5 Initiatives for human resource diversity and diversity promotion

Promotion of women's participation and advancement in the workplace

DTS has been addressing low rates of female employees and female managers as a management issue for some time. In the medium-term management plan, we have been working to promote women's active participation and advancement in the workplaces by setting targets for three objectives: ratio of female employees, development of female management candidates, and development of female managers. With regard to promoting women's active participation and advancement in the workplace in particular,

we are creating an environment for working time and location that eliminates the gender gap in terms of service continuity and workplace participation, enabling each individual to demonstrate their full potential. Moreover, we will promote activation and growth of the entire organization through training for management, creation of opportunities for exchanges, and creation of opportunities for training and appointment of female employees based on analysis of the status of roles and work assignments.



Targets and results on job satisfaction (provision of opportunities for women's participation and advancement in the workplace) (non-consolidated)

|  | Target<br>As of April 2022 | Actual<br>FY20/3 |
|--|----------------------------|------------------|
| Ratio of female employees  | 20% or higher              | 17.7%            |
| Ratios of females in the management candidate group and female project leaders | 8.5% or higher             | 6.2%             |
| Ratio of female managers   | 4.5% or higher             | 3.6%             |



Certification and recognition related to health management and diversity (Group companies in Japan)

- October 2019: The Company acquired second ranking in the ERUBOSHI system based on the Act on Promotion of Women's Participation and Advancement in the Workplace
- February 2020: The Company acquired KURUMIN certification as a company supporting childcare (DTS WEST)
- March 2020: The Company was certified as Health & Productivity Management Outstanding Organization 2020 (Large Enterprise Category).



Special subsidiary established to promote employment of people with disabilities

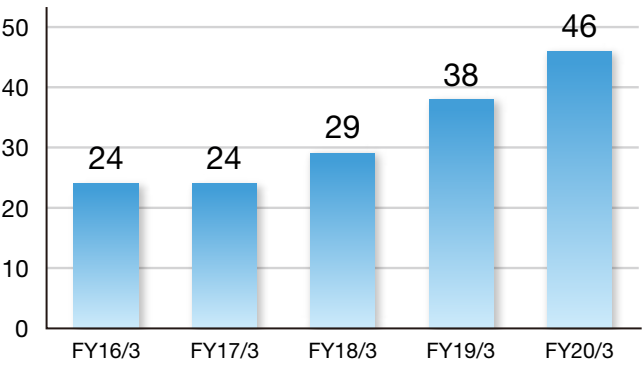
DTS established the special subsidiary, DTS palette Inc., as a wholly owned subsidiary in 2011. In addition to fulfilling the corporate social responsibility of creating employment for people with disabilities, the company proactively hires people with disabilities with the aim of being a company where they can work with confidence, engage in permanent work, and find job satisfaction.

Business structure of the special subsidiary

The company started operations with a team of eight (including six people with disabilities), with the main operations being printing, document management, and PC operation. In the fiscal year ended March 31, 2020, the company carried out over 85 operations commissioned by Group companies, ranging from light to high-level operations, with a team of 46 people. It has created a work environment where people can utilize their various disabilities (individuality) in their work.



Number of employees at DTS palette Inc. (Employees)



Awarded as a business site providing an excellent example of workplace improvement for promoting employment of people with disabilities

DTS palette Inc. was awarded the "Commendation Award for Improvement of Workplaces for People with Disabilities" in the 2017 "Award for Business Sites Excelling in the Employment of People with Disabilities." This award is presented by the Ministry of Health, Labour and Welfare Tokyo Labor Bureau and the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED) to companies that are conducting outstanding initiatives in the employment of people with disabilities. DTS palette Inc. received the award in recognition of being a business site providing an excellent example of workplace improvement for promoting employment and settling at work for people suffering from intractable illnesses.



Takao Sakamoto, then president of DTS palette Inc. accepts an award certificate

Recruitment of foreign employees

At our overseas sites, DTS (Shanghai) CORPORATION, DTS SOFTWARE VIETNAM CO., LTD., Nelito Systems Limited, and Dalian SuperElectronics Co., Ltd., we are proactively hiring local people. Diversity is advancing within the global community.





S: Social

Supply chain management

The DTS Group has stipulated free competition and fairness in business dealings as a code of conduct in its Compliance Guide to ensure fair trading. We adhere rigorously to this code.



Basic approach to selecting business partners

The DTS Group recognizes that collaboration with partners is essential for increasing added value. In selecting partner companies, we observe laws, regulations, and social norms as a matter of course, and also emphasize partners that contribute to a sustainable society that is considerate of the environment and human rights.

Free competition and fair trading

The DTS Group conducts business with its partners based on agreement between equals. Partners are selected based on an objective standard, evaluating the level of their technological capabilities, quality, pricing, and service. We conduct fair business dealings, observing laws and regulations regarding subcontracting. When entering an agreement with a partner company, DTS conducts a voluntary inspection using a contracted and consigned operations regulation check list based on the Criteria for Classification of Worker Dispatching Operations and Contracted Operations (Notification No. 37).

Promoting information security measures

DTS implements ongoing measures to prevent information security incidents, or the recurrence of past incidents, including education, awareness raising, and information sharing. With regard to education, we conduct annual training when starting new operations or continuing a contract.

When consigning operations to a partner company, we stipulate that the partner must have the same level of information security management and personal information handling as DTS.

Supply chain assessment

DTS periodically checks public announcements for the names of companies that have violated laws and regulations, then cross checks to see if it has business dealings with them. We request disclosure of company information and financial status of partner companies at the beginning of our dealings with them and annually thereafter, and periodically conduct a comprehensive review including their technological capabilities, quality, productivity, and delivery times.

Implementing work-style reforms and health management

DTS is working to promote work-style reforms together with its partner companies. We are striving to reduce overtime work, including at our partner companies, by sharing DTS operation work hours and streamlining operations.

Strengthening partnerships

DTS has held partner meetings since 2001. At the partner meetings, the President explains the Company's business environment and the management policies of the DTS Group, while purchasing officers present explanations regarding compliance. Partner companies that have made notable contributions to DTS's business are presented with Best Partner awards to help strengthen the partnership.

In 2019, 91 participants from 61 companies attended the meeting.



2019 Partner Company Meeting



Social contribution activities

We actively promote social contribution activities, believing it important that individual employees increase their awareness of social contribution and put it into action. As a "good corporate citizen," we aim to uphold our social responsibility and create a society where people can live with greater peace of mind. We are also engaged in disaster recover support and international cooperation activities, including global environmental protection, local activities, medical support, and social welfare activities.

Local activities

Participation in volunteer activities to support recovery from the Great East Japan Earthquake

Since 2013, around 50 DTS Group employees each year have participated in Great East Japan Earthquake recovery support volunteer activities. Starting in 2018, we have been cooperating with test cultivation of winemaking grapes as part of efforts to revive industry in the town of Tomioka, Futaba District, Fukushima Prefecture.

Total number of participants: 307, number of times: 7



International cooperation activities

Establishing a library at an elementary school in Vietnam

In the fiscal year ended March 31, 2017, we established a library at an elementary school in Vietnam (Bac Giang Province) by donating to Room to Read, an NPO that supports literacy and girls' education in developing countries. We have continued to support literacy education in Vietnam in the fiscal year ended March 31, 2018 and onwards.



Local activities

Donation of a special stand for children's newspapers at an elementary school in Kyoto

DTS WEST agrees and cooperates with the "Let's Protect Our Earth!" campaign run by Asahi Photo News Inc. Through Asahi Photo News Inc., we donated a newspaper stand bearing the slogan and a year's supply of the Asahi elementary school students newspaper to Kyoto Municipal Rakuo Elementary School. In the fiscal year ended March 31, 2020, in addition to Rakuo Elementary School, we added donations to Osaka Municipal Oe Elementary School and Nagoya Municipal Misono Elementary School for a total of three schools.



Medical support

Blood donation at the Japanese Red Cross Tokyo Metropolitan Blood Center

As a participating blood supporter, DTS employees give blood twice a year, in 'Golden Week,' a succession of holidays from the end of April to the beginning of May, and in winter, when blood supplies are particularly low, in cooperation with the Tokyo Metropolitan Blood Center. In 2019, we received a letter of thanks from Tokyo Metropolitan Blood Center.

Total number of participants: 1,262, number of times: 26





## G: Governance

We establish highly transparent business practices, continuously increase our corporate value, and build relationships of trust with our stakeholders

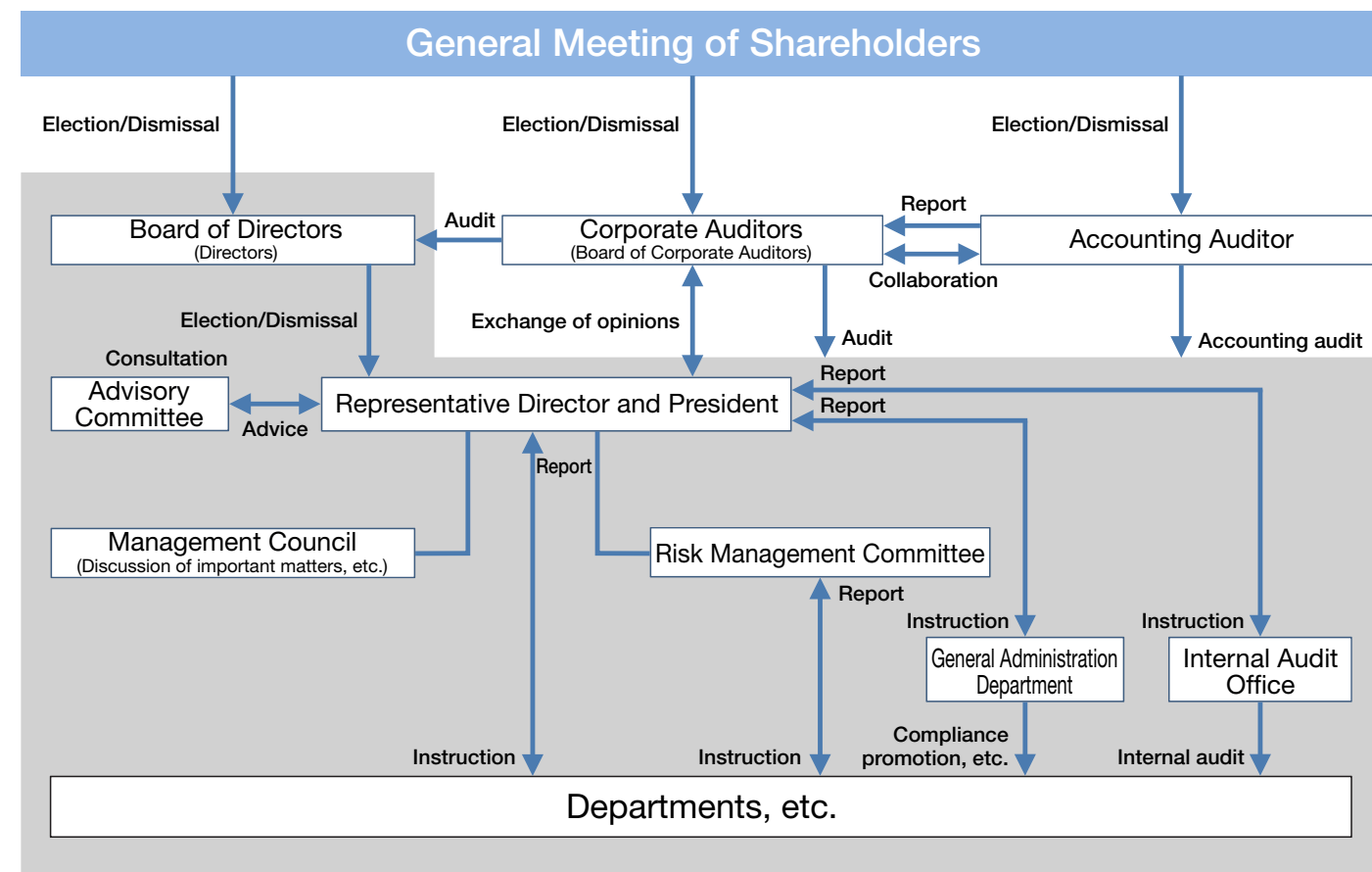
## Corporate governance

## Basic approach

DTS regards corporate governance as one of its priority issues of management for the sake of ensuring corporate compliance. As such, we seek to engage in fair and efficient shareholder-oriented management, establish highly transparent business practices, continuously increase our corporate value, and build relationships of trust with our stakeholders.

Underpinned by these fundamental principles, DTS has established basic policies, which it strives to enhance, with respect to: (1) ensuring shareholder rights and impartiality, (2) appropriately cooperating with stakeholders other than shareholders, (3) appropriately disclosing information and ensuring transparency, (4) responsibilities of the Board of Directors and other such bodies, and (5) engaging in dialogue with shareholders.

## Corporate governance structure



## Executive officer system and Management Council

DTS has adopted an executive officer system to ensure separation of supervisory functions regarding decision-making and business execution by the Board of Directors, and to furthermore establish a management system that enables prompt and appropriate business execution. In addition, we have established the Management Council to serve as an organization to discuss policies and plans for business execution by the Representative Director and President, and other important matters.

## Corporate governance system

|   |   |
|---|---|
| Organization form   | Company with corporate auditors           |
| Chairman of the Board of Directors                                    | President                                 |
| Number of Directors<br>(of which Outside Directors)                   | 10 (4) * including 4 Independent Officers |
| Number of Corporate Auditors<br>(of which Outside Corporate Auditors) | 4 (3) * including 3 Independent Officers  |
| Executive officer system  | Adopted                                   |
| Discretionary advisory body to<br>the Board of Directors              | Advisory Committee                        |



## Consultation on compensation and nomination centered on Outside Directors

The discretionary Advisory Committee consists of Directors, among whom Outside Directors make up the majority. It is appropriately involved in determining compensation for Directors and nominating Director candidates, which entails receiving advice from Outside Directors.

Board of Directors membership, attendance, tenure, and Advisory Committee membership    ⒸChairperson    ⒹMember

| Official title or position              |             |         | Name                 | Attendance at Board of Directors meetings in FY20/3 (Attendance rate) | Advisory Committee | Tenure          |
|---|-------------|---------|----------------------|---|--------------------|-----------------|
| Representative Director and President   |             |         | Koichi Nishida       | 11/11 (100%)  | ◎                  | 11 years        |
| Director and Executive Vice President   |             |         | Tomoaki Kitamura     | –   |                    | New appointment |
| Director and Managing Executive Officer |             |         | Takao Sakamoto       | 11/11 (100%)  |                    | 11 years        |
| Director and Managing Executive Officer |             |         | Minoru Takeuchi      | 11/11 (100%)  |                    | 10 years        |
| Director and Senior Executive Officer   |             |         | Hirotoishi Kobayashi | 11/11 (100%)  |                    | 4 years         |
| Director and Senior Executive Officer   |             |         | Isao Asami           | 11/11 (100%)  |                    | 1 year          |
| Director                                | Independent | Outside | Tadayuki Hagiwara    | 10/11 (90%)   | ○                  | 8 years         |
| Director                                | Independent | Outside | Masayuki Hirata      | 9/9 (100%)  | ○                  | 5 years         |
| Director                                | Independent | Outside | Shinya Shishido      | 9/9 (100%)  | ○                  | 1 year          |
| Director                                | Independent | Outside | Shinichi Yamada      | –   | ○                  | New appointment |

As Messrs. Isao Asami and Shinya Shishido assumed office on June 21, 2019, the number of meetings they attended and the attendance rates are for the meetings held after taking office (nine meetings of the Board of Directors).

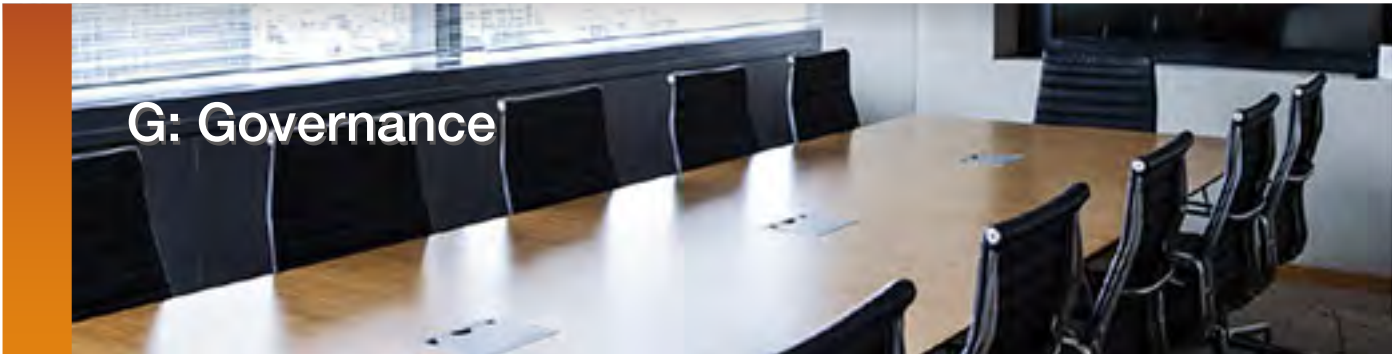
As Messrs. Tomoaki Kitamura and Shinichi Yamada assumed office on June 19, 2020, the number of meetings they attended and the attendance rates are not presented.

### Board of Corporate Auditors membership, attendance, and tenure

| Official title or position |             |         | Name               | Board of Directors meetings<br>Attendance in FY20/3 (Attendance rate) | Board of Corporate Auditors meetings<br>Attendance in FY20/3 (Attendance rate) | Tenure  |
|----------------------------|-------------|---------|--------------------|---|--|---------|
| Standing Corporate Auditor |             |         | Kenichiro Akamatsu | 11/11 (100%)  | 9/9 (100%)   | 3 years |
| Corporate Auditor          | Independent | Outside | Kenji Yukimoto     | 10/11 (90%)   | 9/9 (100%)   | 4 years |
| Corporate Auditor          | Independent | Outside | Taeko Ishii        | 10/11 (90%)   | 9/9 (100%)   | 2 years |
| Corporate Auditor          | Independent | Outside | Yutaka Takei       | 9/9 (100%)  | 7/7 (100%)   | 1 year  |

As Mr. Yutaka Takei assumed office on June 21, 2019, the number of meetings he attended and the attendance rates are for the meetings held after taking office (nine meetings of the Board of Directors and seven meetings of the Board of Corporate Auditors).





Evaluation of effectiveness of Board of Directors

Self-evaluation through interviews of all corporate officers

DTS performs analysis twice per year with respect to the Board of Directors particularly regarding its membership, deliberations of resolutions, frequency of meetings, appropriateness of meeting durations, and verbal contributions. In addition, since the fiscal year ended March 31, 2019, we have been analyzing and evaluating the effectiveness of the Board of Directors upon carrying out interview-based self-evaluations, thereby seeking to improve functions of the Board of Directors and increase our corporate value.

- <Evaluating effectiveness of the Board of Directors>
- Implementation: July to August 2019
  - Evaluators: All corporate officers (9 Directors and 4 Corporate Auditors)
  - Evaluation method: Interview-based self-evaluation

Evaluation and results in FY20/3

Effectiveness of the Board of Directors has been ensured

- The Board of Directors is highly effective given appropriateness of its membership and productive discussions.
- Discussions are active and maintain a sense of urgency.

No. of meetings: 11   Avg. deliberation time: 1 hr. 25 min.

Action taken in response to evaluation results

- Improve discussion at the strategy and planning phase to achieve more in-depth strategy over the medium- to long-term.
- Provide Outside Directors (and other officers) with opportunities and information so that they will know about in-house initiatives.

Succession plan for the Representative Director and President and other top executives

DTS has established an Advisory Committee whose membership consists primarily of independent Outside Directors, under the Representative Director and President. The Board of Directors makes decisions on Director candidates upon having referred to findings reported by the Advisory Committee, which selects such candidates placing emphasis on aptitude.

Directors' compensation

Compensation for Directors consists of fixed compensation and performance-linked compensation. Under our policy for determining ratios of such payment, monthly compensation is to be in the form of fixed compensation such that the Company makes monthly payment of monetary sums set forth in a table of standard amounts that vary according to position. Bonuses are set at monetary sums set forth in a table of standard amounts that vary according to position, with 50% of bonus in the form of fixed compensation and the remaining 50% in the form of performance-linked compensation.

|                      |                                 |     |
|----------------------|---------------------------------|-----|
| Bonus                | Fixed compensation              | 50% |
|                      | Performance-linked compensation | 50% |
| Monthly compensation | Fixed compensation              |     |

Cross-shareholdings

DTS holds shares of its clients and business partners partially for the purpose of maintaining and developing medium- to long-term business relationships, and also for the purpose of collecting information in anticipation of future business alliances. The Board of Directors assesses the suitability of maintaining ownership of cross-shareholdings on a yearly basis, which involves scrutinizing and deliberating on matters such as whether the purpose of maintaining ownership of each cross-shareholding is appropriate. We will reduce and otherwise reconsider holdings for which we have deemed appropriateness of maintaining such holdings is not justified due to changes in circumstances or other such rationale going forward. We comprehensively evaluate the pros and cons of proposals involving the exercise of voting rights associated with our shareholdings upon having considered factors such as financial and non-financial circumstances of a company issuing shares premised on the notion that appropriately exercising voting rights will help bring about greater value over the medium to long term and facilitate sustainable growth with respect to issuing company.

Abide by the Corporate Governance Code

We implement the principles of Japan's Corporate Governance Code in their entirety. Please refer to the website below for further information on our corporate governance and internal controls.

<https://www.dts.co.jp/ir/management/governance/>

Risk management

DTS Group's potential risks and measures to address such risk

Risks that may have an impact on the operating results and financial position of the DTS Group are as follows. We have identified changes in the social environment along with risks faced by the DTS Group, and are accordingly establishing systems and taking action to mitigate such risks.

| Risk category                                    | Description   | Measures to address risk  |
|--|---|---|
| (1) Changes of business environment              | <ul style="list-style-type: none"><li>• Risk that the trends of IT investment from customers could change as a result of changes in social and economic conditions</li><li>• Risk that could affect the DTS Group's earnings performance as a result of the aforementioned</li></ul>  | <ul style="list-style-type: none"><li>• Provide IT services according to the needs of customers in a wide range of industries and types of business on the basis of quality that relies on business expertise and information technology</li></ul>  |
| (2) Price competition                            | <ul style="list-style-type: none"><li>• Risk that competition will intensify in the information services industry with regard to prices as a result of new entrants from other industries, entry into Japan by overseas companies and the increasing availability of software packages</li><li>• Risk that the results of the DTS Group may be affected if any external factor causes downward price pressure in excess of that anticipated by the Company</li></ul>  | <ul style="list-style-type: none"><li>• Thoroughly promote project profit management</li><li>• Improve productivity</li><li>• Engage in efforts to train DX employees</li><li>• Provide high-value added services that use new technology</li></ul>   |
| (3) Business overseas                            | <ul style="list-style-type: none"><li>• Risk inherent in overseas business transactions in terms of problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs</li><li>• Risk with respect to establishment, share acquisition and operation of overseas subsidiaries, including inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management</li><li>• Risk that the Group becomes liable for compensation for damages if it is unable to comply appropriately with local legal regulations, etc.</li><li>• Risk that could affect the Group's earnings performance as a result of the aforementioned</li></ul> | <ul style="list-style-type: none"><li>• Strengthen governance including that of overseas subsidiaries</li><li>• Recognize risks listed to the left and strengthen risk management by putting a business division in charge of handling risks</li></ul>  |
| (4) Business models and technological innovation | <ul style="list-style-type: none"><li>• Risk of earnings performance becoming subject to effects of the Group falling behind in adjusting to rapid changes in customer needs such as their adaption to DX or falling behind in adjusting to technological innovation</li></ul>  | <ul style="list-style-type: none"><li>• Improve employees' awareness regarding intellectual property rights through training, etc.</li><li>• File applications and register patents and trademarks for the technologies and business models that the Group needs</li></ul>  |
| (5) Legal regulation                             | <ul style="list-style-type: none"><li>• Risk of the Group becoming subject to deteriorating social credibility due to serious compliance violation or due to the occurrence of an event involving conflict with laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act or the Personal Information Protection Act</li></ul>   | <ul style="list-style-type: none"><li>• Comply with laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act and the Personal Information Protection Act</li><li>• Create the Group's compliance basic principles, code of conduct, etc.</li><li>• Provide compliance training and awareness programs to the Group corporate officers and employees as well as partner company employees</li></ul>  |
| (6) Litigation, etc.                             | <ul style="list-style-type: none"><li>• Risk that the Group could become the subject of litigation including claims for compensation for damages with regard to faults, defects, or delivery delays in the services provided by the Group, infringement of the rights of third parties, customer information leaks including personal information, defamation, inappropriate labor management, or other matters</li></ul>   | <ul style="list-style-type: none"><li>• Strengthen corporate governance</li><li>• Establish and strengthen compliance, information security and quality control systems</li></ul>   |
| (7) Intellectual property right, etc.            | <ul style="list-style-type: none"><li>• Risk that the Group's business may receive a claim for infringement on the intellectual property right of another company</li><li>• Risk that a third party may infringe on the intellectual property right of the Group</li></ul>  | <ul style="list-style-type: none"><li>• Improve employees' awareness regarding intellectual property rights through training, etc.</li><li>• File applications and register patents and trademarks for the technologies and business models that the Group needs</li></ul>  |
| (8) Human resources, etc.                        | <ul style="list-style-type: none"><li>• Risk of progress not materializing as expected in terms of securing and developing employees having high technical skills and expertise, which serves as one of essential factors for sustainable growth of the Group</li><li>• Risk that earnings performance and business development may be affected by an exodus of employees or decrease of productivity caused by the deterioration of working environments</li></ul>   | <ul style="list-style-type: none"><li>• Secure and develop employees having high technical skills and expertise</li><li>• Respect individuality and diversity of employees</li><li>• Introduce various systems for work-style reforms</li><li>• Promote a proper balance between work and private life and improve working environments, including proper working time management and active leave acquisition</li><li>• Hire new graduates from a medium- to long-term perspective and career employees with excellent expertise</li><li>• Learning of new techniques in the DX area and support for acquiring professional qualifications</li></ul> |
| (9) Management of software development projects  | <ul style="list-style-type: none"><li>• Risk of encountering projects subject to deteriorating profitability due to shortened systems development turnaround times along with accompanying unforeseen circumstances with respect to project management and quality control</li></ul>  | <ul style="list-style-type: none"><li>• Prevent occurrence of unprofitable projects upon having established the Project Promotion Committee for the purpose of regularly deliberating on matters that include dissemination of DTS in-house development standards, whether or not to accept projects involving across-the-board undertakings at monetary amounts above certain levels, and the status of projects in terms of their progress</li></ul>  |



DTS Group's potential risks and measures to address such risk

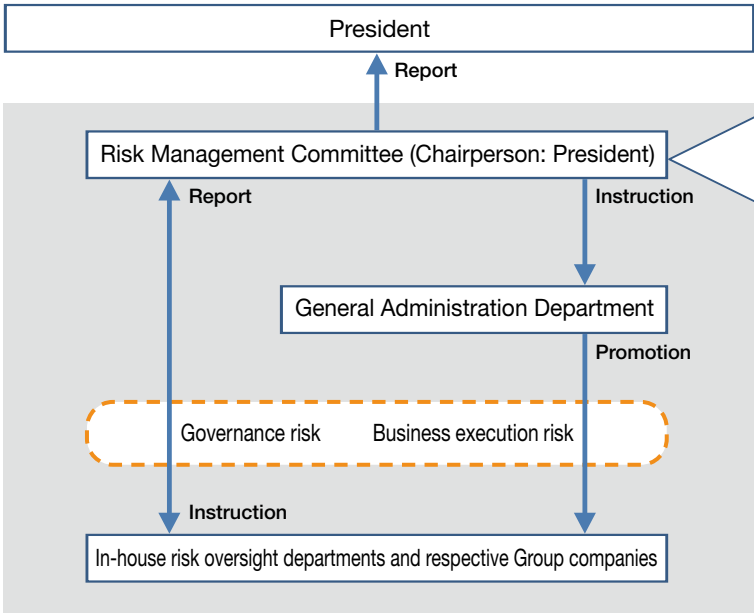
| Risk category            | Description  | Measures to address risk   |
|--------------------------|--|--|
| (10) Security            | <ul style="list-style-type: none"><li>• Risk that the Company becomes liable for compensation for damages due to serious leakage of information</li><li>• Risk of contract cancellation and other such outcomes arising from loss of trust among clients</li></ul>   | <ul style="list-style-type: none"><li>• Develop internal rules on the handling and management of information</li><li>• Obtain the "Privacy Mark" certification as one of its activities for the protection of personal information</li><li>• Carry out training to enhance awareness about handling information among employees of the Company and employees of business partners</li><li>• Obtain certification for its Information Security Management System (ISMS) and strengthen its security management structure further</li><li>• Formulate a Compliance Guide to be followed by the entire DTS Group, including Group companies in Japan and overseas, and develop internal rules at each Group company</li><li>• Raise employees' awareness regarding the handling of security information</li></ul> |
| (11) Business continuity | <ul style="list-style-type: none"><li>• Risk that the earnings performance of the Group may be affected particularly due to delays in providing services associated with restoration in the event of an unexpected event such as the outbreak of a large-scale natural disaster or the spread of a contagious disease in Japan's greater metropolitan areas where many bases including the corporate headquarters are concentrated</li></ul> | <ul style="list-style-type: none"><li>• Draw up preliminary plans in preparation for disasters such as major earthquakes, fires and epidemics</li><li>• Regularly carry out emergency drills for disaster contingencies such as major earthquakes and fires</li><li>• Adopt safety confirmation systems and develop a disaster response manual</li><li>• Work on business continuity while utilizing working systems including telework and staggered working hours, prioritizing the safety and security of employees, and figuring out customers' intentions</li></ul>   |
| (12) Impact of COVID-19  | <ul style="list-style-type: none"><li>• Risk that earnings performance could be affected by a situation where the COVID-19 pandemic causes a global economic slowdown or results in customers curbing and postponing their IT investment amid worsening financial results</li><li>• Risk of revisions to earnings forecasts if the prospect of COVID-19 subsiding becomes prolonged</li></ul>  | <ul style="list-style-type: none"><li>• Assume a downturn in sales and profits with respect to the earnings forecasts for the fiscal year ending March 31, 2021, premised on recovery of economic activity as a result of the COVID-19 pandemic subsiding in the second half of the fiscal year</li></ul>  |

Establishment of risk management system

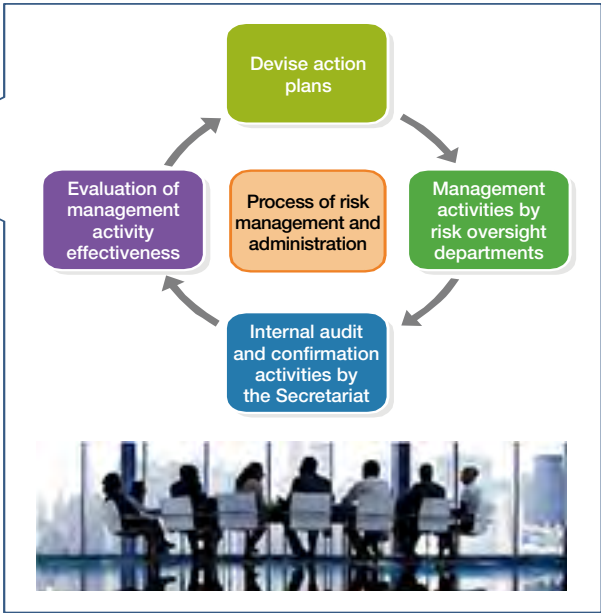
DTS has established the Risk Management Committee for the purpose of appropriately managing various risks. The committee regularly evaluates risks, identifies concerns, and draws up contingency plans. It also regularly monitors developments to determine whether or not risk is likely to materialize. The Risk

Management Committee also addresses major risks incurred by Group companies by checking the status of risks and implementation of contingency plans, and by supporting efforts to improve risk management systems of respective Group companies.

Risk management system



Activities of Risk Management Committee



Business Continuity Plan (BCP)

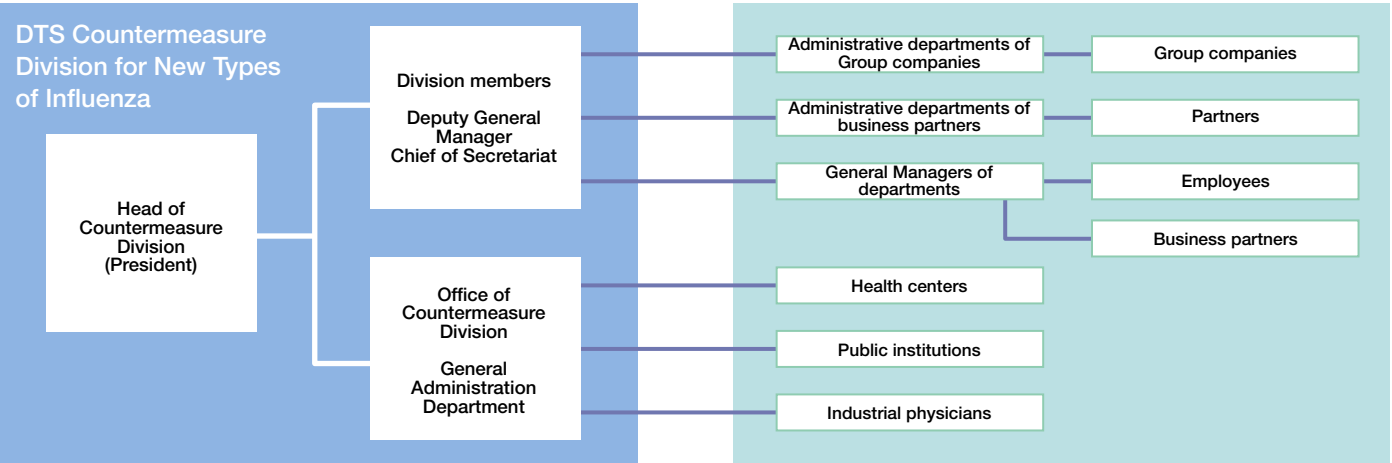
Formulation of BCPs

DTS draws up preliminary plans in preparation for disasters during normal times and has accordingly established "Disaster Countermeasure Regulations," the purpose of which is that of safeguarding lives and physical wellbeing of employees, and protecting the Company's facilities and property, from earthquakes, fires, epidemics and other such disasters, and while also ensuring a framework for cooperative disaster readiness activities with members of local communities. In particular, DTS establishes manuals regarding major earthquakes, fires and epidemics, carries out emergency drills, and stockpiles necessary supplies in preparation for potential disasters.

Response to major earthquakes and fires

DTS regularly carries out emergency drills for disaster contingencies such as major earthquakes and fires. Other initiatives have included adopting safety confirmation systems, developing disaster response manuals, and setting up systems with the aims of saving lives, minimizing damage, and achieving swift recovery of operations upon becoming subject to business disruption.

Reference: "The DTS Countermeasure Division for New Types of Influenza and its structure" presented in the New Influenza Outbreak Situational Manual of the Disaster Countermeasure Regulations



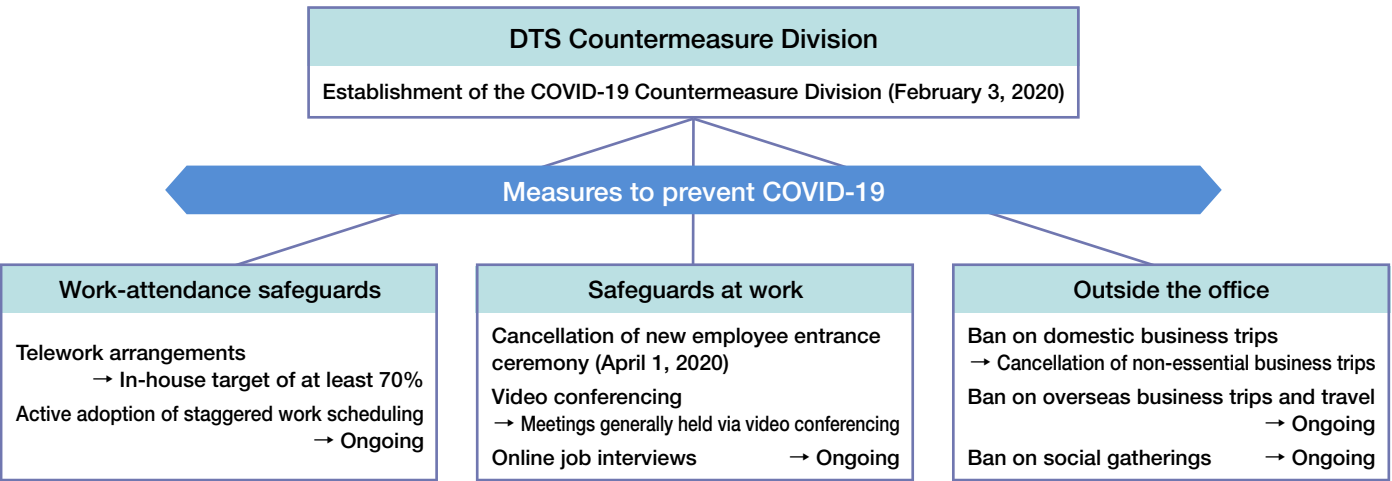
COVID-19 response

DTS has established a manual for addressing potential outbreaks of infectious disease. When the COVID-19 pandemic struck in the spring of 2020, we promptly began collecting information and taking action upon having initiated a countermeasure division on February 3, 2020, in accordance with the manual.

As the pandemic took hold in Japan, we furthermore implemented safeguards as the virus spread, through initiatives that included enlisting telework arrangements and staggered work schedules, imposing prohibitions on domestic business trips, and banning overseas business trips and travel. In line with ever-changing developments regarding the pandemic, we continue working closely with our domestic and overseas Group companies in working to ensure employee safety and business continuity.

In addition, when the initial COVID-19 outbreak emerged in China, we provided support by sending masks stockpiled by the parent company to our Chinese subsidiaries to help address the shortage of masks.

COVID-19 countermeasures (initial implementation and current situation as of November 2020)





Information security

At DTS, we embrace social responsibilities inherent in our information management practices, serving as a comprehensive information service provider. DTS accordingly operates in a manner that enlists the following management systems in compliance with various laws, regulations and guidelines pertaining to information management. We furthermore develop systems for lending support to our respective Group companies.



Infrastructure for management of information assets

[Management of information assets]

- Information Security Management System (ISMS)

[Proper management of personal information]

- Personal information protection management system (Privacy Mark)

Particularly when it comes to our client services, we pursue high-quality service enlisting management systems optimally tailored to their business operations with the aims of providing smart information services and appropriately handling their information assets.

Further business-specific initiatives

[Improvement and enhancement of IT service quality]

- IT Service Management System (ITSMS)

[Handling of credit card information]

- PCI Data Security Standard (PCI DSS)

[Certifications]

- Acquisition of “Privacy Mark” certification: No. 11820145-(10)
- Acquisition of ISO/IEC 20000-1 (ITSMS) certification; JUSE-IT-005  
ICS Sector, Intelligent Customer Service Division 4, Members in charge of ITS No.1, ReSM Team and related departments (ICS Planning Department)
- Acquisition of ISO/IEC 27001 (ISMS); JUSE-IR-026  
Acquisition of ISO/IEC 27017 (ISMS cloud security)  
JUSE-IR-026-CS01

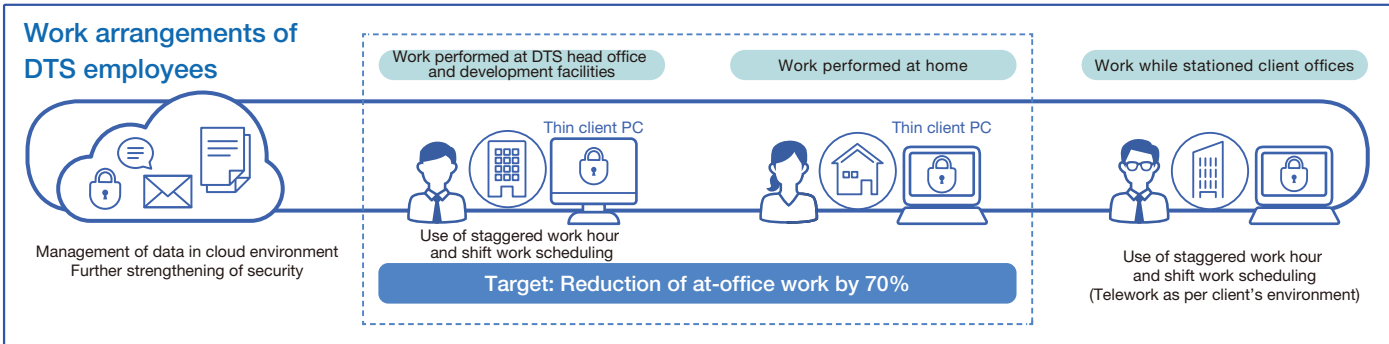
- ICS Sector, Intelligent Customer Service Division 4, Members in charge of ITS No.1, ReSM Team and related departments (ICS Planning Department)
- Acquisition of ISO/IEC 27001 (ISMS); JUSE-IR-345  
ICS Sector, Intelligent Customer Service Division 3, Members in charge of BPO No.4, Tokorozawa Center
- Acquisition of PCI DSS (Payment Card Industry Data Security Standard) version 3.2.1; ISMS-PCI 0217  
ICS Sector, Intelligent Customer Service Division 3, Members in charge of BPO No.4

Addressing risks emerging amid increasing prevalence of cloud technologies and telework

In addition to increasing risk of information leakage due to targeted attacks and other external factors in recent years, risk has also been mounting with respect to information leakage internally, particularly in the form of information leakage caused by internal impropriety and negligence amid a scenario of expanding business that makes use of cloud technologies and telework. DTS also needs to enhance its information security measures including those involving not only in-house systems

but also its access to external environments online, given the growing diversity of its operations and management of individual projects, and its use of cloud services.

We have been addressing such changes in the business environment by identifying new information security risks and successively strengthening our information security measures.



Basic Policy for Information Security

1. DTS complies with all applicable laws, regulations, guidelines, and contract terms pertaining to information security.
2. DTS makes its officers, employees and business partners aware of the importance of information security through education and training, and strives to promote and maintain high levels of security. Whenever a violation occurs, strict penalties will be applied.
3. DTS is aware of information security risks, and takes appropriate measures to prevent improper access to information assets or the loss, destruction, falsification, or leaking of information assets.
4. Even if an unexpected problem arises with information security, DTS's rapid response keeps damage to a minimum and strives to prevent its recurrence.
5. DTS plans and executes information security activities, assesses their effectiveness, and strives to continually improve.

Quality management

In-house development and operations standards aligned with demand for high-end quality

The DTS Group strives to achieve greater transparency in ensuring product and service quality. Our efforts to such ends have involved developing our own processes based on the CMMI® framework, establishing Project Management Strategy (PMS) as development standards, and enlisting the entire organization that handles systems development in efforts to gain JIS Q 9001 (ISO 9001) certification.

We have also been using the agile development method, other development approaches and automation tools in order to fortify our systems integration capabilities and increase productivity. We will keep working to improve PMS functions going forward.

In terms of systems administration, we have been managing services that utilize information technologies enlisting the PDCA

Compliance

The DTS Group regards compliance as one of its key challenges of management and as such fully strives to raise awareness in that regard by furnishing the Group's officers and employees, and employees of partner companies, with its Compliance Guide containing its compliance basic principles and code of conduct. We furthermore seek to raise compliance awareness by implementing training on an ongoing basis with the aim of ensuring that our officers and employees come to take ownership of compliance issues from their respective standpoints and apply that mindset to management of our operations. During the fiscal year ended March 31, 2020, we held compliance training sessions three times for our employees, and temporary workers and employees of our partner companies engaged in the Company's operations.

We regularly monitor such initiatives by administering compliance questionnaires to our officers and employees once per year, conducting surveys on compliance awareness, identifying issues, and taking action as necessary.

Compliance basic principles

- We comply with laws, regulations, social norms, and corporate rules.
- We do not seek profit by improper means, nor conduct ourselves improperly.
- We always ask ourselves if we should be ashamed of our actions “as people” and “as members of society,” and strive to judge and act with good sense as DTS Group employees.

(Plan-Do-Check-Act) cycle approach, and otherwise providing one-stop services underpinned by high quality operations adhering to Information Technology Services Management System (ITSMS) practices for systematically ensuring and improving quality of IT services. (CMMI® is a registered trademark of Carnegie Mellon University in the United States.)



The PMS handbook (first edition published in 2014) contains information on DTS's hybrid development standards and processes that are defined based on CMMI® and ISO 9001.

Internal reporting system (Help line)

The DTS Group has established an internal reporting system (Help line) with the aim of promoting the Company's ethical and legal compliance by preventing legal violations, fraudulent acts and illegal behavior, detecting such developments early on, and taking corrective action.

Points of contact for reporting

Our employees are able to report matters and seek consultation via one of the following contact points set up specifically for such use.

- (1) Help line (in-house contact point)
- (2) Corporate Auditors
- (3) External contact point for all Group companies (external attorney)

We have established multiple reporting routes that include e-mail, dedicated telephone lines, and written documentation for such reporting and consultation, and have otherwise created an environment conducive to enabling employees and others to readily report matters and seek consultation as necessary. In addition, these points of contact have been used every year.

Internal reporting framework encompassing overseas subsidiaries

We inform our overseas subsidiaries about the external contact point for all Group companies, and make it possible to report matters and seek consultation in local languages including English, Chinese, and Vietnamese. We furthermore coordinate efforts with local law firms and other such entities in alignment with specifics of reporting and consultation, and have otherwise established a system for furnishing replies in local languages.

Protection of reporters

We stringently ensure protection of those reporting matters in terms of their privacy, specifics of reported concerns, receipt of such reports, and investigations. We furthermore ensure that those reporting matters do not become subject to unfavorable treatment as a consequence of such reporting.



Message from Outside Directors

Mounting an accelerated response to new technologies, new development approaches, and digital transformation (DX)

Outside Director Tadayuki Hagiwara



Under the robust leadership of its President Nishida, the Company is closing in on net sales of ¥100 billion despite the COVID-19 pandemic, as a result of it having made substantial progress in terms of earnings performance partially brought about by successful development of numerous large-scale projects. While making substantial progress when it comes to our earnings performance, we have also been actively strengthening operations on the governance front by seeking compliance with the Corporate Governance Code.

The shift to digitalization has making further strides amid the prevailing business environment, with the COVID-19 pandemic having resulted in a situation where digitalization particularly in the financial industry has been progressing at an inconceivable pace

in areas such as FinTech and electronic payment. The Company is encountering persisting challenges in terms of accelerating its response to AI, data analytics and other new technologies, as well as to new development approaches and digital transformation (DX), all the while making the most of its strengths encompassing an extensive range of business expertise and outstanding product management capabilities.

Going forward, I will contribute to the Company's efforts to attain swift transformation and further maturity as a business entity serving as an Outside Director, drawing on my experience as a financial institution CIO and my background as president of an operating company.

Developing infrastructure in which activities for taking on challenges truly work is key

Outside Director Shinya Shishido



It has been one year since I was first appointed to serve as an Outside Director. During this time, I have been able to experience DTS's corporate culture of embracing sincerity toward its customers and dependability when it comes to development projects. This approach has enabled DTS to gain the trust of its customers and accordingly amass an ever-growing track record of business performance.

Nevertheless, we are now encountering a phase of major transformation, referred to as the Fourth Industrial Revolution, which is making it increasingly difficult to persist in providing services that result in high levels of customer satisfaction as we continue along our trajectory thus far. This situation calls for us to propose

solutions that draw on so-called CAMBRIC technologies and design considerations. Still, whereas DTS has already been engaging in efforts to positively take on challenges in various fields to such ends, at the same time it needs to simultaneously make progress in developing infrastructure for ensuring that such solutions truly work.

Addressing this situation is giving rise to the need for us to encourage a corporate culture that embraces failure. Indeed, real-world developments have certainly been serving as a reminder of the adage that "Culture eats strategy for breakfast."

Strengthening the Board monitoring function

Outside Director Masayuki Hirata



It has been five years since I was first appointed to serve as an Outside Director of the Company. Corporate governance has undergone many changes during that time, including revision of the Companies Act and update of the Corporate Governance Code. The Company has accordingly been endeavoring to strengthen its governance practices in response to these developments.

The Company's Board of Directors fully assumes the role of the corporate decision-making body, enlisting its membership of professionals of various backgrounds and specialties who actively ask questions and engage in discussions over several hours each time the Board of Directors meets. I have particularly been striving to

heighten the Board's monitoring function serving as an independent Outside Director on such occasions. In that respect, the Company has been achieving favorable earnings performance over the last five years.

As a challenge to address going forward, I feel we need to place more focus on aiming to achieve further growth with business portfolio management from a multi-pronged perspective, premised on the notion that our ability to robustly adapt to change will serve as our ultimate competitive strength.

Importance of governance that draws on distinctive characteristics of our respective Group companies

Outside Director Shinichi Yamada



I was appointed to serve as an Outside Director in June 2020. The Company's governance practices seem to be functioning effectively, amid a situation where its Board of Directors actively engages in exchanges of views from diverse standpoints encompassing shareholder perspectives. The Company is also managed appropriately and has been taking action without delay with respect to addressing adverse effects on its business in relation to the COVID-19 pandemic.

Meanwhile, the Company has been encountering rapid changes with respect to the environment surrounding society, business entities, and individuals. Against this backdrop, the field of information and communications technology is also undergoing technological

innovation and business of the company has been subject to various influences. The relationship between technology and business, and the notion of striking a balance between the two, are becoming increasingly important when it comes to adapting to change and achieving sustainable growth.

In addition, whereas we are seeking to become more global, we also recognize the importance of governance practices that draw on respective attributes of the Group.

From this perspective, I am committed to doing my utmost in terms of enabling the Company to achieve progress.



## Directors and Corporate Auditors (as of June 19, 2020) \*The number of shares of the Company held as of March 31, 2020

## 10 Directors



**(1) Representative Director and President**  
**Koichi Nishida**

## Career summary, positions, responsibilities and significant concurrent positions

- 2001 Head, Planning Department, Financial System Platforms Sector, NTT DATA Corporation
- 2003 Deputy Head, Financial System Platforms Sector, NTT DATA Corporation
- 2004 Deputy Head, Regional Banking System Platforms Sector, NTT DATA Corporation
- Head, General Banking Business Unit, NTT DATA Corporation
- Senior Vice President, NTT DATA Corporation
- 2005 Head, Regional Banking System Platforms Sector, NTT DATA Corporation
- 2009 Director and Vice President, the Company Executive Officer
- 2010 Representative Director and President (current position)

## Number of shares of the Company held

44,641

## Reasons for appointment

Mr. Koichi Nishida has a wealth of experience in corporate management, including achievements gained in the financial sector of a major information and telecommunications company. He has been responsible for managing the Company as Representative Director and President since 2010. The Company expects that he will leverage his wealth of experience and achievements to continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.



**(2) Director and Executive Vice President**  
**Tomoaki Kitamura**

## Career summary, positions, responsibilities and significant concurrent positions

- 2003 Head, Business Development Sector, NTT DATA Corporation
- 2006 Head, Planning Department, Business Solution Sector, NTT DATA Corporation
- 2009 Head, Data Center Business Unit, Business Solution Sector, NTT DATA Corporation
- 2012 Head, Data Center Business Unit, Fundamental System Platforms Sector, NTT DATA Corporation
- 2015 President and CEO, NTT DATA TOKAI Corporation
- 2018 Senior Vice President and Head, Business Solution Sector, NTT DATA Corporation (retired in June 2020)
- Director, NTT DATA INTRAMART CORPORATION (retired in June 2020)
- Director, NTT DATA BUSINESS SYSTEMS CORPORATION (retired in June 2020)
- 2020 Director and Executive Vice President, the Company (current position)

## Number of shares of the Company held

-

## Reasons for appointment

Mr. Tomoaki Kitamura has a wealth of experience and a high level of insight in corporate management, including achievements in managing a major information and telecommunications company and its group companies. The Company expects that he will continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.



**(3) Director and Managing Executive Officer**  
**Takao Sakamoto**

## Career summary, positions, responsibilities and significant concurrent positions

- 1987 Joined the Company
- 2004 General Manager, Planning Department, Corporate Staff Division
- 2007 Executive Officer
- 2009 Director
- 2013 General Manager, Human Resources Department
- 2014 Representative Director and President, MIRUCA CORPORATION
- 2016 Executive Managing Director, the Company
- 2018 Representative Director and President, JAPAN SYSTEMS ENGINEERING CORPORATION
- 2019 Director and Managing Executive Officer, the Company (current position)
- 2020 Director, DTS palette Inc. (current position)
- Director, JAPAN SYSTEMS ENGINEERING CORPORATION (current position)

## Number of shares of the Company held

16,691

## Reasons for appointment

With his experience in administrative departments such as company-wide corporate planning and human resources, as well as his experience and track records of managing Group companies, Mr. Takao Sakamoto has been responsible for the management of the Company. The Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.



**(4) Director and Managing Executive Officer**  
**Minoru Takeuchi**

## Career summary, positions, responsibilities and significant concurrent positions

- 1985 Joined the Company
- 2007 General Manager, Financial System Sector Executive Officer
- 2010 Director
- 2016 Executive Managing Director
- Chairman, DTS (Shanghai) CORPORATION (current position)
- 2017 Chairman, DTS SOFTWARE VIETNAM CO., LTD. (current position)
- 2018 Chairman, DTS America Corporation (current position)
- 2019 Chairman, Dalian SuperElectronics Co., Ltd. (current position)
- Director and Managing Executive Officer, the Company (current position)
- Representative Director and Chairman, Japan SuperElectronics Co., Ltd. (current position)
- Chairman, Nelito Systems Limited (current position)

## Number of shares of the Company held

13,598

## Reasons for appointment

With his experience and track records of organizational management in the financial sector, as well as of managing Group companies outside Japan, Mr. Minoru Takeuchi has been responsible for the management of the Company. The Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.



**(5) Director and Senior Executive Officer**  
**Hirotohi Kobayashi**

## Career summary, positions, responsibilities and significant concurrent positions

- 1980 Joined the Company
- 2008 General Manager, Planning Department, Corporate Staff Division
- 2010 Executive Officer
- 2014 Director, YOKOGAWA DIGITAL COMPUTER CORPORATION
- Director, ART System Co., Ltd.
- 2016 President & CEO, DIGITAL TECHNOLOGIES CORPORATION (current position)
- General Manager, General Administration Department, the Company
- Director (current position)
- 2019 General Manager, ICS Sector (current position)
- 2020 Senior Executive Officer (current position)

## Number of shares of the Company held

10,048

## Reasons for appointment

With his experience in organizational management in the industry and telecommunications sector and in company-wide corporate planning, as well as his experience and track records of managing Group companies, Mr. Hirotohi Kobayashi has been responsible for the management of the Company. The Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.



**(6) Director and Senior Executive Officer**  
**Isao Asami**

## Career summary, positions, responsibilities and significant concurrent positions

- 1987 Joined the Company
- 2010 General Manager, Corporate Planning Department
- 2012 Executive Officer
- 2013 General Manager, Embedded Systems Business Department, ICT Sector
- 2014 Director, YOKOGAWA DIGITAL COMPUTER CORPORATION
- Director, ART System Co., Ltd.
- 2015 Representative Director and President, ART System Co., Ltd.
- 2017 Representative Director and President, DTS INSIGHT CORPORATION (current position)
- 2019 Director, the Company (current position)
- Senior Executive Officer (current position)
- 2020 General Manager, Enterprise and Solution Sector (current position)

## Number of shares of the Company held

16,552

## Reasons for appointment

With his experience in organizational management in the built-in software and telecommunications sector and in company-wide corporate planning, as well as his experience and track records of managing Group companies, Mr. Isao Asami has been responsible for the management of the Company. The Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and playing a role in supervising its business execution. Therefore, the Company appoints him as Director.





(7) Outside Director  
Tadayuki Hagiwara

Independent

#### Career summary, positions, responsibilities and significant concurrent positions

- 2000 General Manager, IT Project Promotion Division, IT Promotion Department, Fuji Bank, Ltd.
- 2002 Deputy General Manager, IT and Systems Control Department, Mizuho Corporate Bank, Ltd.
- 2006 Executive Officer, General Manager, IT & Systems Control Department, Mizuho Bank, Ltd.  
Director, the Company (retired in June 2010)
- 2009 Executive Managing Director, Mizuho Bank, Ltd.
- 2011 Managing Executive Officer, Mizuho Bank, Ltd. (retired in June 2011)  
Senior General Manager, Mizuho Bank, Ltd. (retired in June 2012)
- 2012 Director, the Company (current position)  
Representative Director and President, Avanti Staff Corporation (retired in January 2019)
- 2013 Outside Corporate Auditor, FUYO AUTO LEASE CO., LTD. (retired in June 2017)
- 2020 Outside Corporate Auditor, Tokyo Tatemono Real Estate Sales Co., Ltd. (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Tadayuki Hagiwara has experience being in charge of the IT division of a city bank and serving as a manager of a temp staff agency, and abundant experience and knowledge, etc. of the industry and as a manager. The Company expects that he will utilize this experience and knowledge in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. Therefore, the Company appoints him as Outside Director.



(9) Outside Director  
Shinya Shishido

Independent

#### Career summary, positions, responsibilities and significant concurrent positions

- 1998 General Manager, Systems Department, Japan Housing Finance Agency
- 2001 General Manager, Osaka Branch, Japan Housing Finance Agency
- 2003 Director, Japan Housing Finance Agency (retired in March 2007)
- 2007 Managing Director, HGS Co., Ltd. (retired in March 2011)  
Representative Director and President, JLS. LTD. (retired in March 2011)
- 2011 Chairman, Incorporated Administrative Agency Japan Housing Finance Agency (retired in March 2015)
- 2015 Councillor, TOHOKU GAKUIN (retired in March 2019)
- 2016 Director, Escrow Agent Japan, Inc. (retired in May 2019)
- 2019 Director, the Company (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Shinya Shishido has abundant experience and a high level of insight as a manager in the housing loan industry and the real estate industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. Therefore, the Company appoints him as Outside Director.



(8) Outside Director  
Masayuki Hirata

Independent

#### Career summary, positions, responsibilities and significant concurrent positions

- 1998 General Manager, Business Administration Department, Group Company Headquarters, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
- 1999 Head, Fourth Sector, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (retired in June 2000)
- 2000 Member of the Board of Directors, General Manager of Affiliated Business Department, NTT DOCOMO, INC.
- 2001 Executive Managing Director, General Manager of Accounts and Finance Department, NTT DOCOMO, INC.
- 2004 Senior Executive Vice President, General Manager of Global Business Division, NTT DOCOMO, INC. (retired in June 2008)
- 2008 President & CEO, InfoCom Research, Inc. (retired in June 2013)
- 2013 Corporate Adviser, InfoCom Research, Inc.  
Outside Board Director, SKY Perfect JSAT Holdings Inc. (retired in June 2016)
- 2014 Adviser, InfoCom Research, Inc.
- 2015 Outside Director, CHUCO Co., Ltd. (retired in June 2019)
- Director, the Company (current position)
- 2016 Senior Fellow, InfoCom Research, Inc. (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Masayuki Hirata has wide-ranging operational experience in the telecommunications industry and abundant experience and a high level of insight regarding corporate management. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. Therefore, the Company appoints him as Outside Director.



(10) Outside Director  
Shinichi Yamada

Independent

#### Career summary, positions, responsibilities and significant concurrent positions

- 2003 Director and Deputy Head, Business Development Sector, NTT DATA Corporation
- 2004 Director and Head, Business Development Sector, NTT DATA Corporation
- 2005 Senior Vice President and Head, Fundamental System Platforms Sector, NTT DATA Corporation
- 2007 President and CEO, NTT DATA INTELLILINK Corporation (retired in June 2011)  
Executive Vice President; Head, Fundamental System Platforms Sector and Head, Technology Development Sector, NTT DATA Corporation
- 2009 Representative Director and Executive Vice President; Head, Fundamental System Platforms Sector and Head, Technology Development Sector, NTT DATA Corporation  
Representative Director and Executive Vice President; Head, S&T Company; Head, SI Competency Sector and Head, Technology Development Sector, NTT DATA Corporation (retired in June 2011)
- 2011 President and CEO, NTT Software Corporation (retired in March 2017)
- 2017 Director, NTT TechnoCross Corporation (retired in June 2017)  
Special Advisor, NTT TechnoCross Corporation (retired in June 2018)
- 2020 Director, the Company (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Shinichi Yamada has abundant experience and a high level of insight regarding the industry trends and corporate management in the IT industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. Therefore, the Company appoints him as Outside Director.

## 4 Corporate Auditors



(1) Standing Corporate Auditor  
Kenichiro Akamatsu

#### Career summary and positions

- 2007 General Manager, Sales Department II, Osaka Branch, The Chuo Mitsui Trust and Banking Company, Limited
- 2009 Responsible for Planning, Treasury Management Department, JAPAN POST BANK Co., Ltd.
- 2012 Executive Officer, the Company
- 2017 Corporate Auditor, DTS WEST CORPORATION  
Corporate Auditor, KYUSHU DTS CORPORATION  
Corporate Auditor, JAPAN SYSTEMS ENGINEERING CORPORATION  
Corporate Auditor, the Company (current position)
- 2018 Auditor, DIGITAL TECHNOLOGIES CORPORATION (current position)  
Corporate Auditor, DTS INSIGHT CORPORATION (current position)
- 2020 Corporate Auditor, KYUSHU DTS CORPORATION (current position)

#### Number of shares of the Company held

2,528

#### Reasons for appointment

Mr. Kenichiro Akamatsu has a wealth of experience and achievements gained previously in the financial systems sector, and the Company expects him to utilize his experience and achievements in the Company's audits. Therefore, the Company appoints him as Corporate Auditor.



(3) Outside Corporate Auditor  
Taeko Ishii

Independent

#### Career summary and positions

- 1992 Deputy Director, Ota Ishii Law Office (current position)
- 2004 Outside Corporate Auditor, Furusato Service Co., Ltd. (current position)
- 2018 Corporate Auditor, the Company (current position)  
Outside Audit & Supervisory Board Member, NEC Corporation (current position)  
Outside Director, Sumitomo Metal Mining Co., Ltd. (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Ms. Taeko Ishii is an attorney, and in order to utilize her legal knowledge, experience, and insights in the audit of the Company, the Company appoints her as Outside Corporate Auditor.



(2) Outside Corporate Auditor  
Kenji Yukimoto

Independent

#### Career summary and positions

- 1974 Joined PriceWaterhouse Certified Public Accountant Firm
- 1977 Registered as Certified Public Accountant
- 1992 Representative Partner, Aoyama Audit Corporation
- 2000 Representative Partner, ChuoAoyama PricewaterhouseCoopers
- 2007 Senior Partner, Ernst & Young ShinNihon (retired in June 2010)
- 2010 President, Yukimoto Kenji Certified Public Accountant Office (current position)  
Director, Alpha Profession Group (current position)
- 2013 Outside Corporate Auditor, Kyodo Public Relations (current position)
- 2016 Corporate Auditor, the Company (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Kenji Yukimoto is certified as a certified public accountant, and in order to utilize his knowledge, experience, insights, etc. regarding finance and accounting in the audit structure of the Company, the Company appoints him as Outside Corporate Auditor.



(4) Outside Corporate Auditor  
Yutaka Takei

Independent

#### Career summary and positions

- 2007 Executive Officer and General Manager, Transfer Agent Department, The Chuo Mitsui Trust and Banking Company, Limited (retired in May 2009)
- 2009 Director and President, Tokyo Securities Transfer Agent Co., Ltd. (retired in March 2017)
- 2018 Executive Managing Director, Fujicitio Co, Ltd. (retired in May 2019)
- 2019 Advisor, Tokyo Securities Transfer Agent Co., Ltd. (current position)  
Corporate Auditor, the Company (current position)

#### Number of shares of the Company held

-

#### Reasons for appointment

Mr. Yutaka Takei has abundant experience and a high level of insight as a manager of a trust bank, a securities transfer agent and a retailer, and in order to utilize this experience and insight in the audit structure of the Company, the Company appoints him as Outside Corporate Auditor.



## Financial Data

(100 million yen)

| Items   | FY16/3  | FY17/3  | FY18/3    | FY19/3    | FY20/3    |
|---|---------|---------|-----------|-----------|-----------|
| <b>Results</b>                                  |         |         |           |           |           |
| Net sales                                       | 825.37  | 798.58  | 831.63    | 867.16    | 946.18    |
| Cost of sales                                   | 675.53  | 640.16  | 667.14    | 691.99    | 759.13    |
| Gross profit                                    | 149.84  | 158.42  | 164.48    | 175.17    | 187.05    |
| Gross profit margin                             | 18.2%   | 19.8%   | 19.8%     | 20.2%     | 19.8%     |
| Selling, general and administrative expenses    | 73.84   | 78.55   | 79.24     | 77.27     | 80.30     |
| Operating profit                                | 75.99   | 79.86   | 85.23     | 97.89     | 106.74    |
| Operating margin                                | 9.2%    | 10.0%   | 10.2%     | 11.3%     | 11.3%     |
| EBITDA  | 81.33   | 84.47   | 89.44     | 102.63    | 111.47    |
| Profit attributable to owners of parent         | 43.41   | 51.21   | 57.65     | 68.17     | 73.17     |
| Order volume                                    | 826.36  | 834.92  | 845.05    | 892.92    | 961.02    |
| Order backlog                                   | 303.92  | 340.26  | 353.69    | 379.45    | 406.29    |
| <b>Financial position as of fiscal year end</b> |         |         |           |           |           |
| Net assets                                      | 403.55  | 436.60  | 469.62    | 513.53    | 550.89    |
| Equity  | 388.14  | 420.91  | 469.62    | 513.53    | 550.83    |
| Equity-to-asset ratio                           | 70.4%   | 73.7%   | 76.5%     | 76.7%     | 78.0%     |
| <b>Cash flows</b>                               |         |         |           |           |           |
| Cash flows from operating activities            | 50.60   | 37.64   | 67.61     | 69.47     | 75.51     |
| Cash flows from investing activities            | 54.23   | (11.99) | (18.06)   | (17.70)   | (13.60)   |
| Cash flows from financing activities            | (20.64) | (22.16) | (29.67)   | (24.77)   | (30.47)   |
| Cash and cash equivalents at end of period      | 301.20  | 304.59  | 324.54    | 351.40    | 382.76    |
| Capital expenditures                            | 5.17    | 2.67    | 7.31      | 6.14      | 9.13      |
| Depreciation                                    | 5.34    | 4.60    | 4.21      | 4.73      | 4.73      |
| Research and development expenses               | 4.70    | 4.63    | 4.39      | 4.36      | 3.16      |
| <b>Financial indicators</b>                     |         |         |           |           |           |
| Return on equity (ROE)                          | 11.5%   | 12.7%   | 12.9%     | 13.9%     | 13.8%     |
| Return on assets (ROA)                          | 14.5%   | 14.4%   | 14.5%     | 15.5%     | 15.8%     |
| Payout ratio                                    | 32.1%   | 31.5%   | 32.3%     | 32.5%     | 34.8%     |
| <b>Per share information</b>                    |         |         |           |           |           |
| Profit  | ¥93.34  | ¥111.24 | ¥123.95   | ¥146.10   | ¥158.01   |
| Net assets                                      | ¥835.64 | ¥916.02 | ¥1,001.62 | ¥1,101.61 | ¥1,190.71 |
| Annual dividends                                | ¥30     | ¥35     | ¥40       | ¥47.5     | ¥55       |

\* The Company carried out a two-for-one split of its common stock with an effective date of July 1, 2019.

## Non-financial Data

### Human resources-related data

| Consolidated  | Items   |   | Unit      | FY16/3    | FY17/3 | FY18/3 | FY19/3 | FY20/3 |      |
|---|---|---|-----------|-----------|--------|--------|--------|--------|------|
| Number of employees                                 |   |   | Employees | 4,430     | 4,396  | 4,378  | 4,369  | 5,457  |      |
|   |   |   |           |           |        |        |        |        |      |
| Non-consolidated                                    | Items   |   | Unit      | FY16/3    | FY17/3 | FY18/3 | FY19/3 | FY20/3 |      |
| Basic data  | Number of employees (male and female)                             | Male  | Employees | 2,283     | 2,284  | 2,222  | 2,488  | 2,446  |      |
|   |   | Female  | Employees | 426       | 416    | 421    | 527    | 521    |      |
|   |   | Total   | Employees | 2,709     | 2,700  | 2,643  | 3,015  | 2,967  |      |
|   | Number of hires (male and female)                                 | Male  | Employees | 87        | 91     | 96     | 110    | 126    |      |
|   |   | Female  | Employees | 39        | 31     | 29     | 37     | 51     |      |
|   |   | Total   | Employees | 126       | 122    | 125    | 147    | 177    |      |
|   | Average length of service   |   | Years     | 12.9      | 13.4   | 14.0   | 13.9   | 14.3   |      |
|   |   | (Of which female employees)                                       | Years     | (10.2)    | (10.1) | (10.3) | (10.6) | (10.7) |      |
|   | Diversity   | Ratio of female employees   |           | %         | 15.7   | 15.4   | 15.9   | 17.5   | 17.7 |
|   |   | Female employees appointed to positions of leadership *Management | Employees | Employees | 9      | 8      | 11     | 11     | 11   |
| Ratio   |   |   | %         | 3.2       | 3.2    | 2.9    | 3.1    | 3.6    |      |
| Ratio of employees with disabilities                |   |   | %         | 1.97      | 2.18   | 2.20   | 2.06   | 2.29   |      |
| Work-life balance                                   | Annual paid holidays  | Number of days used   | Days      | 11.5      | 13.6   | 13.3   | 13.7   | 14.2   |      |
|   |   | Rate of usage   | %         | -         | -      | 70.7   | 73.5   | 75.5   |      |
|   | Average number of monthly overtime hours                          |   | Hours     | -         | -      | 26:55  | 25:46  | 23:44  |      |
|   | Number of employees using childcare leave system (5 days or more) |   | Employees | 65        | 64     | 47     | 30     | 30     |      |
|   |   | (Of which female employees)                                       | Employees | (2)       | (3)    | (2)    | (4)    | (4)    |      |
|   | Return rate after childcare leave                                 |   | %         | 100       | 90.5   | 100    | 94.1   | 93.8   |      |
|   | Number of employees using system for shortened working hours      |   | Employees | 84        | 84     | 82     | 94     | 91     |      |
|   | Number of employees using family care leave system                |   | Employees | -         | -      | 8      | 9      | 14     |      |
|   | Number of employees using caregiver leave system                  |   | Employees | 1         | 2      | 3      | 6      | 5      |      |
| Number of employees using nursing care leave system |   | Employees   | -         | -         | 5      | 7      | 0      |        |      |

\* Data calculation record date: March 31 of each fiscal year. However, the ratio of employees with disabilities is presented as of June 1 of each fiscal year.

\* The family care leave system and the nursing care leave system were introduced from FY2017.

### Environmental data

| DTS Group          | Items                     | Unit              | FY16/3 | FY17/3 | FY18/3 | FY19/3 | FY20/3 |
|--------------------|---------------------------|-------------------|--------|--------|--------|--------|--------|
| Offices (in Japan) | CO <sub>2</sub> emissions | t-CO <sub>2</sub> | 1,460  | 1,357  | 1,249  | 1,037  | 1,024  |
| Offices (overseas) | CO <sub>2</sub> emissions | t-CO <sub>2</sub> | 101    | 93     | 95     | 111    | 136    |

\* CO<sub>2</sub> emission coefficient: Uses emission coefficient for each electric utility operator \*Excluding some overseas operations



|  |  |
|--|--|
| Trade name                             | DTS CORPORATION  |
| Headquarters                           | Empire Building, 2-23-1 Hatchobori, Chuo-ku, Tokyo 104-0032  |
| Official website                       | <a href="https://www.dts.co.jp/">https://www.dts.co.jp/</a>  |
| Date established                       | August 25, 1972  |
| Capital                                | 6,113 million yen (end of March 31, 2021)  |
| Number of employees                    | 2,967 (end of March 31, 2020; non-consolidated basis)<br>5,457 (end of March 31, 2020; consolidated basis) |
| Fiscal year                            | April 1 of each year to March 31 of the following year   |
| Annual General Meeting of Shareholders | Held in June of each year  |
| Stock listing                          | Tokyo Stock Exchange, First Section<br>(Stock code: 9682)  |
| Accounting Auditor                     | Ernst & Young ShinNihon LLC  |
| Stock Transfer Agency                  | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233                        |

## Group companies

## Japan

KYUSHU DTS CORPORATION  
JAPAN SYSTEMS ENGINEERING CORPORATION  
DTS WEST CORPORATION  
MIRUCA CORPORATION  
DIGITAL TECHNOLOGIES CORPORATION  
DTS INSIGHT CORPORATION  
DTS palette Inc.

## Overseas

DTS (Shanghai) CORPORATION  
DTS America Corporation  
DTS SOFTWARE VIETNAM CO., LTD.  
Nelito Systems Limited  
Dalian SuperElectronics Co., Ltd.  
Japan SuperElectronics Co., Ltd.

## Stock Information (As of March 31, 2020)

|                                    |             |
|------------------------------------|-------------|
| Total number of authorized shares  | 100,000,000 |
| Total number of outstanding shares | 50,444,532  |
| Number of shareholders             | 5,796       |

## Major shareholders

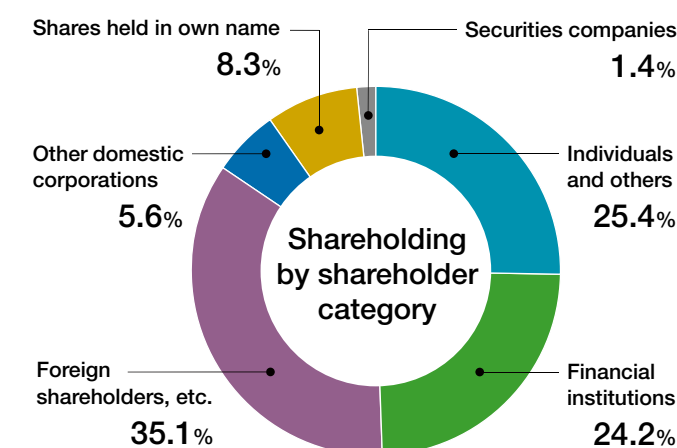
| Name   | Number of shares held<br>(Thousands of shares) | Shareholding ratio<br>(%) |
|--|--|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 3,574  | 7.72                      |
| DTS Group Shareholding Association                   | 3,067  | 6.62                      |
| Japan Trustee Services Bank, Ltd. (Trust account)    | 2,618  | 5.65                      |
| Shirane Maita  | 1,442  | 3.11                      |
| Kumiko Akiyama                                       | 1,237  | 2.67                      |
| Japan Trustee Services Bank, Ltd. (Trust account 9)  | 1,111  | 2.40                      |
| The Bank of New York Mellon 140044                   | 1,056  | 2.28                      |
| NTC Corporation                                      | 964  | 2.08                      |
| Japan Trustee Services Bank, Ltd. (Trust account 5)  | 891  | 1.92                      |
| GOVERNMENT OF NORWAY                                 | 866  | 1.87                      |

\* The Company holds 4,183 thousand shares of treasury stock, and the shareholding ratio is calculated after deducting treasury stock.

\* The Company carried out a two-for-one split of its common stock with an effective date of July 1, 2019. As a result, the figures presented above are the number of shares as of March 31, 2021, using figures after the stock split.

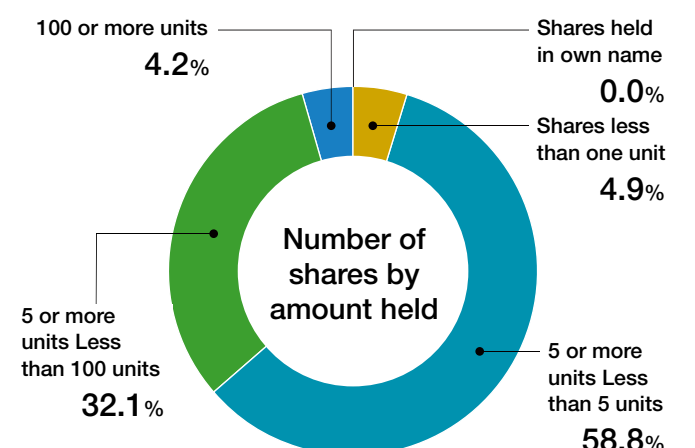
\* The trade name of Japan Trustee Services Bank was changed to Custody Bank of Japan, Ltd. on July 27, 2020.

## Composition of shareholders



## Return on equity (ROE)

| FY18/3 | FY19/3 | FY20/3 |
|--------|--------|--------|
| 12.9%  | 13.9%  | 13.8%  |



## Total return ratio

| FY18/3 | FY19/3 | FY20/3 |
|--------|--------|--------|
| 42.9%  | 41.3%  | 45.7%  |





## DTS CORPORATION

Empire Building, 2-23-1 Hatchobori, Chuo-ku, Tokyo 104-0032

TEL: +81-3-3948-5488

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

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