

DTS CORPORATION

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DTS Group Report Integrated Report 2022

DTS's Vision

1 Philosophy

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.

2 Vision

Vision2030

Become a company that continuously takes on challenges in order to provide value that exceeds expectations

3 Credo

Always enjoy change

(For our clients)

Sincerity and trust

(For our shareholders)

Growth and contribution

(As individuals)

Independence and spirit of challenge

(As members of the Group)

Respect and co-creation

(As members of society)

Integrity and fairness

4 Code of Conduct

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

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

The DTS Group celebrated the 50th anniversary of its founding in August 2022. As an independent system integrator, the DTS Group has historically engaged in solving social issues through constantly evolving IT services and by creating shared value with society and communities. In the process, we have increased our corporate value and grown.

Through the medium of this integrated report, the DTS Group is both marking this important point in its history and communicating its current state and its vision in line with the DTS Group Way, which comprises four elements: Philosophy, Vision, Credo, and Code of Conduct. Together, these present the DTS Group's reason for existence, its important values, and guidelines for individual employees carrying out their daily duties.

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Period covered
April 1, 2021 to March 31, 2022
(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), International Integrated Reporting Framework
- ISO 26000 (Guidance on Social Responsibility)

Inquiries
DTS CORPORATION
ESG Promotion Department

Note: Details regarding businesses and the medium-term management plan are presented on the Solution Package and Investor Relations pages of DTS's official website. Details regarding initiatives related to corporate social responsibility can be found on the Sustainability page.

Solutions and Packages
<https://www.dts.co.jp/section/>

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

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

Disclaimer
In this integrated report, statements concerning the future, such as forecasts regarding the DTS Group's operating results, financial position, 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.



The DTS Group: 50 Years of History

Since its founding, the DTS Group has continued growing in its key area of providing solutions to clients in finance, telecommunications, and the public sector as an independent system integrator. We have participated in large-scale projects for critical systems in financial organizations and built online stores and various management systems for retail businesses. We also boast a solid development track record that includes embedded systems related to self-driving car technologies. Going forward, the Group will continue striving to provide new value in an era of digital transformation (DX).

1972

Founder:
Toshio Sasanuki



Inception phase

1972 – 1979

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

Phase of business domain expansion

1980 – 1994

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

1995

Takaichi Sugiyama



Phase of business scale expansion

1995 – 2001

The growing popularity of the Internet spurred demand for robust IT investment among companies and prompted a shift from legacy systems to online systems. Technological transformation ensued, centered on systems development involving programming languages such as C#, Java, Perl, Ruby, and Python. In 1999, we were listed on the First Section of the Tokyo Stock Exchange.

2002

Yasutaka Akabane



Phase of expansion as a corporate group entity

2002 – 2009

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

2010

Koichi Nishida



Phase of strengthening the Group's management foundation and expanding its overseas operations

2010 – 2020

DTS INSIGHT CORPORATION was established through the integration of three companies with the aim of enhancing the embedded systems business for the in-vehicle and medical fields. To promote business aligned with respective strengths and attributes of Group companies, the Company pursued a strategy of reorganization, which included the establishment of DTS WEST CORPORATION and the absorption-type merger of DATALINKS CORPORATION. Overseas, the Company promoted expansion of its global development framework with a focus on subsidiaries in the United States, China, Vietnam, and India.

The Company significantly reduced unprofitable projects while improving quality by enhancing its project management strengths as a result of having adopted a project management strategy (PMS)

enlisting DTS in-house development standards as well as a professional certification system. Meanwhile, net sales per employee also increased.

In line with the DTS Group Way, which was announced for the 45th anniversary of the Company's founding, the Group unified to promote a transformation into a value creation-based company. We outlined a basic policy of evolving into a corporate group that contributes to the realization of a sustainable society while aiming to achieve net sales of ¥100.0 billion.



2021

Tomoaki Kitamura



Phase of transforming into a value creation-based company

2021 – Now

With Tomoaki Kitamura becoming president, DTS established the new Digital Solution Sector in an effort to expand and develop the cloud services. To enhance operations in area of network infrastructure construction, we made I Net Rely Corporation a subsidiary.

In April 2022, we established the Sustainability Committee and launched Vision2030, which outlines our ambitions for 2030, and a new medium-term management plan.



1972

Establishment of Data Tsushin System in the Shinbashi 2-chome district of Minato-ku, Tokyo



Founding members

1987

Obtained approval for specified worker dispatching undertaking from Ministry of Health, Labour and Welfare

1990

Registered as a systems integration (SI) company with the Ministry of the Economy, Trade and Industry and received certification

1991

Registered with Japan Securities Dealers Association as a storefront sales brand

1997

Listed on the Second Section of the Tokyo Stock Exchange



1999

Listed on the First Section of the Tokyo Stock Exchange



2000

Established KYUSHU DTS CORPORATION

2001

Made DATALINKS CORPORATION a subsidiary

2002

Became a loan stock on the First Section of the Tokyo Stock Exchange

2003

Data Tsushin System renamed DTS CORPORATION

2006

Made JAPAN SYSTEMS ENGINEERING CORPORATION a subsidiary

2007

Made SOUGOU SYSTEM SERVICE Corporation a subsidiary

Established MIRUCA CORPORATION

Established DTS (Shanghai) CORPORATION

2009

Established DIGITAL TECHNOLOGIES CORPORATION

2011

Established DTS palette Inc. as a special subsidiary

Established DTS America Corporation

2014

Made ART System Co., Ltd. a subsidiary upon acquisition of its shares

Made YOKOGAWA DIGITAL COMPUTER CORPORATION a subsidiary upon acquisition of its shares

Established DTS SOFTWARE VIETNAM CO., LTD.

Established DTS WEST CORPORATION

2015

Merged SOUGOU SYSTEM SERVICE Corporation with DTS WEST CORPORATION (the surviving company name is DTS WEST CORPORATION)

2017

Formed a capital alliance with India-based Nelito Systems Limited

Made DATALINKS CORPORATION a wholly owned subsidiary through a share exchange

Merged YOKOGAWA DIGITAL COMPUTER and ART System to establish DTS INSIGHT CORPORATION

2018

Conducted an absorption-type merger with DATALINKS CORPORATION

2019

Made Nelito Systems Limited a subsidiary upon additional acquisition of its shares

DTS (Shanghai) CORPORATION concluded an agreement with Dalian SuperElectronics Co., Ltd. to increase its stake

2020

Certified Health & Productivity Management Outstanding Organization for 2020 from the Ministry of the Economy, Trade and Industry

Certified Health Outstanding Company (Gold Certification) from the Health Company Declaration Tokyo Promotion Council

2021

Made I Net Rely Corporation a wholly owned subsidiary upon the acquisition of its shares

2022

Included in the 2022 Health & Productivity Stock Selection by the Ministry of the Economy, Trade and Industry and the Tokyo Stock Exchange

Certified Health & Productivity Management Outstanding Organization (White 500) for 2022 by the Ministry of the Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council)

Moved to the Prime Market of the Tokyo Stock Exchange

August 25, 50th anniversary of our founding



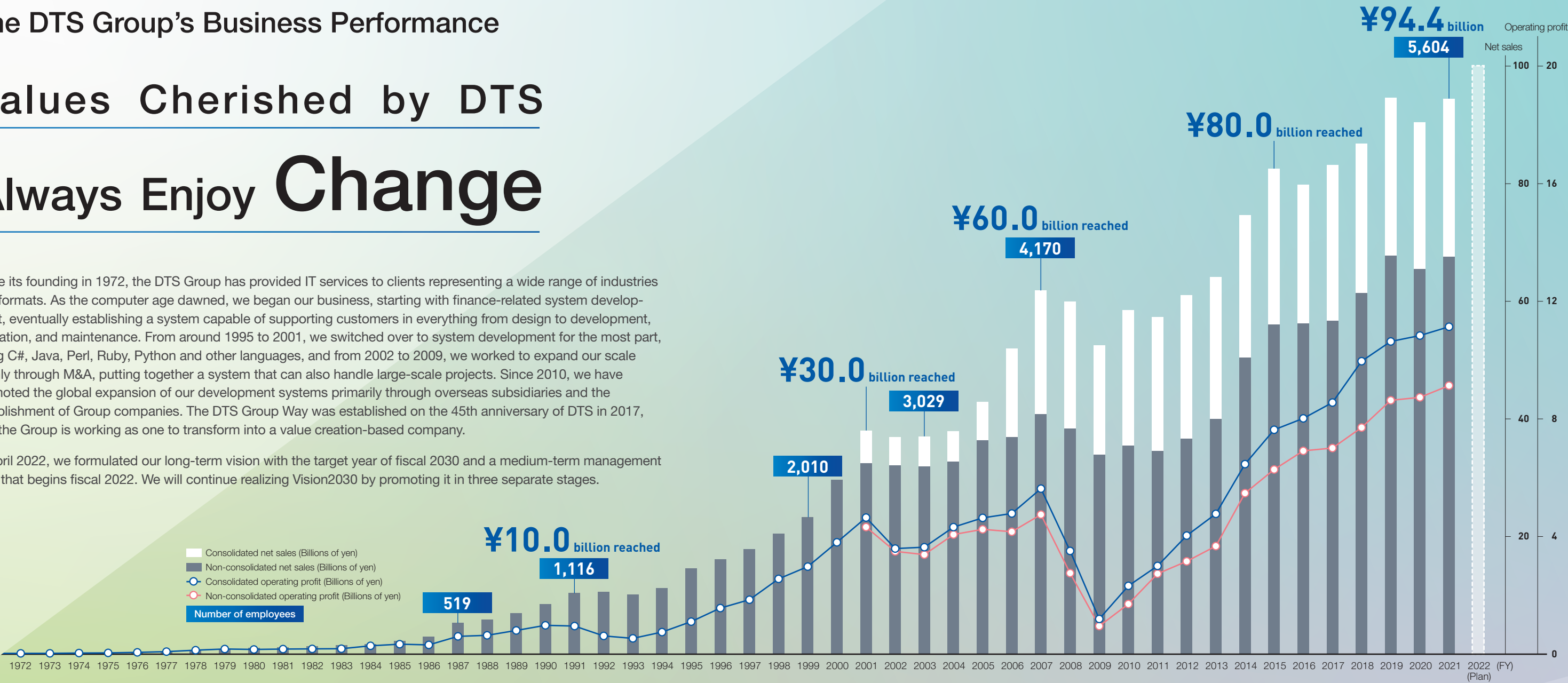
The DTS Group’s Business Performance

Values Cherished by DTS

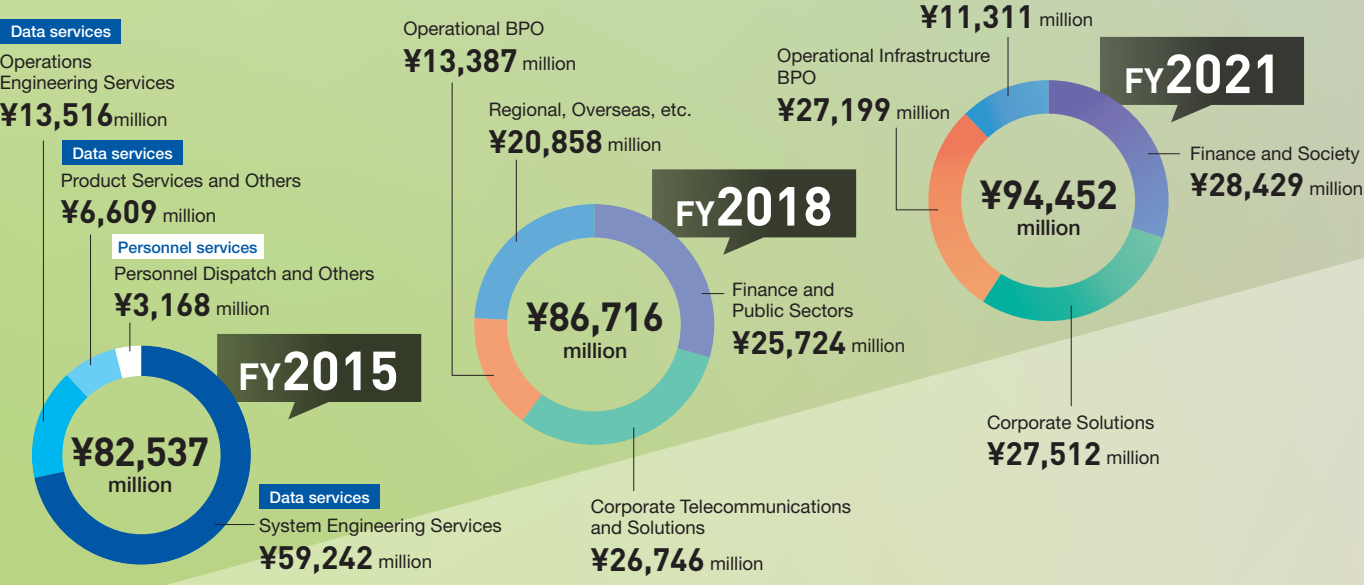
Always Enjoy Change

Since its founding in 1972, the DTS Group has provided IT services to clients representing a wide range of industries and formats. As the computer age dawned, we began our business, starting with finance-related system development, eventually establishing a system capable of supporting customers in everything from design to development, operation, and maintenance. From around 1995 to 2001, we switched over to system development for the most part, using C#, Java, Perl, Ruby, Python and other languages, and from 2002 to 2009, we worked to expand our scale mainly through M&A, putting together a system that can also handle large-scale projects. Since 2010, we have promoted the global expansion of our development systems primarily through overseas subsidiaries and the establishment of Group companies. The DTS Group Way was established on the 45th anniversary of DTS in 2017, and the Group is working as one to transform into a value creation-based company.

In April 2022, we formulated our long-term vision with the target year of fiscal 2030 and a medium-term management plan that begins fiscal 2022. We will continue realizing Vision2030 by promoting it in three separate stages.



Breakdown of consolidated net sales

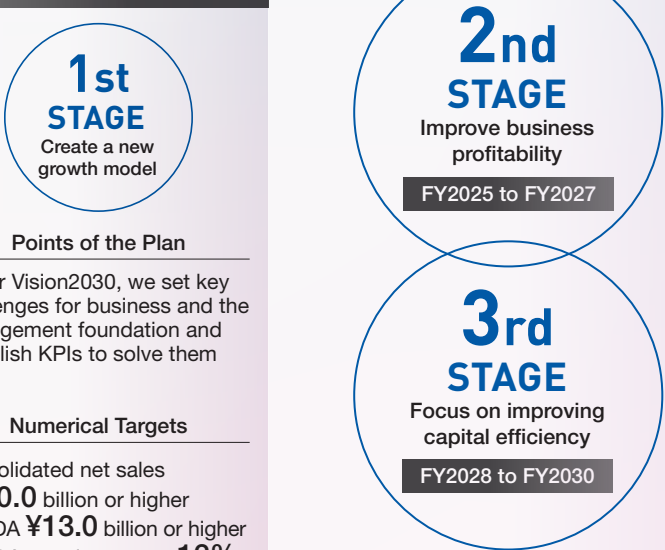


Evolution of the medium-term management plan

FY2016 to FY2018	FY2019 to FY2021	FY2022 to FY2024
Theme Generating New Value Change! for the Next	Theme Providing New Value to the Society of Tomorrow Next Value Creator	Theme Providing New Value to the Society of Tomorrow Next Value Creator
Points of the Plan Three Changes: Management Revolution, Business Transformation, and Sales Reformation	Points of the Plan Realizing sustainable growth and corporate value enhancement for the DTS Group by creating social and economic value	Points of the Plan Under Vision2030, we set key challenges for business and the management foundation and establish KPIs to solve them
Numerical Targets Net sales ¥86.7 billion Operating profit margin 11.3%	Numerical Targets Net sales ¥100.0 billion or higher Operating profit margin 10% or higher Overseas business net sales ¥5.0 billion or higher	Numerical Targets Consolidated net sales ¥110.0 billion or higher EBITDA ¥13.0 billion or higher EBITDA margin approx. 12%

Vision2030 (long-term vision)

Become a company that continuously takes on challenges in order to provide value that exceeds expectations



Message from the President



Tomoaki Kitamura
Representative Director
and President

Having completed our evolution into a new system integrator (Sler), we now operate under a total system integration (SI) business model and are expanding our business areas through the creation of new solutions and services and pivoting to a culture that embraces change.

Review of FY2021

Despite signs of a V-shaped recovery, it is now time to revise our existing business model

In fiscal 2021 (ended March 31, 2022), despite some impact from the semiconductor shortage, net sales totaled ¥94,452 million, or 99.4% of our ¥95.0 billion performance forecast target. Operating profit was ¥11,196 million, clearing our forecast of ¥11.0 billion, marking a 12th consecutive year of increase and thereby setting a new record.

Despite recent difficulties due to a trend toward suppressed IT investment in the financial industry, a realm in which DTS has excelled, we are beginning to see a V-shaped recovery amid signs of a revitalization in the financial sector, the state of which had been becoming a source of concern. Orders grew around ¥5.0 billion year on year, reflecting our efforts to strengthen our marketing capability and the SI capability developed under our previous medium-term management plan. I consider this result a good jumping off point for our new medium-term management plan.

However, public sector investment balloons during economic recessions like those caused by the pandemic and global financial crisis, and I feel that DTS needs to also strengthen its public sector business to stabilize its business portfolio.

In conjunction with the release of its fiscal 2021 results, the DTS Group announced both its long-term vision for 2030 and its first medium-term management plan under said vision. In this plan, we declare our aim to further enhance corporate value by building a new growth model through proactive investment while creating social and economic value. We are implementing this sudden change in direction in response to the proactive investment now being undertaken by customers in areas outside our fields of expertise, including digital transformation (DX), and in recognition that the current moment is the optimal time to transform our business model, which until now has been centered on application development.



Message from the President

Factors Contributing
to the Formulation
of Our Long-Term
Vision2030 and Its
Targets

We have drawn out a three-stage roadmap and are
reorganizing operations into three business segments to
facilitate vertical and horizontal collaboration in order to
achieve our vision

We set out three stages toward realizing our long-term Vision2030. The three years of the recently started current medium-term plan constitute the first stage, in which we take on various new challenges entailing proactive growth investment centered on human resources. New businesses take two to three years to get up and running, and the investment ultimately comes to fruition toward the latter half of that period.

Although operations in legacy sectors, namely, existing application development and operational maintenance, will not disappear moving forward, such sectors’ customers will be seeking greater efficiency rather than proactive investment opportunities.

In line with this recognition, we reorganized our business segments into: Operation and Solutions, Technology and Solutions, and Platform and Services.

The Operation and Solutions segment is divided along customer lines between industries and communities. On the industry side, we have robust customer bases in the financial, insurance, enterprise, and other industries. In the community, or public sector, side, going forward, we will pursue firm development.

In contrast, the Technology and Solutions segment and the Platform and Services segment will continue to expand operations vertically while leveraging their different strengths and collaborating on industry-wide solutions and services on a segment-level basis. Our policy is to improve the productivity of each segment while creating a new business model.

Our previous application development model was a sell-out type. In contrast, in the new Technology and Solutions segment, we combine cloud services to facilitate the development of stock-related businesses, namely subscription models and recurring models, and thereby increase per person productivity. Under the new business models, we will continue pursuing a transformation that includes improvements to earnings structures and productivity.

Common to All
Three Segments
Clarifying Our
Focus Businesses

In our focus DX area, we have set and clarified common
areas of focus for the three segments



DX is central to the IT market. Under the previous management plan, we focused on DX-related net sales. Under the current plan, we have set focus business areas common to all segments and clarified growth areas that should be engaged in by all three segments.

In the Operation and Solutions segment, we are working to enhance our application development capability on a cloud architecture basis. We will improve our response capability by switching from the previous waterfall-style development approach to an agile



Sharply Changing
Course toward
Growth Investments

approach that emphasizes speed. We will especially focus on industry-specific solutions that utilize each business segment’s characteristics. We aim to create several industry-specific solutions, as demonstrated by AMLion, which is an anti-money laundering system for the finance industry.

We intend to cultivate new business in the public sector while leveraging our strengths in certain areas, namely taxation, human resources, and administrative affairs.

Our policy is to continue adapting to in step with ongoing business modernization, which is expected to significantly expand going forward as a growth strategy for this segment.

Next, in the Technology and Solutions segment, we will continue broadly expanding business across industries, centering on cloud business technologies rather than industry-specific solutions.

DX, which has been garnering attention recently, is also part of our customers’ business strategies. The traditional process of developing business from scratch takes time and becomes a bottleneck hampering the promotion of business strategies. Today’s customers want faster responses while putting together various cloud services and almost ready-made services. I expect cloud services to become dominant in Japan as well. We will generously offer use cases while accumulating study cases. In other words, we will proactively develop industry-level detailed marketing proposals utilizing the industry insights and knowledge we have accumulated.

Finally, in the Platform and Services segment, we will continue to further enhance ReSM, our own remote operation and maintenance service, and ReSMplus, which adds the function of an in-house help desk. We will continue leveraging the skills and know-how we have accumulated through operation and monitoring services contracted in various fields to create menus of functions. We are shifting our focus to fields connected to stock-related businesses.

With a total investment limit of ¥25.0 billion over three
years, we will fund human resources, R&D, equipment,
and M&A

In the burgeoning DX field, we will aggressively invest in human resources, R&D, and equipment while continuing to allocate funds to mergers and acquisitions.

Although the DTS Group has worked to date to raise efficiency without increasing its workforce, going forward, it will more actively invest in personnel training while lifting its personnel numbers, through hiring that includes mid-career employees. In the IT industry, it is common for personnel training investment to be equivalent to around 0.6% of net sales, but DTS will lift this to nearly 1%. We will heavily invest in training personnel who will play instrumental roles in our shift to new fields, and have earmarked a cumulative ¥7.5 billion for training over the three years of the current plan.

We will then more than triple our R&D investment from the current level of roughly ¥0.6 billion over three years to ¥2.0 billion. This is because in order to create new solutions and services, we must introduce and evaluate leading-edge technologies from overseas.

The ¥3.0 billion in capital investment will be used to expand businesses, such as operation and monitoring centers and security.

The biggest investment will be in mergers and acquisitions. Historically, the DTS Group has mainly grown organically. Moving forward we will use mergers and acquisitions to augment areas we have not yet entered and to acquire technologies we lack.

Message from the President

Enhancing ESG Initiatives

We aim to grow with society by practicing sustainable management, for example, by achieving carbon neutrality

Under Vision2030, we have made strengthening ESG initiatives a key challenges of our management foundation and will practice sustainable management with the aim of growing with society.

In the environmental field, Japan established its target year for achieving carbon neutrality as 2050, and the DTS Group declared its target year to be FY2030, the final year of Vision2030. In addition, we will continue working to respond at a high level to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In the social field, we are targeting 13% or more women in management positions under Vision2030 and 6% or more under the medium-term management plan. It is undeniable that DTS is behind the curve in terms of promoting the advancement of women. We will need to put in a considerable amount of effort, but we will work very hard as we strive to catch up. Regarding workstyles, too, our policy is to upgrade our mechanisms and systems, such as actively utilizing working from home, for a more employee-friendly work environment so that employees can more flexibly respond to pregnancy, childcare, and nursing care.

In the governance field, we have enhanced discussions at the Board of Directors meetings in an effort to speed up decision making. We strengthened the supervisory function of the Board of Directors by establishing an Audit and Supervisory Committee to audit directors’ execution of duties, with members appointed from the Board of Directors. To further enhance corporate governance, we successfully transitioned to a company with an Audit and Supervisory Committee. We feel it is important to have speedy management that can make swift decisions. In addition, we will continue working to achieve a high level of compliance with the Corporate Governance Code.

Working to Transform Our Corporate Culture

To continue providing value that exceeds expectations, we will transform our culture to one that embraces change

Under Vision2030, we have established a vision of “continuing to fight to provide value that exceeds expectations” while also setting our cherished value as “embracing change.” This value was decided by an employee poll.

Because the DTS Group mainly contracts out its development work, a submissive work culture has taken root. Also, although primary work constitutes around 70% of the total performed, outsiders find it difficult to understand that we have few primary customers because we focus on contracted development work.

We recently clarified our vision and cherished value because we felt transforming our corporate culture was indispensable to creating a new business model.

If we do not first change our mindset from thinking that “we must not fail” to thinking “even if we fail, we can try again,” we will never succeed in new endeavors.

In addition, the motivation and latent capabilities of our personnel, who constitute an Sler’s largest asset, cannot be drawn out by order or management as has been tried to date. It is important to give them authority and let them handle the situation on the ground. Failing to do so would make it impossible to draw out motivation or latent capabilities.

We think that letting employees make on-the-ground decisions based on their own responsibility and judgment will build up their experience in these areas and thereby further change the corporate culture.

A Half Century of History Attributable to the Support of Stakeholders

The 50-year mark is just a milestone in our history; we will continue to contribute value that exceeds the expectations of our stakeholders.

DTS celebrated a new milestone, its 50th anniversary, on August 25, 2022. It might be just a milestone, but a 50-year history is impressive. DTS has come as far as it has thanks to the support of its customers, shareholders, partner companies, employees and their families, and the broader society. I would like to give thanks to all of our stakeholders.

Driven by the expectations of all its stakeholders, the DTS Group has been able to achieve an impressive amount of growth and, going forward, hopes to provide value beyond anyone’s anticipation.

Vision2030 represents the expectations that all our stakeholders have of us and is the force driving the DTS Group to continually take on new challenges.

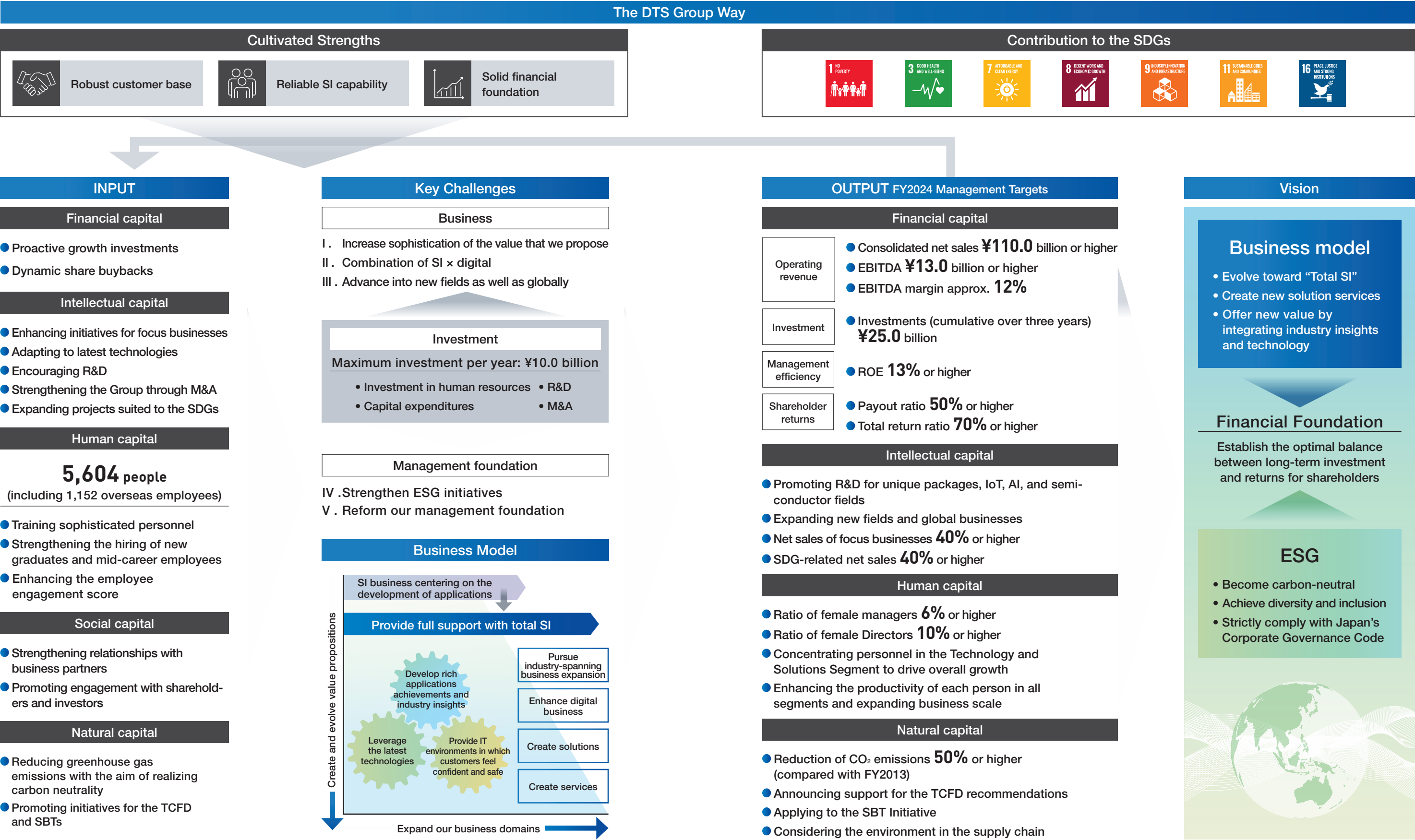
I ask for your continued support going forward.



Value Creation Process

The DTS Group creates new value by promoting ESG management that helps give rise to a sustainable society. Specifically, we 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 forms of equity. The solutions and services that result from such efforts enable us to create new value for society and our clients.

The DTS Group’s solid competitive advantages and achievement of sustainable growth is thanks to our consistent and persistent efforts. This growth, in turn, enables us to further strengthen our financial standing which consequently helps us newly address social challenges.



Relationship between the DTS Group’s Businesses and Society

The DTS Group’s Special Skills

The DTS Group has deep operational knowledge cultivated over many years through business with customers, mainly in financial and insurance fields. We are proud to be at the top among independent Slers with a broad customer base spanning banking, trust banking, asset management, and the provision of annuity and insurance services.

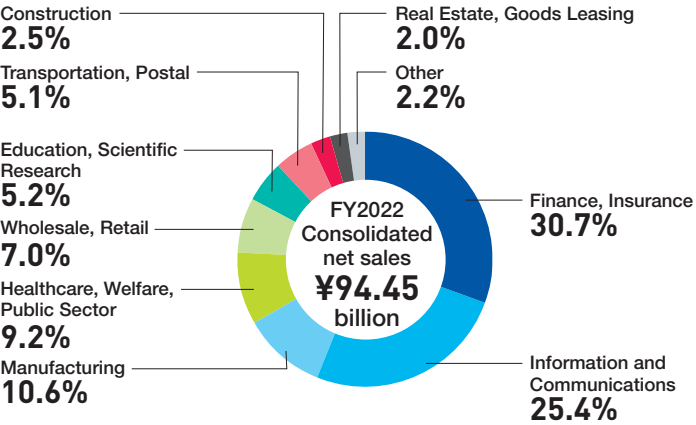
Next is our development capability. As is explicitly stated in our philosophy, we use technology, and, similarly, DTS employees oversee manufacturing processes themselves and continually refine the Company’s technologies. This distinguishes us from other major Slers who often outsource their manufacturing processes to partner companies. Project management, once an issue, has also bolstered our capabilities, strengthening to the point that we can take on comprehensive projects valued in excess of ¥1.0 billion.

Third is our strength in administrative and monitoring operations. We maintain flawless, safe, secure, stable operation execution capabilities cultivated through the operation of administrative and monitoring systems for major telecommunication operators and finance companies that require a high level of reliability.

The DTS Group has leveraged these special skills to build a robust customer base of around 1,400 companies across a wide range of industries.

In line with our long-term Vision2030, we have further clarified these three strengths and reorganized our three segments to reinforce our ability to adapt to digital transformation (DX).

Consolidated Net Sales by Industry



Overview of Three Segments

First is the Operation and Solutions Segment. Here, we fully leverage our industry insights and operational knowledge to stay on the leading edge with our customers. Going forward, we will continue concentrating that knowledge on DTS’s services to develop industry-specific solutions.

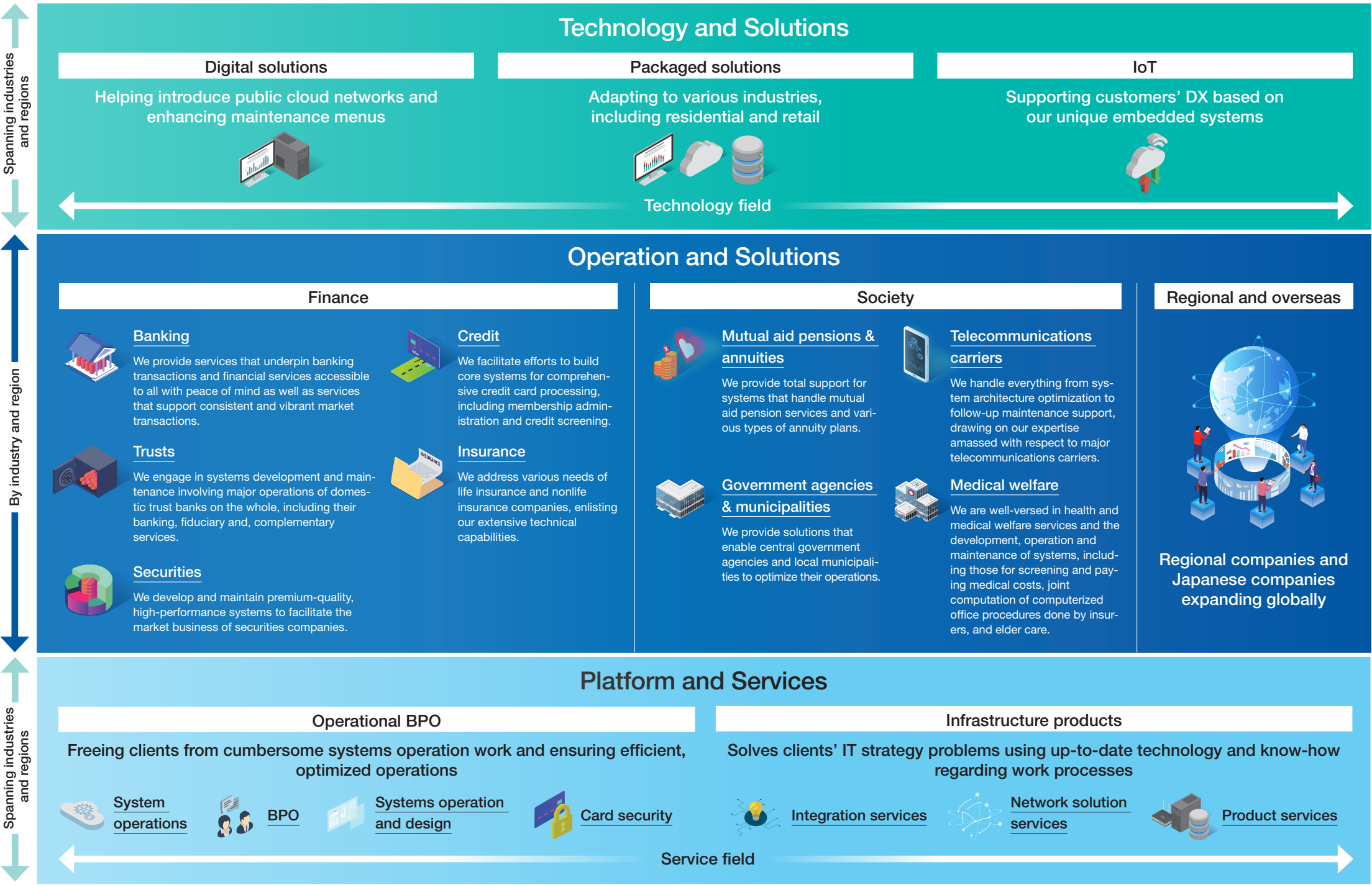
Second is the Technology and Solutions Segment, in which we bring together many solutions based on our exceptional technologi-

cal capabilities to develop DX proposals for customers in the Operation and Solutions segment. Pursuing expansion, we will continue training full stack engineers and DX consultants well versed in various digital technologies as well as business producers capable of creating cloud-first solutions.

Third is the Platform and Services Segment. Leveraging the experience and track record we amassed through a labor

consolidation business style on customer websites, we provide total solutions for operation and monitoring businesses.

Setting this business model on track, we will continue to further refine DTS’s total solution capabilities as we head toward a new growth stage.



Formulation of the Long-Term Vision2030

Value Creation Story and Business Model

Under Vision2030, the DTS Group aims to establish a new growth model and further improve corporate value through the creation of both social value and financial value. To this end, having ascertained environmental changes in such areas as the IT market, technology and ESG, we will further develop our existing SI business model and proactively invest in creating new solutions and services as well as in necessary human resources.

The DTS Group intends to provide value that exceeds the expectations placed upon it by customers, shareholders, business partners, employees and their families as well as the society in general.

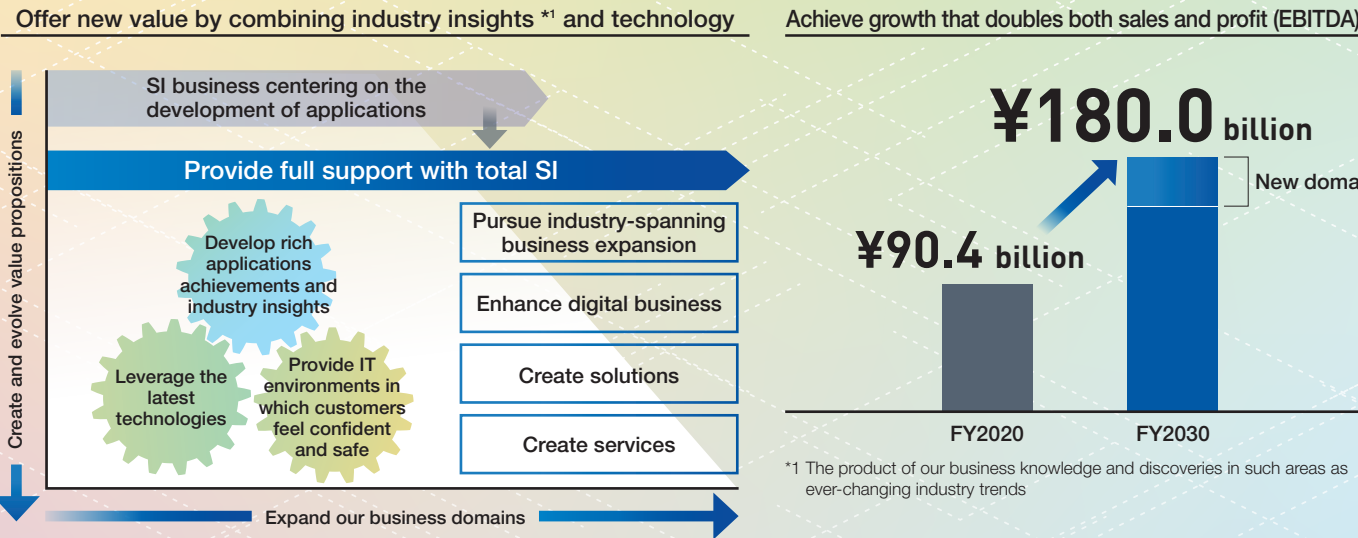
We created the Value Creation Story illustrated below to realize our vision. In accordance with our ideal vision for 2030, we will expand our economic value by establishing a new business model and enhance our social value by steadfastly working on ESG issues. We have outlined five key challenges to realizing this ideal vision: increase sophistication of the value that we propose; combination of SI × digital; advance into new fields as well as globally; strengthen ESG initiatives; and reform our management foundation.

Under the Vision2030 business model (see illustration on the right), we aim to evolve from our current SI business model focused on developing applications and expand our business domains by creating new solutions and services to achieve growth that doubles both sales and profit (EBITDA) from FY2020 levels by FY2030.

Value Creation Story

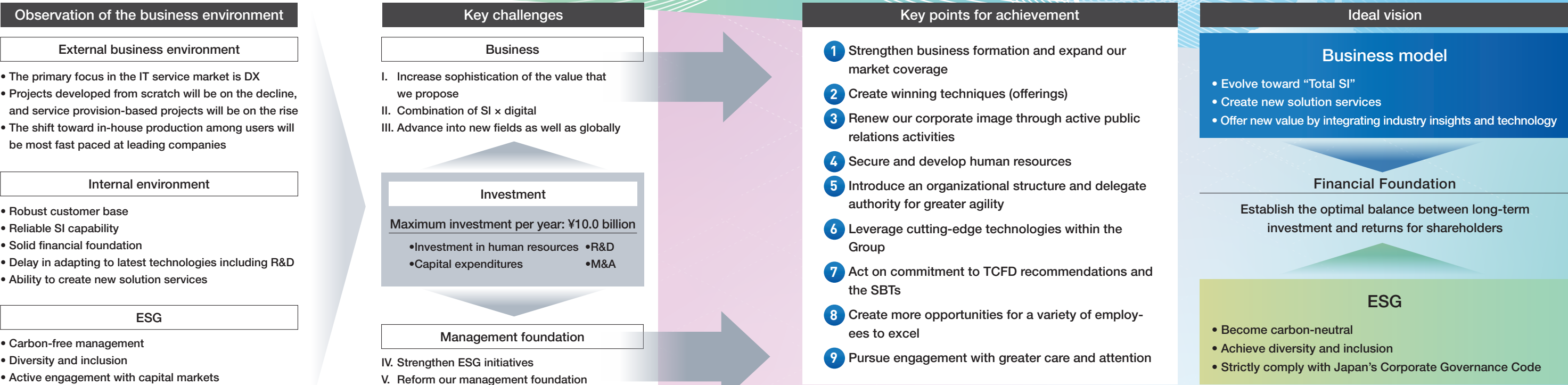
Business Model

We aim to evolve from our current SI business model focused on developing application software, expanding our business domains by creating new solutions and services while doubling our current net sales to ¥180.0 billion in FY2030.



Become a company that continuously takes on challenges in order to provide value that exceeds expectations

Vision2030



Formulation of the Long-Term Vision2030

Business Portfolio

Reflecting our original focus on application development, our segments used to be centered on individual industries and regions. However, going forward, because it will be necessary to build businesses based on technologies and services, we reconsidered our business model and created the new business segments of Operation and Solutions, which focuses on individual industries and regions, as well as the technology-focused Technology and Solutions and the service-focused Platform and Services, both of which span various industries and regions (see illustration at right).

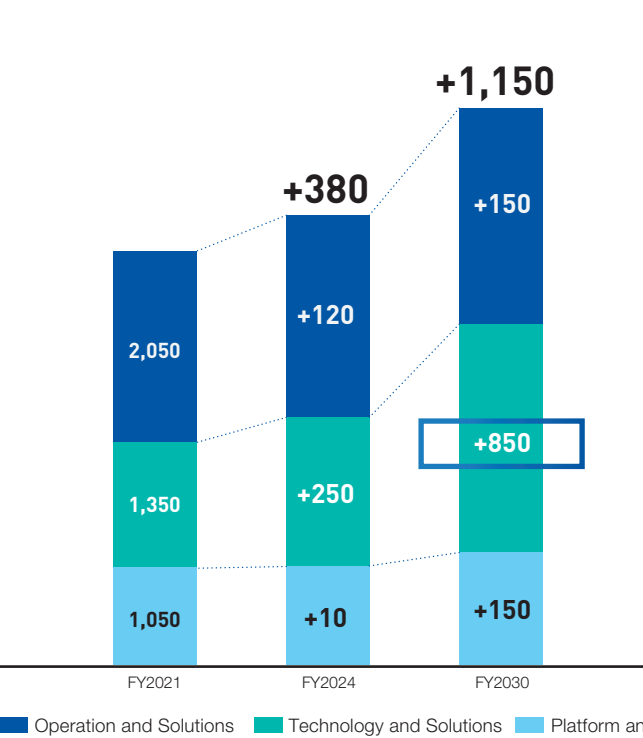
Looking at the three business segments in terms of compound annual growth rate (CAGR), they have achieved 5%, 9%, and 4%, respectively, and we expect Technology and Solutions to see the most growth moving forward.

To realize this growth, we will significantly change our policy on investment in human resources. Previously, we worked to increase productivity without increasing staffing levels. Now, however, in addition to investing a greater amount in training human resources, we are increasing staffing by hiring experienced professionals. Of the up to ¥25.0 billion set aside for growth investment over three years, we will invest ¥7.5 billion in human resources.

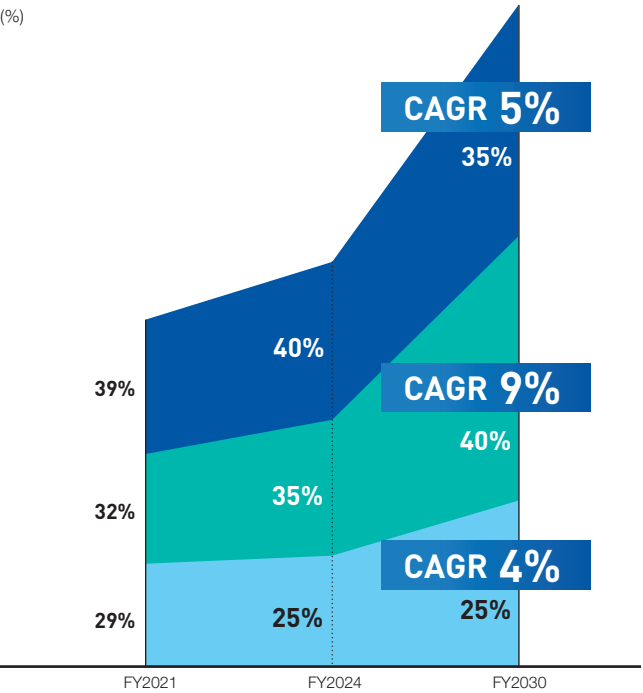
With regard to staffing numbers, we will raise the number of domestic employees 1,150 (compared to FY2021) to 5,600. Many of these employees will be assigned to the Technology and Solutions business segment, continuing to drive overall growth (illustration below).

During the Vision2030 period, we will enhance productivity per employee in all segments and continue expanding our business scale (illustration below on right page).

Number of domestic employees
(increases represent figures compared to FY2021)

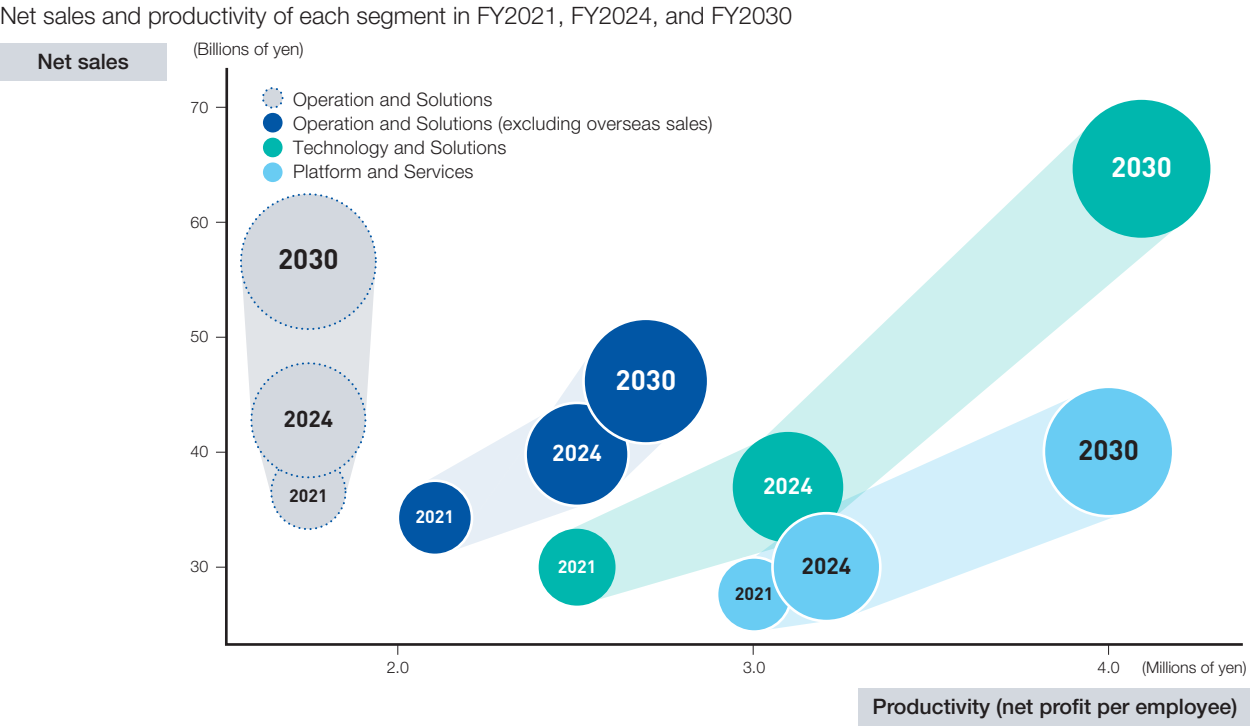


Sales growth
(% represents the share of each segment in total sales)



New Segments	Fields	Characteristics and growth potential of each segment	CAGR
Operation and Solutions	Finance Society Regional Overseas	Offering new high value-added services to customers by bringing together digital technology, project management capabilities, and industry insights, which are some of our strengths, we also actively create industry-specific solutions. <ul style="list-style-type: none">Financial SectorPublic Systems and Social Infrastructure Sector, etc.	5%
Technology and Solutions	Digital solutions Packaged solutions IoT Technology field	Specializing in digital technology and solutions, we use the latest technologies to meet the diverse needs of customers, regardless of industry or sector. <ul style="list-style-type: none">Digital Solution SectorDTS INSIGHT CORPORATION, etc.	9%
Platform and Services	Operational BPO Infrastructure products Service field	Supporting IT environments that customers can be confident of, we provide advanced IT equipment, build IT platforms, and offer operations monitoring services. <ul style="list-style-type: none">IT Platform Service SectorDIGITAL TECHNOLOGIES CORPORATION, etc.	4%

Growth by segment
(Net sales and productivity)



Formulation of the Long-Term Vision2030

Business in Focus

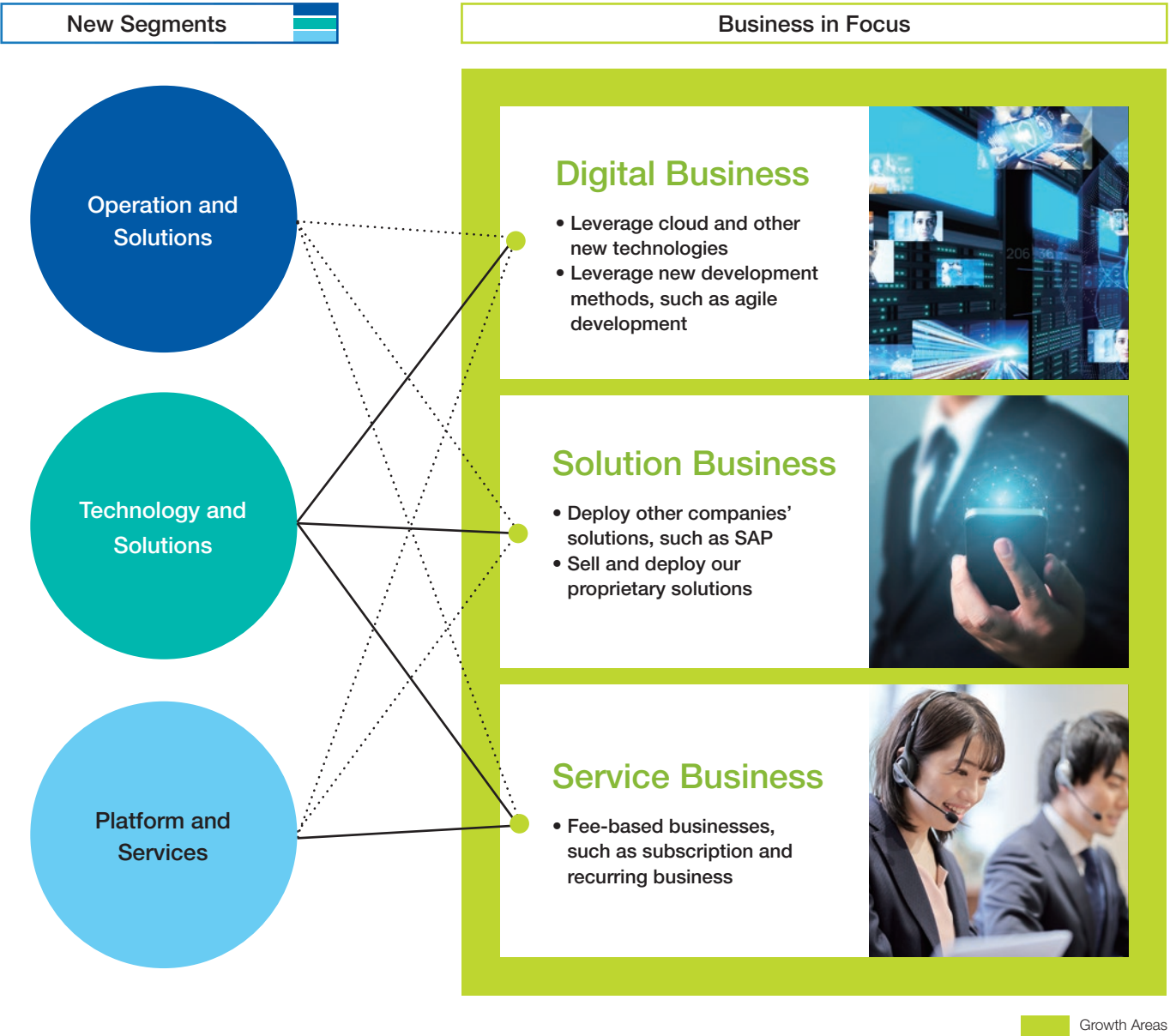
Under the previous medium-term management plan, we defined DX as a growth area and worked to expand the System of Engagement (SoE)-type business, solutions package provision-type business, and service provision-type business as DX-related net sales.

Under Vision2030, the current plan, we define growth areas as focus businesses, comprising the digital business, solution business, and service business. We will continue taking a proactive approach toward investment and personnel training.

In the digital business, we will continue providing ever higher added value by focusing on leveraging cloud and other new technologies as well as new development methods, such as agile development and low-code/no-code development.

In the solution business, we will continue cultivating markets using proprietary and other companies' solutions. We will create a menu of DTS's knowledge based on our storied track record with the aim of expanding our customer base through proactive proposals. In addition, leveraging our strong operational knowledge, we will continue working hard to create industry-specialized solutions.

In the service business, we will continue striving to create businesses that can expect stable income over the long term, such as subscription and recurring business. In particular, we will continue working to expand our top-line services through investment in ReSM stock services.



Financial Targets

As for the financial targets of Vision2030, we will achieve the optimal balance between growth investments and shareholder returns. We will achieve yearly investments of around ¥10.0 billion underpinned by doubled sales and profit compared to FY2020. We will enhance ROE to 16% and continue conducting shareholder returns with a dividend payout ratio of 50% or more per fiscal year and a total return ration of 70% or more per fiscal year.

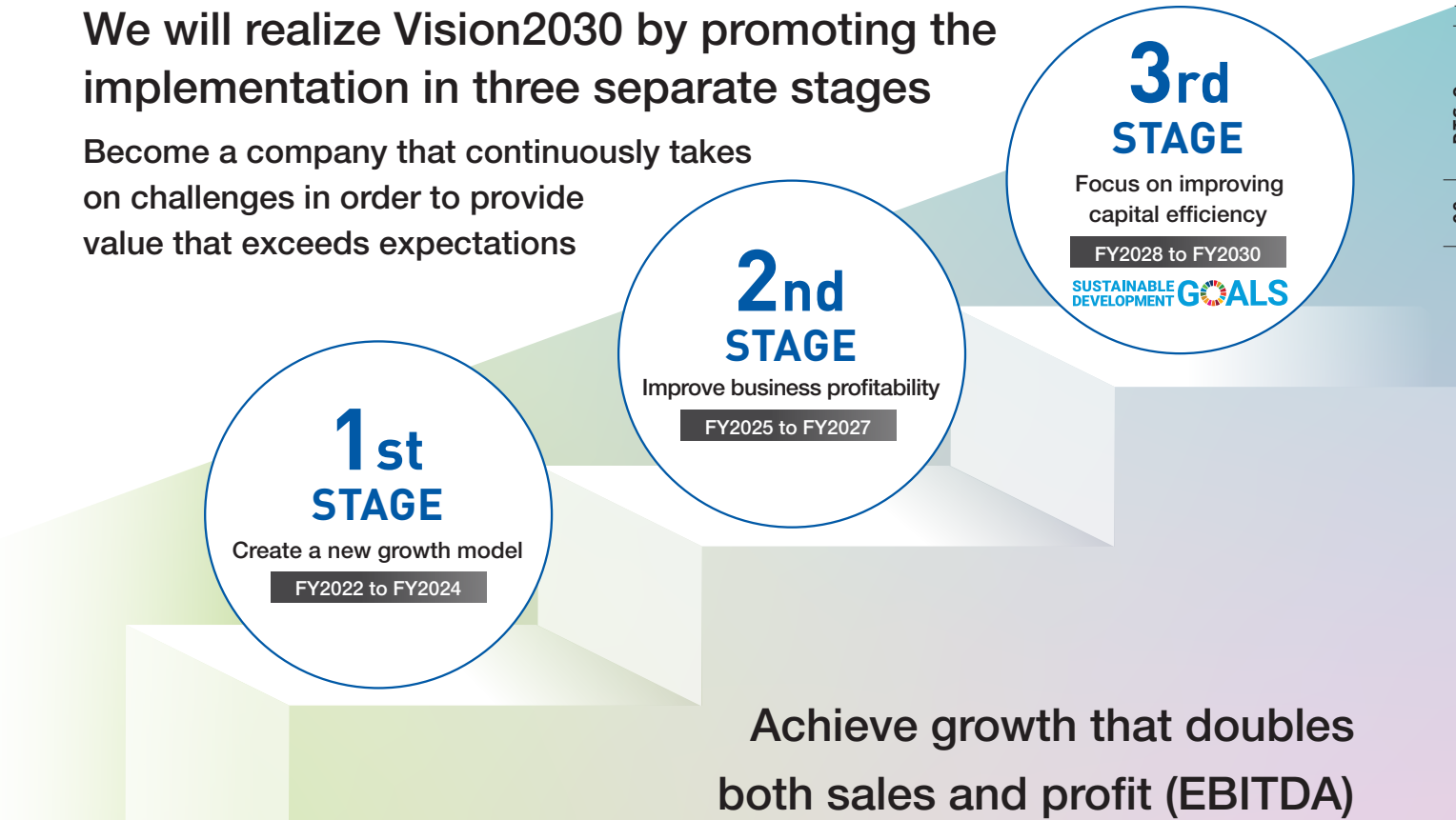
Looking at growth investments by the implementation stages of Vision2030, we plan to invest ¥25.0 billion in the 1st STAGE, ¥30.0 billion in the 2nd STAGE, and ¥35.0 billion in the 3rd STAGE. Through these investments, we will ultimately raise our EBITDA margin to 13.0%. In the final fiscal year of the 3rd STAGE, we will realize EBITDA of ¥23.0 billion and enhance ROE to 16.0%.

As for cash allocation, we will continue to systematically implement proactive growth investments and shareholder returns while increasing the cash generating ability of our businesses. In the final fiscal year of Vision2030, we will reduce cash on hand from nearly 60% of total assets down to around 30% and circulate cash among shareholders and employees in our ongoing effort to enhance corporate value.

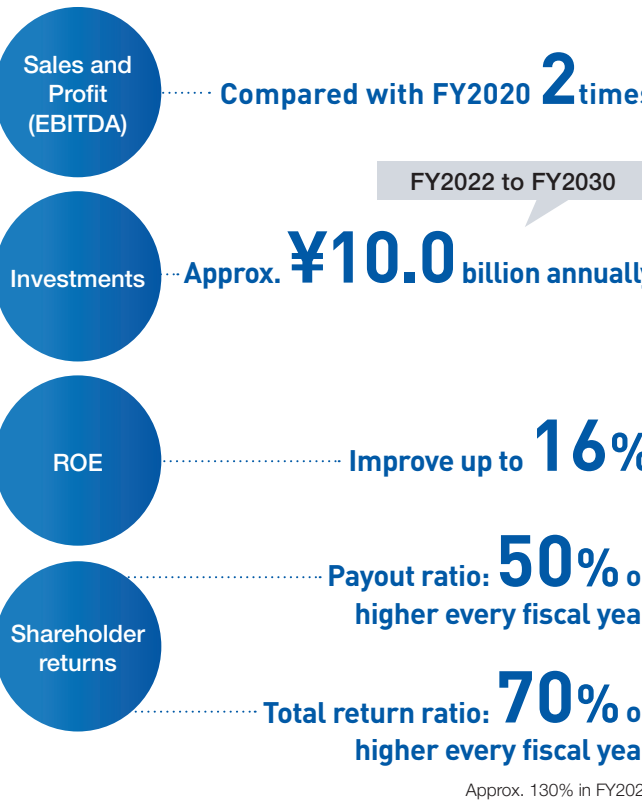
Implementation Process for Vision2030

We will realize Vision2030 by promoting the implementation in three separate stages

Become a company that continuously takes on challenges in order to provide value that exceeds expectations



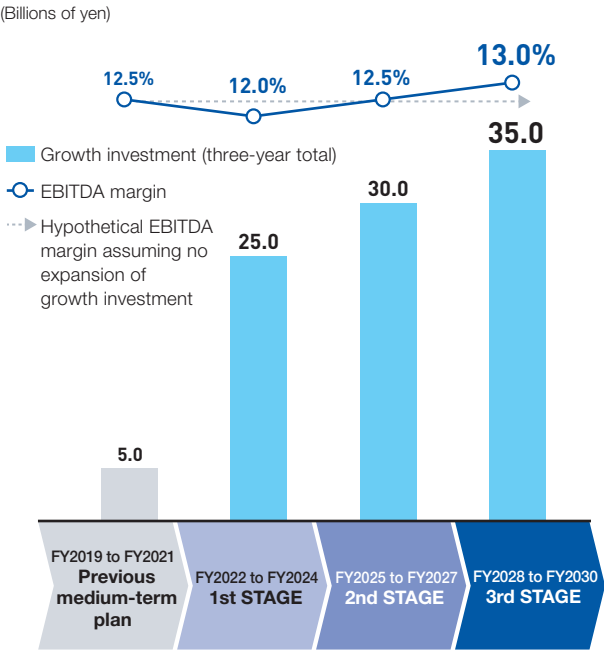
Vision2030/Financial Targets



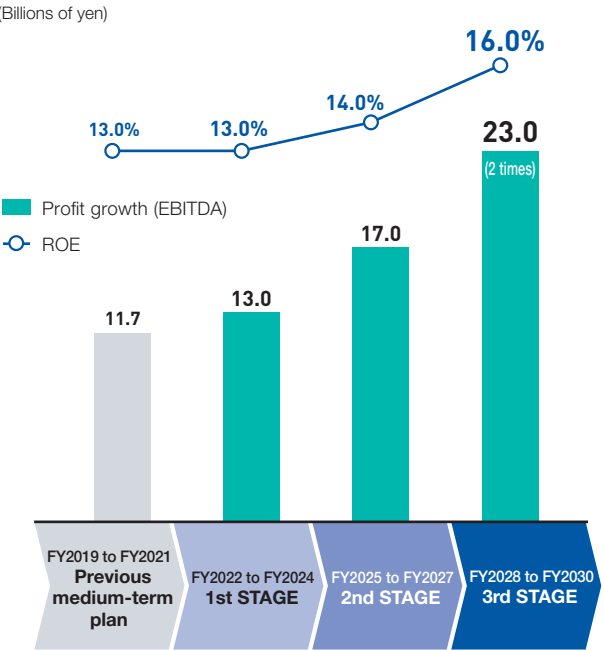
Formulation of the Long-Term Vision2030

Changes in Growth Investment, Profit Growth, and ROE

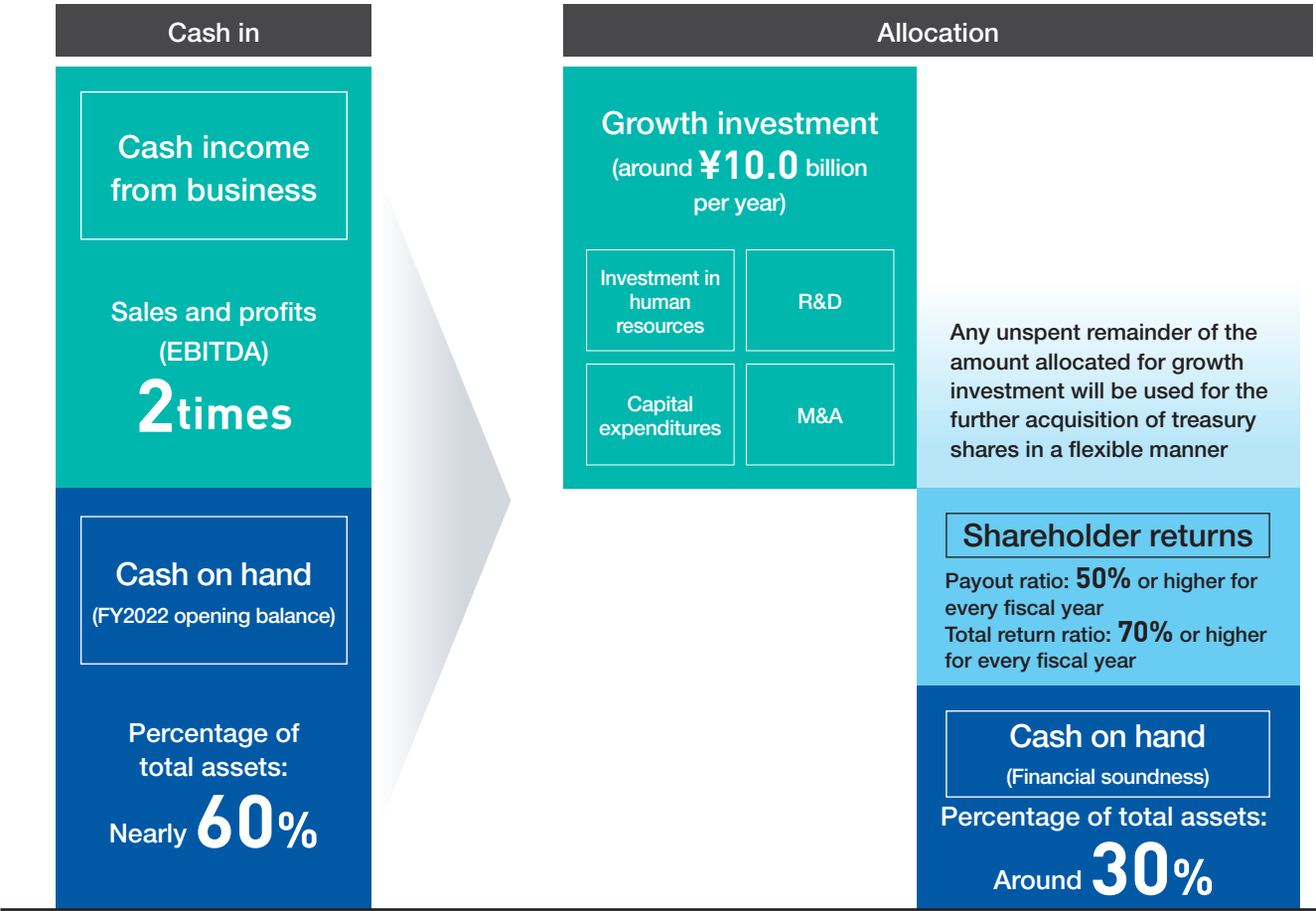
Change in growth investment



Changes in profit growth and ROE



Vision2030 Cash Allocation Policy



Strengthen ESG Initiatives

Regarding long-term ESG targets under Vision2030, in the environment field, we aim to become carbon neutral by 2030. Moreover, we are working to reduce our environmental impact by promoting group-wide efforts in line with the TCFD*1 recommendations and the SBT*2 target of reducing greenhouse gas emissions.

In the social field, we established the target of increasing the percentage of female managers to 13% or higher. As a social contribution through our business, we strive to expand operations that contribute to the SDGs (around ¥26.0 billion in net sales in FY2021). We established the target of increasing

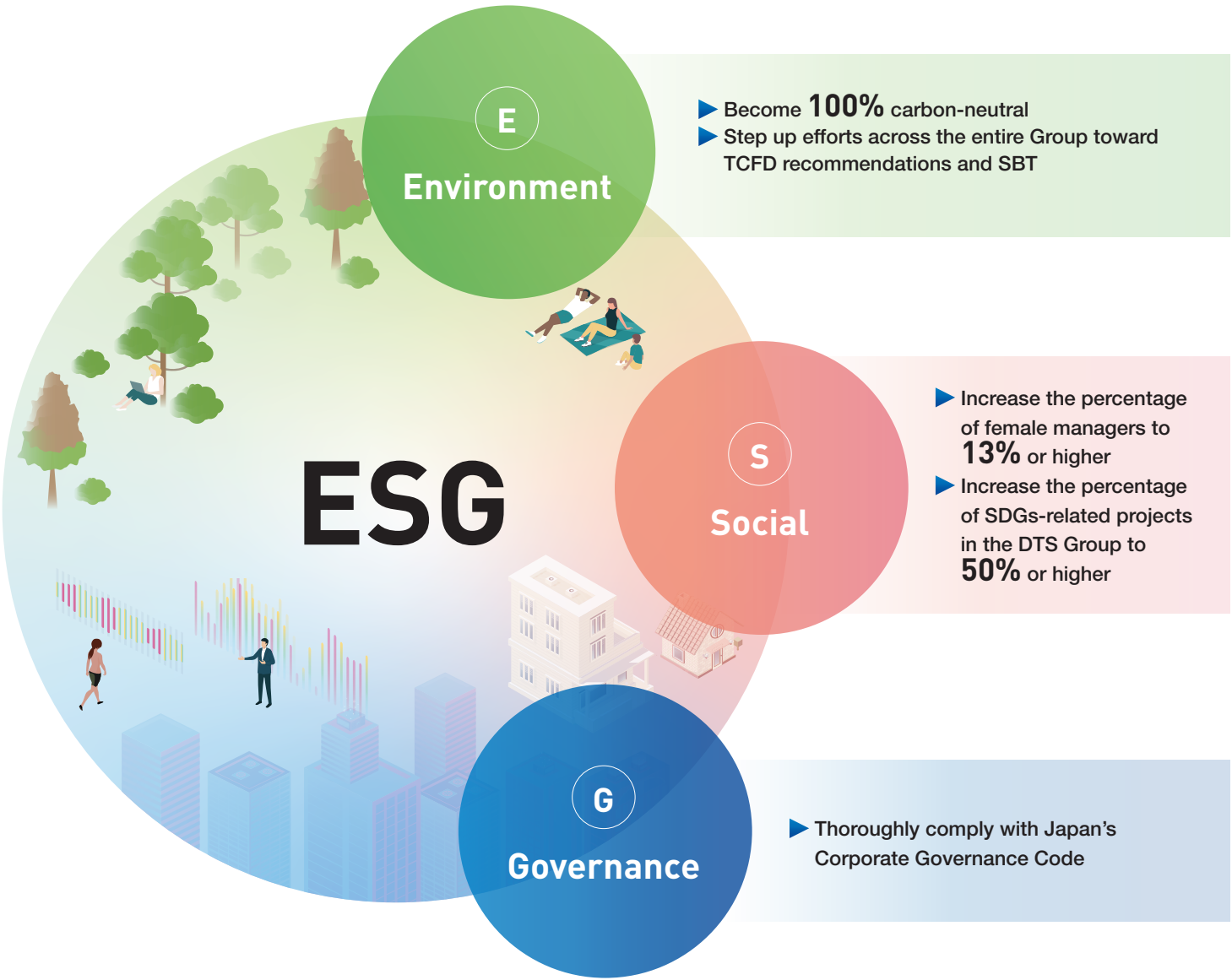
the percentage of SDGs-related projects in the DTS Group to 50% or higher.

In the governance fields, we intend to strictly comply with Japan's Corporate Governance Code.

As for our ESG initiatives, we established the DTS Group SDGs Award and strive to raise awareness internally by promoting operations that contribute to the SDGs.

*1 Task Force on Climate-related Financial Disclosures (a framework for disclosing information on corporate initiatives against climate change and their impacts)
*2 Greenhouse gas emission reduction targets for the next 5 to 15 years set by companies (a framework that encourages companies to set scientific medium- to long-term targets)

Vision2030/ESG



Overview of the Medium-Term Management Plan

Financial and Non-Financial Medium-Term Management Targets

In the medium-term management plan (April 2022–March 2025), which is the 1st STAGE of Vision2030, we outline key challenges for our business and management foundation, and, to overcome these challenges, we have established medium-term quantitative targets in not only financial areas but also non-financial ones.

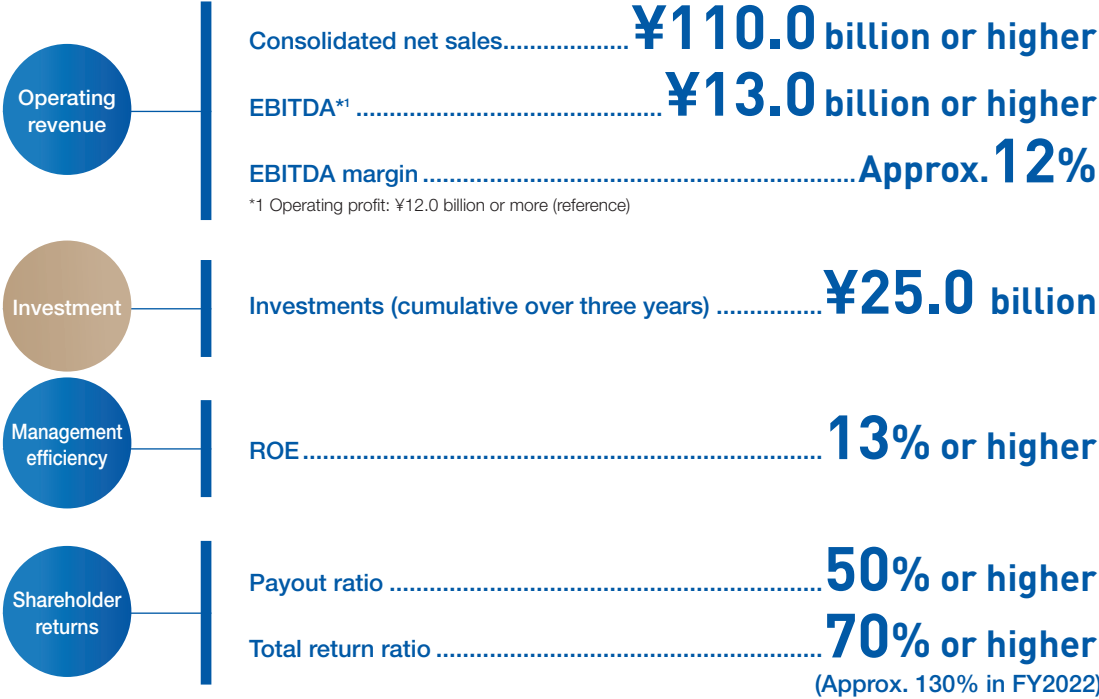
As financial KPIs for FY2024, we aim for consolidated net sales of ¥110.0 billion or higher, EBITDA of ¥13.0 billion or higher, EBITDA margin of approx. 12% or higher, an ROE of 13% or higher, and a dividend payout ratio of 50% or higher.

As non-financial KPIs for FY2024, we aim for net sales of focus businesses (see page 21) to comprise 40% or more of total sales.

In addition, in ESG-related areas, we aim to reduce CO₂ emissions 50% or more compared to FY2013.

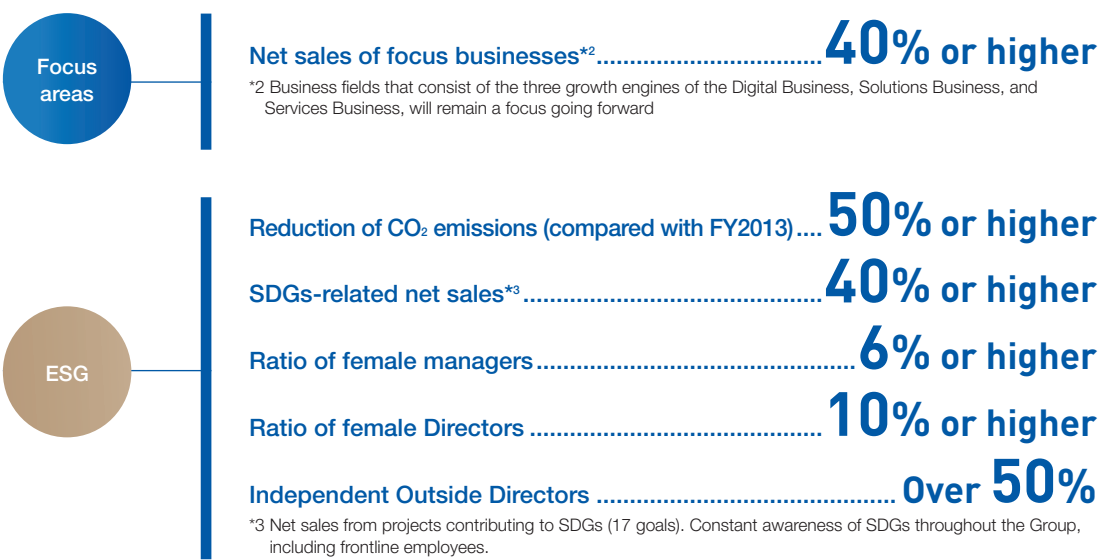
Medium-Term Management Targets (KPI: Financials)

Financial targets for FY2024



Medium-Term Management Targets (KPI: Non-financials)

Management targets for FY2024



Five Key Issues for Our Business and Management Foundation

Key challenges to realize our vision for 2030 are, for business, increase sophistication of the value that we propose, combination of SI × digital, and advance into new fields as well as globally, and, for our management foundation, strengthening ESG initiatives and initiating reforms. We will overcome these issues through growth investments of ¥10.0 billion per year.

For the three key challenges related to business, we aim to evolve into a total SIer that can provide full basic, network, operation and maintenance services while melding industry insights and digital technologies starting from a business model centered on application development.

In addition, we will continue expanding business by creating our own solutions and services one after another. We will widely disseminate know-how gained from these initiatives to expand our solution business and parlaying this effort into further expanding new fields and global business.

To enhance ESG initiatives related to our management foundation, we will continue working to reduce CO₂ emissions 50% while procuring renewable energy as a way to promote environmental and other initiatives.

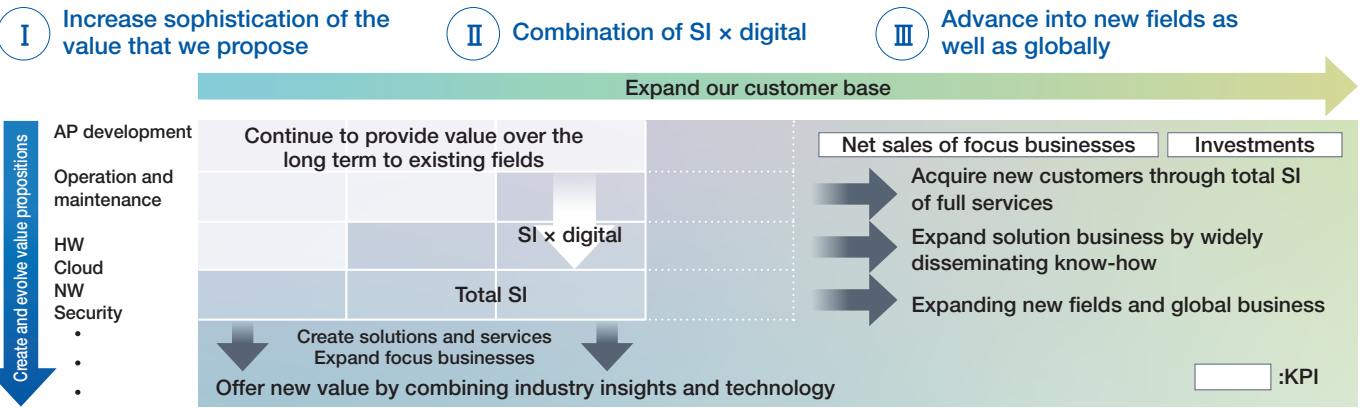
Beginning with the promotion of environmental and other initiatives, we established the Sustainability Committee in April 2022 as an organization to promote sustainability management and will continue to accelerate discussions and responses.

As for enhancing employee engagement and diversity, we will deploy flexible working systems utilizing flextime and maintain telework going forward as a way to ensure a more employee-friendly work environment. We conducted an employee engagement survey in the previous fiscal year. In these and other ways, we are promoting improvements.

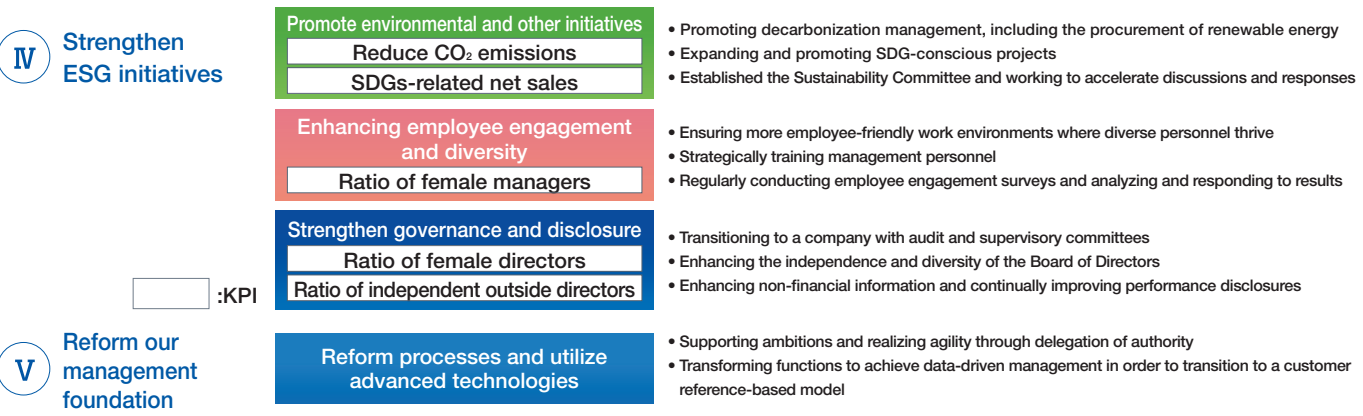
As for strengthening governance and disclosures, we switched to a company with an audit and supervisory committee organizational structure. Also, we have already achieved our targets for a ratio of female directors of 10% or higher and a ratio of independent outside directors of 50% or higher, changes that were approved at an ordinary shareholders’ meeting held on June 23, 2022.

As for reforming our own management foundation, to support employees’ ambitions, we work to operate highly agile organizations through the delegation of authority, and, to transition to a customer reference-based model, we will continue promoting DX for in-house back-office functions aimed at achieving a transformation to data-driven management.

Key challenges: Business



Key challenges: Management foundation



Overview of the Medium-Term Management Plan

Sustainability Management Promotion Structure

Sustainability Committee

In April 2022, we established the Sustainability Committee to further strengthen the Group's environmental and social initiatives, recognizing that an important management issue is realizing a sustainable society while achieving sustainable growth as a company.

The Sustainability Committee is chaired by the Representative Director and President under the supervision of the Board of Directors, and its members mainly comprise directors and executive officers. The committee deliberates sustainability-related basic policies and targets, the formulation of action plans, the evaluation and management of progress toward targets, and individual measures, and regularly reports and offers advice to the Board of Directors. In this way, the

committee will continue working to address various social issues, such as conserving the global environment and creating jobs.

Item	Agenda	Initiatives
Environment	Identifying risks and opportunities related to climate change in line with the TCFD recommendations	Disclosures in the Integrated Report
	Initiatives for the Science Based Targets (SBTs)	Setting targets aligned with SBTs
	Reporting status of environment-related initiatives	Reporting to the Management Council and Board of Directors
Personnel	Personnel Training Strategy and Compensation Strategy	Discussions at Board of Directors Meeting Subsequent to Studies at the Sustainability Committee

Shareholder Return Policy

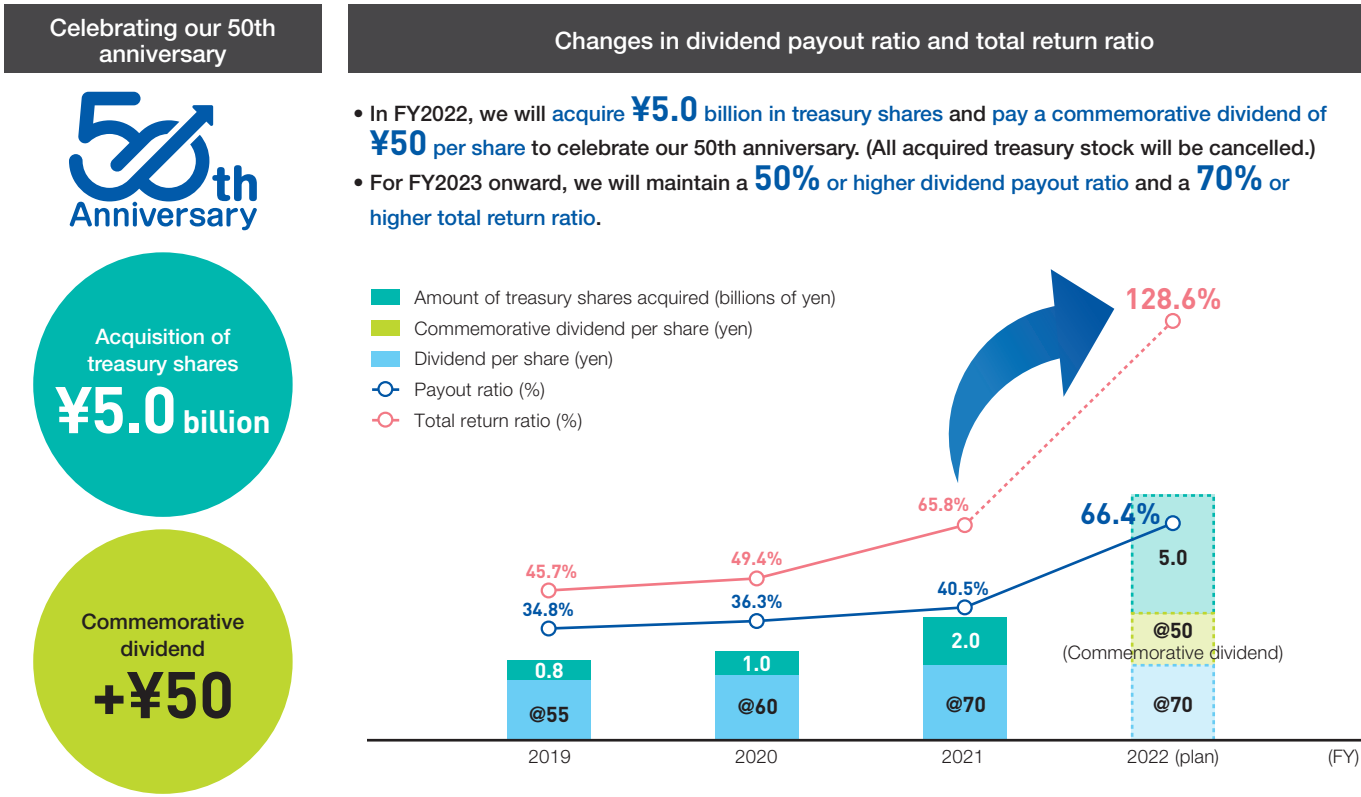
As for shareholder returns under the medium-term management plan, in FY2022 we will acquire ¥5.0 billion in treasury shares and provide a ¥50 per share commemorative dividend to mark the 50th anniversary of our founding. All the acquired treasury shares will be cancelled. We have set a target total return ratio for FY2022 of 128.6%.

From FY2023, in line with our policy of maintaining a dividend payout ratio of 50% or more and a total return ratio of 70% or more, we will continue enhancing the return of profit to

shareholders and implementing dynamic capital measures, such as acquiring treasury shares and stably providing dividends with a base line of achieving the target dividend payout ratio and total return ratio.

Regarding cash allocations during the medium-term management plan period, we plan to employ ¥20.0 billion for shareholder returns and ¥25.0 billion for proactive growth investments. Moreover, if there is cash remaining from growth investments, we will continue to dynamically acquire more treasury shares.

Medium-Term Management Plan —Returns for Shareholders (FY2022)



9

Pursue engagement with greater care and attention

✓

Conduct periodic employee engagement surveys and plan and promote measures to improve engagement scores

✓

Integrate IR and SR functions into the ESG Promotion Department to promote smoother engagement with shareholders and investors

Special Feature: DTS’s Growth Strategies



Minoru Takeuchi
Director and Senior Managing
Executive Officer

Breaking Away from Existing Paths and Building New Growth Models

Under our long-term Vision2030, we outlined our vision as “Become a company that continuously takes on challenges in order to provide value that exceeds expectations” and the value we embrace as “Always enjoy change.”

Our operational knowledge, manufacturing capability, and strong sense of purpose in operations and supervision, which have underpinned DTS’s growth, are strengths we cultivated through commissioned development. I think that because of our past success we have lacked the courage to break away from the largely passive framework we have built. We don’t have much experience outside of commissioned development, and our personnel are fully engaged in commissioned development projects, leaving little room for creating new businesses.

Despite strengthening our project management capabilities, which I already mentioned, there remain issues with the

solution business and core technologies, causing concern that we may not have fully grasped the rapidly expanding digital transformation (DX) movement. To overcome these weaknesses, in 2021 we established the Digital Solution Sector with the catchphrase of “Cloud First.”

Under our new medium-term management plan, we changed our segments to further clarify our direction. To further break away from the previous passive model and craft a new growth model, we have been cultivating a spirit of ambition that is steadily steering us away from the established path as we lean into the creation of our own solutions. We will continue building a conventional revenue generating method that is reliant on the efforts of our people as well as a style of generating revenue through solutions and services. We will also continue effectively utilizing M&A strategies.

Blending Three Segments while Specializing in Industry- and Region-Specific Business as well as Cross-Industry and -Region Business

The new segments comprise the industry- and region-specific Operation and Solutions segment and the cross-industry and -region Technology and Solutions segment and Platform and Services segment.

We created this kind of structure because, since the DX era began, revolutionary technologies have been emerging one after the other and the pace of innovation is ever increasing. Amid this situation, in the Operation and Solutions segment,

which interacts with customers, we are limited in our ability to catch up with the latest technologies and trends. For that reason, although this industry- and region-specific segment further enhances our operational insight and knowledge and focuses on strengthening our relationships with customers, it is the cross-industry and -region Technology and Solutions segment and Platform and Services segment that we have tasked with the role of seeking out the latest technologies.

Expanding Solution Proposals Outside of Focus Fields

It was somewhat inevitable that the Operation and Solutions segment would become more vertically structured. For example, the previous Finance segment had focused solely on the core systems of financial institutions. However, financial institutions employ a wide variety of systems besides core systems, like human resource systems and workflow systems. With the solutions created by the Technology and Solutions

The unique solutions produced by the Technology and Solutions segment are presented to customers by the Operation and Solutions segment. After a solution has been constructed, the Platform and Services segment takes over and provides operational services. In this way, we aim to achieve a business style that melds our three segments.

segment, we are becoming able to more flexibly offer solutions clients need in areas other than core systems.

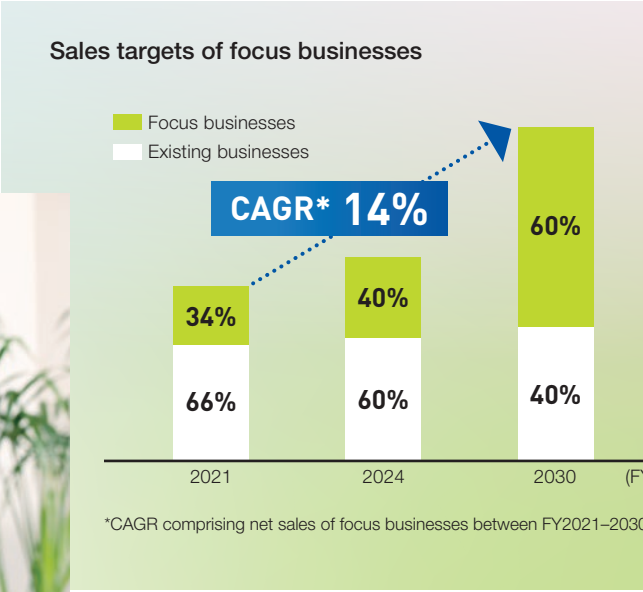
The DTS Group’s ratio of prime business (directly contracted projects) is around 70%. The biggest aim of this segment change is to fully leverage this customer base and demonstrate DTS’s unique competitive advantage in the DX era.

DX-Related Business Defined as Three Growth Fields

Under the previous medium-term management plan, we focused on expanding the SoE-type business, solution package provision-type business, and service provision-type business as DX-related net sales. As a result, we achieved a net sales ratio of 34.4%, exceeding our original target under the previous plan of 25%. At first glance, this appears to be a demonstration of strong performance, but I recognize that our share of the rapidly expanding DX market is still insufficient.

Similarly, regarding the training of DX-related personnel outlined in the previous plan, we smashed through our target of attaining 500 employees with DX-related qualifications, achieving 843 as of March 31, 2022, representing a solid result.

Under the current medium-term management plan, we will continue to position DX-related business as a growth field.



Special Feature: DTS’s Growth Strategies



Offering new high value-added services by adding digital technology to project management capabilities and industry insights

Actively creating industry-specific solutions

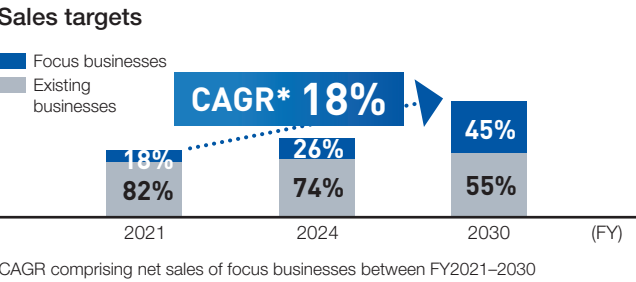
The Operation and Solutions segment combines the four previous segments of Finance, Society, Regional, and Overseas, which directly engaged with customers. This segment is the front line facing our customers, and we need to fully leverage the industry insights and operational knowledge we have cultivated to date.

The previous segments were vertically organized, and we are vertically developing the Technology and Solutions segment and the Platform and Services segment, which are cross-industry and -region, in contrast to the Operation and Solutions segment.

Until now, DTS had focused on commissioned development, meeting customer demand by developing and delivering systems to ordered specifications. Moving forward, we will consolidate our deep operational knowledge of the Operation

and Solutions segment into our own services and focus on offering customers operation-specific solutions.

Regarding the Overseas segment, we will continue striving to expand sales channels for FinCraft products, which are solutions for financial institutions offered by Nelito, into countries in Southeast Asia, eastern Africa, and other regions.



Growth Strategies: Operation and Solutions

Growth Strategies in the Medium-Term Management Plan

I Increase sophistication of the value that we propose

II Combination of SI × digital

III Advance into new fields as well as globally

I Expand modernization business

II Strengthen DX capabilities (blending digital technologies with project management capabilities and operational insights)

III Strengthen co-creative relationships among Group companies in Japan and overseas (across customers, nearshore and offshore)

I Increase new customers by evolving value provided

Initiatives of Focus Businesses

Strengthen cloud architecture-based application development capability (including containers, DevOps, micro services, CI/CD)

Strengthen capabilities for agile and low-code development (including Scrum/ServiceNow, OutSystems, GeneXus)

Expand and further create industry-specific solutions and services (AMLion, DAVinCI LABS, industry-specific solutions)

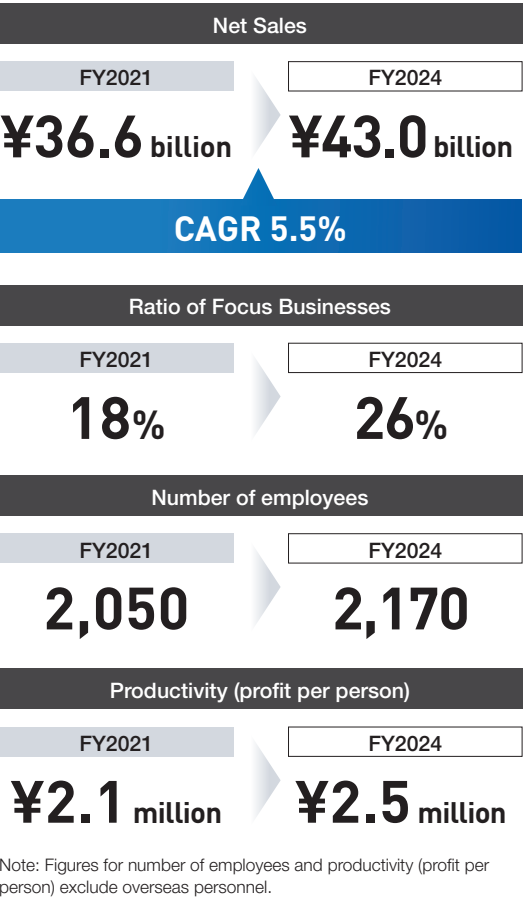
Main Growth Investments

Develop and hire highly skilled personnel (including business consultants, application specialists, business producers, and global personnel)

Conduct R&D to expand the functions of AMLion and Nelito FinCraft

Create industry-specific solutions

Expand strengths, including M&A, and co-create with business solutions producers in Japan and overseas



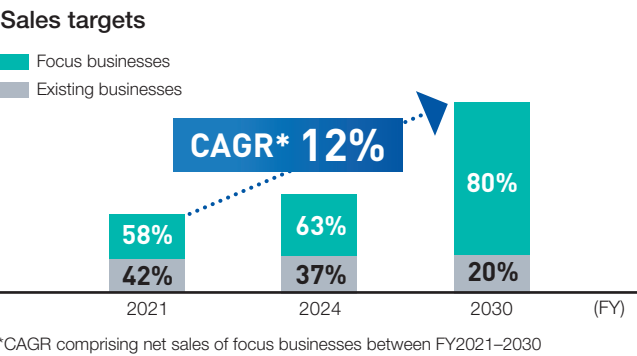
Specializing in digital technology and solutions, and using the latest technologies to meet the diverse needs of customers, regardless of industry or sector

With the recent change in segments, the DTS Group further clarified its role in supporting customers’ DX and cloud businesses.

As a specific new solutions initiative, the DTS Group is promoting the switch to zero-trust security. We will accumulate use cases in-house, based on which we will launch a zero-trust security business, leveraging our experience and accomplishments.

In addition, we reconstructed our internal systems using SaaS-type applications and plan to turn what we have learned into solutions that we will develop into new businesses.

The key to such development will be training keen personnel. We will continue striving to secure and train full-stack engineers, DX consultants, and business producers who can utilize various digital technologies.



Growth Strategies: Technology and Solutions

Growth Strategies in the Medium-Term Management Plan

I Increase sophistication of the value that we propose

II Combination of SI × digital

III Advance into new fields as well as globally

II Further expand cloud infrastructure business, promote the launch of zero-trust security business, and reform our business models

I Further enhance and promote our proprietary solutions and special skills

II Promote the expansion and integration of technological areas in the field of IoT

I Build business models in data-driven areas

Initiatives of Focus Businesses

Enhance our cloud business technologies and reform our business models (including AWS, Azure, ServiceNow, Snowflake, and Okta)

Enhance functions for the expansion of package sales and strengthen ERP business expansion (including Walk in home, GalleriaSolo, and SAP)

Establish the technologies for edge AI and cyber security (including AI, and LSI design (RISC-V, arm))

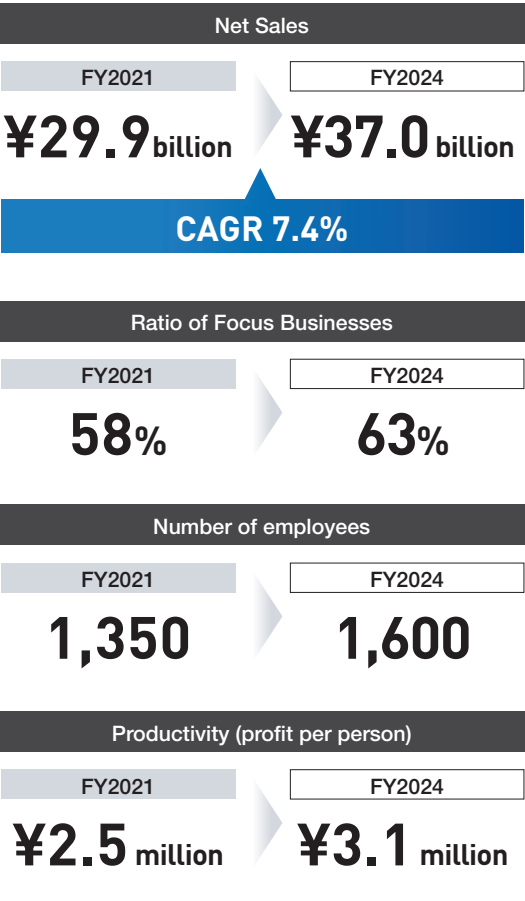
Main Growth Investments

Develop and hire highly skilled personnel (such as infrastructure technology engineers, cloud technology engineers, business producers, and data scientists)

Conduct R&D in the fields of proprietary packages, IoT, AI, and semiconductors

Develop services in the security area

Invest, including equity investments, in areas that need more service development



Special Feature: DTS’s Growth Strategies



Supporting IT environments that customers feel confident using by introducing advanced IT equipment, building IT platforms, and providing operation monitoring services

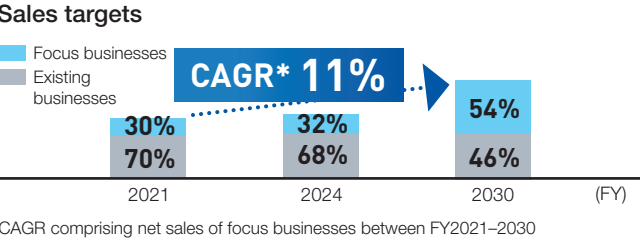
The Platform and Services segment was previously the Operational Infrastructure BPO segment, which provided administrative and monitoring operations for customer websites using a predominantly labor-intensive business style. However, as with the Operation and Solutions segment, by bringing together our diverse experiences and accomplishments to enrich our wide range of customer websites, we will be able to construct a service comprising total solutions for administrative and monitoring business. In this way, we will consolidate our in-depth knowledge and evolve these operations into a business with even higher sophistication and value added.

The strongest weapons in this segment’s arsenal are DTS’s ReSM and ReSMplus, services that support the operation and monitoring of systems and the deployment of cloud technologies.

While maintaining the know-how and quality of enterprise operations, including finance and telecommunications, we have garnered acclaim for our excellent balance of technical expertise,

integrity, and price from major corporations and government agencies, who highly value integrity, as well as from venture companies, who highly value speed and cost effectiveness.

In addition, in June 2021, we made I Net Rely Corporation a wholly owned subsidiary and built a framework to provide comprehensive network infrastructure construction services, including facility operation. From FY2021, we have been steadily building up a track record of collaboration with this subsidiary, and, going forward, will leverage the Group’s strengths to continue working to expand our network solutions business.



Growth Strategies: Platform and Services

Growth Strategies in the Medium-Term Management Plan

I Increase sophistication of the value that we propose

II Combination of SI × digital

III Advance into new fields as well as globally

I Transforming from a labor-intensive business to more sophisticated knowledge-intensive business style

I Expanding service provision through the evolution of service-oriented business

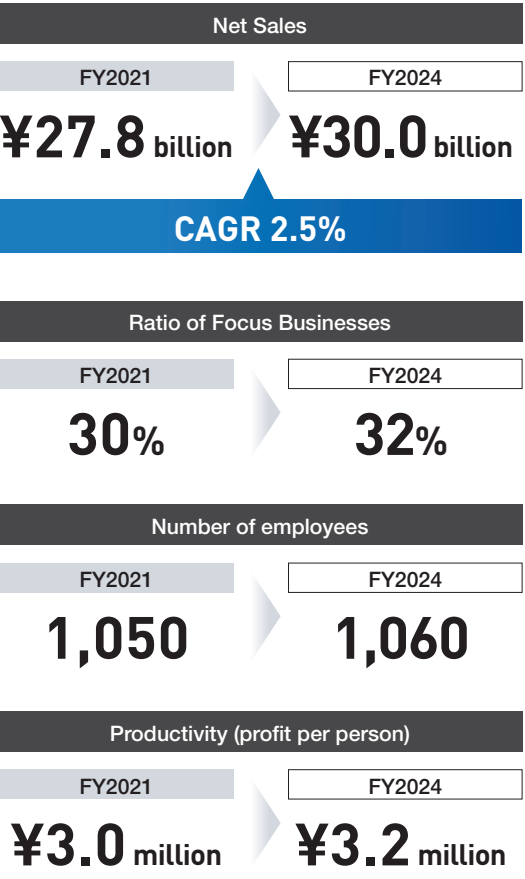
II Promoting customers’ DX business by leveraging our products and services

Initiatives of Focus Businesses

- Expanding our operational services menu centered on ReSM/ReSMplus (including AWS, Azure, ServiceNow, and zero-trust models)
- Enhancing and promoting sales of HybridCloud, Data Management, and other such services (AWS, Azure, VMware Cloud, Telework, HCI, and other backup technologies)
- Promote network integration business (including SDN, 5G, VPN, WAN, LAN, Internet, and security)

Main Growth Investments

- Train and hire highly skilled personnel (including business consultants, infrastructure technology engineers, and cloud technology engineers)
- Conduct R&D to evaluate and deploy new technology
- Establish the Second ReSM Center and a new showroom
- Promote mergers, acquisitions, and alliances to strengthen DX business, including SaaS-type monitoring tools



DTS’s Financial Strategies



Isao Asami
Director and Managing Executive Officer

As Our Performance Takes Off, We Are Inevitably Shifting to an Active Business Model

There was a brief period when customers were reining in IT investments due to pandemic effects, but performance, including orders, leveled off in FY2021. After that, customers became set on the idea that all they needed to change their businesses fundamentally was to invest in IT. This began with a rise in IT investment aimed in part at improving customers’ services, with activity picking up from the beginning of FY2021 first among our competitors with strong packaged solutions and then from the second half of FY2021 for DTS. As a result, we saw net sales grow ¥3,959 million year on year (4.4%) to ¥94,452 million, while operating profit rose ¥379 million (3.5%) to ¥11,196 million, for its 12th consecutive year of growth. Our order backlog was ¥25,980 million, and the strong performance from the second half held steady, getting FY2022 off to a good start.

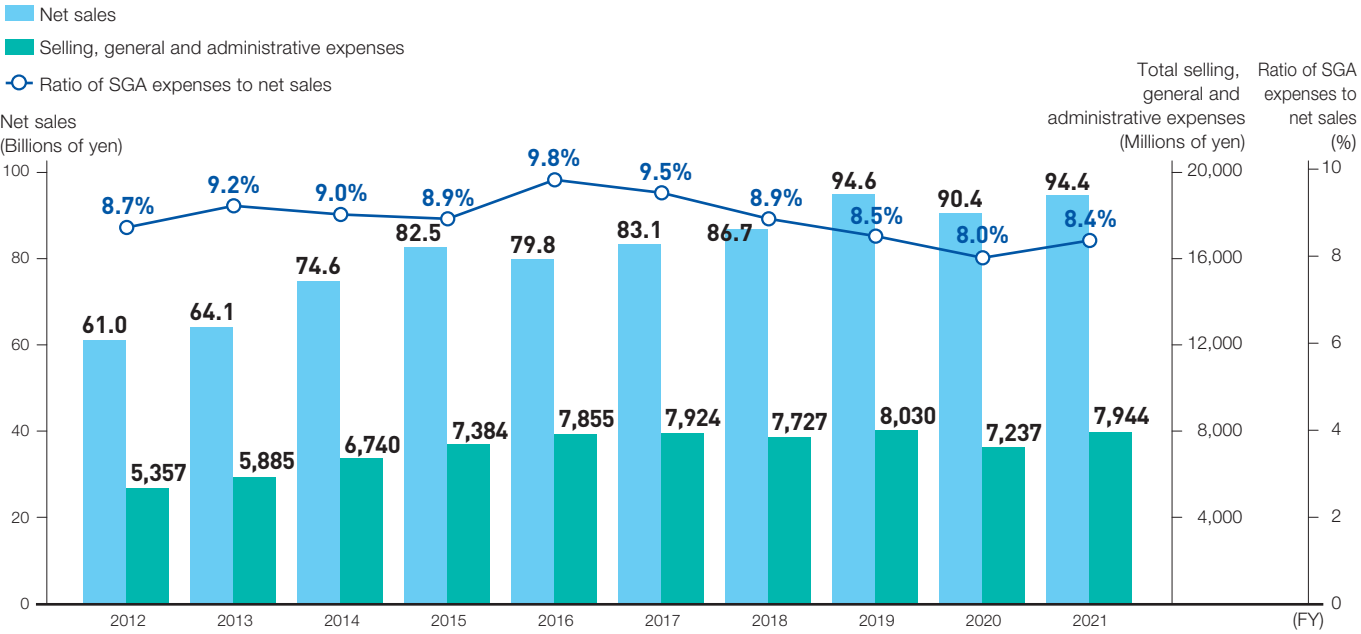
Over the past 10 years, the DTS Group has been honing its project management capabilities and the projects it takes on have grown in scale across the board. Also, although net sales per employee has increased, productivity has gone up and the cost of sales to net sales ratio has been on the decline.

Our capabilities have garnered praise, engendering a positive feedback loop in which with each project adeptly carried out, we get more new inquiries for increasingly large-scale projects.

However, in the last three or four years, the pace of growth in net sales has diminished little by little while the rate of outsourcing has risen, so the cost of sales ratio has not declined significantly. From a financial perspective, our current path offers limited options, so I think it is clearly necessary that the medium-term management plan focus on realizing a more active business approach.

DTS’s Financial Strategies

Net sales; selling, general and administrative expenses; ratio of SGA expenses to net sales



Enhancing Corporate Value through Strong Shareholder Returns and Proactive Growth Investments

The pillar of the current medium-term management plan comprises growth investments of ¥25.0 billion over three years. Until now, we have emphasized safety, refrained from excessive investments, and built up cash on hand. From this point forward we must emphasize establishing a cycle that will expand future sales and profit, improving our overall profit structure through growth investments, including in human resources as a return to employees and enhancing shareholder returns. While maintaining financial soundness, we plan to lower the ratio of cash on hand to total assets, which is now nearly 60%, to around 40% during the medium-term management plan period and to around 30% by the final fiscal year of Vision2030.

As for the ¥25.0 billion in growth investments, we will allocate ¥10.0 billion to M&A and the remaining ¥15.0 billion to human resources, equipment, and R&D.

We consider M&A a necessary expense for incorporating advanced technology and other elements needed for growth going forward and, over the next three years, will conduct a methodical search and make offers to companies we actively want.

Half of the remaining ¥15.0 billion will be used for basic human resources investment. Over the last 10 years, the

overall number of employees has grown across the Group, including through M&A, but on a non-consolidated basis, the number has not changed much from around 3,000. Going forward, we must raise the ratio of employees working on the leading edge, including through new hires. Moreover, we will continue proactively investing in education, such as training DX-related personnel.



Another area we are concentrating our efforts on is R&D, for which we have set aside ¥2.0 billion to be used over three years. To refine DTS’s winning techniques, we spent money on securing cutting-edge technologies from overseas and investigated whether they could be offered to customers as a service.

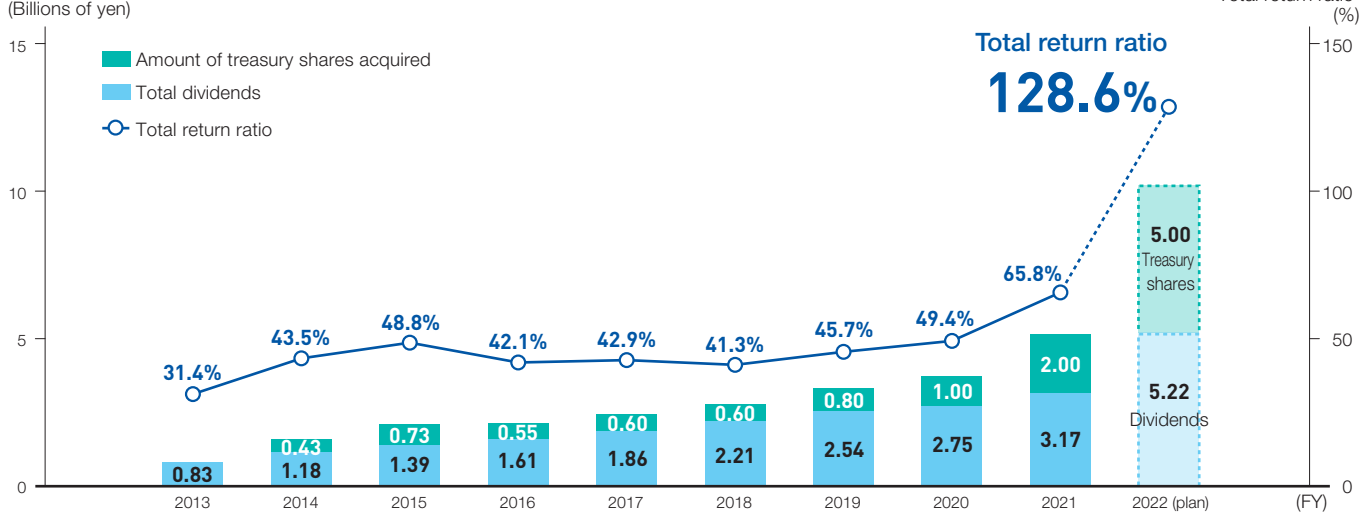
Regarding growth investments overall, I think the biggest issue is how slow we have been to move on new investments.

Aiming to foster an environment where employees can more easily make proposals and take on new challenges, we are revamping our internal systems and promoting the delegation of authority to make things move faster for employees and the overall organization.

Although we are currently in a somewhat regrettable position in which we cannot foresee the full picture, including recovery, I think that there has been real progress in enabling more active innovation.

Finally, if there is anything left over from growth investments, we will conduct further dynamic share buybacks and other such measures. After much discussion, the Board of Directors came to the conclusion that, even though we are aware that investing in the Company itself is important, our policy is to return the remainder of funds earmarked for investment as profit to shareholders. I want to share this policy with all employees.

Shareholder returns



Shareholder Returns

The DTS Group regards the return of profits to shareholders as one of its priority management issues, 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, once business performance, financial position and other factors as well as cash reserves needed for business expansion have been comprehensively considered, implements a flexible capital policy that includes the purchase of treasury shares, aiming to ensure the return of profits to shareholders in the medium- and long-term.

In FY2021, we achieved record-high operating profit and net income attributable to owners of the parent, exceeding

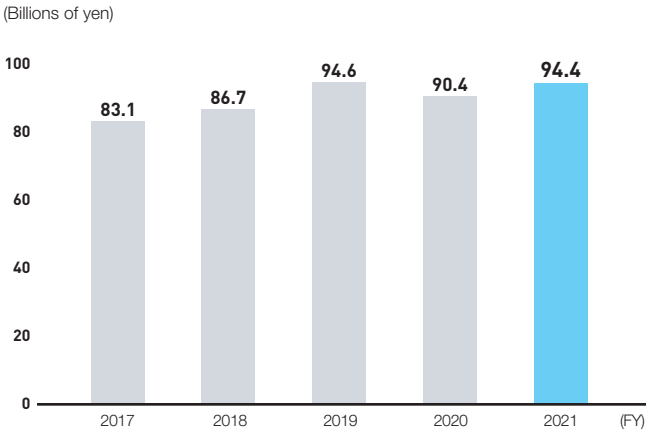
our original performance forecast. We therefore raised our year-end dividend to ¥40 per share, ¥5 higher than forecast. With the ¥30 mid-year dividend already paid, the annual dividend totaled ¥70 per share. Regarding share buybacks, we bought back 385,200 shares from April to June 2021 and 371,900 shares from February to March 2022. In March 2022, we cancelled 1,371,900 shares, a portion of the treasury shares we hold.

Regarding dividends for FY2022, we plan to pay ¥50 per share as a 50th anniversary commemorative dividend. Combined with our normal dividends, we plan to pay ¥120 per share for the annual dividend.

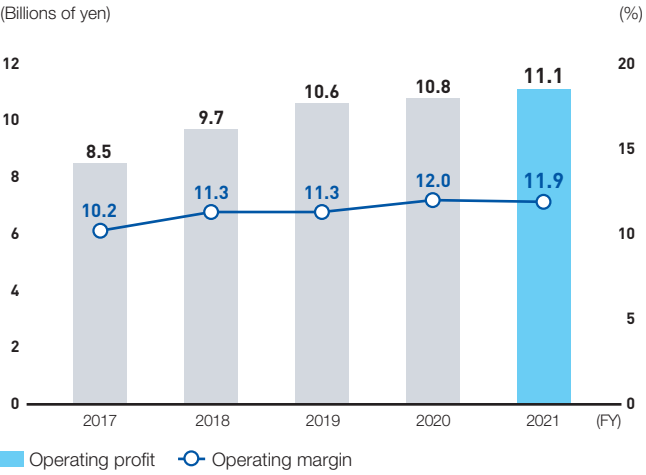
Value Creation Accomplishments (Financial and Non-financial Highlights)

Financial Highlights

Net sales (consolidated)

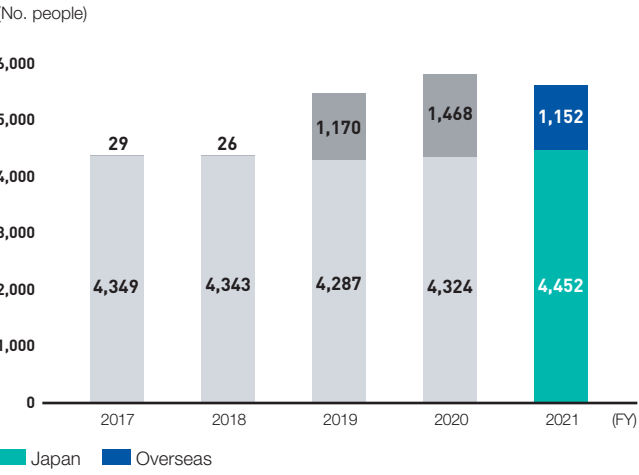


Operating profit/Operating margin (consolidated)

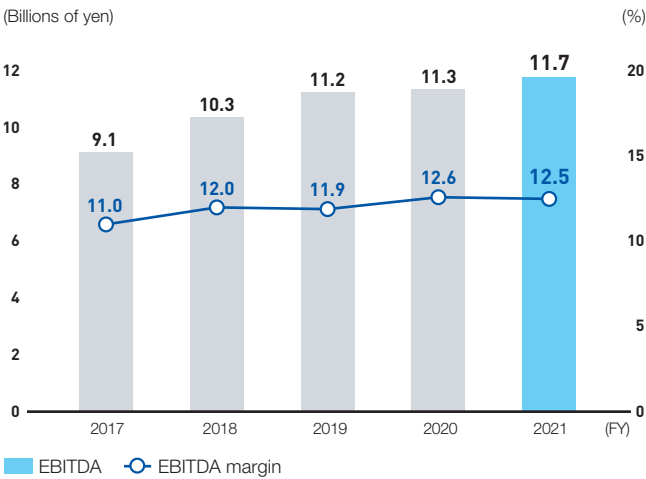


Non-financial Highlights

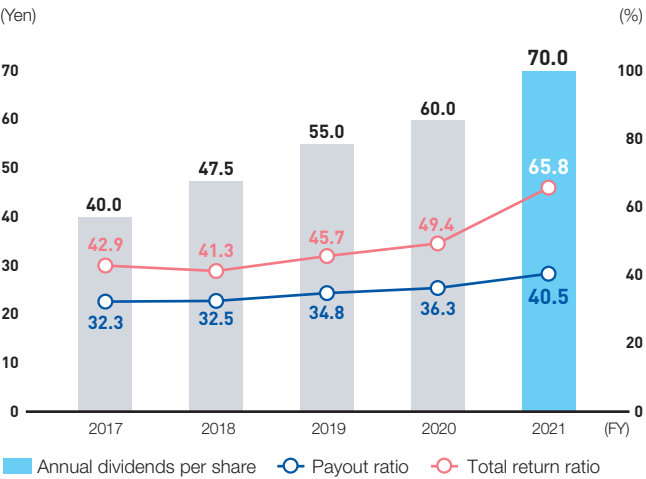
Number of employees (consolidated)



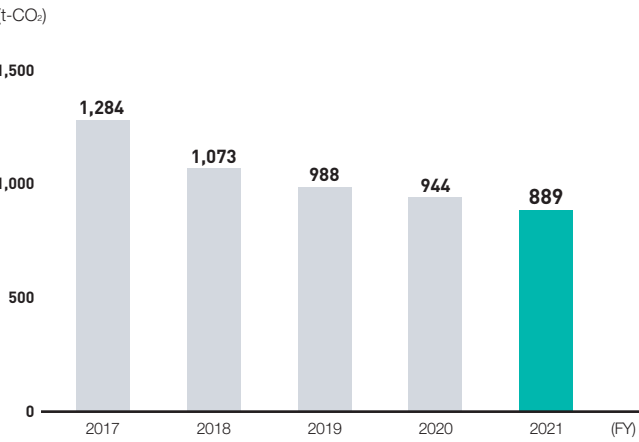
EBITDA/EBITDA margin (consolidated)



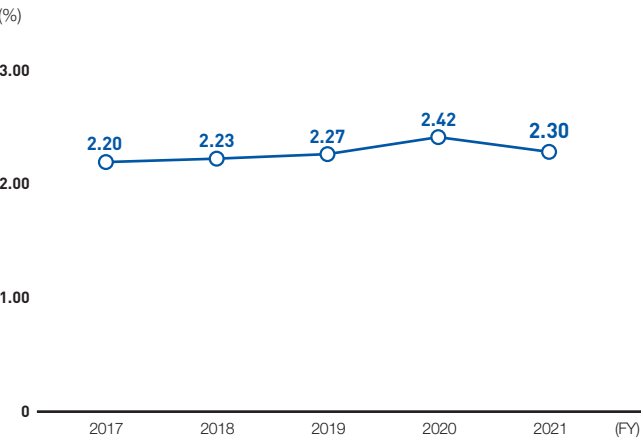
Annual dividends per share/Payout ratio/Total return ratio (consolidated)



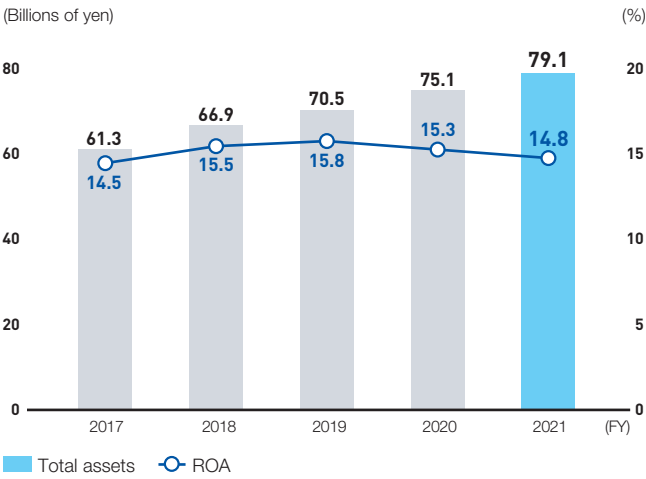
Greenhouse gas emissions (Scope 1 + 2), Group companies in Japan



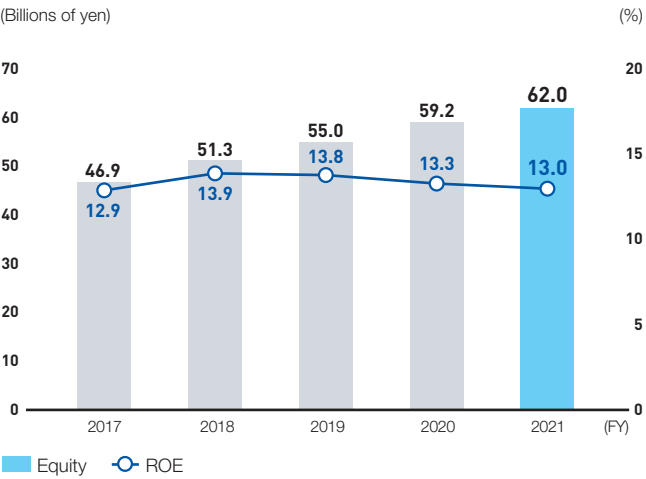
Ratio of employees with disabilities (non-consolidated, yearly average)



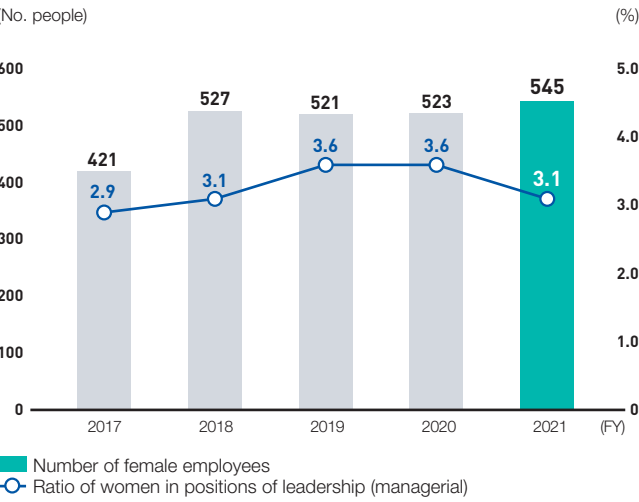
Total assets/ROA (consolidated)



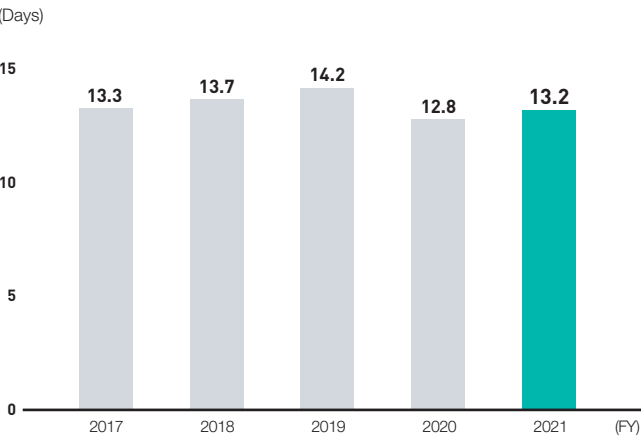
Equity/ROE (consolidated)



Number of female employees/Ratio of women in positions of leadership (managerial)



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



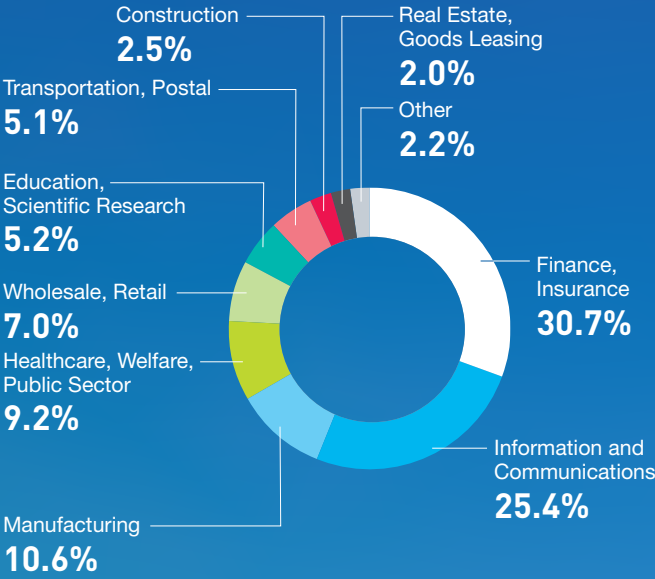
Overview of Each Segment (FY2021)

Net sales by segment

(Billions of yen)	Results	Year-on-year change		Sales composition ratio (year-on-year change)	Progress for initial forecast
Consolidated	94.45	+3.95	104.4%	—	99.4%
Finance and Society	28.42	−0.01	99.9%	30.1% (−1.3pt)	96.4%
Corporate Solutions	27.51	+1.14	104.4%	29.1% (−0.0pt)	96.2%
Operational Infrastructure BPO	27.19	+1.96	107.8%	28.8% (+0.9pt)	103.8%
Regional, Overseas, Etc.	11.31	+0.86	108.3%	12.0% (+0.4pt)	105.7%

Net sales by industrial sector defined by Japan’s Ministry of the Economy, Trade and Industry

(Billions of yen)	Amount	Year-on-year change		Composition ratio
Finance, Insurance	29.04	+1.34	104.8%	30.7%
Information and Communications	24.03	+2.36	110.9%	25.4%
Manufacturing	10.04	−0.18	98.2%	10.6%
Healthcare, Welfare, Public Sector	8.66	+0.66	108.2%	9.2%
Wholesale, Retail	6.57	+0.01	100.3%	7.0%
Education, Scientific Research	4.92	−1.07	82.1%	5.2%
Transportation, Postal	4.82	+0.86	121.9%	5.1%
Construction	2.35	+0.25	112.0%	2.5%
Real Estate, Goods Leasing	1.87	−0.49	78.9%	2.0%
Other	2.11	+0.21	111.3%	2.2%
Total	94.45	3.95	104.4%	100.0%



Order volume and order backlog by segment

(Billions of yen)	Order volume				Order backlog			
	New standard	(Reference) Previous standards			New standard	(Reference) Previous standards		
	Results	Results	Year-on-year change	Composition ratio	Results	Results	Year-on-year change	Composition ratio
Consolidated	97.81	98.80	+7.77 108.5%	—	25.98	45.93	+4.75 111.5%	—
Finance and Society	29.74	30.06	+2.07 107.4%	30.4%	7.61	15.83	+1.63 111.5%	34.5%
Corporate Solutions	27.78	27.82	+0.93 103.5%	28.2%	6.13	8.49	+0.42 105.3%	18.5%
Operational Infrastructure BPO	28.33	28.96	+3.05 111.8%	29.3%	8.76	18.11	+2.04 112.7%	39.4%
Regional, Overseas, Etc.	11.94	11.94	+1.71 116.8%	12.1%	3.46	3.48	+0.64 122.9%	7.6%

Notes: 1. Although we have adopted new accounting standards related to revenue recognition from the first quarter of fiscal 2021, year-on-year comparisons for fiscal 2020 results are made applying the previous standards.
2. Regarding order volume and order balance, fiscal 2021 results are compared with the same period of the previous year using values revised to conform with the old standards.

Overview of Each Segment

Finance and Society

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

Number of segment employees
(as of March 31, 2022)

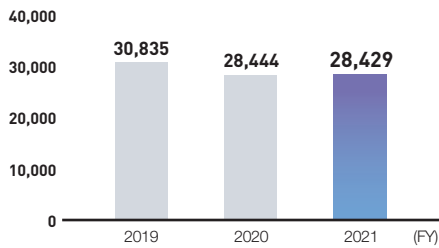
1,316

Number of customers
(as of March 31, 2022)

126

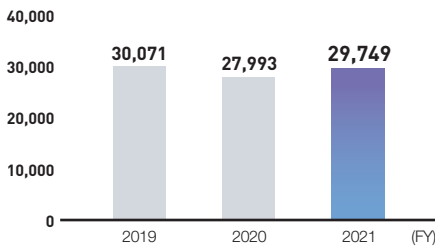
Net sales

(Millions of yen)



Order volume

(Millions of yen)



Strengths of the Finance and Society Segment

A more than 40-year track record in the finance field and industry-leading operational expertise

Strong track record, specialist knowledge, and technological capabilities, along with relationships of trust with customers in the public sector

Finance field

- Since its founding, the Group has built a track record of more than 40 years in developing and maintaining general systems for the finance industry, in such areas as banking, trust banking, and securities.
- Engineers with high-level financial operational knowledge deal with large-scale system integration and system reconstruction, and so forth.

Society field

- The Group has high-level operational knowledge and a wealth of experience and achievements in development in the fields of life insurance, life and non-life insurance, pensions, government agencies, local governments, medical welfare, and telecommunications.
- Scale due to solid track record with major customers and strong trust relationship.

Performance Overview

Due to slower progress in projects for the banking industry, despite robust progress of development projects for the telecommunications industry and securities companies, net sales were ¥28,429 million, down 0.1% compared to the same period of the previous fiscal year.

In June 2021, “AMLion,” a package system that complies with international anti-money laundering standards and supports a wide range of related operations, has been adopted by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. In January 2022, we began providing and offering free trials of our FSA (Financial Services Agency)-guideline-compliant sanctions list verification function to securities, insurance, and credit card companies. We will continue providing not only anti-money laundering and anti-terrorist financing measures, but also trading review management systems for securities companies and crypto-asset exchanges.

In addition, the Group is cooperating with ALTAIR ENGINEERING, LTD to provide countermeasures for false detection and new illegal hacks, which have become a problem for fraud detection for cashless payments, and launched sales of “Illicit Activity Prediction and Detection Solutions,” a hybrid solution that combines AI with a rule-based engine. Going forward, the Group will continue to provide financial institutions with total support for solutions to prevent financial crime.

Furthermore, regarding the “DAVinCI LABS,” platform that allows anyone with operational knowledge to perform data analysis using AI easily, we began providing the SaaS-type cloud service, “DAVinCI Jr,” which can be introduced at lower cost compared to the existing model.

Overview of Each Segment

Corporate Solutions

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

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

Number of segment employees
(as of March 31, 2022)

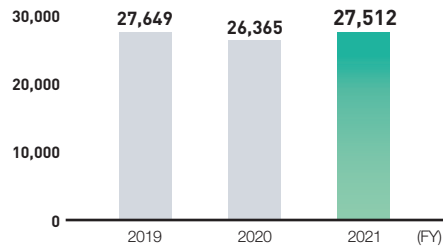
1,226

Number of customers
(as of March 31, 2022)

832

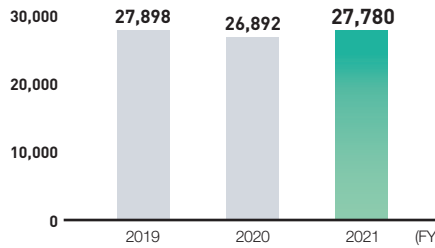
Net sales

(Millions of yen)



Order volume

(Millions of yen)



Strengths of the Corporate Solutions Segment

Wealth of operational knowledge and development track record in diverse industries

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

Corporate solutions field

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

Embedded systems field

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

Performance Overview

Net sales came to ¥27,512 million, up 11.4% compared the same period of the previous fiscal year, due to satisfactory progress in DX-related projects, including cloud-based projects and those utilizing our own packages.

In June 2021, we released a construction management application with the ability to manage and report on construction progress, as well as manage drawings and other documents. In order to further improve the operational efficiency of the construction and real estate industries, we will continue to develop sales that meet the needs of our customers by adding functions and customizing flexibly.

Moreover, for eG-Connector, which provides simple interlinking with the official web portal of Government of Japan, e-Gov's online administrative services,*1 the Group is working to strengthen SAP-related solutions, such as enabling applications for health insurance societies via the Mynaportal (individual number card portal).

In February 2022, the Group began providing “AWS Introduction and Operation Service” to provide consistent support from pre-installation of Amazon Web Services (AWS) to operation and maintenance support.

At DTS INSIGHT CORPORATION, the Group launched sales of “HiFive Unmatched” a new product for SiFive's RISC-V*2 development boards. This product provides a simple method for building RISC-V applications and products for various industries, including the automotive, industrial equipment and office automation equipment industries. Going forward, the Group will work to promote the expansion of sales of RISC-V related products.

*1 Online administrative services are one function of the official web portal of Government of Japan, e-Gov. It is a system that allows online application in place of conventional administrative procedures, thereby removing the need for the application and filing by paper documents.

*2 ISA (Instruction Set Architecture) that has been developed publicly as open source.

Overview of Each Segment

Operational Infrastructure BPO

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

- Operational design and maintenance of total information systems, including cloud-related services and virtual systems
- On-site or remote system administration and monitoring
- System operational diagnosis and optimization services, mainly IT infrastructure
- Sales of system equipment

Number of segment employees
(as of March 31, 2022)

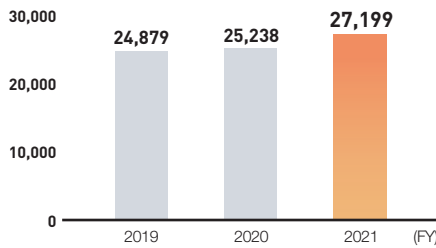
1,017

Number of customers
(as of March 31, 2022)

637

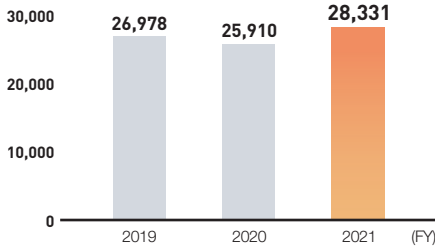
Net sales

(Millions of yen)



Order volume

(Millions of yen)



Strengths of the Operational Infrastructure BPO Segment

Frees clients from cumbersome system 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

- Draws on more than 40 years' experience and know-how to rapidly construct a high-quality operational structure. Supports all domains associated with system 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.
- Offers total support for a variety of work, including assistance for sales and help desks and support for the introduction of RPA.

Infrastructure product field

- Provides a single, integrated service from design to construction of system infrastructure.
- Enables one-stop provision of servers, PC terminals, etc.

Performance Overview

In the infrastructure product field, net sales totaled ¥27,199 million, up 19.6% compared with the same period of the previous fiscal year, due to steady growth in operational design of systems for the telecommunications industry, and the consolidation of I Net Rely Corporation, despite the countereffect of large-scale projects in the previous fiscal year and delayed deliveries caused by the semiconductor supply shortage.

We have also worked to expand sales of “ReSMplus,” which supports internal help desk operations through digital

technology, and to acquire SI projects for “ServiceNow,” which is utilized as a platform for ReSMplus.

In addition, the Group made I Net Rely Corporation a consolidated subsidiary in June 2021 and constructed a system to cover the entire network infrastructure system, including the network systems of facilities. We have built a track record of collaboration since the fiscal year under review, and will work to leverage the strengths of the Group going forward in order to further expand the Network Solutions Business.

Overview of Each Segment

Regional, Overseas, Etc.

The Group provides the following services to regional companies and overseas companies pursuing global development.

- Designing, developing, and maintaining systems and deploying solutions, including a number developed in-house
- Education services in the IT field
- Outsourcing services and designing, developing, operating, and maintaining software

Number of segment employees
(as of March 31, 2022)

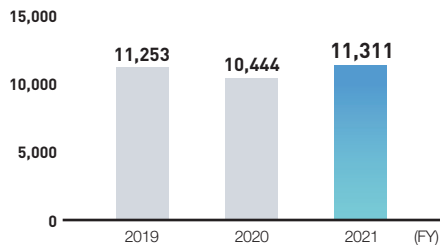
2,045

Number of customers
(as of March 31, 2022)

404

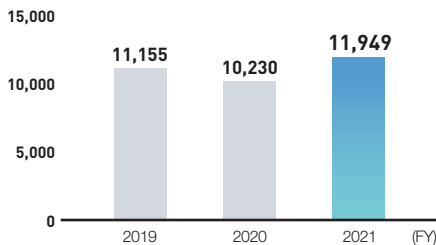
Net sales

(Millions of yen)



Order volume

(Millions of yen)



Strengths of the Regional, Overseas, Etc. Segment

Develop a network in Japan and overseas that extends beyond areas around capital cities to include other regions.

Strengthen our global network to support the expansion of our customers’ global businesses.

Regional field	<ul style="list-style-type: none">• Promotes nearshore development at regional subsidiaries.• Offers services including system integration services and implementation of solutions for local governments and local companies.
Overseas field	<ul style="list-style-type: none">• Promotes offshore development and BPO services at overseas subsidiaries.• Provides system integration services to clients that are Japanese-owned corporate enterprises expanding globally.• Provides solutions for global financial business at overseas subsidiaries.
Others	<ul style="list-style-type: none">• Education and training, skills development, and consultation in the IT field (→ p. 55).

Performance Overview

Net sales were ¥11,311 million, up 8.6% compared with the same period of the previous fiscal year, due to robust performance in development projects for the information and communications industry in the regional field, etc.

In April 2021, DTS SOFTWARE VIETNAM CO., LTD. participated in the “Sao Khue 2021” organized by Vietnam Software and IT Services Association with “Walk in home,” which the company developed under contract from the Company, and won the “Sao Khue Award”^{*1} for the best product and service in the field of new software products and solutions.

In addition, at DTS WEST CORPORATION, the “kotosora,”^{**2} AI-enhanced FAQ solution, has been introduced for the Motor Tax Chat Bot and Competitive Bidding Eligibility Chat Bot of Tottori Prefecture. Furthermore, in the city of Sodegaura, Chiba Prefecture, we conducted verification

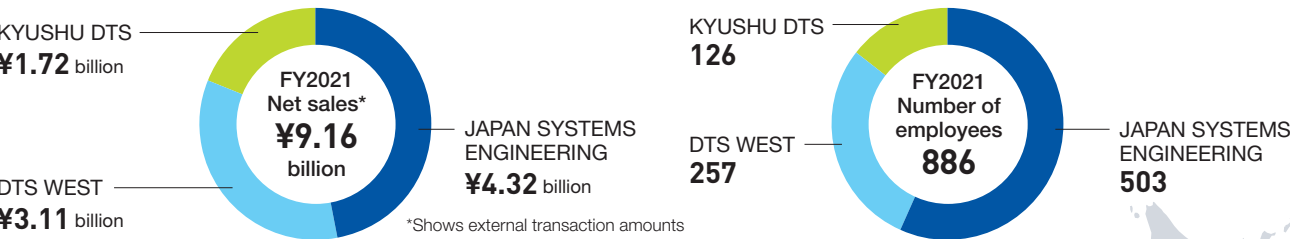
testing of an “Internal AI Chatbot” using the AI FAQ solution “kotosora for LGWAN”^{*3} compatible with the Local Government Wide Area Network.

In addition, to mitigate the risk of infection through contact, we developed a certificate issuing machine for universities using an aerial touch panel, which has been adopted by Kyoto Institute of Technology.

Going forward, we plan to continue to contribute to regional development through previously cultivated know-how and DX technologies.

^{*1} Has been held since 2003 to promote the development of the IT software industry in Vietnam. The award is given to outstanding IT companies and products.
^{*2} A solution for FAQs that uses an AI chat engine to enable natural conversations feel like those of a real person.
^{*3} Multi-language AI chatbot service that can be used on the Local Government Wide Area Network (LGWAN).

Regional field



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, and securities as well as local government operations, involving design, development, infrastructure construction, and operation and maintenance. It has a particularly extensive track record in sales administration.

DTS WEST CORPORATION

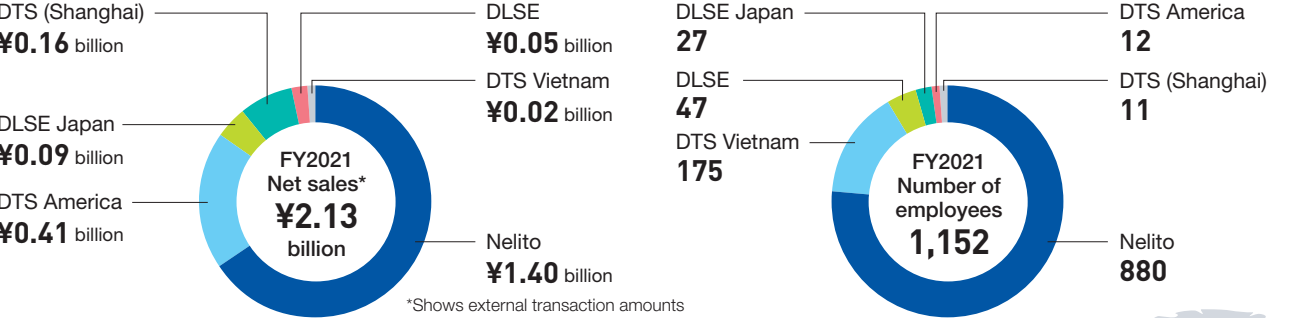
DTS WEST CORPORATION offers system integration services to customers that include organizations involved in firefighting and disaster prevention, manufacturers, and local governments, primarily in Osaka, Kyoto, and Nagoya. The company is also engaging in new businesses focused on CAMBRIC technologies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

KYUSHU DTS CORPORATION

KYUSHU DTS CORPORATION, which originated in the Kyushu region of Japan, engages in system integration services in a variety of fields from finance and enterprise management to public sector work. 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.



Overseas field



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 in addition to developing, selling, and maintaining its own software products.

Japan SuperElectronics Co., Ltd.

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

DTS (Shanghai) CORPORATION

DTS (Shanghai) CORPORATION provides off-shore development and maintenance services high added value, including ERP solutions for manufacturing, retail, and distribution businesses, as well as consulting and upstream processing to help financial institutions achieve operational efficiency.

Nelito Systems Private Limited

Nelito Systems Private 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 offers system integration services, sells its own packages, and undertakes offshore development in North America and Asia.

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, the 3D modeling of construction materials, and data entry, etc., for clients in the financial, communications, 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.