



# FY 13/3 First Half Results Presentation



November 7, 2012

新たな価値を創り出す  
**MADE BY DTS**

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## Caution

**Sales and income forecasts included in this document are based on assumptions made on the basis of information currently available, including business trends, economic circumstances, clients' trends, etc., and can be affected by various uncertainties. Actual sales and income may differ materially from the forecasts.**

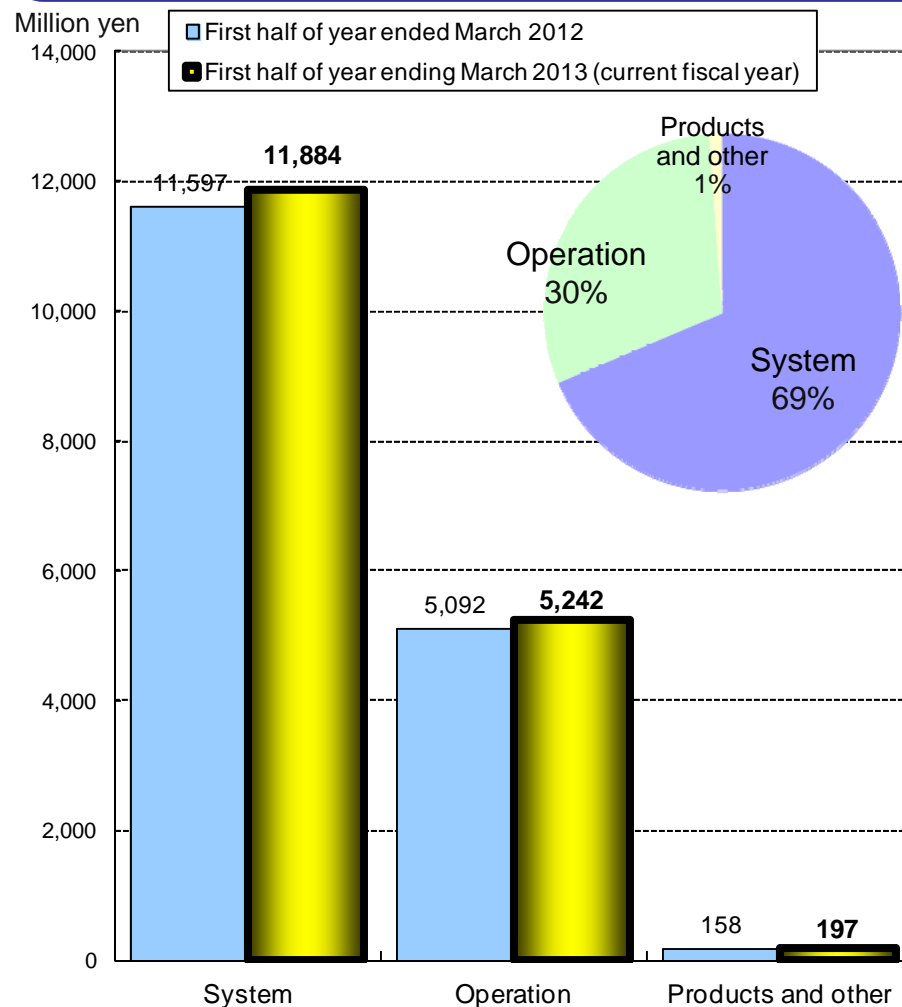
# I. FY 13/3 First Half Results

## FY13/3 First Half Results (Non-Consolidated)

(Units: Million yen, %)	Amount	Ratio to sales (%)	YoY		vs. initial forecasts	
<b>Net sales</b>	<b>17,324</b>	–	<b>102.8%</b>	<b>+475</b>	<b>100.1%</b>	<b>+24</b>
Gross profit	2,792	16.1%	105.7%	+150	114.0%	+342
SG&A expenses	1,439	8.3%	93.0%	-107	90.0%	-160
<b>Operating income</b>	<b>1,352</b>	<b>7.8%</b>	<b>123.6%</b>	<b>+258</b>	<b>159.2%</b>	<b>+502</b>
Recurring income	1,467	8.5%	119.3%	+237	163.0%	+567
Net income	906	5.2%	112.9%	+103	181.2%	+406

# Sales by Service (Non-Consolidated, 1H FY13/3)

Both System and Operation sales remained solid given an expansion in the number of development contracts in the wholesale and retail sector and in the financial sector, as well as the number of operating contracts in the construction and real estate and service sectors.



## System (102.5% YoY)

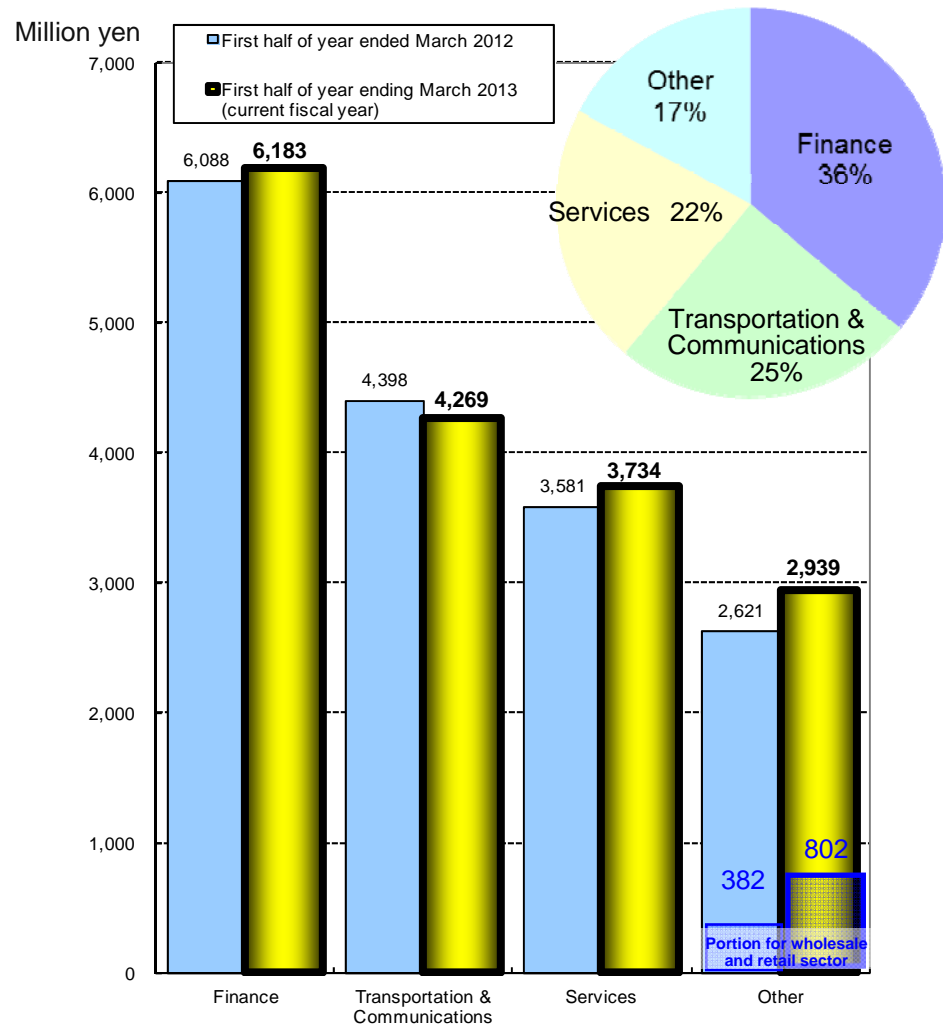
- System sales increased, as strong sales in areas such as development contracts in the wholesale and retail sector, including convenience stores, AMO projects in the securities industry, and development contracts with trust banks offset declines in large projects in the financial and communications sectors.

## Operation (102.9% YoY)

- Operation sales rose with the receipt of new operating contracts in the construction and real estate sector and the expansion in the number of contracts with existing customers in the service sector.

# Sales by End User (Non-Consolidated, 1H FY13/3)

**Sale in the wholesale and retail sector and the service sector were strong. Sales in the finance sector also began to increase, with declines in large projects offset by development and expansion of other projects.**



**Finance (101.6% YoY)**

- Sales up, with expansion in the number of AMO projects in the securities industry and the number of development contracts in the trust and non-life insurance sectors offsetting decline in large projects for banks

**Transportation & Communications (97.1% YoY)**

- Sales down slightly given a decline in frontline sales projects in the communications sector, which outweighed higher sales from mobile communications, IDC operators and transportation.

**Services (104.3% YoY)**

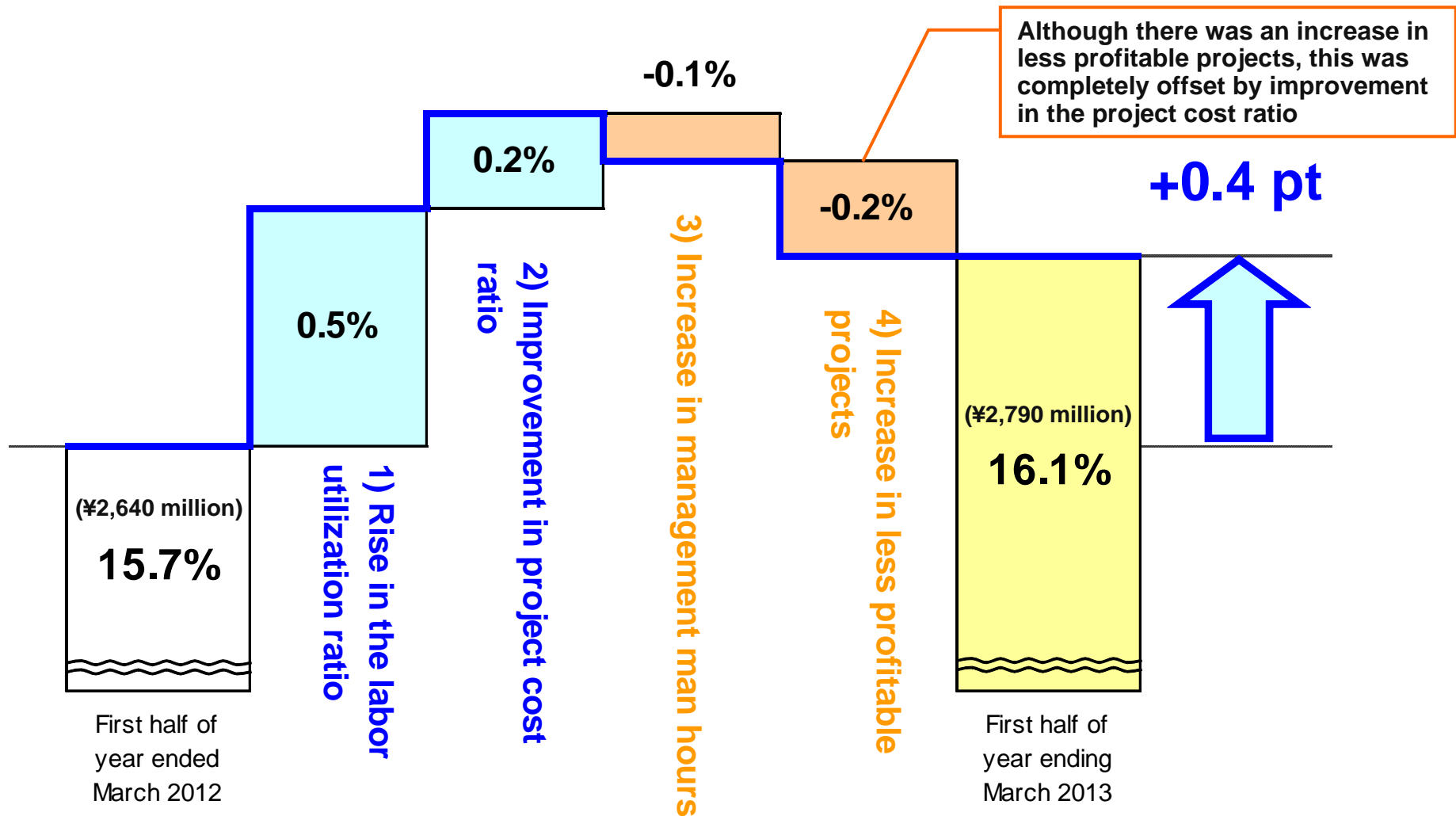
- Sales up in a broad range of customer segments, including advertising and information services

**Other (112.1% YoY)**

- Sales rose substantially in the wholesale and retail sectors, driven mainly by convenience stores
- Sales declined in the manufacturing sector and were unchanged in the public sector

# Gross Margin (Non-Consolidated, 1H FY13/3)

**Gross margin improved with a rise in the labor utilization ratio**



# Operating Income and Recurring Income (Non-Consolidated, 1H FY13/3)

Strategic investment outlays in line with medium-term management plan.

Overall, SG&A expense fell, reflecting continued cost-cutting initiatives

SG&A expenses: ¥1,439 million (93.0% YoY; 8.3% of sales (-0.9 pts YoY))

Rise in strategic investment (Creation of new businesses and strengthening of business infrastructure, etc.)	+¥63 million
Reduction as a result of cost cutting efforts, etc.	-¥93 million
Reduction as a result of postponement to second half	-¥77 million

Operating income: ¥1,352 million (123.6% YoY; 7.8% of sales (+1.3 pts YoY))

Recurring income: ¥1,467 million (119.3% YoY; 8.5% of sales (+1.2 pts YoY))



## FY13/3 First Half Results (Consolidated)

**Achievement of gains in sales and profits due to improved non-consolidated and Group company profit margins**

(Units: Million yen, %)	Amount	Ratio to sales (%)	YoY		vs. initial forecasts	
<b>Net sales</b>	<b>29,742</b>	–	<b>105.5%</b>	<b>+1,541</b>	<b>100.1%</b>	<b>+42</b>
Gross profit	4,358	14.7%	111.2%	+438	106.3%	+258
SG&A expenses	2,688	9.0%	92.5%	-216	91.1%	-261
<b>Operating income</b>	<b>1,670</b>	<b>5.6%</b>	<b>164.5%</b>	<b>+655</b>	<b>145.3%</b>	<b>+520</b>
Recurring income	1,720	5.8%	161.1%	+652	143.4%	+520
Net income	904	3.0%	177.4%	+394	150.7%	+304

# Group Company Results (1H FY13/3)

## All Group companies posting operating income

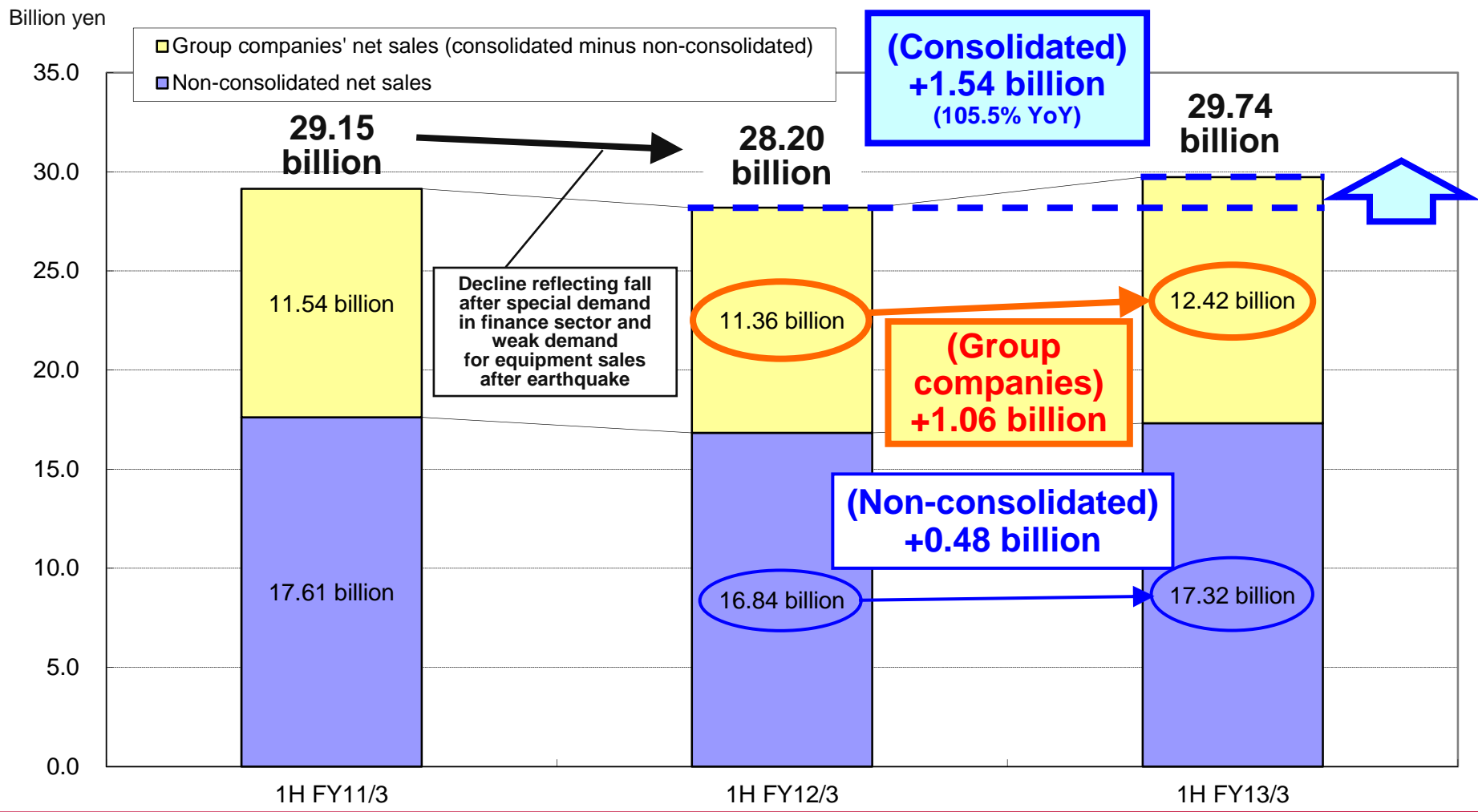
(Units: Million yen, %)

Company name	Net sales			Operating income			
	Amount	YoY (%)	vs. initial plan	Amount	Ratio to sales (%)	YoY (%)	vs. initial plan
DATALINKS CORPORATION	3,878	96.1%	96.6%	120	3.1%	127.5%	158.7%
DIGITAL TECHNOLOGIES CORPORATION	3,534	117.7%	97.6%	18	0.5%	45.0%	13.2%
FAITEC CORPORATION	2,898	121.0%	101.4%	107	3.7%	[+241]	39.5%
JAPAN SYSTEMS ENGINEERING CORPORATION	1,886	93.8%	96.4%	100	5.3%	386.0%	127.5%
KYUSHU DTS CORPORATION	644	105.9%	100.1%	27	4.3%	191.0%	99.4%
SOUGOU SYSTEM SERVICE CORPORATION	603	114.9%	110.9%	43	7.3%	[+141]	413.1%
MIRUCA CORPORATION	192	90.4%	90.1%	4	2.5%	42.3%	32.7%

Notes: Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.  
 Figures in brackets represent FY 13/3 amount minus FY 12/3 amount.

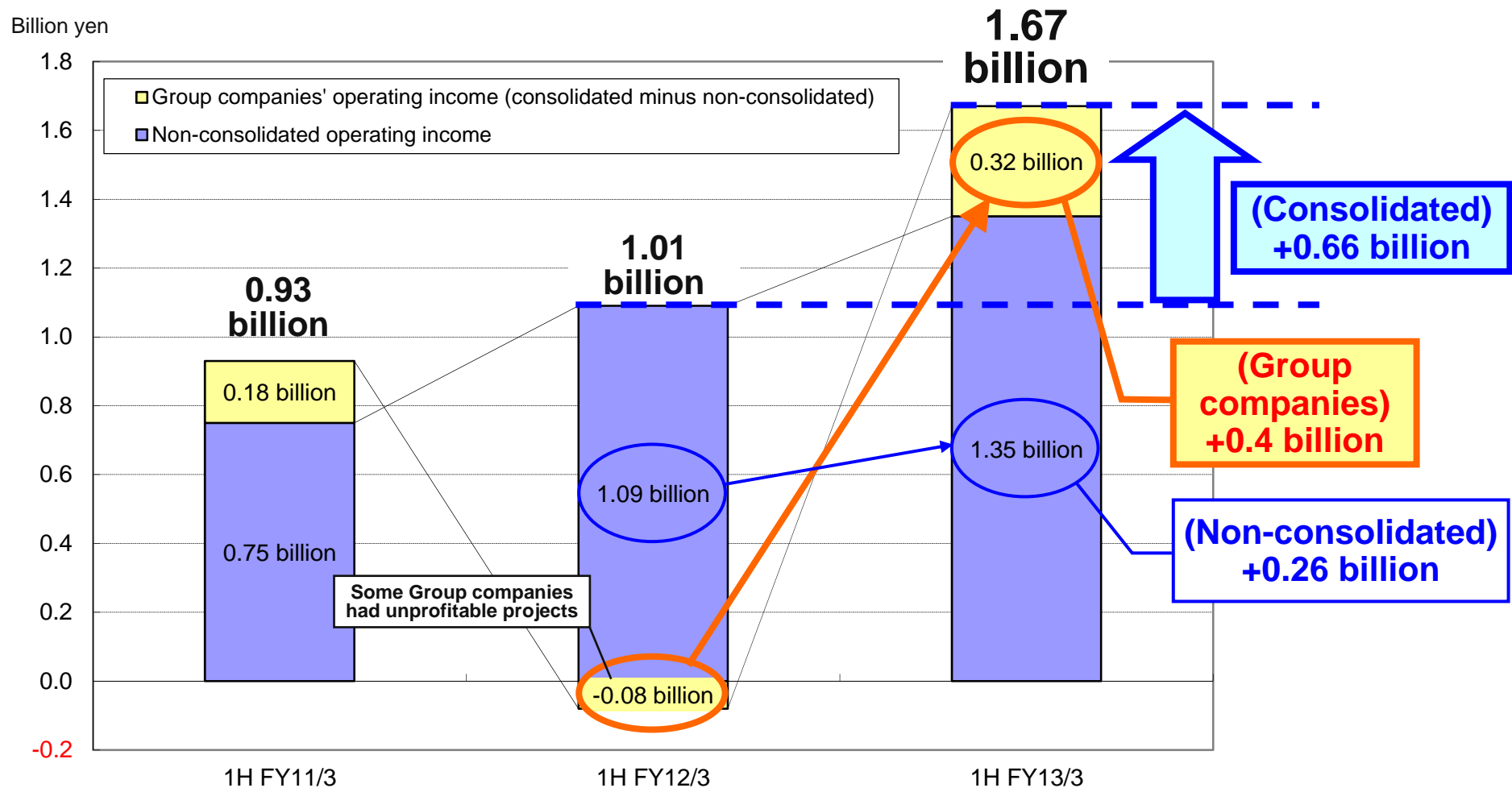
# Consolidated Net Sales (1H FY13/3)

**Increase in development contracts in life insurance sector and sales of equipment to universities/online enterprises by Group companies contributed to consolidated sales growth**



# Consolidated Operating Income (1H FY13/3)

**Fewer unprofitable projects following strengthening of Group companies' SI capabilities led to higher profit margins, which contributed to growth in consolidated income**



## II. Progress of Key Initiatives

# Key Initiatives

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1. Strengthening the Sales Force
2. Enhancement of SI Capabilities
3. Strengthening New Businesses and Global Development
4. Establishing the Business Foundations
5. Strengthening Collective Strength of the Group

# Key Initiatives (1): Strengthening the Sales Force

## First half

- Promoted stronger cooperation between business divisions in sales activities
- Introduced mechanisms to promote proposal-type sales activities

### Strengthened cooperation between divisions

- Created mechanisms for information cooperation between organizations, including holding account strategy meetings on major customers which affect more than one business division
- Produced account plans incorporating strategic sales plans

### Promoted proposal-type sales activities

- Provided training to selected core sales staff to improve their ability to propose solutions
- Used number of proposed sales as KPI for each organization

## Second half

- Further strengthen cooperation between business divisions through sales training camps, etc. and pursue strategic sales activities based on account plans.

# Key Initiatives (2): Enhancement of SI Capabilities

## First half

- Improved project planning capabilities by standardizing project management process
- Promoted bottom-up activities to improve onsite capability

### Improved project planning capabilities

- Standardized management techniques by introducing project management system
- Used percentage of projects in which plan was produced and observed and percentage of profitable projects as KPI.

### Improved onsite capability

- As the outcome of its activities, the Onsite Capability Improvement Committee launched last year produced the “Proposal for Improvement of Onsite Capability” summarizing onsite problems and solutions.
- Promoted improvement of skills by having employees participate in external study sessions to meet and exchange opinions with external human resources

## Second half

- Promote activities to improve project planning capabilities and implementation of the proposal for improved onsite capability.



# Key Initiatives (3): Strengthening New Businesses and Global Development

## First half

- Focused on active use of alliances and human resource development

### Creation of new businesses

- Product related to our proprietary BI Tool “DaTaStudio@WEB,” which we jointly developed with a domestic manufacturer, won the grand award at the **ITpro EXPO AWARD 2012**. Aggressively expanded sales activities.
- Provided training to selected core employees within the company for the **development of innovative human resources**

### Expansion of global business

- **China:** Development projects for local manufacturers and Japanese-affiliated financial institutions expanded steadily
- **United States:** Preparations being made to start a development project for a Japanese-affiliated financial institution next fiscal year
- **Southeast Asia:**  
Won orders in Singapore and the Philippines  
Also looked at setting up a base to establish infrastructure for the promotion of business
- Dispatched trainees to India, Thailand and Dalian in China for the **development of global human resources**

## Second half

- **Actively use strategic funds to create new businesses.**
- **Accelerate the establishment of overseas bases and the development of global human resources.**

# Key Initiatives (4): Establishing the Business Foundations

## First half

- Introduced a new human resources system and built in-house systems for the next business year

### New human resources system Human resource development

- Introduced a new human resources system, thereby establishing a mechanism for clarifying the objectives for all employees and evaluating their actions and efforts
- Promoted development of employees with high skill levels (internal certification, external qualifications)
- \* Ratio of external qualification acquisition: 244.6%, up 11.7 percentage points year on year

### Establishment of in-house systems for the next business year

- Creating customer management system and project support system in preparation for the sophistication of sales and development processes

## Second half

- Introduce the new human resources system, improve and expand in-house systems, and work to strengthen the management foundation.

# Key Initiatives (5): Strengthening the Collective Strength of the Group

## First half

- Profitability improved, reflecting a strengthening of Group companies' SI capabilities.  
⇒ All companies achieved operating income, contributing to consolidated sales and profit growth.

### Enhancement of Group SI capabilities

- Deployed DTS' non-consolidated project management techniques at Group companies
- Shared causes of unprofitable projects and countermeasures by holding Group SI capability improvement conference

### Enhancement of Group sales capabilities

- Visualized the sales contacts and strengths of each Group company
- Held Group sales conference and promoted cooperation within Group over common customers

### Enhancement of Group management base

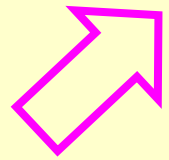
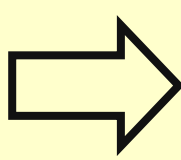
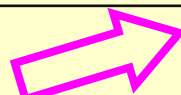

- Enhanced Group governance by exchanging information at management level and improving risk management
- Developing next business year's medium-term plan as a Group

## Second half

- Strengthen the collective strength of the Group (SI capabilities, sales capabilities, management base, etc.) and seek further gains in profitability.

## III. FY 13/3 Full Year Forecast

# Outlook for Business Environment

Sector		Topic	Market trend
Finance	Banks	- Large projects will move into development phase from the next business year. Projects related to settlement and information are entering a development phase. Overseas projects are currently under examination ready for launch next business year.	
	Trust banks & Life and non-life insurance	- Integration projects and base system reconstruction will reach the final stage.	
	Securities	- Stable orders expected, centering on stock business acquired the previous business year.	
Transportation & Communications	Communications	- Projects related to frontline sales will peak. - Cloud platforms for mobile communications and IDC operators will remain strong.	
	Transportation	- Air transportation will remain strong.	
Services		- Demand will remain strong in a broad range of customer segments	
Other	Manufacturing / Public	- In the manufacturing sector, ERP projects will decrease, while embedding-related projects will remain strong. The public sector will decline slightly.	
	Wholesale and retail	- The wholesale and retail sector will continue to perform strongly, driven by convenience stores.	

# Non-Consolidated and Consolidated Performance Forecasts for the Fiscal Year Ending March 2013



(Units: Million yen, %)	Non-consolidated				Consolidated			
	Amount	Ratio to sales (%)	YoY		Amount	Ratio to sales (%)	YoY	
<b>Net sales</b>	<b>36,900</b>	-	<b>107.0%</b>	<b>+2,397</b>	<b>61,000</b>	-	<b>106.3%</b>	<b>+3,614</b>
Gross profit	5,950	16.1%	103.9%	+222	9,300	15.2%	108.0%	+688
SG&A expenses	3,200	8.7%	105.9%	+179	5,800	9.5%	102.9%	+162
<b>Operating income</b>	<b>2,750</b>	<b>7.5%</b>	<b>101.6%</b>	<b>+42</b>	<b>3,500</b>	<b>5.7%</b>	<b>117.7%</b>	<b>+526</b>
Recurring income	2,900	7.9%	100.6%	+17	3,550	5.8%	115.7%	+480
Net income	1,650	4.5%	103.4%	+54	1,800	3.0%	115.7%	+244

# Full Year Forecasts for Group Companies for Fiscal Year Ending March 2013

(Units: Million yen, %)

Company name	Net sales		Operating income		
	Amount	YoY	Amount	Ratio to sales (%)	YoY
<b>DATALINKS CORPORATION</b>	8,039	100.9%	223	2.8%	103.5%
<b>DIGITAL TECHNOLOGIES CORPORATION</b>	6,830	121.8%	100	1.5%	397.4%
<b>FAITEC CORPORATION</b>	5,604	102.2%	303	5.4%	294.1%
<b>JAPAN SYSTEMS ENGINEERING CORPORATION</b>	4,170	103.5%	274	6.6%	164.0%
<b>KYUSHU DTS CORPORATION</b>	1,350	101.0%	68	5.1%	148.8%
<b>SOUGOU SYSTEM SERVICE CORPORATION</b>	1,192	117.6%	91	7.7%	[+203]
<b>MIRUCA CORPORATION</b>	363	94.3%	6	1.7%	163.7%

Notes: Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.  
 Figures in brackets represent FY 13/3 amount minus FY 12/3 amount.

## Dividend

A dividend payment of ¥15 per share will be made as initially planned for the first half.

We forecast a dividend payment of ¥30 per share and dividend payout ratio of 39.6% for the full year.

	End of second half	Year end	Full year	Payout ratio (consolidated)
<b>FY 12/3</b>	<b>¥15</b>	<b>¥15</b>	<b>¥30</b>	<b>45.9%</b>
<b>FY 13/3</b>	<b>¥15</b>	(Forecast) <b>¥15</b>	(Forecast) <b>¥30</b>	(Forecast) <b>39.6%</b>