



Delivering  
Tomorrow's  
Solutions

# DTS Group REPORT 2021

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.

## Creating New Value **MADE BY DTS Group**

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)
<b>Sincerity and trust</b>	<b>Growth and contribution</b>	<b>Independence and challenge</b>	<b>Respect and co-creation</b>	<b>Integrity and fairness</b>

**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 | ■ Appropriate handling of intellectual property               |
| ■ Maintain good relationships with customers and improve customer satisfaction (CS) | ■ Appropriate operation management and information disclosure |
| ■ Rigorous information management and confidentiality                               | ■ Prohibition on involvement with anti-social forces          |
| ■ Free competition and fair trading   | ■ Environmental and social contribution initiatives           |

## Table of Contents

Our Vision for the Group .....	01
Summary of the DTS Group .....	03
Message from the President .....	05
<b>Chapter 1</b> <b>DTS Group's Value Creation</b>	
Growth Trajectory of the DTS Group .....	11
DTS Group Supporting Society .....	13
Value-creation Process .....	15
Strengthening DX business .....	17
Financial and Non-financial Highlights ...	19
Financial & Non-Financial Strategy — ESG Metrics as Management Targets — ...	21
Business Strategy .....	25
<b>Chapter 2</b> <b>Initiatives for Creating Value</b>	
Business Overview of Each Segment .....	27
Finance and Society .....	29
Corporate Solutions .....	32
Operational Infrastructure BPO .....	35
Regional, Overseas, Etc. ....	38
<b>Chapter 3</b> <b>Initiatives to Support Sustainable Growth</b>	
Overview of ESG Management .....	43
E: Environment .....	46
S: Social .....	49
G: Governance .....	57
Financial Data .....	75
Non-financial Data .....	76
Corporate Overview .....	77
Stock Information .....	78

## 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 "Sustainability." Please refer to them.

## Period covered

April 1, 2020 to March 31, 2021

(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/>

## Sustainability

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

## 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 cutting-edge digital technologies and the technologies that we have refined since our foundation in 1972.





# Consolidated Highlights for the Fiscal Year Ended March 31, 2021

Net sales

¥**90.4** billion

Operating profit

¥**10.8** billion

Profit attributable to  
owners of parent

¥**7.5** billion

ROE

**13.3%**

ROA

**15.3%**

Total return ratio

**49.4%**

Equity-to-asset ratio

**78.8%**

Number of employees  
(consolidated)

**5,792**

Number of Group  
customers

Approx. **1,700**



**We will promote the DX business  
and create new value towards  
realizing an abundant society**



**Tomoaki Kitamura,**  
Representative Director  
and President



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## Outlook for the management environment

### Using the wave of digitalization as a business opportunity to contribute to transforming clients' businesses

Since February 2020, we have experienced a pandemic due to spread of COVID-19, not only in Japan but globally, and the pandemic is still ongoing. In the past during outbreaks of SARS and avian influenza, the Company created pandemic contingency plans and prepared countermeasures. This time, however, the COVID-19 virus has been far worse than we had envisaged.

In Japan, many of the industries that DTS clients operate in have been heavily impacted. Looking ahead, we hope to see the vaccination rate increase and that the economy will recover as soon as possible. However, as the emergence of the expression “new normal” suggests, we believe that people will engage in new workstyles, including telework, and new lifestyle patterns predicated on living with COVID-19.

This is one aspect of our business environment.

On the other hand, in the world of the new normal, IT will occupy a more and more important position in the activities of private individuals and companies. The IT market is therefore likely to expand going forward. In particular, digital transformation (DX) is a powerful wave of digitalization that is driving dramatic changes within the IT industry.

We in the IT industry have experienced major waves in the past. The 1980s saw a wave in the form of the popularization of personal computers, as computers, which had previously been difficult to access and use, entered the age of use by individuals. Then, in the 1990s, the spread of the internet formed another wave, ushering an era in which computers are connected worldwide. These waves have given rise to various new industries, such as electronic commerce. Then, in the 2000s, the wave of smartphone popularity ushered in an era of ubiquitous internet access, which became an era where everything that had once been done on a desktop PC could now be done on a handheld smartphone.

In the current wave of DX, things that have not been networked until now will be connected in real time, as described in the expression “Internet of Things (IoT),” with data being constantly renewed 24 hours a day, 365 days a year, while various fields have emerged in which machine learning has exceeded human capabilities. This era has the potential to transform our lifestyles and corporate activities. A host of advanced technologies have appeared, such as IoT, AI, BI, and cloud computing, and the trend is accelerating.

This is another aspect of our business environment.

Given this business environment, in its medium-term management plan, the DTS Group had set the targets of achieving a DX-related sales ratio of 25% and human resources related to DX of 500 people by strengthening DX-related education. However, we achieved these targets in fiscal 2020, ahead of schedule. Human resources as the most important resource for a systems integrator (Sier), and we therefore intend to continue investing in human resource development with a view to contributing to the transformation of our clients' businesses. Moreover, on April 1, 2021, the Digital Solution Sector was established to promote the DX business. I will serve as the General Manager of the Sector, which will start by working to strengthen our cloud services.

As the business environment continues to change dramatically going forward, we will also change ourselves, responding with agility. In this way, we will vigorously grow our existing businesses while strengthening the DX domain in tandem, aiming to continuously increase our corporate value.

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Progress in the second year of the medium-term management plan  
Net sales were ¥90.4 billion,  
operating profit reached a record-high of ¥10.8 billion,  
and the operating margin was 12% to achieve  
an operating margin of 10% or more for  
five consecutive fiscal years.

I will now give an overview of the status of each of our five key activities.

### 1. Strengthening marketing capability and SI capability

In accordance with the transformation to a new society referred to as the “New Normal” which is digital, online, remote, touchless, and labor-saving, we are promoting a combination of remote and face-to-face sales style using new communication tools and other promotional activities such as online exhibitions. Furthermore, in order to enhance the value that we propose, we have begun initiatives aimed at a systematic strengthening of the sales activities. Specifically, we have been sharing information, gathered through the use of the Sales Force Automation (SFA) system, regarding customer trends and sales activities, including the impact of the spread of COVID-19. Going forward, we will devise a strategy using this data to respond to the business situation and improve business efficiency.

In September 2020, we were certified as an Advanced Consulting Partner after meeting the knowledge and systems integration (SI) performance requirements for Amazon Web Services (AWS).

In addition, DTS's in-house development standards (PMS: Project Management Strategy) have been implemented in Nelito Systems, with the Financial Business Headquarters providing guidance on project status monitoring and risk management.

### 2. Creating new business

We have also been working on creating new business, such as the release in April 2020 of our IoT platform “Pasteriot” for supporting digitalization of manufacturing sites (edge).

Moreover, we established the Cloud and Infrastructure Integration Division within the newly established Digital Solution Sector, creating a structure that enables the entire company to powerfully promote cloud services being used for primary operations using the DX business as a foothold. With the establishment of this division, we will also work to promote the development of high level DX-related human resource and the provision of new services.

Furthermore, we launched internal cross-divisional projects in order to accelerate business proposals utilizing AI. In addition to continuously generating business ideas based on market research and customer needs and engaging in proposal activities such as trial projects, we are promoting the training of engineers through hands-on learning.





Even in unfamiliar fields,  
new possibilities are created once  
we think of a reason to achieve them.  
We will trust even more strongly in  
our potential and strive to achieve it.

### 3. Strengthening the Group's management foundation

DTS SOFTWARE VIETNAM CO., LTD. (DTS Vietnam), Dalian SuperElectronics Co., Ltd. (DLSE) and Japan SuperElectronics Co., Ltd. (DLSE Japan) were made into consolidated subsidiaries in the fiscal year under review, and all business companies became consolidated. We will unite the Group and expand our business in Japanese and overseas markets.

Furthermore, in June 2020, we started consolidating the Shiba Development Center and the Daimon Development Center, and established the Monzen-Nakacho Development Center with the aim of strengthening links between organizations and improving productivity.

Regarding initiatives for ESG, we appointed an ESG Promotion Member to each organization, and are strengthening that promotion system. Additionally, the scope of surveys for the contribution to SDGs, which were implemented for all of the Company's projects, has been expanded to the entire DTS Group. Using the results of these surveys, we have worked to strengthen group-wide activities.

In terms of the environment, we are making progress in reducing paper usage through the spread of telework and web conferencing, and we were able to achieve a roughly fifty percent reduction year on year after reviewing the initial full-year target and striving for further improvement. Going forward, we will continue to promote reductions in CO<sub>2</sub> emissions, etc. to reduce the environmental load.

### 4. Reform of internal systems and clerical work

In preparation for work-style reforms 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 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 teleworking. We also worked to shift contracts with partner companies and workflows for employees' operations into a digital format.

In July 2020, aiming to improve employee satisfaction, the company's internal public relations paper was moved to the web in order to facilitate access to company information.

Going forward, we will continuously add and improve functions as well as adopt DX-related technology and new development methods, and utilize this as a chance for employees to gain practical experience.

### Progress in the second year of the medium-term management plan

#### 5. Carrying out work-style reforms

In order to cultivate a company culture where employees can proactively take on new challenges, we reviewed the target management system and introduced a new system from the fiscal year under review. We will strive to disseminate it and continue to work on the personnel system reform that values challenges and reforms.

In September 2020, the Company obtained the “Company of Health Excellence Certification (Gold Certification)” as a company that has achieved a certain level of results in its health management initiatives. In addition, the Company was certified as “Health & Productivity Management Outstanding Organization (Large Enterprise Category)” certification in March 2021 for the second year in a row.

In the fiscal year under review, we provided guidance on paying attention to safety, which was given by an occupational doctor to people exhibiting high stress based on the results of the stress check, carried out as part of health management promotion. Going forward, we will work with occupational doctors and public health nurses make improvements to the provision of advice for workplace visits and problem solving and other areas.

In addition, based on the situation of telework, which started operating in March 2020, we renewed our telework and staggered work system in October of the same year. We will continue to promote work-life balance initiatives to improve employee satisfaction and corporate value.





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## Toward sustainable growth

**We will strengthen our development of human resources, which are the most important resource for an Sler, and further accelerate our management speed.**

Human resources are the most important management resource for an Sler. We will invest aggressively in human resource development. Within this, in the digital domain, specifically the AI business model, for example, there are several roles including the creators of infrastructure such as data lakes, consultants, and data scientists who conduct data analysis. We have a business model, roles, and standards ranging from novice to specialist depending on the roles. Within this framework, we will create a clear vision of our ideal human resources and human resource development programs. Right now, we have off-the job training (Off-JT) and on-the-job training (OJT), which enables personnel to develop and acquire experience while working, as well as a state-of-the-art working environment. Bringing these three items together, we are now working to create human resource development programs. These programs are improved and updated each year, and they enable newly assigned team members to come up to speed quickly. By creating a number of such programs, we will invest strongly in human resource development for our employees.

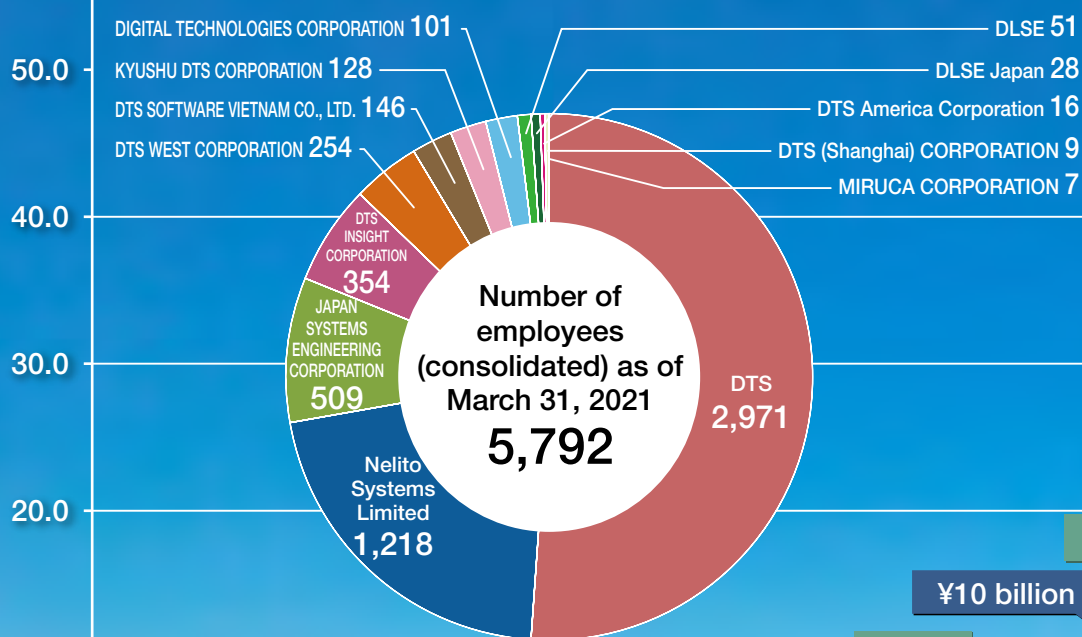
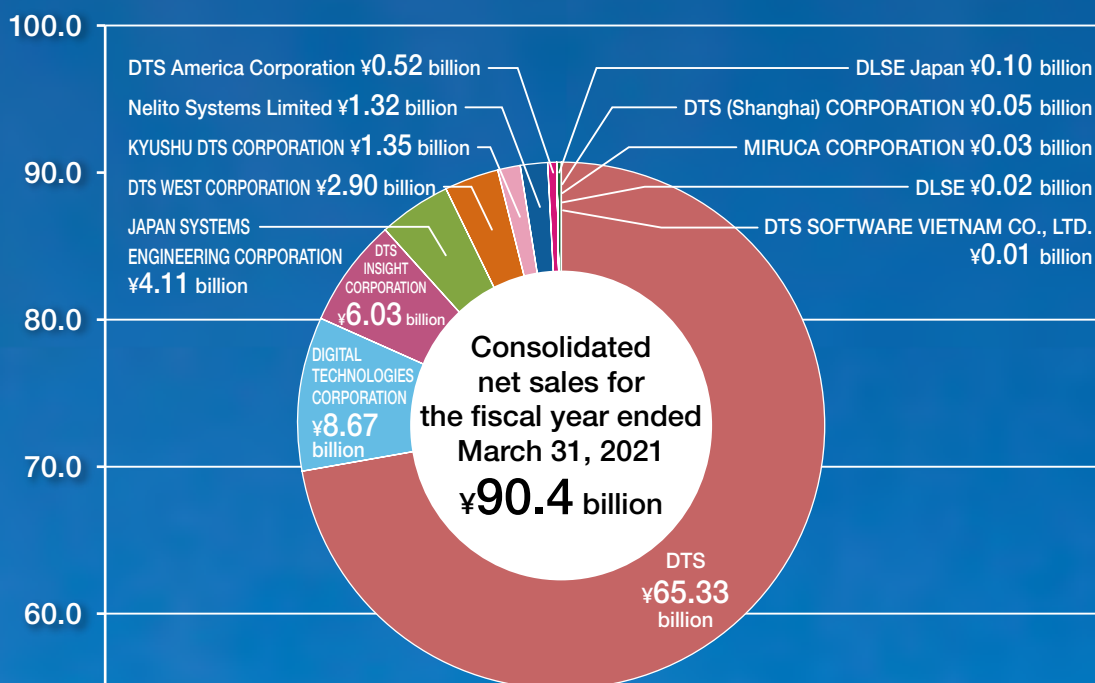
Furthermore, in order to stay current in with the rapidly evolving technology of the digital domain, we will also implement personnel exchange programs based on the Digital Solution Sector. In addition, the Digital Solution Sector will also have the function of connecting the organizations across our Group using technology-based shortcuts, helping to increase our overall skill level.

In the area of workstyles as well, a digital transformation is taking place in various industries and domains. With global uncertainty expected to continue, we will also seek to enhance management speed by proactively delegating authority and also by further promoting DX internally. I myself consider this an important theme, and will work to drive innovation and ensure that we catch the huge wave of digital transformation.

I ask for your continued support going forward.

## Growth Trajectory of the DTS Group

Net sales (Billions of yen)



\* The pie chart above does not include DTS palette Inc. because it is a non-consolidated entity.  
(Fiscal year ended March 31, 2021)

Established Data Tsushin System





Consolidated net sales  
(Billions of yen)

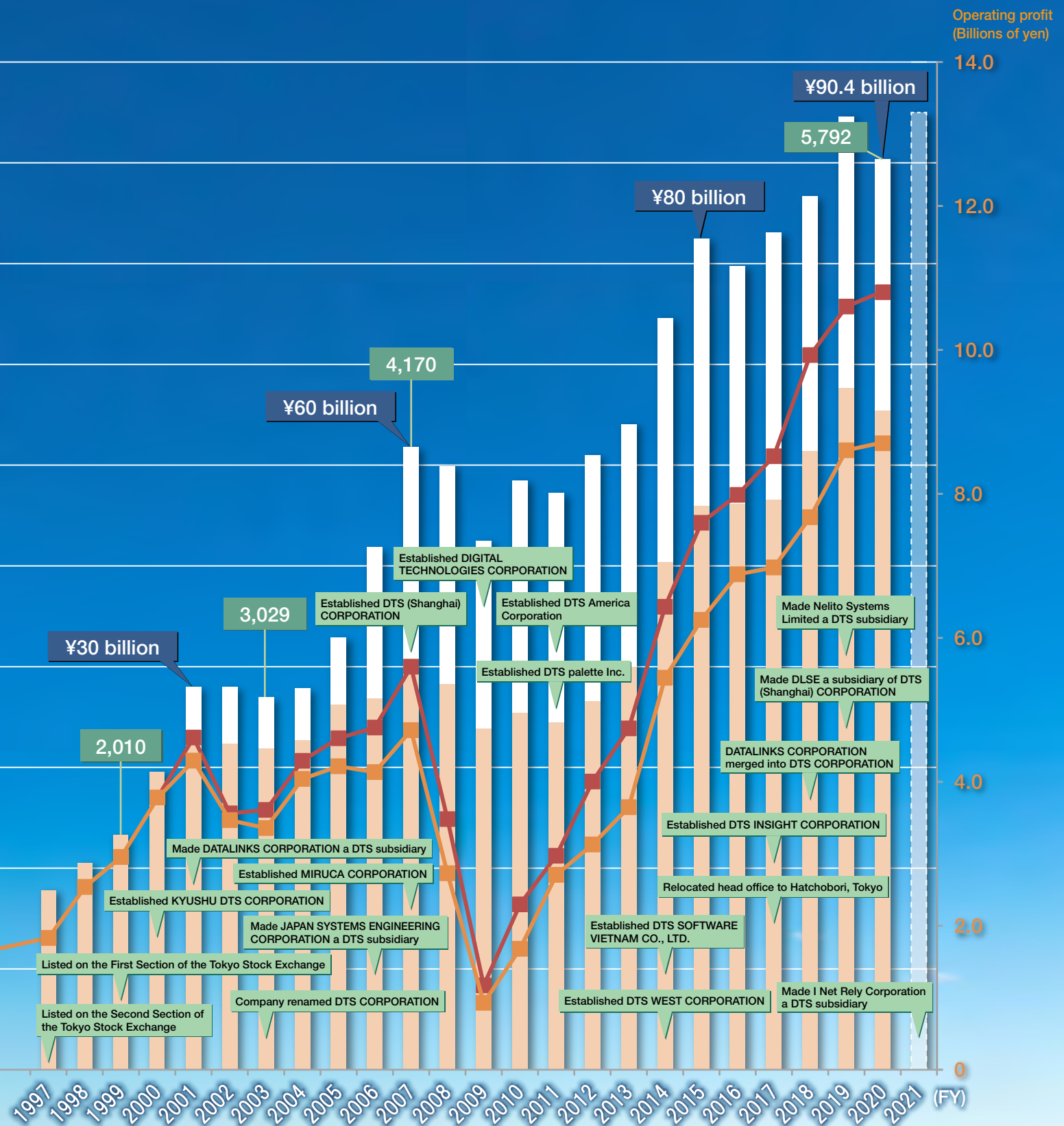
Non-consolidated net sales  
(Billions of yen)

Consolidated operating profit  
(Billions of yen)

Non-consolidated operating profit  
(Billions of yen)

Number of employees  
(consolidated)

Topics



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

## Chapter 1 DTS Group's Value Creation

**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.



### 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.



## 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.



## 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.



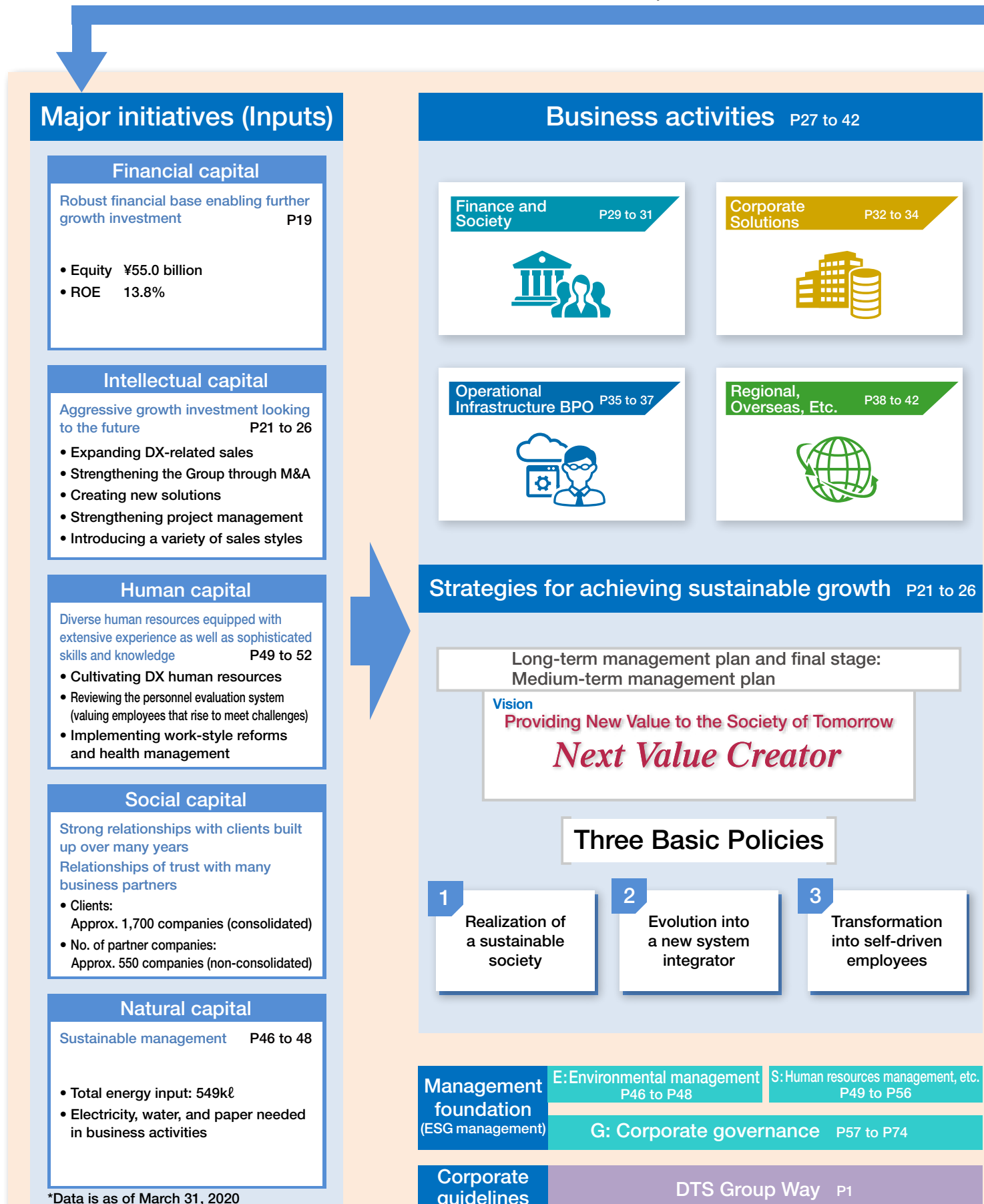
### In-vehicle equipment

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



# Chapter 1 DTS Group's Value Creation Value-creation Process

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 while flexibly addressing changes in the business environment, and implement such 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.

## Achievements (Outputs)

### Financial capital

#### Operating revenue

- Consolidated net sales: ¥90.49 billion
- Consolidated operating margin: 12.0%

#### Management efficiency

- ROE 13.3%

#### Shareholder returns

- Total return ratio: 49.4%

### Intellectual capital

- Sales ratio of DX-related sales (30.5%)
- Made I Net Rely Corporation a DTS subsidiary (June 2021)
- Pasteriot, ReSM plus, “Framework” housing solutions platform”
- Strengthened our SI capability (reduced unprofitable projects)
- Expanded remote sales style

### Human capital

- DX human resources (584 persons)
- Introduced new personnel evaluation system
- Certified as Health & Productivity Management Outstanding Organization and obtained the Company of Health Excellence Certification (Gold Certification)
- Newly introduced telework and staggered working hours systems

### Social capital

- Implemented a client satisfaction survey
- Strengthened partnerships with partner companies
- Certified as APN Advanced Consulting Partner in the AWS Partner Network (APN)

### Natural capital

- Total CO<sub>2</sub> emission reduction rate: 34.0% (Group companies in Japan compared with fiscal 2013)
- Paper consumption reduction rate due to paperless operations: 76.4% (Group companies in Japan compared with fiscal 2015)

\*Data is as of March 31, 2021

## Creation of social value

### SDG initiatives



#### FinTech and other financial digitalization

##### Finance and Society:

AI and modernization P30

#### Financial services accessible to all with peace of mind

##### Finance and Society:

AML solutions P30

##### Operational Infrastructure BPO:

PCI DSS P36

##### Regional, Overseas, Etc.:

Microfinance P41

#### Applying ICT to the fields of health, medicine and long-term care

##### Finance and Society:

Personal health record P31

#### Realizing Connected Industries

##### Corporate Solutions:

DX at manufacturing sites enlisting IoT and AI P33

#### New mobility enlisting autonomous driving and other aspects of CASE

##### Corporate Solutions:

Development of in-vehicle ECUs P34

#### Promoting work-style reforms

##### Operational Infrastructure BPO:

Platform constructed using ServiceNow P36

#### Regional revitalization enlisting AI, etc.

##### Regional, Overseas, Etc.:

Multilingual AI chatbots P40

#### Spread of ZEH (Net Zero Energy House)

##### Corporate Solutions:

Walk in home platform P48

## Strengthening DX business

New strategy

## Initiatives of the newly established Digital Solution Sector

–Promoting the DX business, and contributing to transforming our clients' businesses–

On April 1, 2021, DTS newly established the Digital Solution Sector to promote the DX business. Our goals in establishing this sector and the details of the initiatives are as follows.

### 1 Wave of digitalization that is revolutionizing the times

As new workstyles, including telework, and new lifestyle patterns predicated on living with COVID-19 spread around the world, IT has been occupying a more and more important position in the activities of private individuals and companies.

Furthermore, digital transformation (DX) in the IT industry is bringing about dramatic changes through digitalization, and with a host of advanced technologies that have appeared, such as IoT, AI, BI and cloud services, significant changes in the times are occurring at an ever-increasing pace.

In September 2021, the Japanese government established the Digital Agency in order to facilitate smooth exchanges of data among ministries, local governments and other governmental agencies, and new trends are emerging, such as expedited processing of administrative procedures overall.

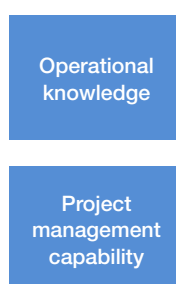


### 2 Promoting DX, with the Digital Solution Sector playing the central role

At DTS, the newly established Digital Solution Sector will take on the central role of coordinating among each sector and Group company and promoting the DX business.

By further strengthening and combining our operational knowledge in each business domain, project management capability, DX-related technology and the solution business, which are strengths of DTS, we will contribute to transforming our clients' businesses.

#### Strengths of DTS



#### Further strengthening



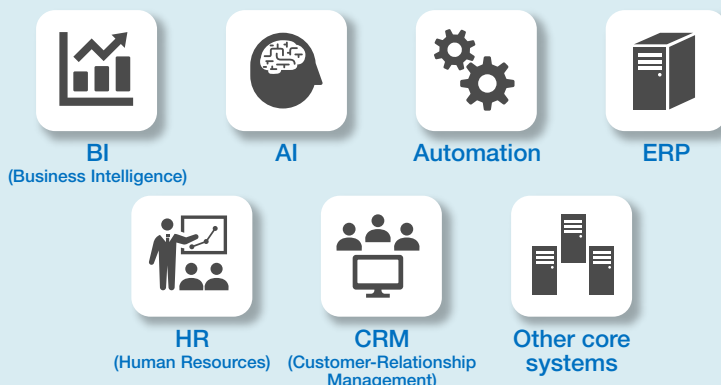
Transforming our clients' businesses

## DX-related business of the Digital Solution Sector

### Achieving "IT modernization" to bring IT assets up to date

By combining our abundant operational knowledge, accumulated through long experience, with the latest technologies, we achieve "IT modernization" that brings our clients' aging IT assets up to date and contribute to transforming our clients' businesses.

As specific services, we offer and support the introduction of DTS's digital platform for manufacturing sites "Pasteriot," the client-relationship management solution "Salesforce," the ERP package "SAP ERP" and other products, and provide powerful support for DX in our clients' operations.



### Supporting introduction of usage platform for big data

We support the introduction of frameworks and services that swiftly realize clients' digital innovation. By strengthening businesses related to "data platforms" (data analysis and usage platforms), such as data lakes (repositories of big data), and IoT and other data-collection systems, we will expand into new business domains.



\* Salesforce and SAP ERP are registered trademarks of the companies that provide each service.

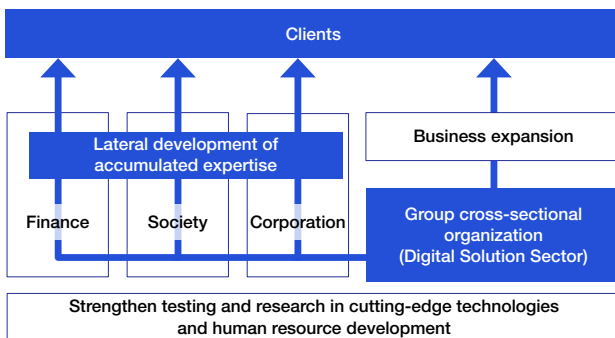


### 3

## Initiatives of the Digital Solution Sector

The Digital Solution Sector, as a cross-sectional organization of the Group, will review the business in the platform business domains, build the sales system for services, provide cross-organizational technical support for each business domain, strengthen the development of expert technical staff, and carry out other activities.

As the initial phase, the Digital Solution Sector will strengthen the solution business related to cloud services, which have been increasingly used in Japan and overseas in recent years due to the spread of telework and other factors.



### 4

## Strengthening testing and research in cutting-edge technologies and human resource development

To promote the DX business, it is essential to develop human resources. We will expand the quality and quantity of human resource development programs focused on cutting-edge technologies such as AI and cloud-based services, compiling and sharing knowledge in order to equip human resources with practical capabilities and increase the overall level of the Group.

### Five pillars of the planned DX human resource development for cloud-based services

① Provision of a cutting-edge environment

② Provision of online training

③ Systems for sharing knowledge

④ Original training

⑤ On-the-job training

## Coordination with other internal departments

### Supporting the preparation of public cloud network environments

We support the preparation of cloud network environments as infrastructure for digital transformation. As part of a focused effort to strengthen public clouds available to unspecified large numbers of users, including companies and private individuals, we will standardize and create menus for maintenance. We also support the preparation and building of the optimum cloud network environments for our clients' operations.



Cloud construction



Network



System platform construction

### Providing backup support for safe and stable system operation

By linking to the ReSM service for system operation monitoring and troubleshooting 24 hours a day, 365 days a year and the ReSM plus help desk service for internal operations, which are services provided by the ICS Sector, the Digital Solution Sector also provides backup support for safe and stable operation of clients' systems and performs a variety of other work outside the IT domain on behalf of our clients.



Operational monitoring



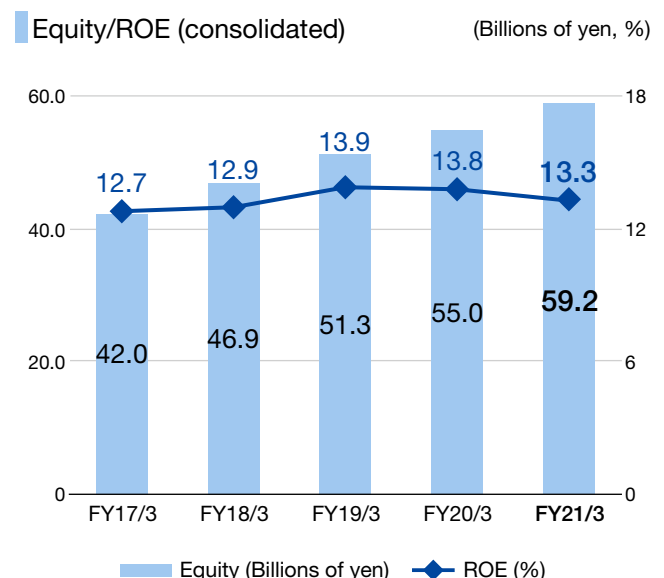
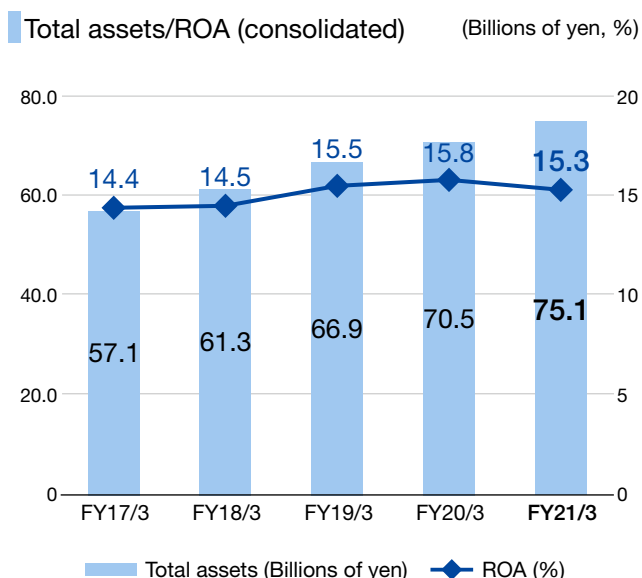
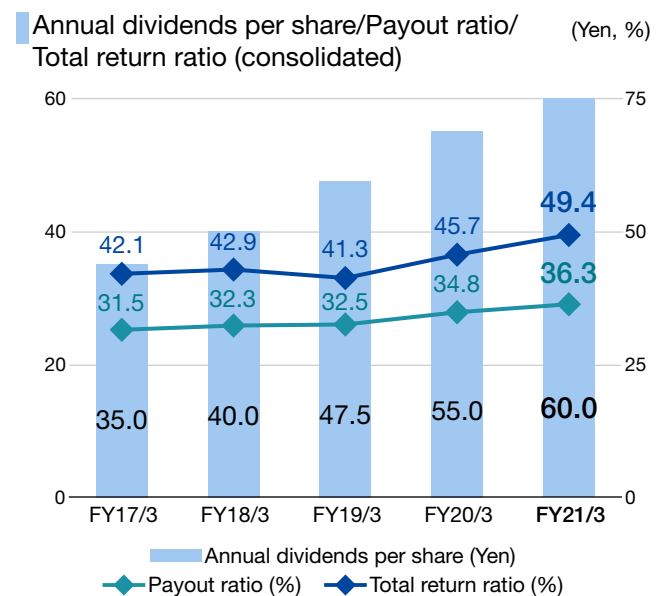
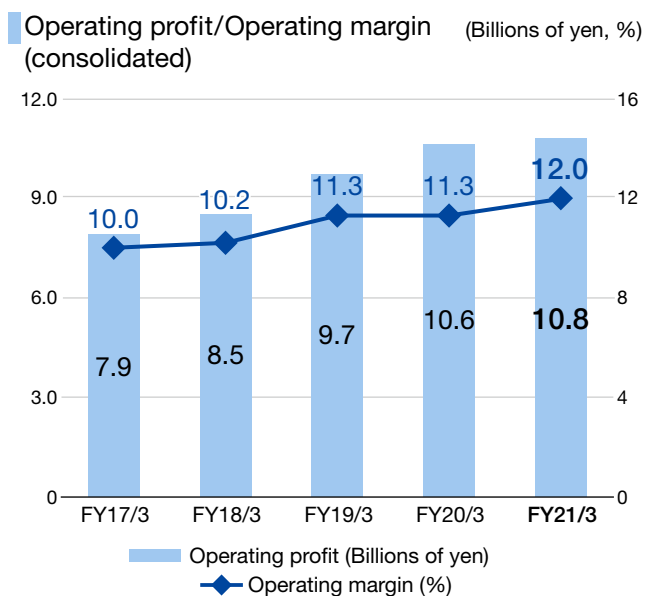
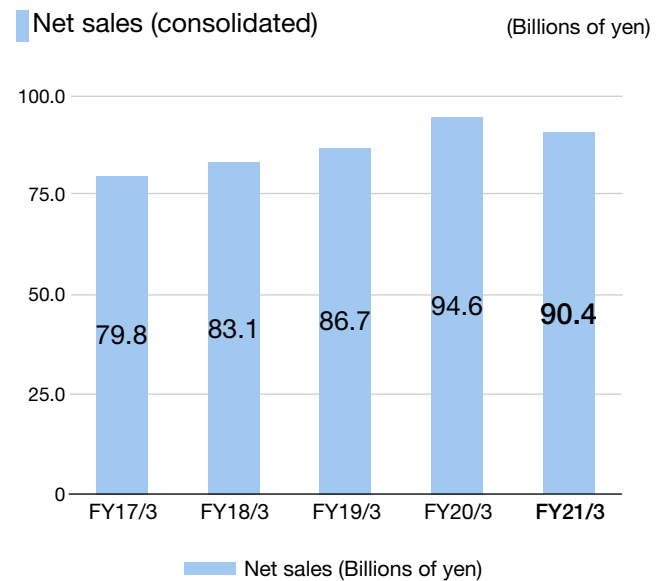
Help desks



Security

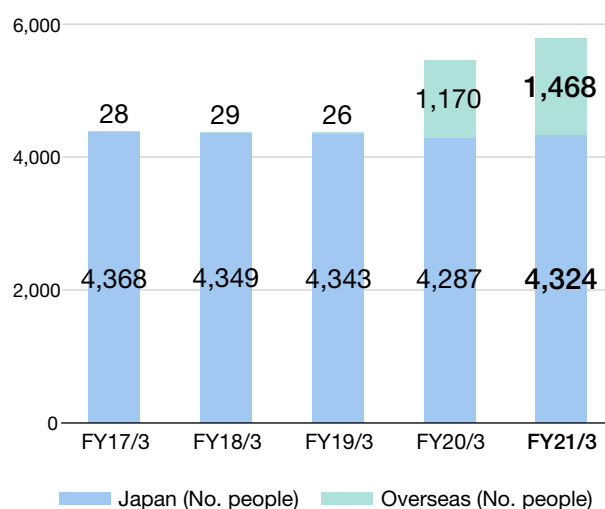
# Financial and Non-financial Highlights

## Financial highlights

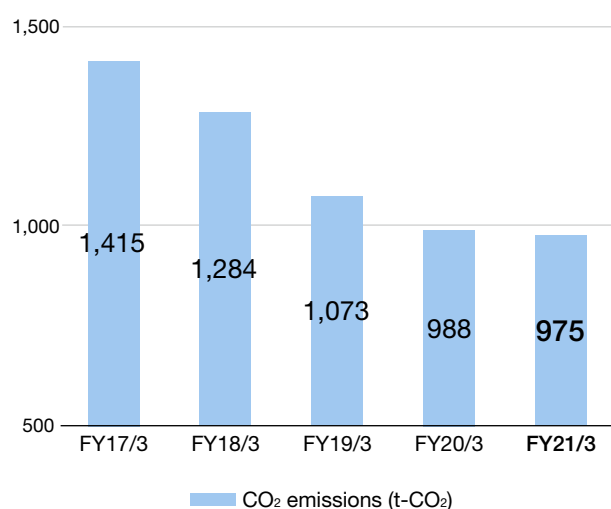


## Non-financial highlights

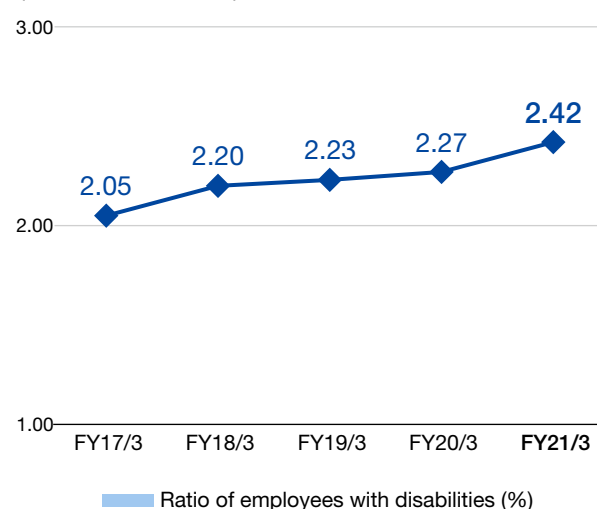
Number of employees (consolidated) (No. people)



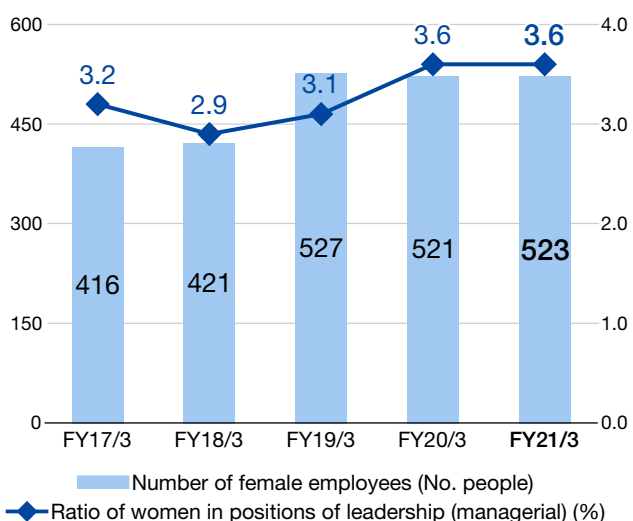
CO<sub>2</sub> emissions (Group companies in Japan) (t-CO<sub>2</sub>)



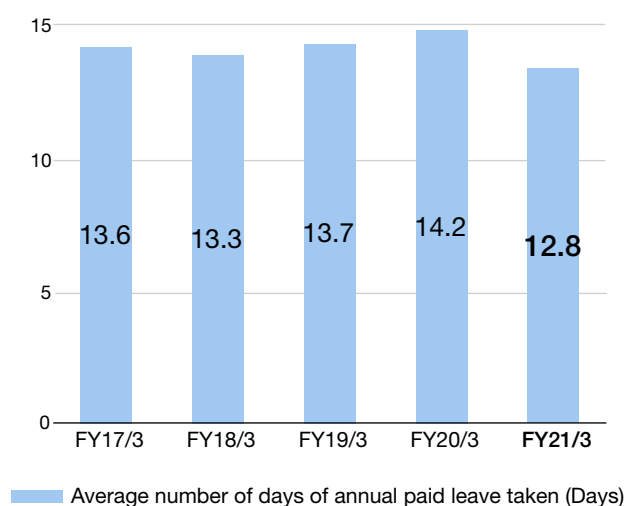
Ratio of employees with disabilities (non-consolidated) (%)



Number of female employees/Ratio of women in positions of leadership (managerial) (No. people, %)



Average number of days of annual paid leave taken (non-consolidated) (Days)





## Chapter 1 DTS Group's Value Creation

### [Financial & Non-financial Strategy]

# We will execute financial strategies to increase corporate value



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

**Takao Sakamoto**

### Earnings results for the fiscal year ended March 31, 2021 and forecast for the fiscal year ending March 31, 2022

In the fiscal year ended March 31, 2021, the Japanese economy remained in a difficult situation due to the impact of the novel coronavirus disease (COVID-19). However, as measures to prevent the spread of infection are being taken and the level of socio-economic activity has been increasing, the economy is expected to continue to be on a trend of picking up while gaining support from the effects of various policies and improvements in overseas economies. However, the impact of infection trends on the Japanese and global economies requires careful attention.

Amid these circumstances, the DTS Group engaged in the key activities of its medium-term management plan. As a result, net sales were ¥90,493 million (a decrease of 4.4% year on year), but the operating profit reached a record-high of ¥10,817 million, and the operating margin was 12.0% to achieve an operating margin of 10% or more for five consecutive fiscal years.

In the fiscal year ending March 31, 2022, we expect a recovery from the impact of COVID-19, and anticipate investment flows will continue for development in the area of digital business and innovation that utilize new technologies and for clients seeking to shift away from legacy systems.

In light of the above-mentioned outlook and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2022 are as follows.

### Earnings forecasts for the fiscal year ending March 31, 2022 (consolidated)

Net sales	¥95.0 billion (up 5.0% YoY)
Operating profit	¥11.0 billion (up 1.7% YoY)
Ordinary profit	¥11.2 billion (up 0.6% YoY)
Profit attributable to owners of parent	¥7.6 billion (up 0.7% YoY)

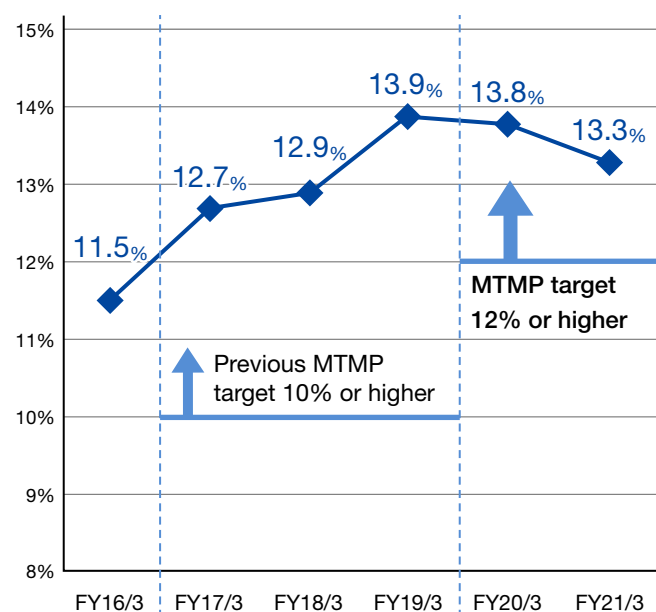
### Improving capital efficiency

#### Maintaining an ROE of 12% or higher

ROE serves as one of our key management indicators, as a comprehensive benchmark encompassing profitability, asset efficiency and financial leverage. We have been aiming to achieve greater managerial efficiency, to which end we raised our ROE target to 12% or more under the current 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 returning loss-making overseas subsidiaries to profitability, working to control unprofitable projects, and continuing efforts to strengthen 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

### Training DX employees, researching and developing new technologies, and M&A

Whereas a robust financial base is essential for stable management to enable sustainable growth for a company investing actively in the transition to the “new normal,” we also believe that it is important to balance this with aggressive growth investment looking to the future.

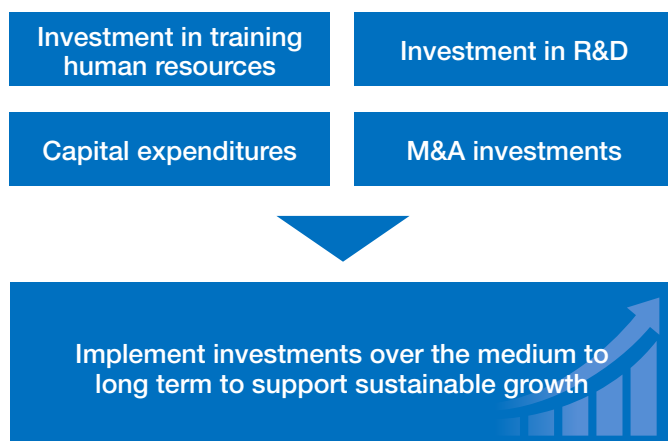
The DTS Group has also been addressing the key challenge of undertaking investment looking to the future, particularly when it comes to technology development in the DX field such as AI and the cloud, R&D, and the Company’s innovation, making the most of the stability of its financial base.

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. Working to achieve the targets under the current medium-term management plan of increasing DX-related sales to 25% of overall net sales and training 500 DX professionals, we accelerated training in digital and other technologies for engineers, and made investments in education. We have revised our target for training DX professionals to 900 people in the fiscal year ending March 31, 2022, and will make further investments in education.

In addition, we are furthermore creating new solutions. In the fiscal year ended March 31, 2021, we expanded sales of the “AMLion” anti-money laundering measures solution, which uses AI technology, and completed new releases such as that of the “Pasteriot” IoT platform for manufacturing industry, and of “the ‘Framework’ housing solutions platform” for the housing construction industry.

We will also invest in M&A that generates significant synergies. In order to strengthen our offerings in the area of networks, which provide the foundation for a cloud-first approach, we acquired 100% of the outstanding shares of I Net Rely Corporation in June 2021 to make it a subsidiary.

We will continue to draw on our ample 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.



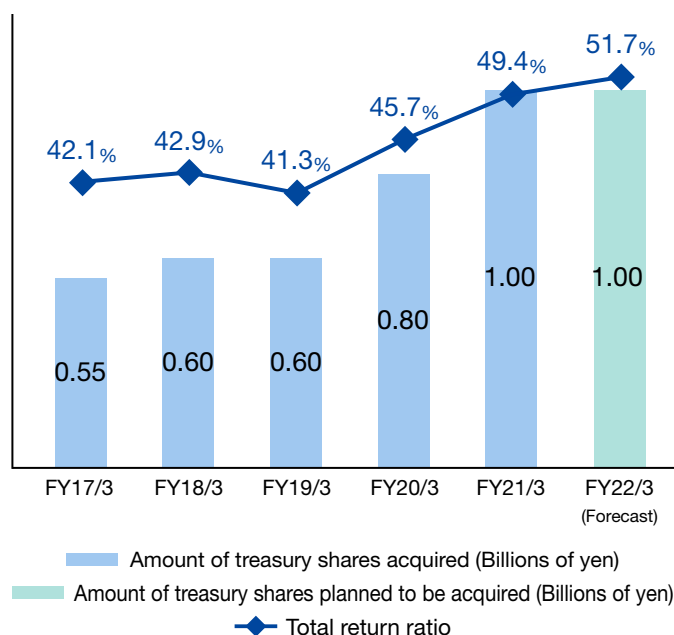
## Shareholder returns

### Target a total return ratio of 50% 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, 2021 was ¥60 per share.

### Total return ratio



### M&A implemented in June 2021: Acquisition of 100% of shares of I Net Rely Corporation

DTS acquired 100% of the outstanding shares of I Net Rely Corporation from LAC Co., Ltd.

We will strengthen our network solution business by combining the know-how of our network engineers with I Net Rely Corporation’s technical capabilities in infrastructure design, construction, and operation management.

## Chapter 1 DTS Group's Value Creation

### [Financial & Non-Financial Strategy – ESG Metrics as Management Targets –]

#### 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 Scope 3 emissions.

In addition, we have been shifting to the new era of workstyles by developing workplace environments that are mindful of

work-life balance to address 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 the Health & Productivity Management Outstanding Organization designation for a second consecutive year.

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



##### FY21/3 (Actual)

- Expanded the scope of the Group survey of SDGs to encompass the Group's entire operations in Japan (SDG-related sales account for 18.4% of consolidated net sales)
- Engaged with 13 institutional investors in Japan and overseas by making use of the integrated report

##### FY22/3 (Target)

- Expand the scope of the Group survey of SDGs to encompass the Group's entire operations in Japan (SDG-related sales account for 20% of consolidated net sales)
- More substantial ESG-related disclosure, such as on the corporate website, and disclosure in English

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

##### Work-style reforms



##### FY21/3 (Actual)\*1

- Overtime: 21 hours, 46 minutes
- Rate of usage of annual paid holidays: 68.9%
- Rate of usage of telework: 43.8% (Over 70% for those working at the head office\*2)
- Number of people using staggered shifts ("My Select Time"): 356

##### FY22/3 (Target)\*1

- Overtime: 20 hours or less
- Rate of usage of annual paid holidays: 90% or more
- Continued promotion of telework

\*1 Refers to DTS Corporation only \*2 Refers to the 1,600 employees who are employed by DTS Corporation and work at the head office

#### Initiatives to reduce environmental impacts, such as addressing climate change

##### Environmental conservation



##### FY21/3 (Actual)\*3

- Office CO<sub>2</sub> emissions (Scope 2\*4) 34% reduction relative to FY2013
- Total paper use: 76.4% reduction from FY2015 level
- Expand visual monitoring of Scope 3\*5 emissions

##### FY22/3 (Target)\*3

- Office CO<sub>2</sub> emissions (Scope 2) 36% reduction relative to FY2013
- Total paper use: 80% reduction from FY2015 level
- Measures to address TCFD

\*3 Refers to Group companies in Japan \*4 CO<sub>2</sub> emitted indirectly by sources using electricity \*5 CO<sub>2</sub> emitted by locations other than offices

#### Establishing highly transparent business practices

##### Governance



##### FY21/3 (Actual)

- Introduced restricted share-based remuneration plan
- Implemented program to engage with 15 institutional investors in Japan for the year
- Held a hybrid participation-type General Meeting of Shareholders

##### FY22/3 (Target)

- Strengthen governance to address revisions to Japan's Corporate Governance Code and the review of Tokyo Stock Exchange market segments
- Identify medium- to long-term risks and review the risk management system

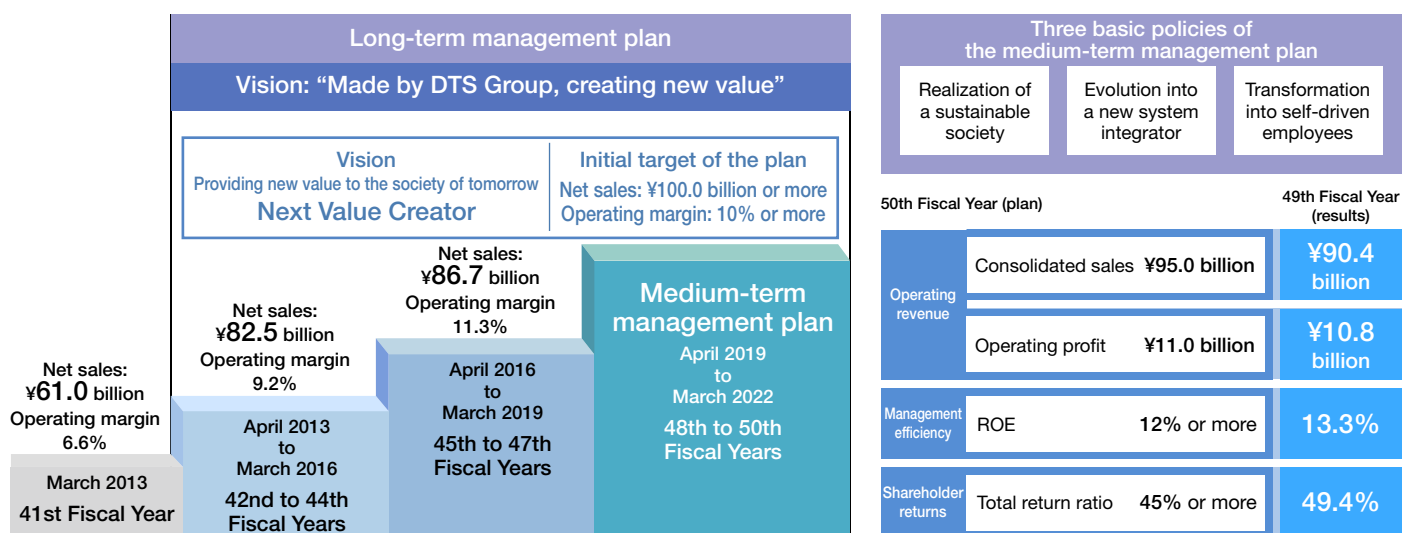


## Topics: Outline and progress report on medium-term management plan

We are currently proceeding with the medium-term management plan (running from April 2019 to March 2022) serving as the final three-year stretch as we work to achieve the ultimate goals of the long-term management plan.

Sales in the fiscal year ended March 31, 2021, recorded a downturn due to such factors as reduced investment by mega banks and the impact of COVID-19, but operating profit, management efficiency, and shareholder returns all showed satisfactory progress and met the targets in the medium-term management plan. In the fiscal year ending March 31, 2022, which is the final year of the medium-term management plan, we will steadily address issues such as the handling of DX, and implement various measures aimed at achieving our plans.

### Long-term management plan and medium-term management plan (FY19/3 - FY22/3)



### Addressing the five key activities

Five key activities	Key points in FY21/3	Status
<b>Strengthening marketing capability and SI capability</b>	<ul style="list-style-type: none"> <li>Integration of solution sales and account sales</li> <li>Utilizing overseas Group companies</li> </ul>	<ul style="list-style-type: none"> <li>Sales and promotional activities that combine face-to-face contact with remote communications tools such as those that use the web</li> <li>Restructuring overseas subsidiary Nelito, and reducing its losses</li> <li>Continuing to strengthen management and visualize risks, with the aim of controlling unprofitable projects to 0.5% or less of consolidated net sales</li> </ul>
<b>Creating new business</b>	<ul style="list-style-type: none"> <li>Using the DX Promotion Office to adapt to and create digital businesses</li> <li>Training new engineering personnel</li> </ul>	<ul style="list-style-type: none"> <li>Expanding DX-related business to 30.5% of net sales</li> <li>Training 584 DX-related employees (achieving the target one year ahead of plan)</li> <li>Enhancing new services such as the "Pasteriot" IoT platform and the "ReSM plus" employee support desk service</li> <li>Strengthening DX-related businesses by expanding sales of services such as "AMLion" and "DAVINCI LABS"</li> </ul>
<b>Strengthening the Group's management foundation</b>	<ul style="list-style-type: none"> <li>Strengthening the Group through M&amp;A</li> <li>Managing and disclosing information with ESG in mind</li> </ul>	<ul style="list-style-type: none"> <li>Selecting target companies for M&amp;A and entering into negotiations (acquired 100% of the outstanding shares of I Net Rely Corporation in June 2021)</li> <li>Promoting ESG management</li> <li>Publishing the "DTS Group Report 2020" and engaging in dialogue with investors</li> </ul>
<b>Innovating in-house information systems and administrative processes</b>	<ul style="list-style-type: none"> <li>Thorough streamlining of work processes</li> <li>Aggressively utilizing advanced technologies in in-house systems</li> </ul>	<ul style="list-style-type: none"> <li>Completing the shift to paperless employee workflows to facilitate the execution of operations by telework</li> <li>Converting 75% of orders to partner companies to digital form (electronic contracts)</li> </ul>
<b>Implementing work-style reforms</b>	<ul style="list-style-type: none"> <li>Reviewing the personnel evaluation system</li> <li>Introducing a system supporting a variety of work styles</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening disease prevention by reviewing management standards for high-risk individuals, and supporting health promotion by introducing online health guidance</li> <li>Implementing a drastic transformation of work styles, such as the systematic use of telework and staggered working hours, triggered by the adoption of measures to prevent COVID-19</li> </ul>

## [Business Strategy]

# Creating new strengths through the combination of long years of know-how and new technology

Expanding and strengthening the DX business to become a co-creating partner supporting DX at customer companies



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

**Minoru Takeuchi**

### Business environment outlook

The IT services market in Japan contracted in 2020, recovered in the second half of 2020, and is set to grow in 2021

According to a February 2021 press release from IDC Japan\*, the Japanese market for IT services in 2020 contracted by 2.8% year on year due to suspensions of projects in progress and the impact of COVID-19. However, orders for IT services started trending upwards in the second half of 2020, and are expected to return to growth in 2021.

In the fiscal year ended March 31, 2021, the DTS Group was affected by the change in the accounting period of DIGITAL TECHNOLOGIES CORPORATION, in addition to which all three segments other than the Operational Infrastructure BPO recorded lower revenue, resulting in a year-on-year decline of ¥4.12 billion in net sales. However, in the fourth quarter, net sales increased ¥0.99 billion year on year, operating profit increased ¥0.41 billion year on year and operating margin was up 1.2 points year on year, which were all record highs.

Consolidated net sales in the fiscal year ending March 31, 2022, are projected to be ¥95.0 billion (up ¥4.5 billion year on year). While not reaching the medium-term management plan target of ¥100.0 billion, this would represent a new record high.

The COVID-19 crisis is accelerating business transformations at customers, and we expect DX-related investments to be continued and expanded

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. For this reason, the environment is increasingly becoming one in which significant growth in the business will no longer be possible under the existing business model. On the other hand, driven by the rapid evolution of information technology and violent changes in client business environments, we expect a continuation of investments for DX that leverages new technologies and for solutions for companies seeking to shift away from legacy systems.

With COVID-19 as the catalyst, many companies are reconsidering their approach to businesses that are based on inflexible ways of thinking. With society on the verge of significant change, DX that leverages data and digital technology is becoming indispensable

for achieving speedy transformations. Regarding this environment as a favorable opportunity, we will strengthen and expand such promising areas as modernization, digitization in the public sector, cloud infrastructure, and ERP.

Changes in quarterly results for the fiscal year ended March 31, 2021  
(Billions of yen)



Priority areas for the fiscal year ending March 31, 2022

Finance and Society	Corporate Solutions
<ul style="list-style-type: none"> <li>Growth in modernization projects</li> <li>Public sector growth (Acquisition of Digital Agency projects, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening and expanding promising areas (Cloud infrastructure, ERP, CASE, MaaS, etc.)</li> </ul>
Operational Infrastructure BPO	Regional, Overseas, Etc.
<ul style="list-style-type: none"> <li>Expansion of ServiceNow and ReSM plus services</li> <li>Strengthening the network field</li> </ul>	<ul style="list-style-type: none"> <li>Cultivating DX employees through intra-group collaboration</li> <li>Expansion of local business</li> </ul>

\* Source : IDC Japan (JPJ46564721)

## Initiatives for further growth

### Implementing a company-wide “AI Project” to generate growth in the domain of AI, which is one of the core technologies of the DX business

As a partner offering powerful support for the transformation of client businesses, the DTS Group is strengthening its systems for providing the technology and know-how required for DX.

In the fiscal year ended March 31, 2021, we worked to train DX professionals and strengthen our DX-related business. From April 2020 to June 2021, we implemented a company-wide “AI Project” with the objective of accelerating the growth of the AI business, which is one of the core components of DX. We worked to improve proposal capabilities such as business planning and technology verification. Thanks in part to these initiatives, the number of people with AI technology skills increased to more than 300, three times the initial target.

In the fiscal year ending March 31, 2022, we will accelerate the commercialization of the DX domain mainly through the newly established Digital Solution Sector. So as to also provide recently trained DX employees with new opportunities, we will use in-house recruitment, etc. to quickly redeploy people in a way that transcends organizational frameworks.

### Strengthening marketing capability and SI capability Creating systems focused on the new normal

In the fiscal year ended March 31, 2021, we took additional steps to strengthen our existing marketing capability and SI capability. In marketing, we used salesforce automation (SFA) to put in place structures to facilitate the timely information sharing.

We also reinforced governance at overseas Group companies. In preparation for returning Nelito to profit after difficulties with unprofitable projects, we focused on rebuilding the company, primarily through the DTS Financial Business Division. We are working to introduce the DTS proprietary development standard (PMS), and review processes for acceptance of orders.

Tackling the challenge of expanding into new domains has created some unprofitable areas for the Group as a whole, but

by strengthening management and continuing to visualize risks, we have controlled unprofitable projects to 0.5% or less of consolidated net sales.

## Creating new business

### Creating new strengths through the combination of know-how and new technology

With the aim of expanding DX-related sales, we are working to strengthen the following three businesses.

#### Domains to be strengthened

##### (1) SoE-type business

(System of Engagement: A system that provides customers with a point of interaction)

##### (2) Solution package provision-type business

##### (3) Service provision-type business

In order to expand (1) SoE-type business, we are conducting development by utilizing new digital technologies such as IoT, AI, and FinTech, and applying new methods such as agile development and low-code development. In this way, we aim to implement development more quickly than in the past.

In (2) solution package provision-type business, we began to sell the “Pasteriot” IoT platform, which supports digitization at manufacturing sites. This enables visualization of the entire factory in real time, and productivity is improved, and management costs reduced by constraining with rules and AI.

In addition, in (3) service provision-type business, we are strengthening subscription (usage fee generating) businesses, such as ReSM and PCI-DSS. In “ReSM plus,” which is an employee support service that uses digital technology to support help desk operations, we are moving forward with initiatives to expand sales, such as by adding functions that enable the health of employees to be visualized. We are also participating in the partner program for “ServiceNow,” which we use as a platform for this service, and are making efforts to win SI projects.

#### ① SoE-type

Systems designed to emphasize participatory interaction from customers

The end goal of such systems is not data-entry or data-sharing per se but rather to elicit strong and active customer engagement with the system.



#### ② Solution package provision-type

Providing products and systems integration that combine in-house know-how with new technologies

#### ③ Service provision-type

Services provided on ongoing basis, such as operational support and BPO





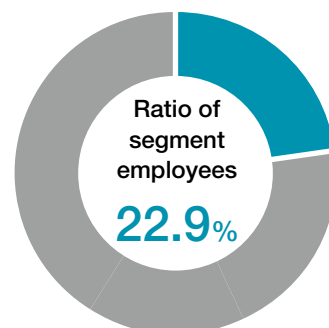
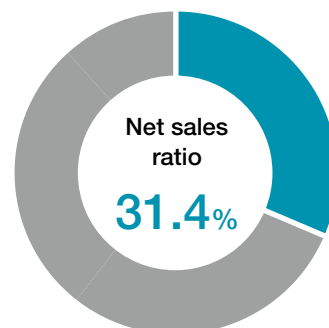
# Business Overview of Each Segment

The DTS Group's business is comprised of four business segments. Fifteen 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 Segment P29 to 31

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.

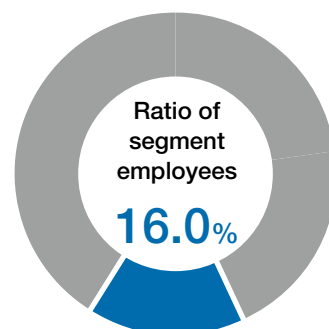
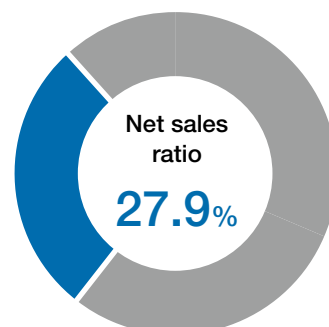
- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design and construction of platforms and networks and so on)
- Deployment, operation and maintenance etc. of in-house developed solutions



## Operational Infrastructure BPO Segment P35 to 37

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

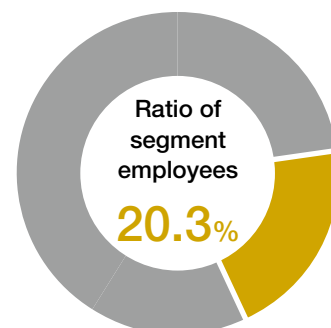
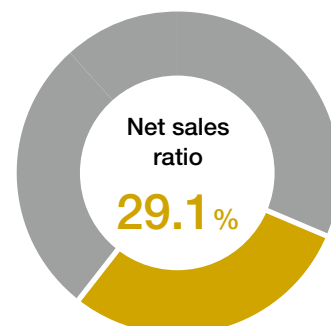
- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring operations
- System operational diagnosis and optimization services, primarily for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



## Corporate Solutions Segment P32 to 34

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

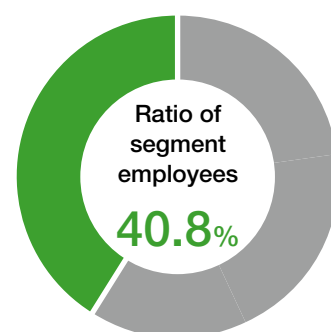
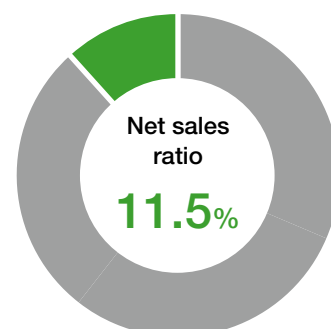
- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design, construction and embedding of platforms and networks and so on)
- Deployment, operation and maintenance of in-house developed solutions and ERP solutions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



## Regional, Overseas, Etc. Segment P38 to 42

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

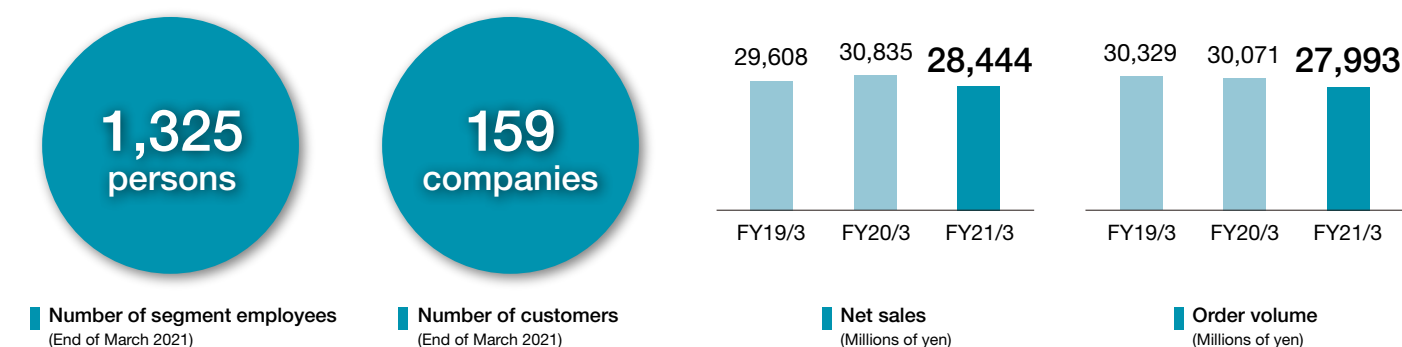


\*Group companies that are not included in the above segments included non-consolidated special subsidiary, **DTS パレット**, conducting BPO services for Group companies.



### 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
<b>Finance field</b> <ul style="list-style-type: none"> <li>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.</li> <li>Engineers with high-level financial operation knowledge deal with large-scale system integration and system reconstruction, and so forth.</li> </ul> <b>Society field</b> <ul style="list-style-type: none"> <li>The Group has high-level operational knowledge and a wealth of experience and achievements in development in the fields of life insurance, life and non-life insurance, pensions, government agencies, local governments, and medical welfare.</li> <li>Scale due to solid track record with major customers and strong trust relationship</li> </ul>	

#### Business environment (Review of the fiscal year ended March 31, 2021 and outlook for the fiscal year ending March 31, 2022)

In the fiscal year ended March 31, 2021, sales decreased due to a fall in megabank projects, despite an increase in life insurance-related projects

For the fiscal year ending March 31, 2022, the Company aims to achieve a rebound through focusing on growth in the public sector and orders for modernization projects

In the fiscal year ended March 31, 2021, net sales came to ¥28,444 million, down 7.8% year on year due to a decline in investment at megabanks, despite steady growth in public sector system development. In the finance field, the Group strived to expand projects using new technologies and new development methods, such as low-code development and agile development, to respond to changing customer needs. In the society field, we also developed an application to support exercise for the promotion of health, which is undergoing verification testing together with a life insurance company. We also worked to expand our introduction of RPA and support for it, as well as strengthening the DX-related businesses such as AMLion and DAVinCI LABS.

In the fiscal year ending March 31, 2022, banks are expected to reduce existing operations and focus on investment in asset management and digital services. On the other hand, they are also expected to further promote expansion of online services that avoid face-to-face interaction. Moreover, in the insurance industry, we expect to see demand for digitalization to reform operations including internet transactions and online sales. We also expect system investment in the public sector, mainly in government offices, including centrally managed information systems in each ministry and agency through the establishment of a new digital agency. The DTS Group will also aim to growth financial system modernization projects and public-sector projects.



## Finance

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



Banking



Trusts



Securities



Credit



Infrastructures for financial systems



Virtual currency

## 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

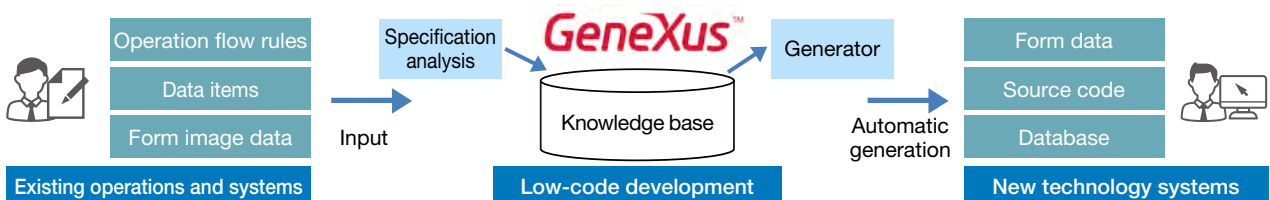
### Medium-term initiatives

#### Swiftly converting existing systems to new technology with low-code development



Converting to new technology without interrupting operations is an urgent priority for companies using legacy systems based on mainframe computers and so forth. DTS is supporting the modernization of customers' systems through agile development and low-code development utilizing automated application generation tools such as GeneXus.

So far, the Company has used GeneXus to meet the modernization needs of clients such as banks and major cram school companies.



### Long-term initiatives

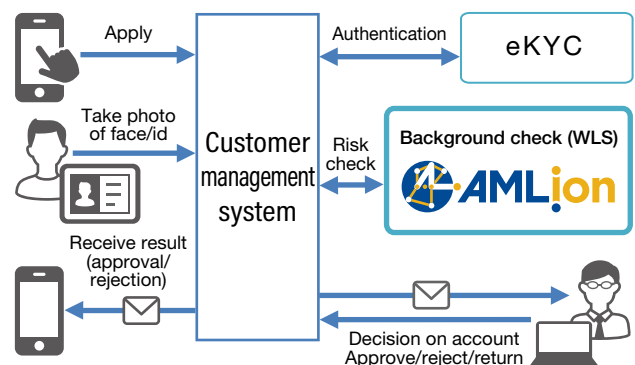
#### Supporting increasingly complex and sophisticated financial institution operations such as compliance and money laundering countermeasures with high-level expert knowledge and the latest technologies such as AI



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.



## Chapter 2 Initiatives for Creating Value

### 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.

Moreover, as has been seen with the spread of smartwatches, a rapid expansion in personal health records (PHR) is expected. These enable individuals to manage their own health and

treatment information, promoting health and preventing the progression of disease.

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

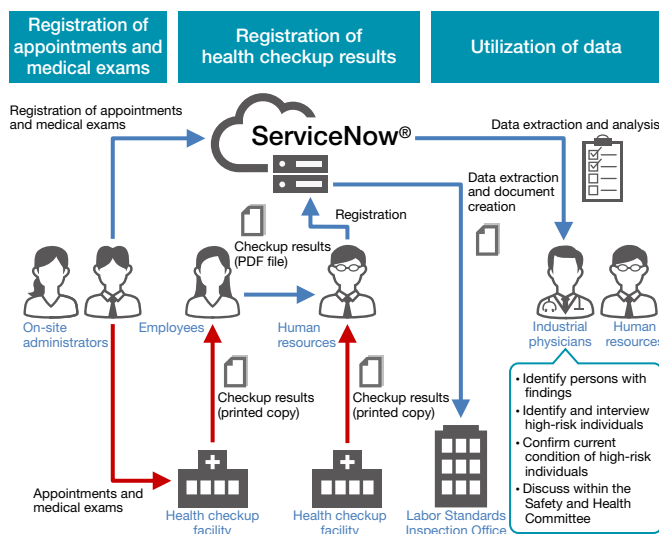
- Creation of healthcare solutions that encourage changes in behavior to promote health
- Initiatives for solutions combining medical and AI

#### Medium-term initiatives

##### Supporting digitalization of health management operations

##### Aiming to utilize personal health records in the future

Over the past few years, a growing number of companies are strategically managing employee health due to a rising awareness of health management. Health management operations are wide ranging, and paper-based operations involve large amounts of labor and cost. Based on its experience in the medical and insurance fields and the SaaS-type IT service management platform, ServiceNow, DTS is supporting the automation and streamlining of health management operations. For the future, we are examining services that utilize accumulated personal health records.

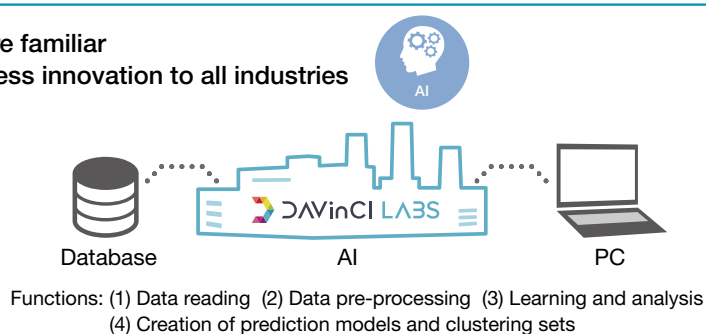


#### Long-term initiatives

##### Making predictive analysis using AI more familiar

##### Bringing machine learning-driven business innovation to all industries

DAVinCI LABS\* is a platform that makes high level AI data analysis simple. Clients who have operational knowledge can create AI-driven business innovation on their front lines without the need for a data scientist. DAVinCI LABS has proven results in the insurance business, reducing one of the core performance indicators, loss rates, by 5%-8%, and increasing the policy retention rates by 1%-3%.



Use cases in the insurance industry	1 Marketing	4 Claims examination
	2 Prediction of amount of damage	5 Fraud detection
	3 Underwriting	6 Sales personnel matching

\* DAVinCI LABS is a data analysis platform that uses an AI foundation owned by aily Co., Ltd.

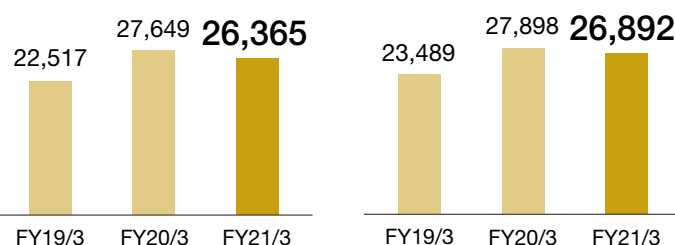
# Corporate Solutions

## 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.

1,177  
persons

814  
companies



Number of segment employees  
(End of March 2021)

Number of customers  
(End of March 2021)

Net sales  
(Millions of yen)

Order volume  
(Millions of yen)

### 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**

- |                                  |  |
|----------------------------------|--|
| <b>Corporate Solutions field</b> | <ul style="list-style-type: none"> <li>◎ Wealth of operational knowledge and construction capability in retail, distribution, and air transport industries</li> <li>◎ 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) from the production planning stage through to manufacturing and sales</li> <li>◎ Solution lineup covering large-scale to medium- to small-range, including in-house packages, SAP, and intra-mart</li> </ul> |
| <b>Embedded systems field</b>    | <ul style="list-style-type: none"> <li>◎ Provision of in-house products in the in-vehicle and embedded systems fields, such as development support tools and testing and production support tools</li> <li>◎ Strong track record in measurement control systems and contracted development of hardware and firmware and so forth in the medical field</li> </ul>   |

## Business environment (Review of the fiscal year ended March 31, 2021 and outlook for the fiscal year ending March 31, 2022)

In the fiscal year ended March 31, 2021, net sales decreased due to a decline in embedded system-related projects and a decrease in development projects in the housing industry.

In the fiscal year ending March 31, 2022, we aim to achieve further growth through expanding cloud infrastructure projects.

In the fiscal year ended March 31, 2021, despite steady growth in solution projects utilizing SAP and cloud environment construction projects, due to various factors such as sluggish performance in the embedding-related businesses and development projects related to residential housing, net sales came to ¥26,365 million, down 4.6% year on year. As a new solution for the fiscal year under review, sales of the IoT Platform “Pasteriot,” which supports digitization of manufacturing sites, commenced in April 2020.

In the fiscal year ending March 31, 2022, we are also working on projects based on virtualization technology, such as building a network infrastructure utilizing SDN. We aim to expand our business by accumulating this expertise.

Furthermore, in collaboration with solution vendors, we are offering flexible proposals tailored to customers’ needs such as our initiative to provide SI as a one-stop service with a fast delivery time that includes cloud platform architecture.



## Chapter 2 Initiatives for Creating Value

### Corporate Solutions

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

 Retail and distribution	 Manufacturing	 Air transport	 IT consulting	 ERP/package
 Core operation system	 Sector based/industry based	 Housing	 Big Data	 New fields

### Medium- to long-term growth strategies

#### Preparing companies for the 2027 problem. Priority on building systems and strengthening response capability

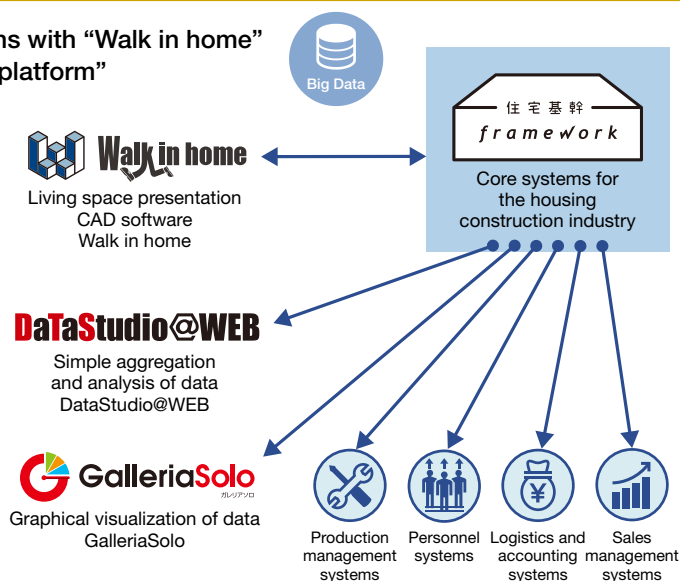
Since SAP ERP support will expire, replacement of existing products with SAP S/4 HANA continues in industries and demand is expected to remain high. Furthermore, 5G is a promising growth area, looking ahead to a shift to online and digitalization in the post-COVID-19 world. We expect expansion of IoT business, especially in the manufacturing industry. 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

#### Provision of a full-line of housing solutions with “Walk in home” and “the ‘Framework’ housing solutions platform”

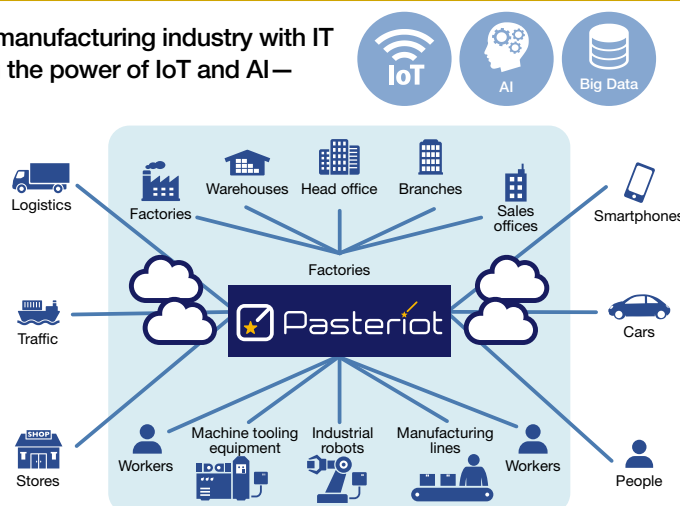
DTS engaged in joint development of “Framework” housing solutions platform with housing construction company YAMADA HOMES Co., Ltd. as a new business development, and started sales of the system as an in-house solution. We provide a full-line of housing solutions, including customer management, order management, construction process management, cost management, and after-sales management, by combining the “Walk in home” software for housing construction and homebuilding clients, our own BI tools “DataStudio@WEB” and “Galleria Solo,” and other companies’ software for accounting and human resources.



#### 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 makes it possible to digitize the skills and expertise that have previously depended on the experience and intuition of workers at manufacturing sites. During the fiscal year under review, we also utilized the start and completion information for multiple facilities within a factory to achieve the visualization of the status at the worker level and the capacity utilization status.



## Embedded systems

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



In-vehicle equipment



Embedded equipment



Medical devices



Digital broadcasting surveillance equipment

## Medium- to long-term growth strategies

### Increasing demand for development in automated driving and peripheral fields Priority on securing personnel 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



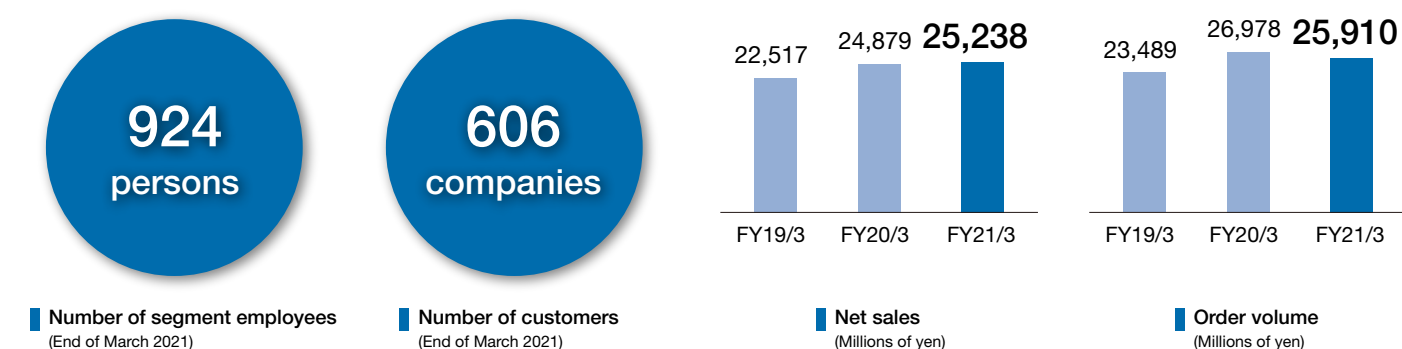
CASE is an acronym describing technological innovations on the themes of Connected, Autonomous, Shared & Services, and Electric. The Company will leverage its accumulated technologies and trust in the area of in-vehicle development to combine the four technology elements that make up CASE and accelerate 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	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
Operational BPO field	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Offers total support for a variety of work, including assistance for sales, and help desks, and support for introduction of RPA.</li> </ul>
Product Infrastructure field	<ul style="list-style-type: none"> <li>○ Provides a single, integrated service from design to construction of system infrastructure.</li> <li>○ Enables one-stop provision of servers, PC terminals, etc.</li> </ul>

### Business environment (Review of the fiscal year ended March 31, 2021 and outlook for the fiscal year ending March 31, 2022)

In the fiscal year ended March 31, 2021, net sales increased due to growth in product sales and IT outsourcing projects. In the fiscal year ending March 31, 2022, revenue is expected to increase through strengthening of service provision business.

In the fiscal year ended March 31, 2021, the product business was strong within the infrastructure products area, the segment covered the impact of the change in the fiscal year end at DIGITAL TECHNOLOGIES CORPORATION in the previous fiscal year, and net sales were ¥25,238 million, an increase of 1.4% year on year. In the operational and BPO fields, we have also worked to expand sales of "ReSM plus," which supports internal help desk operations through digital technology, and acquire SI

projects for "ServiceNow®," which is utilized as a platform for ReSM plus. Furthermore, in 2021, we added a feature to the ReSM plus which visualizes the health status of employees. In the fiscal year ending March 31, 2022, we will support trial experiments and so forth with clients who are considering implementation of new ReSM plus services and propose service improvements using accumulated data to clients who have already implemented the system.



## Operational BPO

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



System operation



System operational design



BPO



Card security

## 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 2027: 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

#### Prevent leaks of credit card information and unauthorized use



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.

#### BPO center that fully complies with PCI DSS



- Full compliance with PCI DSS ver. 3.2.1
- High security with PCI DSS as the minimum standard
- Improved safety through periodic security training
- Quick response to industry guidelines

#### Operation design that can be customized according to clients' requests



- Able to handle different operations for each industry and type of work
- Operations can be customized according to clients' requests
- Flexible design for special operation processes and irregular cases

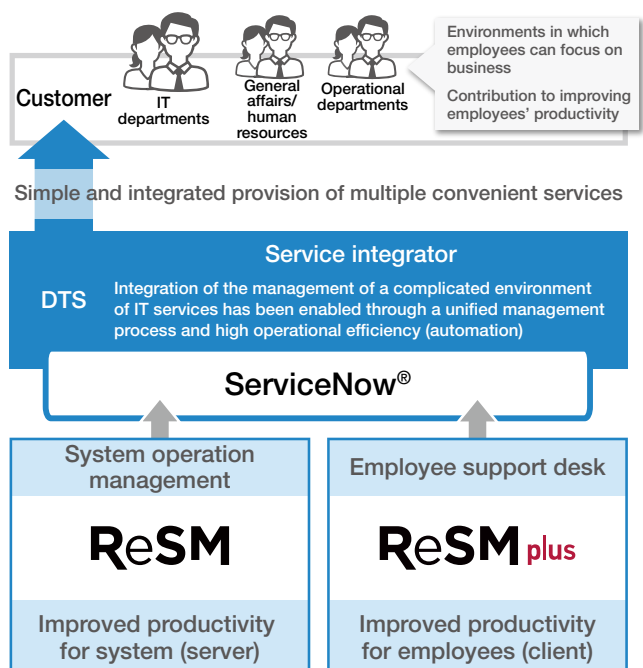
### Medium-term initiatives

#### 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 a platform constructed using ServiceNow, integrated management of a complicated environment has been enabled through a unified management process and high operational efficiency.

In the fiscal year ending March 31, 2022, we will support trial experiments and so forth with clients who are considering implementation of new ReSM plus services and propose service improvements using accumulated data to clients who have already implemented the system.



## Chapter 2 Initiatives for Creating Value

### Infrastructure

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



Cloud



Integration



Products



Network

### Medium- to long-term growth strategies

Platforms and networks set to become increasingly important as social infrastructure in the advance of technologies such as AI, IoT, and 5G

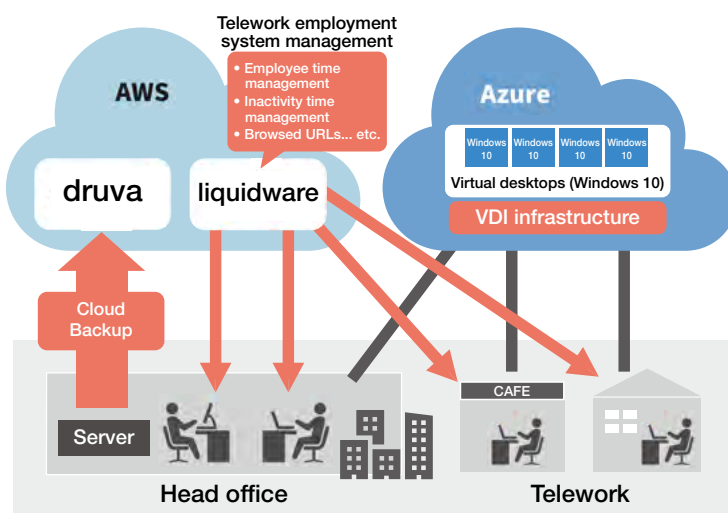
AI, IoT, and 5G are expected to become standard features of society going forward. Accordingly, system platforms, networks, and other physical infrastructure will become increasingly important as social infrastructure. In response to this external environment, we will implement the items on the right in the infrastructure field.

- Strengthening of synergies between the three Group companies (DTS, DIGITAL TECHNOLOGIES CORPORATION, and I Net Rely Corporation)
- Strengthening and development of network and platform technicians
- Establishment of a service-provision model

#### Medium-term initiatives

**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 technologies), 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.



#### Topic

**Strengthening network solutions by making I Net Rely Corporation a wholly owned subsidiary**

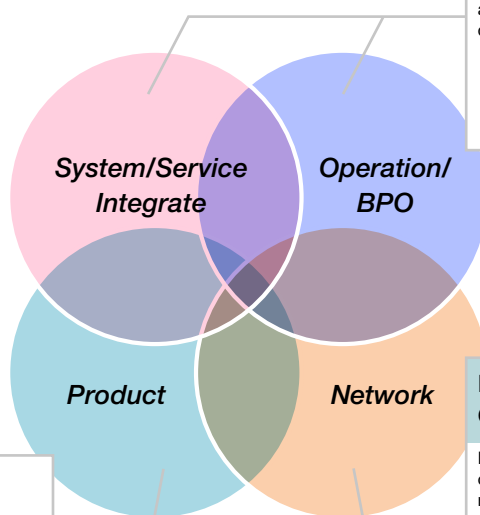
In June 2021, I Net Rely Corporation became a wholly owned subsidiary of the Company.

I Net Rely Corporation has strengths in system outsourced development services involving network infrastructure design, construction, and operation and management, and provides comprehensive network infrastructure construction services.

We will strengthen the Group's network solutions by adding I Net Rely Corporation's expertise in network infrastructure construction to the DTS Group's knowledge of the network domain and discernment regarding servers and network products.

#### DIGITAL TECHNOLOGIES CORPORATION

Sales of products and software such as servers, networks, and security products as well as construction of related infrastructure



#### DTS

Human resources, technology, and know-how in the network domain



#### I Net Rely Corporation

Design, construction and operation management of network platforms



## Regional, Overseas, Etc.

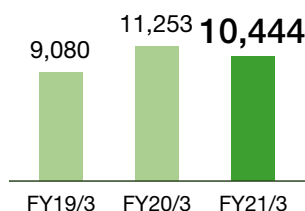
### Providing solutions to clients such as regional companies and overseas companies developing globally

The 15 Group companies, made up of nine (including DTS) in Japan and six overseas, all leverage their own strengths as they collaborate to respond to a variety of IT-related needs.

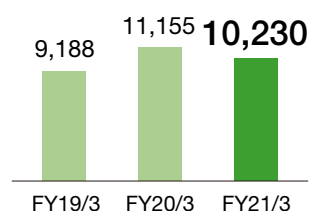
The DTS Group's 15 companies work in unison to provide clients with valuable solutions that are both optimal and up-to-date.

**2,366**  
persons

■ Number of segment employees  
(End of March 2021)



■ 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.**

- |                       |   |
|-----------------------|---|
| <b>Regional field</b> | <ul style="list-style-type: none"> <li>○ Promotes nearshore development at regional subsidiaries.</li> <li>○ Offers services including system integration services and implementation of solutions for local governments and local companies.</li> </ul>  |
| <b>Overseas field</b> | <ul style="list-style-type: none"> <li>○ Promotes offshore development and BPO services at overseas subsidiaries.</li> <li>○ Provides system integration services to clients that are Japanese-owned corporate enterprises expanding globally.</li> <li>○ Provides solutions for global financial business at overseas subsidiaries.</li> </ul> |
| <b>Others</b>         | <ul style="list-style-type: none"> <li>○ Education and training, skills development, and consultation in the IT field (→ P50).</li> </ul>   |

#### Business environment (Review of the fiscal year ended March 31, 2021 and outlook for the fiscal year ending March 31, 2022)

In the fiscal year ended March 31, 2021, order backlogs decreased reflecting the reduction of financial industry and regional government agency projects.

In the fiscal year ending March 31, 2022, we will promote sales activities that take advantage of the strengths of each region and aim for expansion.

In the fiscal year ended March 31, 2021, although revenue increased due to the consolidation of DTS SOFTWARE VIETNAM CO., LTD., Dalian SuperElectronics Co., Ltd. (DLSE), and Japan SuperElectronics Co., Ltd. (DLSE Japan) in the overseas segment, net sales were down 7.2% year on year to ¥10,444 million due to the impact of the prolongation and downsizing of projects for regional banks in the regional segment.

In the fiscal year ending March 31, 2022, we aim to expand the number of education solution projects, such as the transition of packaged software to the cloud, automation of inquiry response utilizing the AI FAQ solution “kotosora,” and portal site architecture for a historical character database. In addition, we plan to continue to contribute to regional development through previously cultivated know-how and the latest DX technologies for government services.





### 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 institutions, 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.

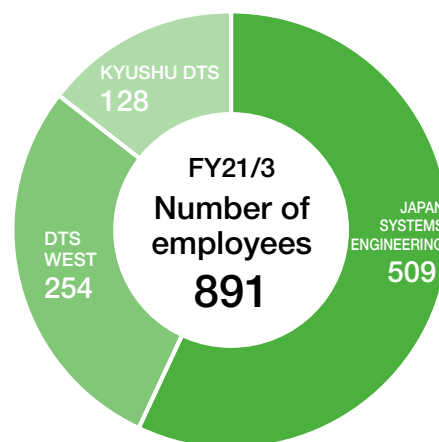
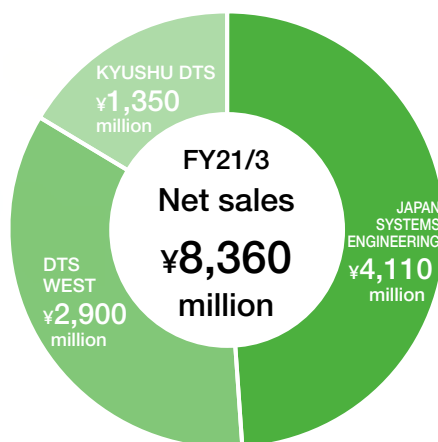
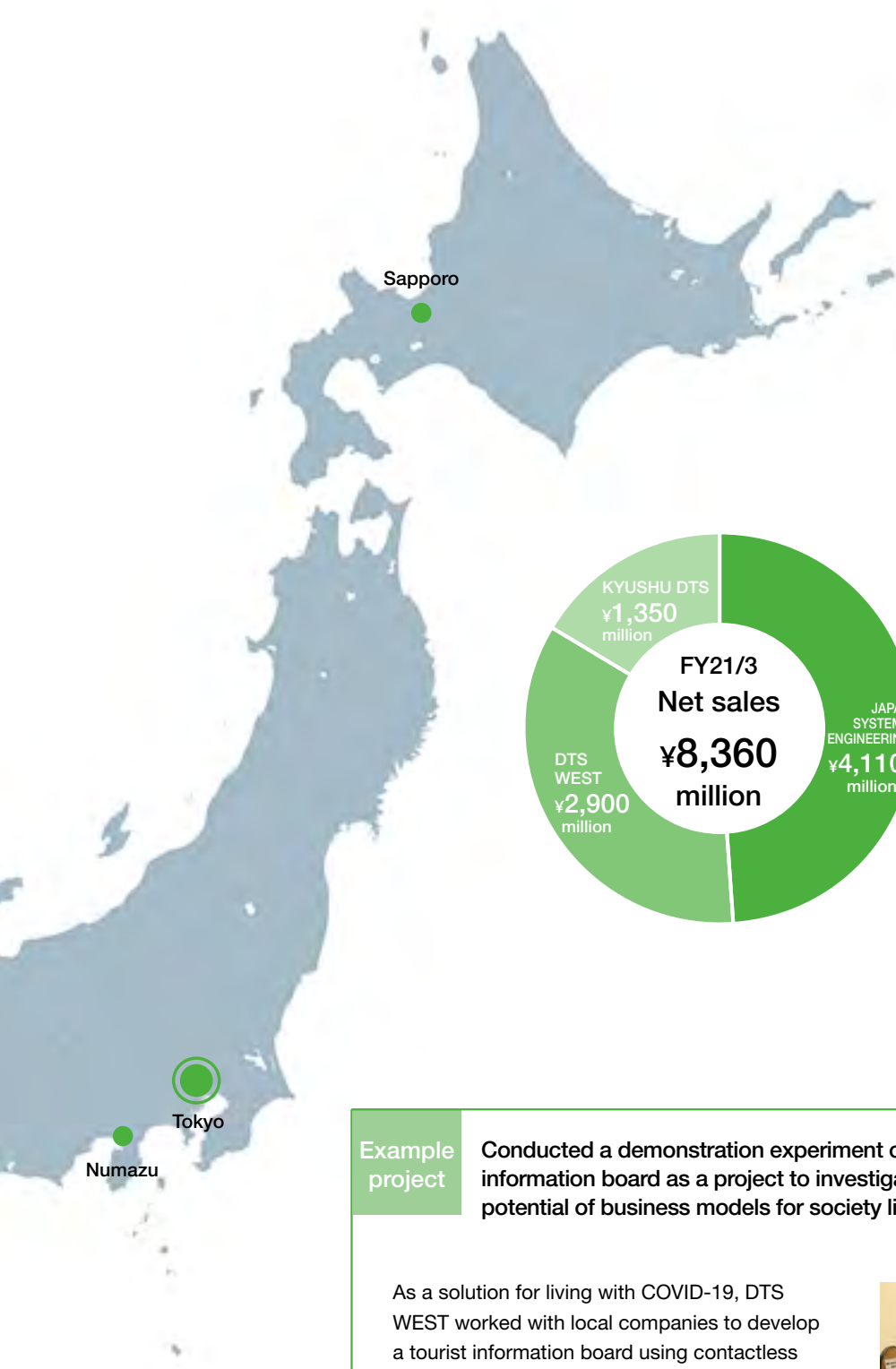


#### Growth strategy

**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



#### Example project

Conducted a demonstration experiment of a contactless tourist information board as a project to investigate the commercialization potential of business models for society living with COVID-19



As a solution for living with COVID-19, DTS WEST worked with local companies to develop a tourist information board using contactless touch panels for the Kyoto Botanical Gardens. We conducted a demonstration experiment in January 2021, inviting visitors to the gardens, including Kyoto residents, to try operating the contactless tourist information board and experience the feel of the operation and the sense of safety.

**kotosora**

“kotosora” is a solution for FAQs that enables natural conversations feel like those of a real person. It can communicate in multiple languages, including Japanese, English, and Chinese (simplified).





### 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.



**Dalian SuperElectronics Co., Ltd.**

Dalian SuperElectronics Co., Ltd. is a subsidiary of DTS (Shanghai) CORPORATION. It provides services such as IT offshore development for Japanese companies and IT solutions for domestic companies in China and development, sales and maintenance of its own software products.



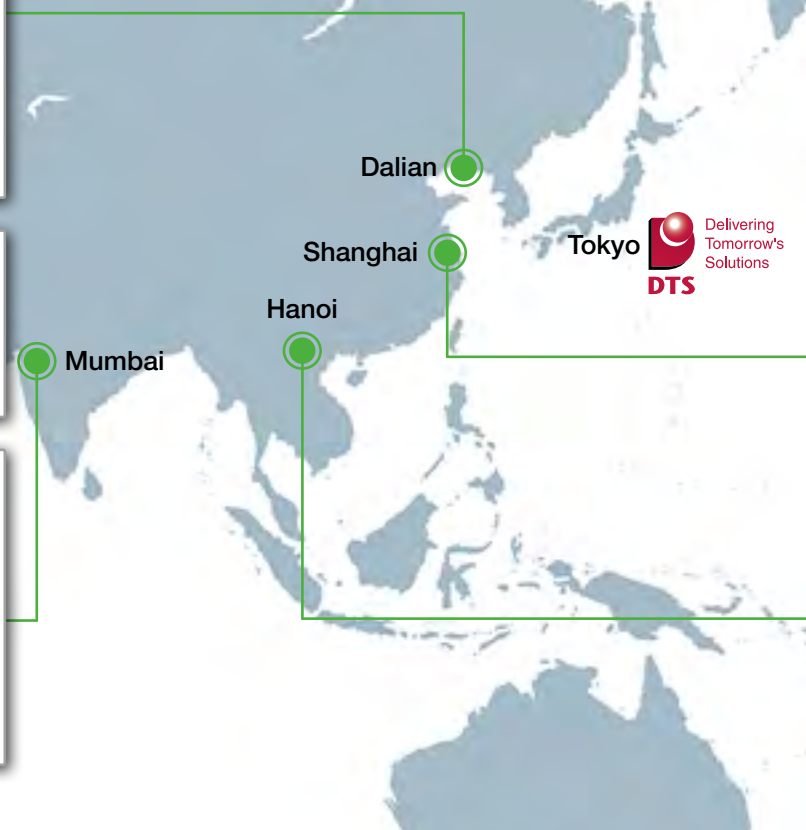
**Japan SuperElectronics Co., Ltd.**

Japan SuperElectronics Co., Ltd. is a subsidiary of Dalian SuperElectronics Co., Ltd.



**Nelito Systems Limited**

Nelito Systems Limited develops and sells system integration services and its own FinCraft™ packages for financial institutions. The company is a certified SWIFT partner. Having partnered with DTS and DTS America, Nelito Systems is offering system integration services, sale of its own packages, and offshore development in North America and Asia.



#### Example of social issue

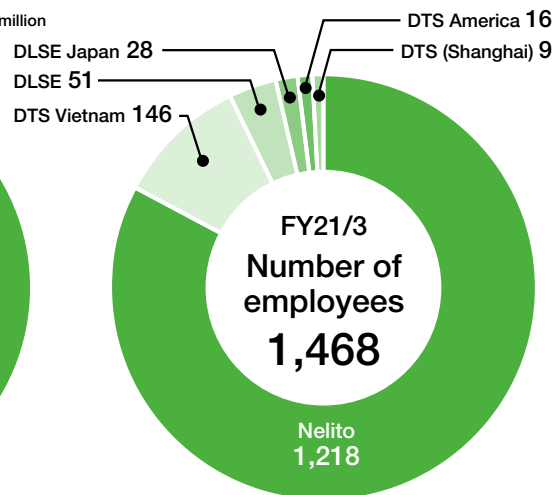
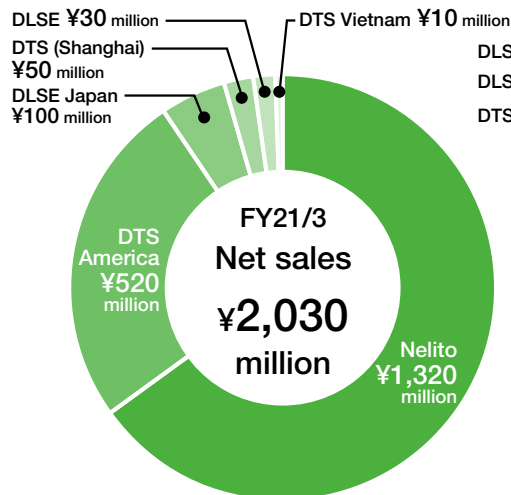
#### Using the FinCraft™ microfinance IT solution to support people who face economic challenges

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.







#### DTS (Shanghai) CORPORATION

DTS (Shanghai) CORPORATION provides offshore development and maintenance services with added high values including ERP solutions for manufacturing, retail, and distribution businesses as well as consulting and upper processing to achieve operational efficiency in financial institutions.



#### DTS SOFTWARE VIETNAM CO., LTD.

DTS SOFTWARE VIETNAM CO., LTD. offers offshore development services for enterprises and outsourcing services including housing plan and design construction, 3D modeling of construction materials, and data entry, etc. for financial industry, communication, retail, and manufacturing industries.



#### DTS America Corporation

DTS America Corporation provides consulting and system integration services for financial institutions and system integration services for core systems for the retail, healthcare, and manufacturing industries in the United States (the East Coast, the Midwest, and the West Coast) and Canada.

Los Angeles

Dallas

New York

#### 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:

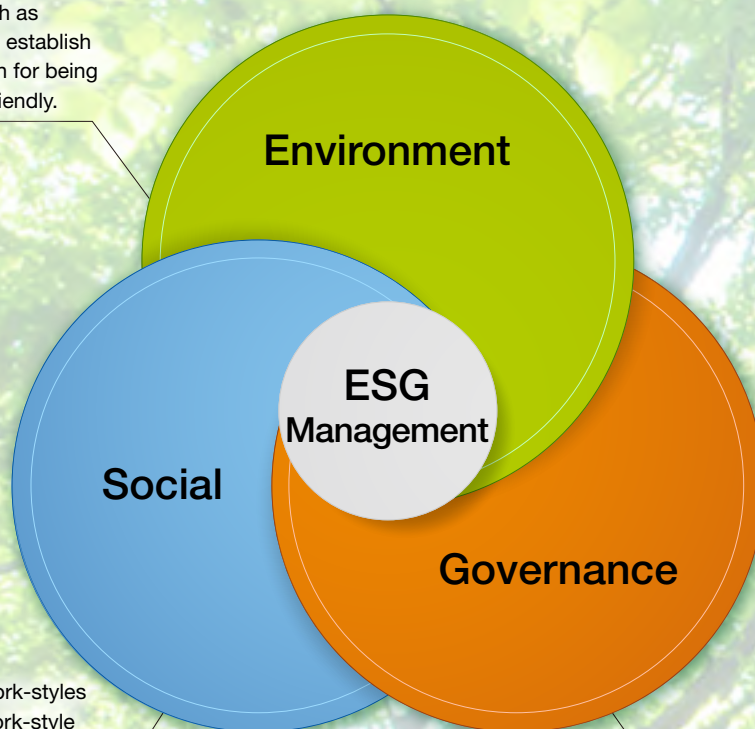
- Strengthening the business foundations at individual site
- Reinforcing services regarded as strengths in our overseas business
- Strengthening our ability to pick up on overseas products
- Development of personnel who can work globally



## Overview of ESG Management

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.

We will promote activities to reduce our environmental impact, such as decarbonization, aiming to establish the DTS Group's reputation for being people and environment friendly.



We are shifting towards work-styles for a new era, including work-style reforms, promoting women's participation and advancement in the workplace, and realizing diversity.

Based on the external environment, we will strengthen governance by aiming to establish a highly transparent management.





## Corporate activities

### Contribution to SDGs

SUSTAINABLE DEVELOPMENT GOALS





## Major ESG initiatives

DTS considers ESG initiatives as a contribution to the realization of a sustainable society. At the same time, in the medium to long term they are an intangible asset of the Group that will underpin its ability to survive in an era of high uncertainty. Based on this thinking, the Group is promoting a wide range of activities to increase its corporate value.

Policy on initiatives	Major challenges	Major activities	
<b>E: Environment</b> Aiming to realize a sustainable society that is environment and people friendly 	Addressing climate change	<ul style="list-style-type: none"> <li>Reduction of electricity usage (Scope 2) at the Group companies' office in Japan</li> <li>Engaged in visual monitoring of Scope 3 emissions</li> <li>Establishment of a framework compliant with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations</li> </ul>	P46 to 48
	Reduction of environmental impact through revision of offices and work-styles to suit the new normal	<ul style="list-style-type: none"> <li>Efficient use of offices, such as concentration of development centers</li> <li>Relocation to an office building with superior environmental performance</li> <li>Reduction of overtime hours through operational efficiency measures</li> </ul>	
	Reduction of environmental impact of society through systems	<ul style="list-style-type: none"> <li>Business operation streamlining and energy saving through optimization of the business environment, such as the introduction of free addresses and paperless systems</li> <li>Digitization of staff workflows and ordering procedures for partners</li> <li>Provision of decarbonization solutions compliant with net zero energy houses (ZEH)</li> </ul>	
<b>S: Social</b> We will strengthen human resources management as a source of corporate value and promote new work-styles suitable for the new normal 	Utilization of diverse human resources	<ul style="list-style-type: none"> <li>Realization of personnel and human resource management</li> <li>Development of DX human resources and new human resource development program</li> <li>Promotion of diverse work-styles based on the new normal</li> </ul>	P49 to 54
	Realization of a healthy work environment	<ul style="list-style-type: none"> <li>Health guidance and program enhancement using online services</li> <li>Creation of an environment in which diverse human resources can participate, including women and people with disabilities (diversity)</li> </ul>	
	Supply chain management	<ul style="list-style-type: none"> <li>Free competition and fair trading</li> <li>Promotion of information security measures including partner companies</li> <li>Implementing work-style reforms and health management including partner company employees</li> </ul>	P55
	Respect for human rights	<ul style="list-style-type: none"> <li>Human rights-related training programs</li> <li>Development of the DTS Harassment Prevention Guidebook</li> <li>Harassment prevention, etc.</li> </ul>	P56
<b>G: Governance</b> We aim to establish highly transparent business practices, continuously increase our corporate value, and build relationships of trust with our stakeholders 	Establishment of highly transparent management through corporate governance	<ul style="list-style-type: none"> <li>Construction of a corporate governance system</li> <li>Evaluating effectiveness of the Board of Directors</li> <li>Reviewing of Directors' compensation</li> </ul>	P57 to 59
	Response to uncertainty (Risk management)	<ul style="list-style-type: none"> <li>Improvement and operation of risk management system</li> <li>Prevention of risk materialization</li> </ul>	P60 to 61
	Provision of IT systems that can be used with confidence (Information Security Quality Management)	<ul style="list-style-type: none"> <li>Preparation of information security guidelines suitable for the current environment, including teleworking and use of cloud computing</li> <li>Construction and implementation of an original project management strategy (PMS) standard process</li> </ul>	P62 to 63
	Cultivation of compliance awareness	<ul style="list-style-type: none"> <li>Conduct compliance training sessions</li> <li>Prevention of all kinds of corruption, including bribery</li> </ul>	P64

## E: Environment

Aiming to realize a sustainable society that is environment and people friendly

Resolving global environmental issues such as climate change and realizing a sustainable society are urgent priorities for all of humanity. 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.

### DTS Group Environmental Policy

The DTS Group recognizes that preservation of the global environment is an important priority for all of humanity. As a company that is responsible to the society of the future, we have created an environmental policy and are taking steps to carry it out. In particular, in carrying out our business activities (total consultation on IT systems, software development, and system operations, etc.), we are conducting the following main initiatives as key issues to be addressed.

#### Main initiatives

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



Environmental Policy

<https://www.dts.co.jp/sustainability/eco/environment/>

### ISO 14001 Certification

In 2006, DTS has obtained ISO 14001 certification. Currently, the certification scope has been expanded to cover seven Group companies in Japan, and the DTS is working as one with its Group companies to respond to climate change and other challenges.

[Group companies in Japan that have obtained ISO 14001 Certification]



**DTS INSIGHT**



**MIRUCA**



Environmental Management

<https://www.dts.co.jp/sustainability/eco/environment/>

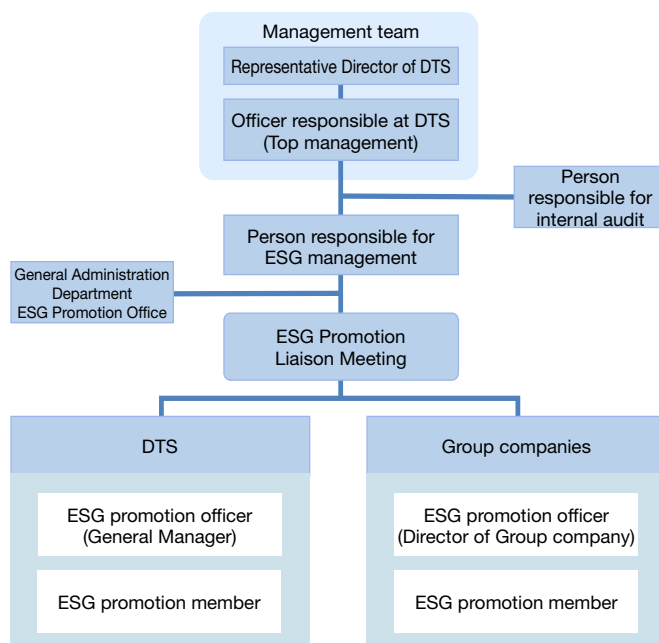
### Structure of the environmental management system

The DTS Group has constructed and operates an environmental management system under the leadership of DTS's management team. Starting in the fiscal year ended March 31, 2020, we expanded the scope of our activities beyond the environment to encompass ESG management issues. We have prepared a structure for responding to ESG issues across the organization.

Under this management system, we have set targets for the environment and society domains, and we periodically evaluate our quantitative and qualitative indicators. Moreover, we utilize the ESG Promotion Liaison Meeting as a cross-organizational committee and the expanded Management Council, which is attended by executives of the entire Group as an initiative to achieve our targets and to further promote the penetration of ESG management.

Each organization appoints ESG promotion officers and carries out autonomous improvement activities. Good examples from each organization are shared throughout the Group with a view to improving the Group's ESG management.

### ESG promotion structure



## Chapter 3 Initiatives to Support Sustainable Growth

### Environmental risks and opportunities

The DTS Group has conducted qualitative and quantitative evaluations of risks and opportunities with significant impacts on the Company and society based on environmental laws and regulations, as well as market trends and other factors. In addition, to comply with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, we have identified climate change-related risks and opportunities, and we are currently building processes for evaluating them.

#### [Major risks and opportunities]

Risks	Opportunities
<ul style="list-style-type: none"> <li>• Increase in CO<sub>2</sub> emissions</li> <li>• Increase in resource and energy use due to reduced operating efficiency</li> <li>• Operating efficiency decline and employee health deterioration due to long work hours</li> <li>• Impairment of corporate value (social and economic) due to delayed response</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of groupwide environmental impact and costs</li> <li>• Reduction of society's environmental impact through systems</li> <li>• Promotion of people-friendly initiatives (Reduction in operation time due to productivity increase)</li> <li>• Increase in employee motivation and performance through improved brand strength by proactive information disclosure</li> </ul>

### Initiatives for climate change

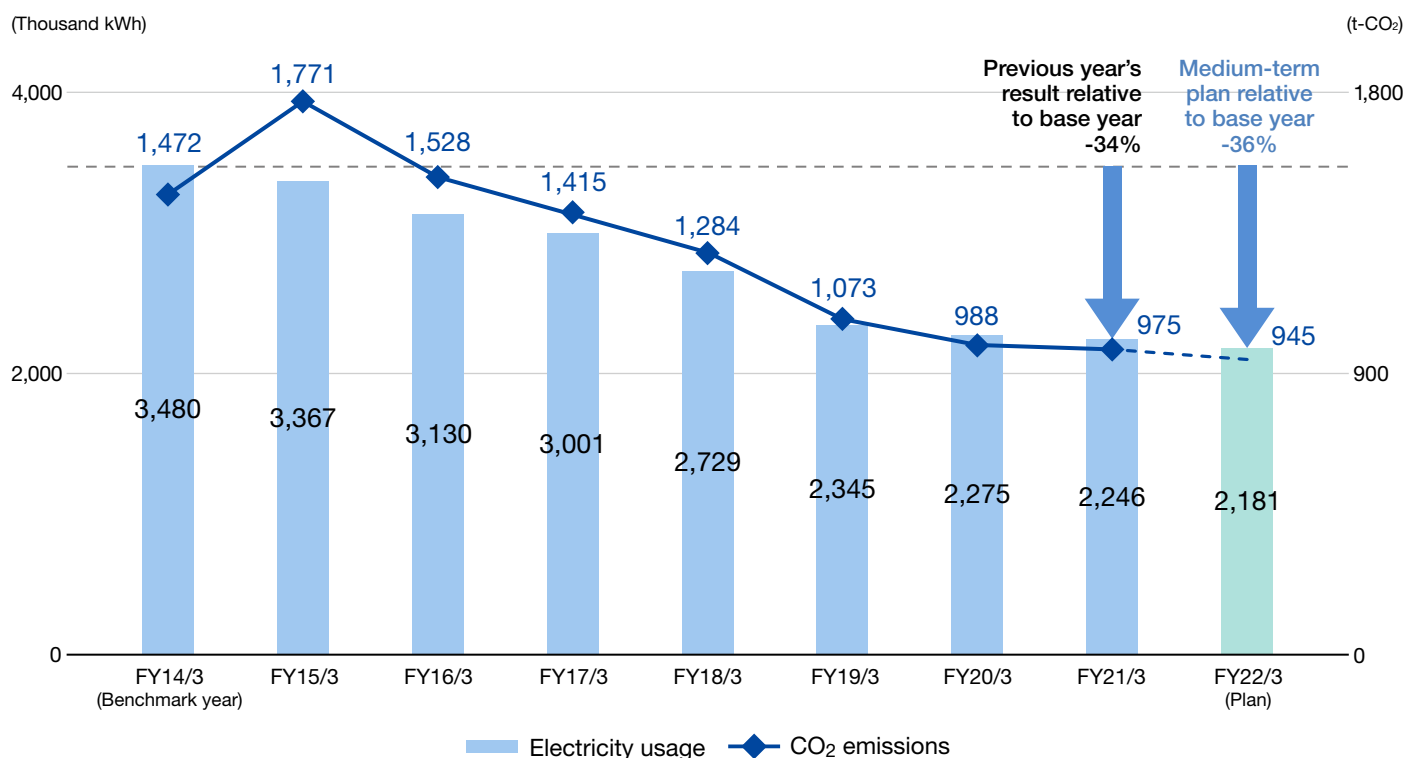
In response to the progression of global climate change, we are continuing our measures to reduce CO<sub>2</sub> emissions at our offices (Scope 2). Through groupwide long-term sustainable energy-saving activities, we have set targets in line with the framework of the Paris Agreement.

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 work-styles 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. From the fiscal year ended March 31, 2021, we have been promoting environmentally considerate work-style reforms by reviewing the status of offices that utilize teleworking and work-styles.

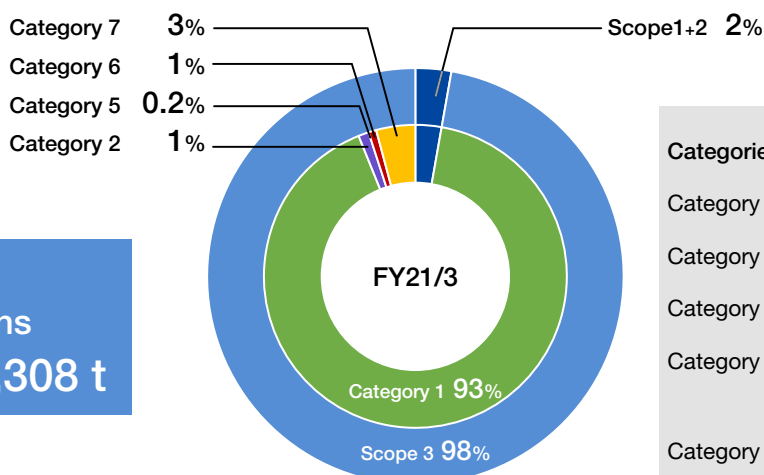
### GHG emissions (Group companies in Japan) Scope 1+2: Results and targets





## Scope3: Results

**FY21/3  
GHG emissions  
39,308 t**



### Categories of Scope 3

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 5: Waste generated in operations
- Category 6: Business travel (including transportation expenses)
- Category 7: Employee commuting

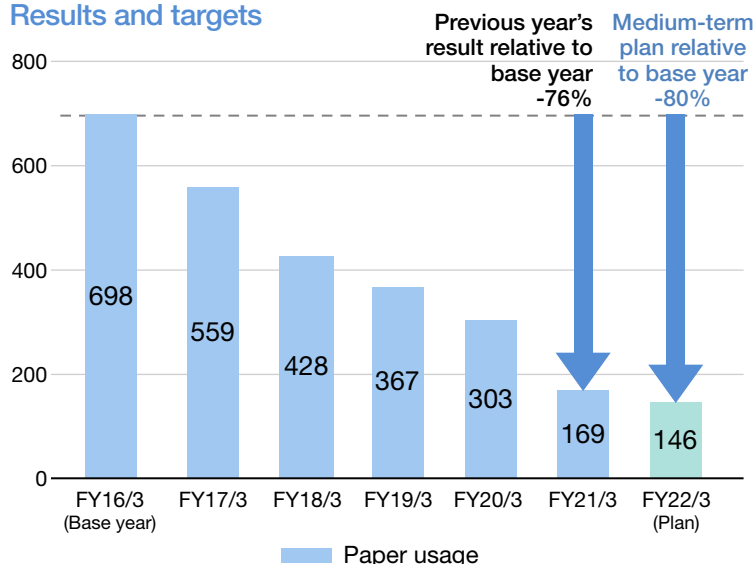
## Realizing paperless operations along with work-style reforms

DTS has shifted to paperless operations for employees and partner companies in order to enable smooth operations by telework. In particular, 32% of the workflows for employee-related operations were not adapted to telework in 2016, but as of March 31, 2021, all workflows are now paperless. Through these efforts, we achieved a 76% reduction in paper resources compared with our base year in the fiscal year ended March 31, 2021.

## Paperless operations (Group companies in Japan) Usage of paper resources:

(A4/ten thousand sheets)

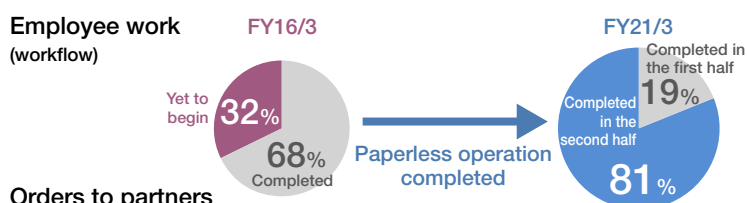
### Results and targets



### 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.

### Employee work (workflow)



### Orders to partners (electronic contracts)

March 2020 results 65% → March 2021 results 75%

## Environment Solutions

Using digital technology in low-carbon simulations to propose the development of communities where people can continue living



The 3D home CAD package, "Walk in home," uses digital technology to support decarbonization of homes, including a net zero energy house (ZEH) determination function that aims to reduce the annual energy consumption of a home to around zero by reducing energy usage in the home through high insulation and creating energy through solar power generation and so forth.



### S: Social

We will strengthen human resources management as a source of corporate value and promote new work-styles suitable for the new normal

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 work-styles for a new era.



#### Response 1. Realization of personnel and human resource management

##### Transforming the personnel system to evaluates employees' challenges

To realize DX, it is essential to have human resources who can boldly take risks and take on new challenges. Development of human resources who can take on transformation and challenges is an important issue for the DTS Group as well. The DTS Group has set forth the "transformation into self-driven employees" as its policy in the medium-term management plan. 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. To provide an environment in which promising human resources with these new skills can participate, in the fiscal year ended March 31,

2021, we introduced a new personnel appraisal system that emphasizes the level of challenge such as the difficulty and novelty of the employee's work.

Another issue to be addressed is breaking free from systems predicated on conventional labor-intensive business models. In the fiscal year ending March 31, 2022, we will transform our treatment and appraisal systems to enable participation by diverse, skilled professionals, such as DX human resources and global human resources. In this way, we aim to transform our corporate culture so as to encourage employees to proactively take on challenges.





## Response 2. Strategic human resource development and capability development



### Development of DX-related human resources

In step with the rapid evolution of IT, society is also beginning to change dramatically. In the IT industry as well, there is an urgent need to develop high-level DX human resources to respond to changing customer needs. The DTS Group is promoting the development of DX human resources who have expertise in new technologies such as cloud computing, AI and IoT. In the fiscal year ended March 31, 2021, the number of DX-related certificate holders reached 584, achieving the medium-term management plan target one year ahead of schedule. In the fiscal year ending March 31, 2022, we will increase the target, lifting the number to 900, representing around 20% of employees in our Group companies in Japan.

Moreover, to promote utilization of the DX human resources we develop, we will participate actively in projects that use cloud computing, AI, and IoT, aiming to be more fluid in our human resource assignments. Going forward, we will conduct reviews of the types of work and specialist fields subject to the professional certification system with an eye on DX human resources, aiming to accelerate their development and utilization.

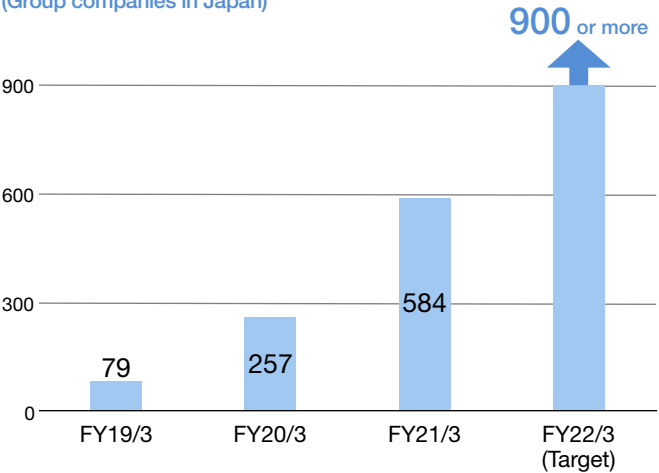
### New training programs for the DX era

To vigorously promote our provision of solutions, we need to define the model for human resources and expand our development programs in terms of both quality and quantity. DTS provides a cutting-edge environment and training using online learning. Moreover, we are developing DX human resources through systematic sharing of knowledge and practical implementation on-site.



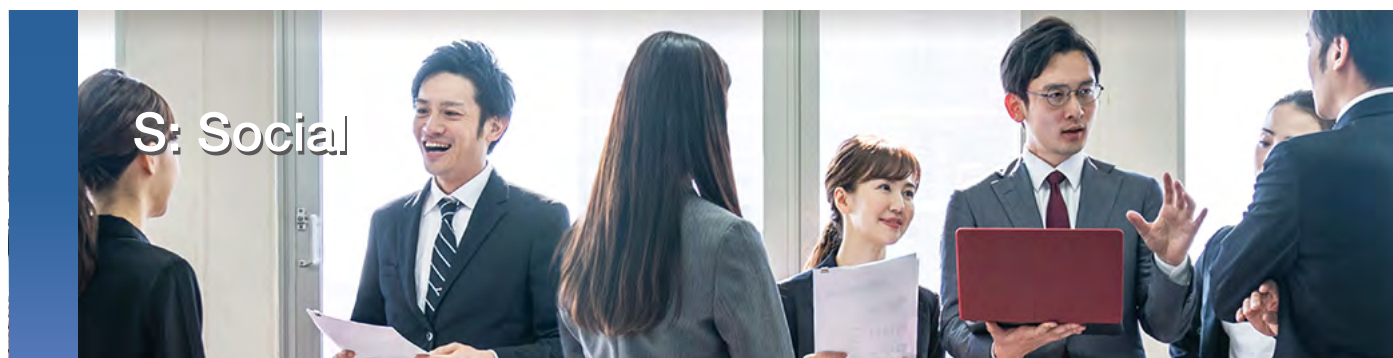
DX human resources	<ul style="list-style-type: none"> <li>Increased sophistication of IT using digital technology</li> <li>Refining of IT using packages, solutions, and services</li> </ul>
	<ul style="list-style-type: none"> <li>Creation of new services and businesses using IT</li> </ul>
Conventional IT human resources	<ul style="list-style-type: none"> <li>Construction of customer companies' systems</li> </ul>
	<ul style="list-style-type: none"> <li>Supporting customer companies' IT</li> </ul>

Number of DX-related certificate holders (No. people)  
(Group companies in Japan)



DX human resource development program	
	Development in a cutting-edge environment
	Training programs
	Practical implementation on-site





S: Social

### Response 3. Promoting work-style reforms

#### Acceleration of diverse work-styles based on the new normal

The COVID-19 pandemic has brought significant changes to work-styles. During the pandemic, the DTS Group has continued to promote work-style reforms while prioritizing the safety and security of employees and figuring out customers' intentions.

Since April 2020, the DTS Group has been promoting work-styles centered on telework, and achieved a telework rate of

70% or higher for 1,600 employees, mainly those who working at head office (64.3% for DTS CORPORATION). In addition, in tandem with this, from April 2020, we introduced "My Select Time" shifts to prevent infection with staggered work schedules. We are also taking steps to respond to new work-styles, such as establishing rules on side jobs.



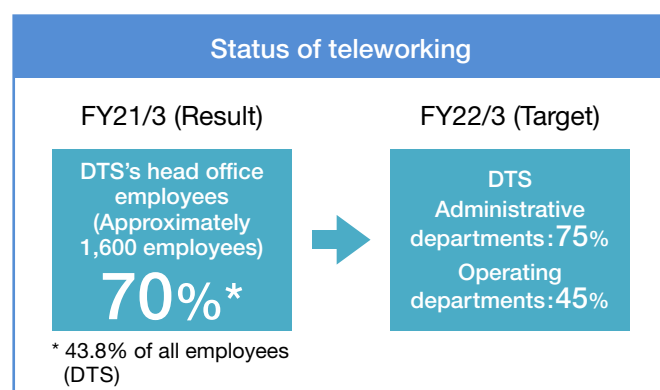
#### Expansion of telework for employees stationed at clients' locations

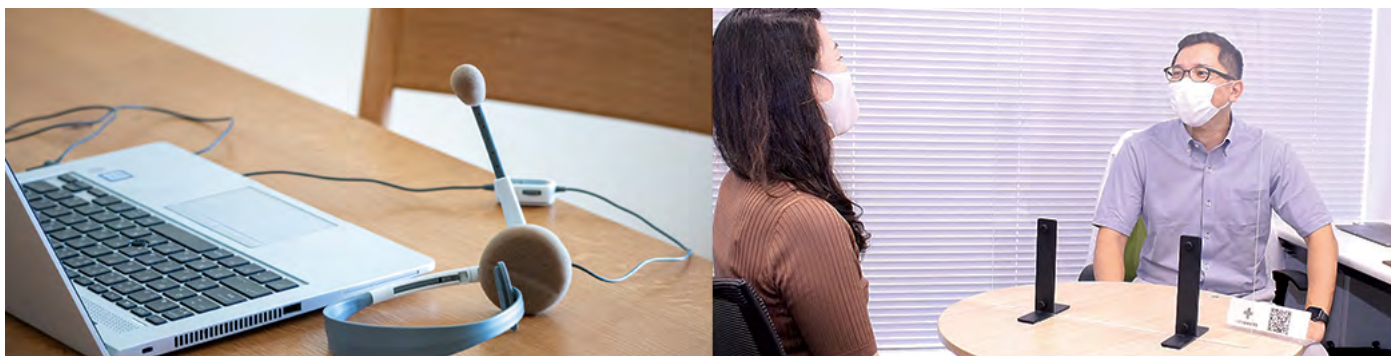
Initially, telework was difficult to implement for employees stationed at clients' locations, but we have gradually implemented it while taking care to respond to security risks.

At the annual employee event, the DTS Symposium, knowledge from each site is shared. A variety of knowledge was shared throughout the Group, such as how to build secure development environments, how to use communication tools, and how to visualize employees' health status.

Looking ahead, we recognize that the trends of the new normal are irreversible, and we will aim to realize healthy and highly productive work-styles by introducing systems that are designed to accommodate diverse work styles. In particular, realizing efficient, flexible work-styles that enable effective use of time is essential for environments that facilitate balancing of childcare, nursing care and other commitments with work. In the fiscal year

ending March 31, 2022, we will aim to achieve a companywide telework rate of 70% or higher for DTS CORPORATION employees, as we accelerate work-style reforms.





## Response 4. Health management promotion

### Health guidance and program expansion using online services

DTS's Code of Conduct calls for "Respect for human rights and creation of workplaces with fulfillment through work." Under this policy, we aim to create workplaces in which all employees can maintain mental and physical health, and work with motivation.

From the fiscal year ended March 31, 2021, we started offering health guidance, setting detailed indicators for employees according to their health risks, based on the results of their health examinations. To enable appropriate following to health examinations, even during the COVID-19 pandemic, we established an online medical care (completely non-contact consultation) under the direction of an industrial physician

so that employees could receive medical advice on internal medicine, sleep apnea, quitting smoking, and other issues.

Furthermore, to counter the decline in opportunities for exercise compared to pre-pandemic times, we started offering online yoga classes that can be easily participated in from home for employees and partner company employees and their families. We also provide information for employees wishing to quit smoking, and so forth. Through these initiatives, we aim to create environments where employees can fully realize their potential, enabling both individuals and the Company to continue growing.



#### Key activities in the fiscal year ending March 31, 2022

- Implementation of non-smoking policy (abolished smoking areas, prohibited smoking during work hours)
- Introduction of exercise measures (companywide)
- Introduction of health promotion measures related to diet and sleep
- Start of construction and operation of health result management system



Offered online yoga classes for employees and partner company employees, etc.

### Acquisition of "Gold Certification" in the Company of Health Excellence Certification and certification as a "Health & Productivity Management Outstanding Organization" for the second year in a row

DTS acquired "Company of Health Excellence/Gold Certification" in September 2020, in recognition of a certain level of results it has achieved through its efforts for health and productivity management initiatives. In addition, DTS was certified as "Health & Productivity Management Outstanding Organization" certification in March 2021 for the second year in a row.

In the fiscal year ending March 31, 2022, the Company aims to continue its certification as a Health & Productivity Management Outstanding Organization and improve its position by implementing additional measures to promote health and strengthening rapid and appropriate health guidance for employees at high risk or under high stress.

September 2020  
Obtained the Company  
of Health Excellence  
Certification (Gold  
Certification)



March 2021  
Certified as Health &  
Productivity Management  
Outstanding Organization  
(Large Enterprise Category)  
for the second year in a row



### S: Social



#### Response 5. Diversity & inclusion

##### Creating workplaces where all employees can work with motivation

To realize sustainable management, it is essential to utilize diversity with regard to gender, age, nationality, disabilities, and forms of employment, and to use this to drive the company's competitive advantages over the medium to long term. The DTS Group respects the diversity of individual employees, aims to enhance their autonomy, and promotes diversity.



##### Key activities in the fiscal year ending March 31, 2022

- ① Development of female management candidates
- ② Preparation of plans for development and assignment of project leader candidates in preparation for management

##### Activities for promoting the participation and advancement of women

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. Together with the introduction of telework in the fiscal year ended March 31, 2021, we also enabled employees to make use of temporary leave, in which they are allowed to leave

work temporarily to use their time freely. We aim to improve employees' work-life balance by enabling them to nurse family members, pick up children from kindergarten, attend school events, or do houseworks such as shopping and cleaning.

Furthermore, we are targeting a ratio of 4.5% or more for female managers by the fiscal year ending March 31, 2022, and as of March 31, 2021 the ratio stood at 3.6%, which is halfway toward our target. In the fiscal year ending March 31, 2022, we will develop female manager candidates by implementing training for project leaders and others, allowing them to build practical experience, and conducting mentoring (regular interviews). Furthermore, through the creation of opportunities for development and appointment of leader candidates in preparation for management, we will stimulate and encourage the growth of the overall organization.

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

	Target As of April 2022	Actual FY21/3
Ratio of female employees	20% or higher	17.6%
Ratios of females in the management candidate group and female project leaders	8.5% or higher	6.5%
Ratio of female managers	4.5% or higher	3.6%







## Supporting childbirth, child-raising, and nursing care

DTS is working to strengthen 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, it is necessary to take care appropriately to ensure that their illness does not deteriorate due to working. Therefore, we respond flexibly to meet individual needs through liaising with relevant persons, developing workplace environments, providing individual support for employees, and establishing an in-house consultation service. In addition, 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.



Class 2 ERUBOSHI (DTS)



KURUMIN (DTS WEST)

## 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.

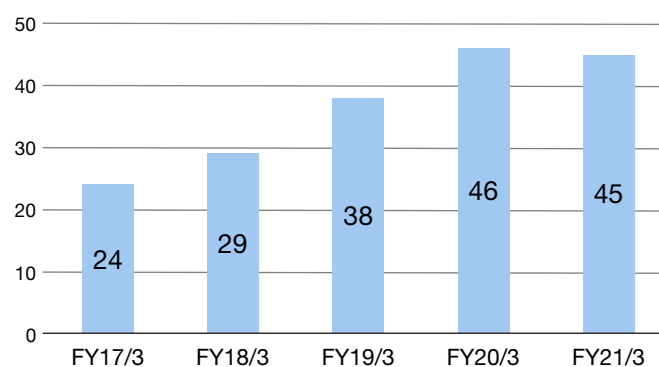
DTS palette Inc. employs 45 staff with various disabilities, including visual, auditory, mental, intellectual, physical, and internal. They utilize their various disabilities (individuality) to carry out over 85 operations per year, ranging from light duties to complex work, including printing operations, PC operation, and mail operations.

Since its establishment, DTS palette Inc. has worked to create an environment where people with disabilities can work comfortably over the long term. These efforts include awareness raising activities to increase understanding regarding people with disabilities, a system of leave for attending hospital, interviews with working life counselors for persons with disabilities, interviews with family members, and in-house observations.

Moreover, in response to the COVID-19 pandemic, the company switched to telework in cases where the characteristic of the workers' disability and their duties permitted, or took other measures such as having them stand by at home. During their time on standby at home, the company provided original training exercises to help employees develop their skills.

A meeting at DTS palette Inc. during the production of this integrated report.

Number of employees at DTS palette Inc. (Employees)





### Additional response 1. 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

In order to prevent information security incidents, or the recurrence of past incidents, DTS continuously implements measures including education, awareness raising, and information sharing. In particular, training is implemented each year when starting new operations, or for companies continuing their contracts.

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.

#### 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.

Moreover, we communicate the Company's policy on initiatives for health and productivity management and confirm the status of initiatives at our partner companies through surveys.

In the fiscal year ended March 31, 2021, we conducted telework as far as possible with our partner member companies in order to counter COVID-19. We also accelerated our adoption of electronic contracts, expanding their use to approximately 80% of contracts with business partners and so forth.

#### Supply chain assessment

DTS conducts annual supply chain evaluations of its partner companies for new transactions and those continuing their contracts. These surveys are used to comprehensively evaluate the technological capabilities, quality, productivity, deadline conformance, and financial status of partner companies, as well as indicators such as initiatives for the SDGs.

In addition, 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.





## Additional response 2. Initiatives regarding human rights

The DTS Group is taking steps regarding respect for human rights with a view to ensuring compliance (ethical behavior) and risk management. In our Compliance Guide, we stipulate respect for human rights and creation of workplaces with fulfillment through work as our Code of Conduct, and ensure that these are observed.



### Basic approach

A wide range of people are employed in the DTS Group's workplaces. We believe that to enable people of different genders, nationalities, and other characteristics to work together harmoniously, it is important to build personal relationships based on strong communication and mutual understanding.

We respect individuals with different lifestyles, ways of thinking, and personal values.

### Education and awareness-raising activities

The DTS Group conducts education and awareness-raising activities regarding respect for human rights through various training, such as level-specific training attended by all employees from new recruits through to management team, including compliance training. Compliance training is implemented groupwide for Group company officers and employees, as well as temporary staff involved in the Group's internal operations, and employees of partner companies.

#### Creation of the DTS Harassment Prevention Guidebook

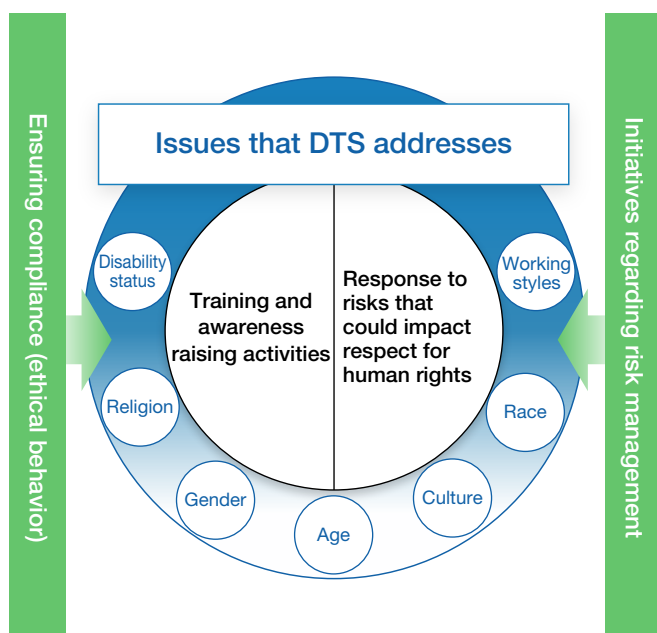
With the enforcement of a law for the prevention of power harassment in June 2020, DTS created a Power Harassment Prevention Guidebook. In an effort to prevent such harassment, we have posted the guidebook on the internal electronic bulletin board so that it can be viewed at any time in order to raise general awareness of power harassment among all employees.

### Response to risks that could impact respect for human rights

The DTS Group has envisaged risks that could have an impact on respect for human rights\* and is establishing systems and taking countermeasures to mitigate such risks. (Table of risks and countermeasures: P60 to 61)

\*Risks that could have an impact on respect for human rights

The 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, or the risk that earnings performance and business development may be affected by an exodus of employees or decrease in productivity caused by the deterioration of working environments



## Additional response 3. 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.

### Medical support

#### Support for preventing the spread of COVID-19

DTS made donations to the "Protect Tokyo: Donations to Support Health Care Response to COVID-19" in 2020 and in 2021 to help prevent the spread of COVID-19. The donations were used to purchase supplies for healthcare settings in Tokyo where people are working on the front line to prevent the spread of COVID-19.



### Supporting sport and culture

#### Support for the Japan Para Sports Association

Since 2020, DTS has been making donations to the Japan Para Sports Collection organized by the Japan Para Sports Association. The Japan Para Sports Collection funds are used in projects aimed at promoting the Paralympic movement, such as cash rewards for Paralympic medalists and development and training for next-generation athletes.





### G: Governance

We aim to 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 dialog with shareholders.

#### Corporate governance system

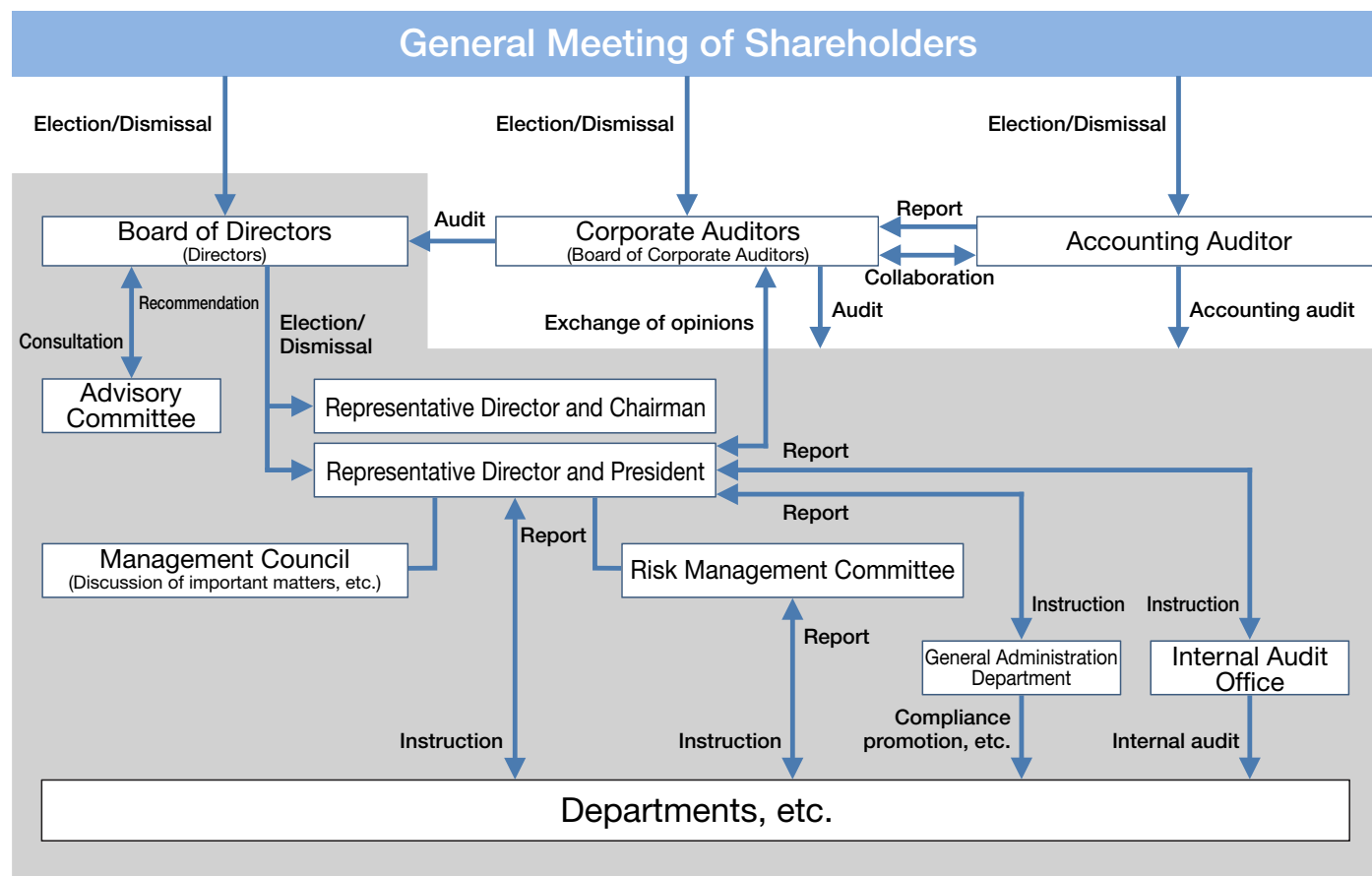
##### Board of Directors and Board of Corporate Auditors

DTS seeks to ensure the effectiveness of its corporate governance and has accordingly adopted a system which enlists cooperation between the Board of Directors whose membership includes four Outside Directors, and the Board of Corporate Auditors whose membership includes three Outside Corporate Auditors. The Outside Directors play key roles particularly when it comes to strengthening the management function based on their knowledge and experience in their respective fields and strengthening the supervisory function for business execution of the Board of Directors. Meanwhile, the Outside Corporate Auditors play key roles particularly when it comes to establishing an objective and fair audit system.



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

#### 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.

## 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.

## Corporate governance system

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



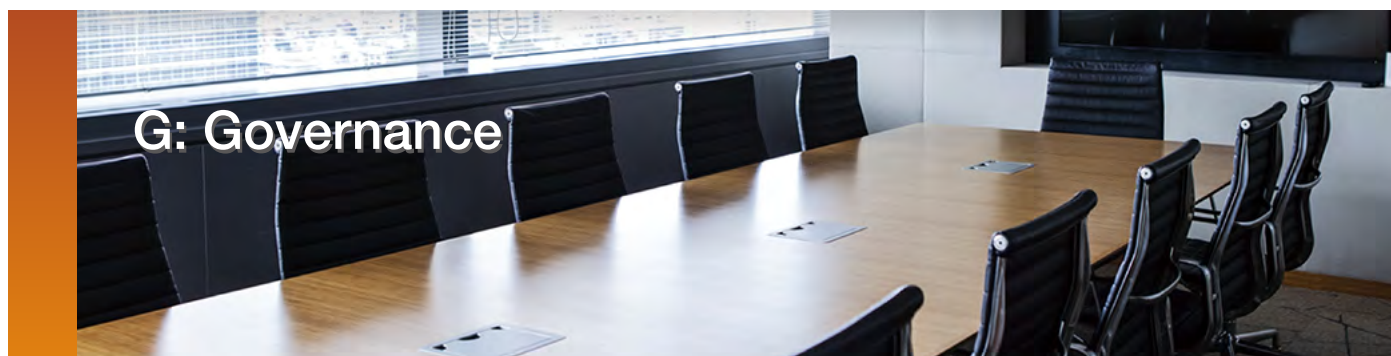
## Board of Directors membership, attendance, tenure, and Advisory Committee membership ©Chairperson ○Member

Official title or position	Name	Attendance at Board of Directors meetings in FY21/3 (Attendance rate)	Advisory Committee	Tenure
Representative Director and Chairman	Koichi Nishida	11/11 (100%)	◎	12 years
Representative Director and President	Tomoaki Kitamura	9/9 (100%)	○	1 year
Director and Managing Executive Officer	Takao Sakamoto	11/11 (100%)		12 years
Director and Managing Executive Officer	Minoru Takeuchi	11/11 (100%)		11 years
Director and Senior Executive Officer	Hirotohi Kobayashi	11/11 (100%)		5 years
Director and Senior Executive Officer	Isao Asami	11/11 (100%)		2 years
Director <span>Independent</span> <span>Outside</span>	Tadayuki Hagiwara	11/11 (100%)	○	9 years
Director <span>Independent</span> <span>Outside</span>	Masayuki Hirata	11/11 (100%)	○	6 years
Director <span>Independent</span> <span>Outside</span>	Shinya Shishido	11/11 (100%)	○	2 years
Director <span>Independent</span> <span>Outside</span>	Shinichi Yamada	9/9 (100%)	○	1 year

As Messrs. Tomoaki Kitamura and Shinichi Yamada assumed office on June 19, 2020, 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).

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

Official title or position	Name	Board of Directors meetings Attendance in FY21/3 (Attendance rate)	Board of Corporate Auditors meetings Attendance in FY21/3 (Attendance rate)	Tenure
Standing Corporate Auditor	Kenichiro Akamatsu	11/11 (100%)	9/9 (100%)	4 years
Corporate Auditor <span>Independent</span> <span>Outside</span>	Kenji Yukimoto	11/11 (100%)	9/9 (100%)	5 years
Corporate Auditor <span>Independent</span> <span>Outside</span>	Taeko Ishii	11/11 (100%)	9/9 (100%)	3 years
Corporate Auditor <span>Independent</span> <span>Outside</span>	Yutaka Takei	11/11 (100%)	9/9 (100%)	2 years



### Evaluation of effectiveness of Board of Directors

#### Self-evaluation through interviews of all corporate officers

DTS performs analysis approximately 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. Directors and Corporate Auditors actively debate the proposals that come before them, and meetings of the Board of Directors are held with greater frequency than required by law, thus facilitating timely and appropriate decision-making.

In addition, since the fiscal year ended March 31, 2019, DTS has been analyzing and evaluating the effectiveness of the Board of Directors, thereby seeking to improve functions of the Board of Directors and increase its corporate value. An overview of this process is presented below.

<Evaluating effectiveness of the Board of Directors>

- Implementation: October 2020
- Evaluators: All corporate officers (10 Directors and 4 Corporate Auditors)
- Evaluation method: Interview-based self-evaluation

#### Evaluation and results in FY21/3

##### 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. 37 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.

### Directors' compensation

Compensation for Directors consists of fixed compensation, performance-linked compensation and stock-based compensation. When determining the payment ratios, the ratio of fixed compensation (basic compensation) shall decrease the higher the position, and the ratios of performance-linked compensation (bonus) and stock-based compensation (non-monetary compensation) shall increase the higher the position.

Performance-linked compensation (bonus) shall be calculated by establishing an amount of consolidated ordinary profit as a standard, comparing it against the consolidated ordinary profit in the fiscal year in which the bonus is to be paid, and multiplying the growth rate by the amount of the performance-linked standard. However, in the event that business performance deteriorated significantly, the bonus may not be paid.

Stock-based compensation (non-monetary compensation) shall be paid as restricted shares, and shall be calculated based on a standard amount predetermined in accordance with position in order to appropriately function as an incentive to sustainably enhance the corporate value of the Company.

### 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.



## 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>

## Chapter 3 Initiatives to Support Sustainable Growth

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

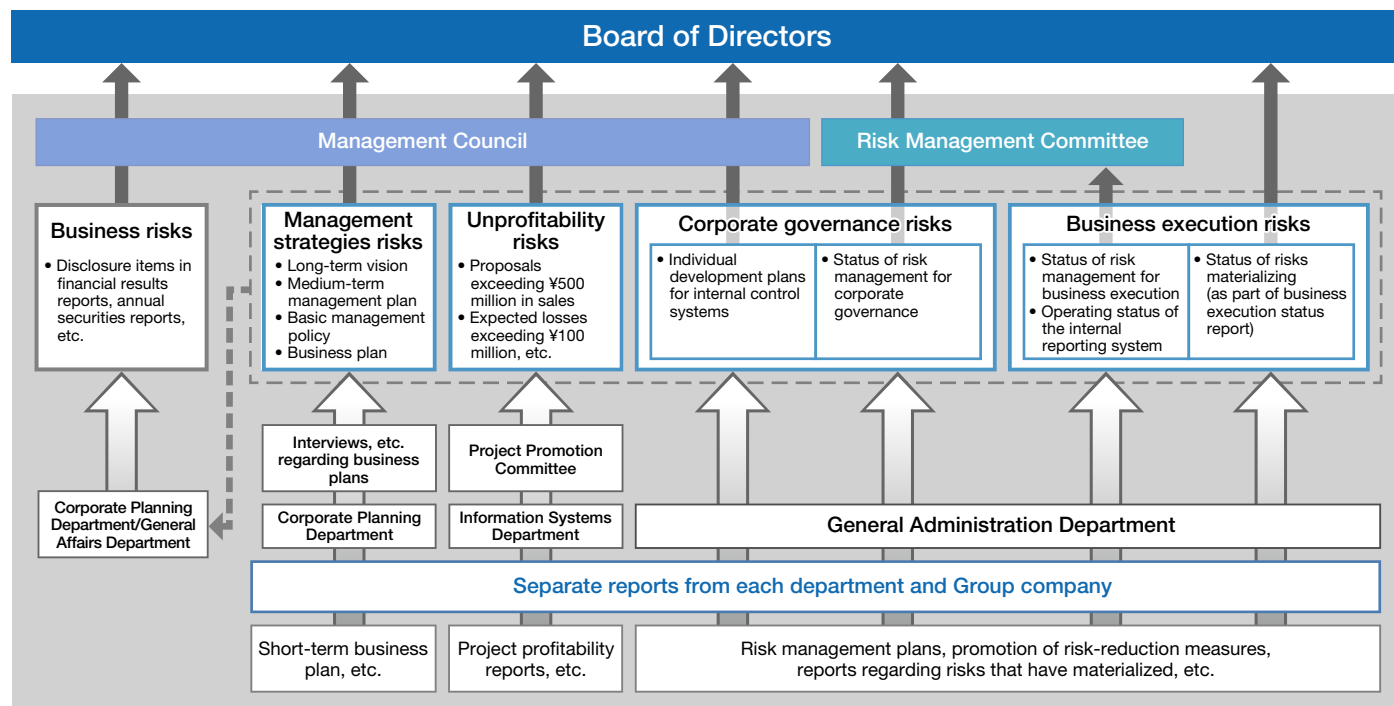
Risk category	Description	Measures to address risk
(10) Security	<ul style="list-style-type: none"> <li>Risk that the Company becomes liable for compensation for damages due to serious leakage of information</li> <li>Risk of contract cancellation and other such outcomes arising from loss of trust among 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 of revisions to earnings forecasts if the prospect of COVID-19 subsiding becomes prolonged</li> <li>Impact of IT investment controls or postponements associated with a customer downturn resulting from a drop in consumption</li> <li>Risk of orders received not progressing as expected due to the above factors</li> </ul>	<ul style="list-style-type: none"> <li>With the state of society changing due to the spread of COVID-19, use the creation of new business to accelerate measures to adapt to this new era</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





## 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 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.

### Policy for information security

In order to protect important information assets and to maintain the trust of clients, officers, employees, business partners and other stakeholders, DTS has formulated a Basic Policy for Information Security, in accordance with which it builds and operates information security management systems. In addition, DTS is aware of information security risks, and takes measures to prevent improper access to information assets or the loss, destruction, falsification, or leaking of information assets.



Policy for information security  
[https://www.dts.co.jp/corp/security\\_isms/](https://www.dts.co.jp/corp/security_isms/)

### Management system for information security

DTS has appointed an officer responsible for management of information assets, who is in charge of building information security systems, and works to maintain and enhance information security.

In recent years, it has also become necessary to provide support that keeps pace with the needs of the modern era, such as telework and the use of the cloud. For these reasons, we have formulated Information Security Guidelines to set out specific information security procedures that should be followed by our employees, and are striving to raise awareness of this topic. These guidelines apply not only to the internal operating environments but also to those of customers, and represent our efforts to improve compliance with information security.

### Information security certifications

Particularly when it comes to its client services, DTS pursues 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.

### Information security education and training

Every year, DTS implements educational and awareness-raising measures for all officers and employees including those of Group companies, and for employees of partner companies involved in DTS projects, so as to ensure that they recognize the importance of information security.

In order to prevent information security incidents, we are also taking steps to roll out and inspect workplace structures for information security management, as well as establishing activities for continuous improvement.

### Protection of personal information

DTS considers the appropriate handling of personal information to be a matter of social responsibility, and the organization has formulated and follows a “Personal Information Protection Policy,” which is based on the Act on the Protection of Personal Information and “JIS Q 15001: Personal information protection management systems - requirements.”

Moreover, in order to prevent personal information from being leaked, lost or damaged, and to exert appropriate control over specific personal information, we have identified the risks that should be managed. We periodically carry out measures to raise awareness and monitor these risks as part of our efforts to provide information security-related education, training, and inspections.



Personal Information Protection Policy  
 Basic Policy on the Proper Handling of Specific Personal Information  
[https://www.dts.co.jp/sustainability/governance/privacy\\_policy/](https://www.dts.co.jp/sustainability/governance/privacy_policy/)

#### [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





Initiatives to improve quality

DTS has built quality management systems with the aim of achieving consistency in quality, cost and delivery, as well as mitigating risks. By working to standardize and continuously improve operations, we seek to enhance the maturity of our organization.

Proprietary standardized processes to meet demands 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 standardized processes, and enlisting the entire organization responsible for systems development in efforts to achieve quality management system (ISO 9001) certification.


In PMS, in terms of initiatives aimed at fortifying systems integration capabilities and increasing productivity, we have adopted agile development and other modern approaches, and are working to incorporate automation tools so as to be able to achieve continuous improvements in functionality.

With regard to systems administration, we have also been managing services that utilize information technologies based on the PDCA cycle approach, incorporating into PMS elements of Information Technology Services Management System (ITSMS) practices for systematically ensuring and improving quality of IT services, in order to provide one-stop services underpinned by high-quality operations. (CMMI® is a registered trademark of Carnegie Mellon University in the United States.)

Quality policy

For projects, DTS has established PMS as standardized processes, which is the Company’s quality management system, and operates in accordance with this.

We also work to achieve continuous improvements in standardized processes, and strive to provide clients with highly reliable products.

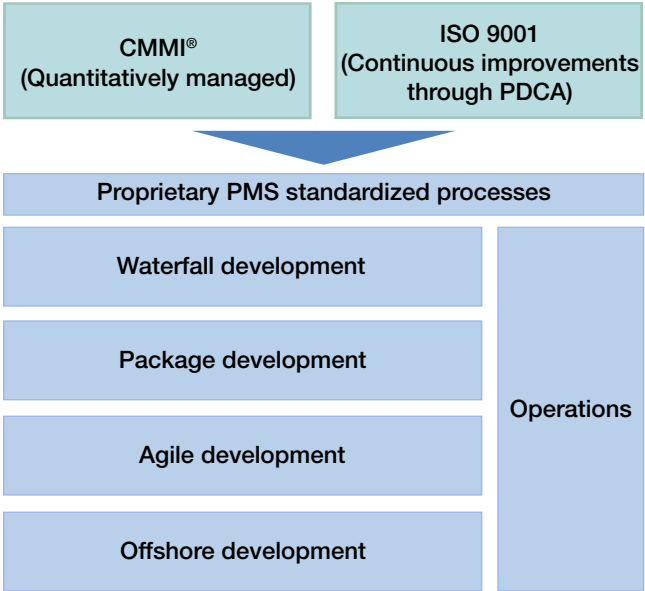
 Quality policy and quality management systems  
<https://www.dts.co.jp/corp/qms/>

Structure of the quality management system

Under the guidance of management, the DTS Group has established and continues to promote PMS standardized processes as the Company’s quality management system.

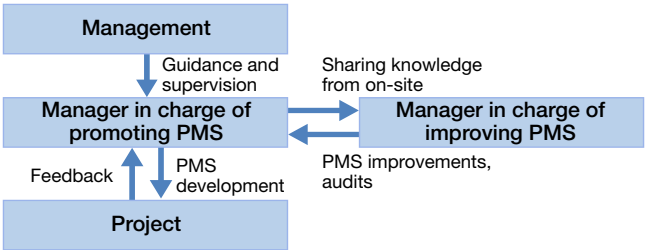
The knowledge obtained in every project is fed back to the manager in charge of promoting PMS, and utilized to effect improvements in PMS for the Company as a whole.

DTS development standards



PMS handbook describing PMS standardized processes.

Quality management structure





## Compliance (ethical behavior)

The DTS Group regards compliance as one of its key challenges of management. The Group has made efforts to raise awareness among its officers (including Directors) and employees, and employees of partner companies, by furnishing all relevant personnel with the Compliance Guide, which contains its compliance basic principles and code of conduct.

We furthermore seek to raise compliance awareness by implementing training on a yearly 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, 2021, we held compliance training sessions three times for our officers and employees, and temporary workers and employees of our partner companies engaged in the Company's operations.

We monitor the effectiveness of such initiatives by administering compliance questionnaires to our officers and employees once per year. The results of these questionnaires are used for conducting surveys of compliance awareness, identifying issues, and devising action as necessary.

## Preventing all kinds of corruption, including bribery

The DTS Group observes relevant laws and regulations, including those applied in the industries in which its clients operate, and conducts its business fairly and openly. In order to cultivate sound and positive relationships with its business partners, DTS exercises common sense and moderation in relation to exchanges of gifts and entertainment, and has drawn up "Anti-corruption Guidelines."

In November 2020, it began operating a report on entertainment and gifts received. This allows the Company to confirm that exchanges of gifts and entertainment have been conducted within the bounds of common sense, that no excessive gifts or entertainment have been accepted, and that illegal profits have not been demanded from business partners.

## 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.

## Results for the fiscal year ended March 31, 2021

Compliance training sessions*1	Three times a year Attendees (average): 8,960
(Of which, anti-corruption training sessions)	Once a year Attendees: 8,662
Compliance questionnaire*2	Response rate Respondents: 5,053

\*1 Targets DTS and its Group companies in Japan

\*2 Targets DTS and its Group companies in Japan and overseas

## Round-table discussion between Outside Directors

An online round-table discussion was held between four Outside Directors on such themes as initiatives required to achieve increases in corporate value through the promotion of ESG management.



— With an emphasis on looking back over the previous fiscal year, what are your impressions thus far?

**Hagiwara** As the longest-serving Outside Director, I would first like to make a few comments about recent changes in the Company. Lately, despite earnings continuing to grow, there have been extraordinarily lively discussions at meetings of the Board of Directors about business execution, amongst other matters. I feel strongly that one of these changes is that, by accumulating experience in a range of projects, officers and persons in charge of various businesses have gained in confidence.

For example, previously when a project was being explained, the explanation tended to be centered on the President's way of thinking, but recently persons in charge and officers have begun to make clear explanations based on their own opinions. Another thing is that because Outside Directors are now able to listen to high-quality explanations like these, we are able to clearly understand where the problems and risks lie, and the extent of those risks, which makes it extraordinarily easy to offer advice.

In terms of business activities, earnings have continued to grow,

which I feel has allowed younger managers and persons in charge to accumulate experience and to further develop their competence. Last fiscal year there was a lull in the rate of growth of sales caused by the impact of COVID-19, declining demand in areas that had previously benefited from special demand, and other factors, but we saw some flexible organizational management in response, such as the nimble reassignment of personnel to new departments from areas where there were surplus staff.

There has also been an observable change in the attitude to projects. Previously, DTS took the IT company approach of focusing on getting an accurate understanding of the requests from the client giving the order and then moving forward steadily to win the trust of the client. However, in addition to this established approach, recently the Company adopted a strategy of actively taking on projects that other major IT companies had struggled with and abandoned, turning them around, and leading them to a successful conclusion. Rather than only accepting high-probability projects, the Company is also actively taking on the challenge of projects that incorporate a little risk, and has been able to make them successful, which I feel is a significant change.



**Hirata** As an Outside Director, I have watched the Company's initiatives over the past six years and I do believe that the slowdown in growth caused by the impact of COVID-19 has been a major event in the previous fiscal year.

Like Mr. Hagiwara, I recognize that discussions at meetings of the Board of Directors have become very lively. On the other hand, I do get the impression that a relatively large amount of time is set aside to discuss resolutions related to decision-making for business execution, and that as a result not enough time is allocated to discuss issues related to management. The more we repeat discussion of management issues, the deeper our understanding, which must mean that the discussions become more meaningful.

This fiscal year was also one in which we saw a change at the top, and I think this an appropriate time to devise some changes to the way the Company operates, including systems design. In addition, just as today's success is the result of exhaustive discussions in the past about enhancing growth and profitability, I think we need to enter into meaningful discussions from a number of different angles on fundamental issues, such as how to improve existing businesses to ensure their future success, or how the structure of the business needs to change in order to become a sustainable company, without allowing ourselves to be taken captive by short-term profit.

**Shishido** From my perspective, for the sake of discussions going forward, if anything I would like to see critical opinions being expressed. One issue, which was already touched upon by Mr. Hirata, is the way time is allocated at Board of Directors meetings. Because DTS is a company with corporate auditors, it is of course necessary to have discussions about decision-making for business execution, but I also think that we should spend more time deliberating how to approach management issues going forward, such as the outlook in the medium- to long-term, and that we perhaps need to exercise some ingenuity in how we set themes for discussion.

I agree with what Mr. Hagiwara said about our understanding of business activities being deepened by the improvement in the quality of explanations presented at Board of Directors meetings. Nevertheless, my personal opinion is that in order to gain an even better understanding of the Company, it is important that Outside Directors also have some opportunity for active dialog with people outside meetings of the Board of Directors, such as with the general managers of different departments, as it allows us to get a grasp of the situation and the issues of the front line.

I also think it is necessary to provide study meetings for outside officers, including Outside Corporate Auditors. Above all, I feel the necessity of being well-informed on sustainability matters going forward. Recently there have been more opportunities for top management to speak about sustainable management in their own company. In addition to engaging in discussions at meetings of the Board of Directors, I think we should invite external experts and others to participate in exchanges of opinions, so as to communicate our approach to stakeholders both inside and outside the Company.

Another extremely important issue is the training of human resources with a focus on development over the medium- to

long-term. Under the leadership of new President Tomoaki Kitamura, I am hopeful that we will see the training of large numbers of valuable personnel, and the launching of new businesses.

**Yamada** I was appointed Outside Director last year, so this is my second year in the role. Partly because of my relative lack of experience, I find the comments made by the other three Outside Directors here today during meetings of the Board of Directors to be extremely informative.

The impression I have gained over the past year is that this is a properly managed company. Because management mechanisms have been carefully designed in detail, during the COVID-19 pandemic the Company was able to exercise its ingenuity, skilfully utilizes working from home, and proceeds smoothly with projects. Also, when looking at the results for the previous fiscal year ended March 31, 2021, I feel that the recording of year-on-year growth in profit under those circumstances should be recognized as a victory for management.

Still, this increase in earnings was more to do with controlling costs to squeeze out profits, and I do feel that there has been insufficient investment for future growth. The COVID-19 pandemic means that to some extent this cannot be helped, but we must watch carefully to ensure that the sustainable growth and development of the Company is not negatively impacted by continuing to suppress investment in this way for two years, or three years.

I feel the Company's passion for dialog with investors in the way that, for example, the results of listening to the opinions of investors are reported at the Board of Directors, and this has left me with a positive impression. It was also excellent to see other members of the Board of Directors listening attentively to the opinions of Outside Directors during discussions including setting of the long-term vision. Corporate Auditors with a variety of skills, such as expertise in the law, accounting, or securities, also share their opinions during meetings of the Board of Directors, and this has been very educational.

One issue for the Board of Directors going forward is, as you might have guessed, the necessity of conducting deeper discussions on future growth. Mr. Hirata also mentioned this, but I feel that the Company is about to encounter a bend in the growth path it is followed up until now. With the business environment changing dramatically, I hope that the Board of Directors will engage in more intense discussion of topics such as which area of growth to prioritize going forward, or how to establish new pillars of growth to support future expansion. I personally have high expectations of the Digital Solution Sector under the leadership of Mr. Kitamura, the new President. I am also looking forward to significant growth in public sector DX-related business, not least as a result of the launch of the Digital Agency.

#### — What is your analysis of the background to the continued strong performance by the Company?

**Hagiwara** I mentioned this in the beginning, but the Company has become able to actively take on the kind of projects that other IT companies have struggled with and abandoned, and turn them around. This shows that the Company has succeeded in cultivating superior project managers.



That the Company is also actively taking on the challenge of projects that incorporate some risks, and has been able to make them successful, is I feel a significant change.

Hagiwara

They have become able to make an objective assessment of project risks, and push their way forward by finding a path to solving the problems even in areas where they have limited experience. Of course, there are still some issues remaining, but we are definitely gaining strength.

I think the Company is also making progress in accumulating a range of knowledge and know-how, including the automotive sector, through M&A and other approaches. There have been twists and turns, but by building up experience in a variety of areas we have improved our response capability.

### — What are your views on overseas expansion?

**Hirata** We are not yet at the stage of being able to take an independent route to fully fledged overseas expansion, but from the viewpoint of taking a serious approach to risk, including M&A deals, we have a good system in place. The Company deserves recognition for the way it has moved steadily forward with each deal, as in recent cases such as the one in India.

However, you cannot achieve great success through risk management alone. When facing an unforeseen problem, it is sometimes important to commit large numbers of people and to fearlessly face up to the challenge. It is a mistake to convince yourself that you must always be successful, because you must also build up your experience of failure. If you give up because it didn't go well, and vow that you will never get involved in that area again, your growth potential will be diminished.

It is also vital to share information in order to turn challenges into successes. I feel that repeatedly engaging in dialog with investors, markets, or with employees, opens the way to making the right decision.

### — Which initiatives should the Company be concentrating on under the new system?

**Shishido** I am not an expert in IT services, so this may not be a practical contribution to the discussion, but I do have my

worries. Right now the Company is promoting its business by centering it on DX, but even if we assume that this results in sustainable growth for around 10 years, my concern is how to maintain growth after that point.

It seems to me that a powerfully growing company might be able to internalize DX processes without needing the help of IT vendors. As a layman I wonder how, if there is an increase in this kind of growth company, DTS should attempt to expand its business. Following this train of thought, in order to survive 10 years from today it may instead be important to adopt consulting capabilities that allow us to identify issues by working alongside the client, rather than taking an approach that involves faithfully carrying out instructions from the client. Then what becomes vital is human resources development. The Company does an excellent job of training at the technical level, and the number of certificate holders is increasing more rapidly than called for in our plans. That in itself deserves praise, but going forward I think it may be necessary to form a strategy to increase the number of personnel over the next five or 10 years who receive education and training to enhance softer skills, such as problem solving.

**Yamada** I do think this is a concern. Certainly, as Mr. Shishido says, partly because new startups will have IT as one of their core technologies, I think it likely that they will rapidly internalize DX processes. Nevertheless, once they exceed a certain size they will be unable to meet all their needs from internal human resources, and will probably have to borrow personnel from outside the company. In the United States there are already IT staffing businesses that dispatch experts to customer companies. I think it likely that such businesses will also grow in Japan going forward. This is no more than a hypothesis, but it may be that we see the emergence of a business consisting of sending specialists, including contracted projects, to clients.

On the other hand, in the case of large companies, there may be little change. Within the lifetime employment system it is impossible to use internal human resources alone to develop large-scale systems, and despite everything this will lead to them being consigned to IT vendors such as DTS, in my opinion. In

other words, I think there is still plenty of room for the Company to assert its presence.

However, continuing to grow by accepting consignments of such large-scale system development will inevitably require large numbers of personnel, and because requirements, such as cloud computing and AI, will change going forward we need to train human resources who can deal with these technologies. I myself think that this kind of large-scale system development business will remain, but that we must consider the balance between this and other business. As Mr. Shishido pointed out, we need to have serious discussions about the direction in which the Company should grow going forward.

Another point, speaking from the perspective of preparing to find and cultivate green shoots, is that although I think the ideal approach is to use our own solutions to convert issues that we notice during client projects into business, I am concerned as to whether the Company can actually achieve this. It seems to me that in until now the Company has tended to be involved in projects where development proceeded under the guidance of the client's information systems subsidiary. Extrapolating from this track record, I am uneasy as to whether the Company is capable of getting to the nub of a client problem and refining something in order to come up with an in-house solution.

**Hagiwara** I think if you were to suddenly ask staff who have until now used a particular development style to begin working the next day on AI or data analysis, or to try adopting a new development method, that would cause difficulties. There may be those who are suited for that or would like to try it, but there are also others who do not fall into that category. As my fellow Outside Directors have noted, in order to concentrate on these areas, we must not only focus even more efforts on training people, but also hire new people or acquire companies that already have such businesses. Discussions regarding the formulation of the next medium-term management plan are currently underway, but in areas like this we need a firm sense of

direction as management. Management needs to paint a big vision for going forward and for what approach the Company should take, then create a movement to generate a sense of identification with this vision and increase the number of people who think the same way. What is also necessary to achieve this are modifications to the personnel appraisal system to allow us to draw out the abilities of those with superior technical skills.

In addition, our past growth has resulted in substantial internal reserves, and I think it is important to use these funds to take on new challenges. I think it is also extraordinarily important to cultivate the kind of mindset on the front line that takes a long-term view of growth so, to take an extreme example, if we fire 10 shots and hit the target with three of them, the remaining seven should be considered upfront investments in the next stage of growth.

Involving not only specialized engineering staff but also personnel with consulting skills and proposal abilities that can be used to resolve client problems, and thinking alongside the client, will be a new challenge for the Company, but it is absolutely critical. I am hoping that under the leadership of new President Tomoaki Kitamura, who has devoted himself to work that leverages new technology, these responses will be deployed with a sense of urgency.

**Yamada** Just to supplement what I said earlier, in terms of options for maintaining growth by seeking help from outside the Company, I think one approach would be corporate venture capital (CVC). The method involves structuring a fund for a venture capital company using your own equity. In cases where it is difficult for a company itself to make growth investments for a new business, it could use this approach to take a minority stake of less than 50% in a venture capital company that is already operating the new business. By learning from this company and cooperating with them as necessary, know-how would also accumulate in DTS. Furthermore, if this company were to conduct an IPO, there would also be the potential for capital gains.

**I feel that Outside Directors' function vis-a-vis business execution should exclusively be one of monitoring rather than decision-making.**

**Hirata**





## Chapter 3 Initiatives to Support Sustainable Growth

In the past I think the Company has tended to explore taking a majority stake using M&A, but utilizing CVC to bring in a new business is also an option.

— Your opinions have been rich with suggestions, but what are your views on the discussions and structures we need going forward?

**Hirata** Fundamentally this concerns the function that should be performed by Outside Directors on the Board of Directors, but I personally feel that Outside Directors' function vis-a-vis business execution should exclusively be one of monitoring rather than decision-making. In that sense, it is first of all important to ensure that authority is properly concentrated in the CEO, and with regard to monitoring the outcomes of this execution of business, I believe Outside Directors should comment actively at meetings of the Board of Directors. Specifically, we should base our monitoring on a firm grasp both of individual fiscal years and of the medium- to long-term results. The results for individual fiscal years will of course be viewable in the financial figures, but there is absolutely no reason to fixate on financial figures for the results over the medium- to long-term. I think a non-financial KPI such as ESG would also be fine. These should be controlled by the Board of Directors, while answers to questions of nomination and compensation should be formed by the Advisory Committee after appropriate discussion. In that sense, formulating a succession plan that matches the Company's long-term vision will also be necessary. On the other hand, organizational management does concern me slightly. As Mr. Hagiwara said earlier, it is by hiring people and training human resources that we have created a management that is capable of taking on large-scale projects, but I have misgivings about the risk of individual sections remaining isolated and forming silos. For example, I think it is necessary to put in place a mechanism that allows company-wide visibility from the middle to the top so that people can have a perspective on the whole of the company, and that can be actively used as a company-wide mechanism by project teams, committees and other bodies. Specifically, I am

talking about committees investigating new business domains, and committees investigating R&D.

— Do you have anything else to add?

**Hirata** I think IR activity should be further enhanced.

I believe it is important to think about the information we disseminate regarding the long-term vision, for example 10 years from now, and particularly to think about the information we disclose to markets. If we do remain insufficiently engaged with regard to dialog or information disclosure, we run a higher risk of not being assessed properly by capital markets. Risk management is also important. If we draw up a new growth strategy then new risks will arise from that, so we need an organization that can deal with them.

In addition, and this requires careful discussion, in the sense of opening the way to strengthened monitoring, we should consider transitioning from a company with board of corporate auditors to a company with audit & supervisory committee.

Something else that weighs on my mind is discussion on how to use the cash on the balance sheet. The Company has increased its earnings through the growth it has achieved until now, while raising its ROE by controlling costs is in itself a good thing. Nevertheless, the issue of how to divert the cash that has been accumulated as a result of these actions into new fields of endeavor is something to be considered going forward. This will open the way to such discussions as to what, including M&A, we should consider to be new domains, how we should proceed with R&D, and how many human resources we should hire.

Moving forward with such investments may depress profit margins in the short term, but we can promote understanding of this through dialog with the capital markets, and here also it will be important to show that there is a long-term vision, and to convince people that it is valid.

It is not only capital markets that we must engage in dialog. It is also important to conduct dialogs with the market for human

In order to gain an even better understanding of the Company it is important to engage in dialog with those on the front line to get a grasp of situation and issues being faced.

Shishido





We must watch carefully to ensure that sustainable growth and development is not negatively impacted.

Yamada

resources, and with employees. Changing the scope of one's work can be stressful for employees, so here too careful dialog is required. Top management should also repeatedly engage in dialog with those working in the front line.

— If you have an opinion on the support system for the Board of Directors, please share it with us.

**Hirata** I would like to see more occasions where we can discuss what we are really thinking, including fundamental issues.

After that, I think that, as Mr. Shishido observed, it would be better to provide a space for study meetings for outside officers, including Outside Corporate Auditors. I believe it would be good to have the opportunity to discuss what we really think, while mutually respecting the differences in skill sets and careers, in an occasion that does not require minutes to be taken and that is separate from the Board of Directors and committee.

With regard to ESG, rather than allowing ourselves to be taken captive by themes that are currently attracting attention, such as reducing CO<sub>2</sub> emissions, I think it is important to clearly state our vision in such a way as to explain why the Company will continue to be useful to society in the future.

— What do you think is important for enabling participation by a diverse range of human resources?

**Hagiwara** This is in a way the fate of any development-oriented IT company, but until now most of our work has been labor-intensive, and in some ways it has not been an easy environment to work in for women. Going forward, we need to hold substantive discussions on what kind of duties and what positions would enable women to participate more fully, and how we can indicate which genres of work lead to career advancement for female employees. Specifically, I think it is important to implement initiatives, such as an office for the promotion of women's participation, to put in place organizations and roles in which it is easy for women to advance their careers.

**Hirata** As you say, I think the organizations and work styles that have operated hitherto have not really facilitated participation by women. Where there have been differences in values between men and women, the organization has been managed and business activities conducted on the basis of male values, so I believe we should make the effort to find operations, create organizations, and create work that women find more comfortable. It might also be possible not only to promote women within their existing operations but also, for example, to increase opportunities for them to actively participate in new operations, such as new areas and R&D.

In addition to this, visualization is important. It is vital that specific plans for promoting women's participation are drawn up, such as promoting female officers and training female managers, and that the progress of these plans is made visible.

**Shishido** I agree with Mr. Hirata's opinion. In my experience also, it is important to present a career path, and to create operations in which women find it easy to work. However, it takes time to change workplace awareness and values, and it will also be necessary to devise changes in appraisal standards, so it seems to me that this initiative needs careful consideration.

**Yamada** DTS has many female system engineers and women in charge of development, and it is important to steadily implement measures such as properly appreciating the value of such human resources and actively promoting them to management roles. For example, while proceeding with such initiatives in the 10 year plan, it would be necessary to cultivate awareness within the Company of the need to promote women's participation. What is important with regard to human resources development is that we can use discussions based on a vision, such as the fact that we will need more such personnel in light of the business structure that the Company aims for.

— Thank you.

### Directors and Corporate Auditors (as of June 24, 2021)

\*The number of shares of the Company held as of March 31, 2021

#### 10 Directors



#### (1) Representative Director and Chairman

**Koichi Nishida**

(Date of birth: January 24, 1956)

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

June 2001 Head, Planning Department, Financial System Platforms Sector, NTT DATA Corporation  
November 2003 Deputy Head, Financial System Platforms Sector, NTT DATA Corporation  
May 2004 Deputy Head, Regional Banking System Platforms Sector, NTT DATA Corporation  
Head, General Banking Business Unit, NTT DATA Corporation  
June 2005 Senior Vice President, NTT DATA Corporation  
Head, Regional Banking System Platforms Sector, NTT DATA Corporation  
June 2009 Director and Vice President, the Company  
Executive Officer  
April 2010 Representative Director and President  
April 2021 Representative Director and Chairman (current position)

#### Number of shares of the Company held

46,251

#### Reasons for appointment

Mr. Koichi Nishida has a wealth of experience in corporate management in the financial sector of a major information and telecommunications company. He has been leading the overall management of the Group as Representative Director and President since 2010, and has been working on business expansion and management reform. The Company expects that he will leverage his abundant experience and achievements and play a role in supervising its business execution for promoting ESG management and creating new corporate value. Therefore, the Company appoints him as Director.



#### (3) Director and Managing Executive Officer

**Takao Sakamoto**

(Date of birth: January 4, 1961)

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

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

#### Number of shares of the Company held

17,765

#### 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.



#### (5) Director and Senior Executive Officer

**Hirotoshi Kobayashi**

(Date of birth: September 4, 1960)

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

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

#### Number of shares of the Company held

10,798

#### 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. Hirotoshi 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.





## (2) Representative Director and President

**Tomoaki Kitamura**

(Date of birth: September 24, 1964)

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

July 2003 Head, Business Development Sector, NTT DATA Corporation  
 July 2009 Head, Data Center Business Unit, Business Solution Sector, NTT DATA Corporation  
 July 2012 Head, Data Center Business Unit, Fundamental System Platforms Sector, NTT DATA Corporation  
 June 2015 President and CEO, NTT DATA TOKAI Corporation  
 June 2018 Senior Vice President and Head, Business Solution Sector, NTT DATA Corporation Director, NTT DATA INTRAMART CORPORATION  
 Director, NTT DATA BUSINESS SYSTEMS CORPORATION  
 June 2020 Director and Executive Vice President, the Company  
 April 2021 Representative Director and President (current position)  
 General Manager, Digital Solution Sector (current position)

### Number of shares of the Company held

784

### 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. He has been responsible for managing the Group as Director and Executive Vice President since 2020, and as Representative Director and President since 2021. The Company expects that he will leverage his abundant experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution for promoting ESG management and creating new corporate value. Therefore, the Company appoints him as Director.



## (4) Director and Managing Executive Officer

**Minoru Takeuchi**

(Date of birth: June 21, 1961)

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

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

### Number of shares of the Company held

14,564

### 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.



## (6) Director and Senior Executive Officer

**Isao Asami**

(Date of birth: October 20, 1964)

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

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

### Number of shares of the Company held

17,355

### 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

(Date of birth: October 11, 1955)

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

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

### Number of shares of the Company held

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### 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

(Date of birth: September 29, 1948)

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

April 1998 General Manager, Systems Department, Japan Housing Finance Agency  
May 2001 General Manager, Osaka Branch, Japan Housing Finance Agency  
June 2003 Director, Japan Housing Finance Agency (retired in March 2007)  
April 2007 Managing Director, HGS Co., Ltd. (retired in March 2011)  
June 2007 Representative Director and President, JLS. LTD. (retired in March 2011)  
April 2011 Chairman, Incorporated Administrative Agency Japan Housing Finance Agency (retired in March 2015)  
April 2015 Councillor, TOHOKU GAKUIN (retired in March 2019)  
May 2016 Director, Escrow Agent Japan, Inc. (retired in May 2019)  
June 2019 Director, the Company (current position)  
June 2020 Director, Takamatsu Corporation Co., Ltd. (current position)

### Number of shares of the Company held

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### 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.

## 4 Corporate Auditors



**(1) Standing Corporate Auditor**  
**Kenichiro Akamatsu**

(Date of birth: June 9, 1957)

### Career summary and positions

November 2002 General Manager, Trust Operations Department, Mitsui Asset Trust and Banking Company, Limited  
January 2007 General Manager, Sales Department II, Osaka Branch, The Chuo Mitsui Trust and Banking Company, Limited  
April 2011 Deputy General Manager, Financial Business Division, the Company  
April 2012 Executive Officer  
April 2014 General Manager, Financial Business Division-2  
April 2016 General Manager, Social Business Division  
June 2017 Corporate Auditor (current position)  
March 2018 Auditor, DIGITAL TECHNOLOGIES CORPORATION (current position)  
June 2018 Corporate Auditor, DTS INSIGHT CORPORATION (current position)  
June 2020 Corporate Auditor, KYUSHU DTS CORPORATION (current position)

### Number of shares of the Company held

2,689

### Reasons for appointment

Mr. Kenichiro Akamatsu has experience in financial institutions cultivated over many years, experience in the Company's business execution, and achievements as a Corporate Auditor of the Company. In order to utilize his experience and achievements in the audit structure of the Company, the Company appoints him as Corporate Auditor.



**(3) Outside Corporate Auditor**  
**Taeko Ishii**

Independent

(Date of birth: May 7, 1956)

### Career summary and positions

April 1986 Registered as an attorney (Member of Dai-Ichi Tokyo Bar Association) Joined Ryoichi Wada Law Office  
March 1992 Established Ota Ishii Law Office as Deputy Director (current position)  
April 1998 Civil Conciliation Commissioner, Tokyo District Court (current position)  
April 2003 Member of Study Group for Case Law on Public Employees, Human resources and Pension Bureau, Ministry of Internal Affairs and Communications (currently Study Group for Case Law on Public Employees, Cabinet Human Resources Bureau, Cabinet Secretariat) (current position)  
April 2004 Outside Corporate Auditor, Furusato Service Co., Ltd. (current position)  
November 2007 Special Committee Member, Central Construction Work Disputes Committee, Ministry of Land, Infrastructure, Transport and Tourism (current position)  
April 2008 Part-time Lecturer, Waseda Law School, Waseda University  
June 2014 Outside Corporate Auditor, DATALINKS CORPORATION  
June 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

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### 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.



**(8) Outside Director**  
**Masayuki Hirata**

Independent

(Date of birth: July 30, 1947)

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

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

#### Number of shares of the Company held

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#### 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

(Date of birth: February 25, 1952)

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

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

#### Number of shares of the Company held

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#### 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.



**(2) Outside Corporate Auditor**  
**Kenji Yukimoto**

Independent

(Date of birth: April 10, 1949)

#### Career summary and positions

September 1974 Joined PriceWaterhouse Certified Public Accountant Firm  
March 1977 Registered as Certified Public Accountant  
January 1992 Representative Partner, Aoyama Audit Corporation  
April 2000 Representative Partner, ChuoAoyama PricewaterhouseCoopers  
May 2007 Senior Partner, Ernst & Young ShinNihon (retired in June 2010)  
July 2010 President, Yukimoto Kenji Certified Public Accountant Office (current position)  
August 2010 Director, Alpha Profession Group (current position)  
March 2013 Outside Corporate Auditor, Kyodo Public Relations (retired in March 2021)  
June 2016 Corporate Auditor, the Company (current position)

#### Number of shares of the Company held

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#### 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

(Date of birth: October 23, 1955)

#### Career summary and positions

April 1999 General Manager, Namba Branch, The Mitsui Trust Banking, Limited  
April 2000 General Manager, Namba Branch, The Chuo Mitsui Trust and Banking Company, Limited  
November 2000 General Manager, Nihonbashi Sales Sixth Department, The Chuo Mitsui Trust and Banking Company, Limited  
July 2001 General Manager, Urawa Branch, The Chuo Mitsui Trust and Banking Company, Limited  
October 2002 General Manager, Sendai Branch, The Chuo Mitsui Trust and Banking Company, Limited  
October 2003 General Manager, Transfer Agent Department, The Chuo Mitsui Trust and Banking Company, Limited  
October 2007 Executive Officer and General Manager, Transfer Agent Department, The Chuo Mitsui Trust and Banking Company, Limited (retired in May 2009)  
June 2009 Director and President, Tokyo Securities Transfer Agent Co., Ltd. (retired in March 2017)  
April 2017 Advisor, Fujicito Co, Ltd.  
May 2017 Director, Fujicito Co, Ltd.  
January 2018 Executive Managing Director, Fujicito Co, Ltd. (retired in May 2019)  
May 2019 Advisor, Tokyo Securities Transfer Agent Co., Ltd. (retired in October 2020)  
June 2019 Corporate Auditor, the Company (current position)  
April 2021 Senior Researcher, The Japan Association of Charitable Organizations  
June 2021 General Manager of Research Department, The Japan Association of Charitable Organizations (current position)

#### Number of shares of the Company held

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#### 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	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3
<b>Results</b>					
Net sales	798.58	831.63	867.16	946.18	904.93
Cost of sales	640.16	667.14	691.99	759.13	724.38
Gross profit	158.42	164.48	175.17	187.05	180.54
Selling, general and administrative expenses	78.55	79.24	77.27	80.30	72.37
Operating profit	79.86	85.23	97.89	106.74	108.17
Ordinary profit	80.93	85.74	99.29	108.49	111.31
Profit before income taxes	76.98	85.31	99.11	107.73	110.99
Profit	52.68	57.81	68.17	73.15	76.29
Profit attributable to owners of parent	51.21	57.65	68.17	73.17	75.93
Order volume	834.92	845.05	892.92	961.02	910.26
Order backlog	340.26	353.69	379.45	406.29	411.81
<b>Financial position as of fiscal year end</b>					
Current assets	479.83	505.89	533.59	568.99	620.27
Non-current assets	91.58	109.40	136.22	136.99	131.45
Current liabilities	127.96	135.81	147.32	142.86	146.27
Non-current liabilities	6.84	9.86	8.96	12.23	11.35
Net assets	436.60	469.62	513.53	550.89	594.09
Equity	420.91	469.62	513.53	550.83	592.69
Total assets	571.41	613.65	669.82	705.98	751.72
<b>Cash flows</b>					
Cash flows from operating activities	37.64	67.61	69.47	75.51	93.66
Cash flows from investing activities	(11.99)	(18.06)	(17.70)	(13.60)	(6.94)
Cash flows from financing activities	(22.16)	(29.67)	(24.77)	(30.47)	(38.48)
Free cash flows	25.65	49.55	51.77	61.91	86.72
Cash and cash equivalents at end of period	304.59	324.54	351.40	382.76	433.27
<b>Financial indicators</b>					
Gross profit margin	19.8%	19.8%	20.2%	19.8%	20.0%
Operating margin	10.0%	10.2%	11.3%	11.3%	12.0%
Return on equity (ROE)	12.7%	12.9%	13.9%	13.8%	13.3%
Return on assets (ROA)	14.4%	14.5%	15.5%	15.8%	15.3%
Equity-to-asset ratio	73.7%	76.5%	76.7%	78.0%	78.8%
Payout ratio	31.5%	32.3%	32.5%	34.8%	36.3%
Total return ratio	42.1%	42.9%	41.3%	45.7%	49.4%
<b>Capital expenditures / Depreciation / Research and development expenses</b>					
Capital expenditures	2.67	7.31	6.14	9.13	3.18
Depreciation	4.60	4.21	4.73	4.73	5.34
Research and development expenses	4.63	4.39	4.36	3.16	1.33
<b>Per share information</b>					
Profit	¥111.24	¥123.95	¥146.10	¥158.01	¥165.49
Net assets	¥916.02	¥1,001.62	¥1,101.61	¥1,190.71	¥1,293.61
Annual dividends	¥35	¥40	¥47.5	¥55	¥60

\* 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	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3
Number of employees			Employees	4,396	4,378	4,369	5,457	5,792
Non-consolidated	Items		Unit	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3
Basic data	Number of employees (male and female)	Male	Employees	2,284	2,222	2,488	2,446	2,448
		Female	Employees	416	421	527	521	523
		Total	Employees	2,700	2,643	3,015	2,967	2,971
	Number of hires (male and female)	Male	Employees	91	96	110	126	121
		Female	Employees	31	29	37	51	44
		Total	Employees	122	125	147	177	165
		New graduate	Employees	110	111	131	164	162
		Mid-career	Employees	12	14	16	13	3
	Employee turnover rate		%	4.14	4.63	4.96	5.77	4.41
	Average length of service	Years		13.4	14	13.9	14.3	14.6
		(Of which female employees)	Years	(10.1)	(10.3)	(10.6)	(10.7)	(10.6)
Human resource development	Number of DX-related certificate holders		Employees	-	-	79	257	584
	Education and training expenses		Million yen	322	365	385	424	285
Flexible working styles	Number of employees using system for staggered working hours (My Select Time)		Employees	-	-	-	-	356
	Teleworking rate		%	-	-	-	-	43.8
Health management	Annual paid holidays	Number of days used	Days	13.6	13.3	13.7	14.2	12.8
		Rate of usage	%	-	70.7	73.5	75.5	68.9
	Average number of monthly overtime hours		Hours	-	26:55	25:46	23:44	21:46
Diversity	Ratio of female employees		%	15.4	15.9	17.5	17.7	17.6
	Female employees appointed to positions of leadership *Management	Number	Employees	8	11	11	11	11
		Ratio	%	3.2	2.9	3.1	3.6	3.6
	Ratio of employees with disabilities		%	2.05	2.20	2.23	2.27	2.42
Childcare and nursing care	Number of employees using childcare leave system (5 days or more)	Employees	65	47	30	30	54	
		(Of which male employees)	Employees	(3)	(2)	(4)	(4)	(3)
	Return rate after childcare leave		%	90.5	100	94.1	93.8	93.8
	Number of employees using system for shortened working hours for childcare		Employees	84	82	94	91	97
	Number of employees using family care leave system		Employees	-	8	9	14	9
	Number of employees using caregiver leave system		Employees	2	3	6	5	0
Number of employees using nursing care leave system		Employees	-	5	7	0	4	

\* 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	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3
Offices (in Japan)	CO <sub>2</sub> emissions	t-CO <sub>2</sub>	1,415	1,284	1,073	988	975
Offices (overseas)	CO <sub>2</sub> emissions	t-CO <sub>2</sub>	93	95	111	136	123

\* 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 (As of March 31, 2021)
Number of employees	2,971 (As of March 31, 2021; non-consolidated basis) 5,792 (As of March 31, 2021; 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 (Stock code: 9682)
Accounting Auditor	Ernst & Young ShinNihon LLC
Stock Transfer Agency	Sumitomo Mitsui Trust Bank, Limited 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.  
 I Net Rely Corporation

#### 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, 2021)

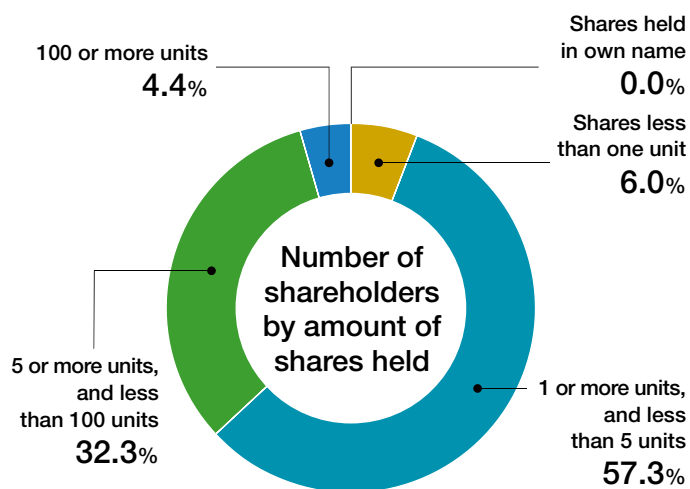
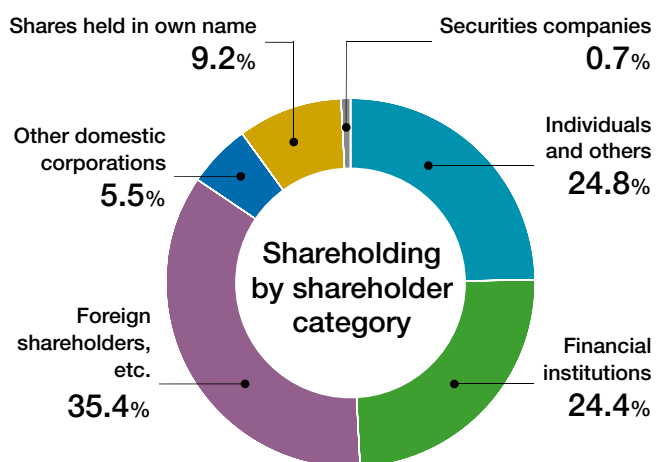
Total number of authorized shares	100,000,000
Total number of outstanding shares	50,444,532
Number of shareholders	5,193

### Major shareholders

Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,836	8.37
DTS Group Shareholding Association	3,127	6.82
Custody Bank of Japan, Ltd. (Trust account)	2,850	6.22
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,908	4.16
Shirane Maita	1,442	3.14
AVI GLOBAL TRUST PLC	1,292	2.81
Kumiko Akiyama	1,237	2.70
NTC Corporation	964	2.10
The Bank of New York Mellon 140044	956	2.08
Chitomu Kozaki	803	1.75

\* The Company holds 4,627 thousand shares of treasury stock, and the shareholding ratio is calculated after deducting treasury stock.

### Status of share distribution



### Return on equity (ROE)

FY19/3	FY20/3	FY21/3
13.9%	13.8%	13.3%

### Total return ratio

FY19/3	FY20/3	FY21/3
41.3%	45.7%	49.4%



## DTS CORPORATION

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2021.12