



# DTS (TSE Code: 9682)

## A High-return Growth Company Accelerating its Revenue Structure Diversification and Redefining Slers Through AI and Quantum Infrastructure

### Executive Summary

DTS’s third-quarter results for the fiscal year ending March 31, 2026 demonstrated that its organic growth phase continues, excluding the impacts of the mega-bank special demand reversal that persisted from last year through the first half of this year. Cumulative performance figures set new all-time highs for both net sales and profits.

**Qualitative Shift in Record Profit:** The decline in revenue due to the peak-out of large-scale projects for megabanks was offset by high-margin areas such as housing-related solutions, including EAS (enterprise application services), and fire service systems for local governments. Consolidated operating profit increased by 19.2% year-on-year, setting a new record high.

**Advancements in Focus Business:** Exceeded the final target (57% ratio) of the medium-term management plan ahead of schedule, reaching a sales composition ratio of 61.8%. Structural transformation towards high-value-added business is progressing steadily.

**AI and Quantum Infrastructure Achievements:** Secured an order from RIKEN for the Quantum-HPC Integrated Platform. Established a leading position not only in meeting demand for using AI but also in the domain of building computational infrastructure.

**Stable Delivery Quality:** Rigorous management minimizes unprofitable projects. Operating profit margin increased to 12.5% (up 1.1 percentage points year-on-year).

**Proactive Shareholder Return Policy:** Carried out dividend increases continuously, share buybacks and cancellations, and a share split. The company maintains a strong commitment to maximizing shareholder value with a projected total return ratio of 73.9%.

### KEY STATISTICS



#### Key Stock Statistics

Recent Price (03/06/2026)	¥1,117
52-week High/Low	¥1,362/¥851.2
Shares Outstanding	163,954,928 shares
Market Cap	¥178,000 million
PER	15.5 times
PSR	1.3 times
Dividend (Dividend Yield)	¥35.00 (3.14%)

#### Sector Overview

Sector	Information and Communications
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#### Financials (FY 03/2026 CE)

Sales	¥135,000 million
Operating Profit Margin (%)	11.5%
EBITDA Margin (%)	N/A

#### Management

President & CEO	Tomoaki Kitamura
URL	<a href="https://www.dts.co.jp/en/">https://www.dts.co.jp/en/</a>



## GIR View

### A Resilience to Offset Bank Sector Reversal in Other Areas

Global IR notes that while DTS continues to rely on the banking sector as its primary customer base, it is continuously strengthening its flexibility in order to mitigate impacts from the sector's cyclical nature. During the third quarter, banking sector development revenue declines were strongly offset by municipal fire service system upgrades and the adoption of AMLion, an anti-financial crime solution. While this does not signify a complete break from dependence on megabanks, it demonstrates that risk mitigation through portfolio diversification is beginning to take effect.

### Increased Focus Business Ratio and Enhanced Profitability

The focus business ratio reaching 61.8% signifies more than just a number. Areas like cloud services, security, and AI are productive compared to traditional man-month-based businesses, structurally driving operating profit growth (up 19.2%) that outpaces sales growth (up 8.1%).

### Leading Position in AI and Quantum Infrastructure

RIKEN's order for the Quantum-HPC Integrated Platform proves that DTS is not merely a software development company, but a builder of cutting-edge infrastructure. Securing this national-level project, which leverages NVIDIA's high-performance GPU chips and warm-water cooling technology to address the infrastructure demand driven by the explosive adoption of generative AI, establishes a powerful reference for future private data center projects.

### Vigorous Shareholder Returns

DTS completed a ¥2.5 billion share buyback and cancelled all acquired treasury shares. It has also carried continuous dividend increases while maintaining the payout ratio, in addition to reducing the investment unit through a 4-for-1 share split. These actions collectively demonstrate the company's dedication to maximizing shareholder value and enhancing return on equity (ROE) as its top management priority. The projected 73.9% total payout ratio for the fiscal year ending March 31, 2026 demonstrates the company's unwavering commitment to its investors.



**Figure 1: Consolidated Financial Highlights**

Indicator	FY 03/2026 Q3 (Billions of Yen)	FY 03/2025 Q3 (Billions of Yen)	Year-on-year	Full-year Forecast Progress Rate
Consolidated Net Sales	98.33	91.00	+8.1%	72.8%
Gross Profit	22.27	20.30	+9.7%	73.0%
Operating Profit	12.32	10.33	+19.2%	79.5%
Ordinary Profit	12.73	10.62	+19.8%	80.4%
Profit Attributable to Owners Of Parent	8.52	7.19	+18.5%	78.2%
EBITDA	13.34	11.15	+19.6%	79.9%

Source: Prepared by Global IR, Inc. based on financial results briefing materials and financial results summaries.



# Performance Analysis: True Earnings Potential Overcoming the Drop in Special Banking Demand

## Consolidated Results Overview

For the third quarter of the fiscal year ending March 31, 2026, consolidated cumulative results were as follows: Net sales of ¥98.33 billion (up 8.1% year-on-year), operating profit of ¥12.32 billion (up 19.2%), ordinary profit of ¥12.73 billion (up 19.8% year-on-year), and profit attributable to owners of parent of ¥8.52 billion (up 18.5% year-on-year). All profit indicators reached record highs.

Behind this strong performance lies the story of a decline resulting from a reversal in demand for large-scale projects from megabanks, which existed in the previous fiscal year, being offset by growth in other areas. From an analyst's perspective, this "ability to offset negatives and create positives" is an incredibly commendable point.

## Segment Performance

### Operation and Solutions Segment

Net sales reached ¥39.45 billion (up 1.4% year-on-year), with operating profit at ¥5.48 billion (up 17.3% year-on-year). Sales to banks declined as large-scale development projects for megabanks have peaked. However, this was fully offset by a significant expansion in fire service system replacement projects for local governments. Fire service systems utilize the company's proprietary solutions, yielding higher profit margins than contract development. Furthermore, the increased adoption of the anti-financial crime solution AMLion by online banks and major financial institutions has also enhanced the quality of earnings. The reduction in dependence on banks and the strengthening of the company's presence in the public sector segment resulted in a 17.3% increase in operating profit.

### Technology and Solutions Segment

Results were net sales of ¥34.06 billion (up 8.9% year-on-year) and operating profit of ¥4.25 billion (up 24.6% year-on-year). This segment recorded the highest profit growth for the second consecutive period. Cloud infrastructure upgrades for securities firms and core system renovations for staffing and IP business companies performed well. Expansion in the EAS domain (ServiceNow, intra-mart, mcframe, etc.) was particularly notable. Development utilizing these platforms delivers faster than scratch development and offers more stable profit margins. Unprofitable projects identified last fiscal year were eliminated this period, with improved delivery quality directly contributing to margin improvement (+1.2 percentage points year-on-year).

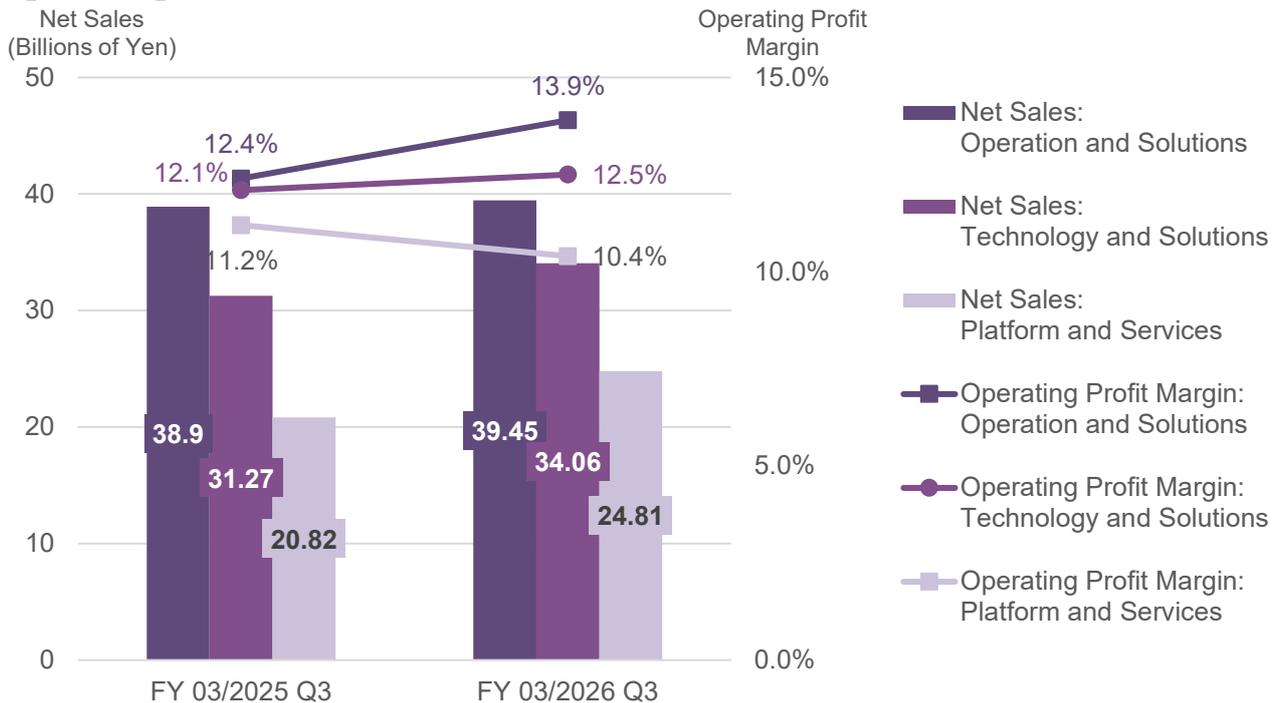
### Platform and Services Segment

Net sales reached ¥24.81 billion (up 19.2% year-on-year), with operating profit at ¥2.58 billion (up 15.2% year-on-year). This segment is benefiting most directly from the generative AI boom. Projects to build generative AI infrastructure, such as GPU servers for data centers, are surging significantly, substantially boosting sales.



Furthermore, the lifecycle management services, which provide comprehensive support for financial institutions, ranging from PC deployment through to ongoing maintenance, continues its steady growth. This is driven by the adoption of hybrid work and heightened security requirements. While profit growth remained at 15.2% compared to the sharp sales increase, this is partly due to the inclusion of some lower-margin product sales. However, the accumulation of order backlogs is laying the groundwork for future operational and maintenance profits.

**Figure 2: Segment Performance**



Source: Prepared by Global IR, Inc. based on financial results briefing materials and financial results summaries.

## Focus Business and Accelerating Transformation

Focus business represents a key metric symbolizing DTS’s strategic success. The company defines a total of seven focus business areas consisting of five concentrated investment areas and two forward-looking investment areas. These areas do not merely follow market trends but rather represent the intersection of DTS’s long-cultivated domain expertise (finance, manufacturing, public sector) with cutting-edge technologies (AI, cloud), serving as key differentiators against competitors. The seven investment areas defined by DTS currently divide roles between mature areas driving scale expansion and “strategic areas securing future profits,” capturing customer investment intent across all fronts.

The seven investment areas defined by DTS are currently divided between two roles: (1) mature areas to drive expansion, and (2) strategic areas to secure future earnings. Together, these two roles are capturing investment



appetite on all fronts. The primary drivers of current growth are the five concentrated investment areas, particularly cloud computing & modernization and EAS. These capture the actual demand for migrating existing core systems to ServiceNow, mcframe, or proprietary solutions, achieving both double-digit sales growth and improved profit margins. Meanwhile, AI and generative AI are expected to be key growth drivers going forward. As discussed later, the infrastructure construction project secured from RIKEN suggests this domain is moving beyond the forward-looking investment phase and beginning to materialize as concrete business opportunities worth hundreds of millions of yen or more. Linked to this, the CX domain, which enhances value-added at customer touchpoints, will create new system integration (SI) demand, bridging core systems and front-end applications. Below are highlights of progress in each area.

### **1. Cloud Computing & Modernization**

Large-scale core system redesign projects for the insurance industry and hybrid environment construction for data center operators remain robust. DTS is capturing the irreversible shift from legacy systems to cloud migration on the customer side and strengthening collaboration with vendors, such as obtaining certification under Microsoft's Solution Partner program for Azure.

### **2. Data Utilization**

The company is developing platforms to integrate scattered data for mobility operators and supporting data cleaning using Informatica for automotive parts manufacturers. This domain underpins data-driven management, the core of DX. While small-scale, it involves strong upstream consulting elements and offers high added value.

### **3. Security & Managed Services**

DTS is advancing the implementation of AMLion, an anti-financial crime solution for online banks, and building zero trust security environments for securities firms. Amid heightened economic security concerns, security is shifting away from being a cost to being an investment for many companies. The company covers the entire lifecycle from detection to response by combining this with its ReSM operational services.

### **4. Enterprise Application Services (EAS)**

Progress was made in digitizing internal workflows using ServiceNow, revamping production management with SAP and mcframe, and deploying the proprietary fire service solution FireWeb. This domain is where DTS's expertise in understanding operational needs is most effectively leveraged. The fire service system, in particular, boasts distinctive achievements as a flagship solution for municipal digital transformation (DX).



## 5. IoT & Edge Technologies

IoT & edge technologies are a suite of solutions that unite the physical world, referred to as operational technology (OT), with the digital world, known as information technology (IT). This domain specifically includes in-vehicle embedded software development for automakers and inventory management efficiency solutions using RFID technology for airport duty-free shops. The company's strength lies in its ability to seamlessly cover everything from chip-level layers to the cloud through collaboration with its group company, DTS INSIGHT.

## 6. AI & Generative AI

DTS is securing and executing projects to build generative AI computing infrastructure for RIKEN and private data centers. Additionally, the company performs code generation using AI agents within its own development environment. While this is a forward-looking investment area, DTS is steadily securing infrastructure projects worth hundreds of millions to over ¥1 billion, such as the RIKEN project. DTS is off to a strong start towards its 2030 fiscal year sales target of ¥10 billion.

## 7. CX (Customer Experience Value)

DTS is securing and carrying out digital marketing support for retailer-operated banking services and a CRM (Customer Relationship Management) system rebuild using Salesforce for a megabank. Demand is rapidly increasing for providing digital experiences equivalent to in-person interactions, driven by bank branch reductions and digital shifts.

**Figure 3: Focus Business Segment Performance (FY 03/2026 Q3)**

Area Category	Area	FY 03/2026 Q3 Actual Net Sales (Billions of Yen)	Percentage of Focus Business Net Sales to Total	FY 03/2026 H1 Actual Net Sales (Billions of Yen)
Concentrated Investment	<b>Cloud Computing &amp; Modernization</b>	<b>20.2</b>	<b>33.3%</b>	13.9
Concentrated Investment	Data Utilization	1.9	3.1%	1.2
Concentrated Investment	Security & Managed Services	5.3	8.7%	3.4
Concentrated Investment	<b>Enterprise Application Services</b>	<b>10.7</b>	<b>17.6%</b>	7.0
Concentrated Investment	IoT & Edge Technologies	7.7	12.7%	5.2
<b>Forward-looking Investment</b>	<b>AI &amp; Generative AI</b>	<b>2.6</b>	<b>4.3%</b>	2.0
Forward-looking Investment	<b>CX (Customer Experience Value)</b>	<b>2.1</b>	<b>3.5%</b>	1.4
Other	-	10.2	16.8%	7.1

Source: Prepared by Global IR, Inc. based on financial results briefing materials.



## Delivery Quality

In the IT industry, the biggest factor weighing on profits is the occurrence of unprofitable projects due to inadequate requirements definition or development delays. Amid such industry-wide occurrences, DTS boasts a minimal occurrence of unprofitable projects during the current fiscal period. This is possible, the company explains, due to rigorous project management systems and ongoing verification of AI applications in development processes, which reduce human error and ensure consistent quality. For investors, the benefit is enhanced predictability of profit margins. Precisely because unprofitable projects are few, the operating profit margin for the third quarter rose by 1.1 percentage points to 12.5% (compared to 11.4% in the same period last year).



## Strategic Topics: Expanding Presence in Cutting-Edge AI and Quantum Computing Fields

The biggest surprise in the third-quarter earnings was the contract win to build the system for the Quantum-HPC Integrated Platform Supercomputer Project led by RIKEN. DTS is increasingly revealing its role not just as a software development company, but also as a designer of infrastructure supporting the world's most advanced science. Meanwhile, concerns are also emerging from macro factors related to AI.

### The Significance of the RIKEN Project as a Symbol of AI's Real Demand

This project will create an “orchestration platform” by linking the supercomputer Fugaku, a quantum computer, and a GPU supercomputer for generative AI. This enables calculations in new fields (such as new drug development and new material design) that were impossible with conventional computing power.

Technologically, the project leverages NVIDIA's high-performance GPUs, ultra-high-speed networks, and warm-water cooling technology that address the thermal management challenges inherent in data centers. The integration capability required to combine these elements for stable operation is possessed by only a limited number of system integrators. This project also signifies the company's **entry into the AI infrastructure market**. While many companies are currently exploring generative AI adoption, the key challenge lies in securing and optimizing computational resources. DTS's selection by RIKEN suggests it will become a strong, near-first-call candidate for major corporations seeking to build private data centers or their own AI infrastructure.

While many players amid the generative AI boom are users of AI, those capable of building the complex infrastructure to power AI remain scarce domestically in Japan. The expertise gained from RIKEN's project in areas like warm-water cooling and high-speed network construction represents essential technologies for next-generation data centers. We believe it is necessary to recategorize DTS as an AI infrastructure company that possesses top-tier Japanese domestic expertise in this domain.

### SaaS Shock as an External Environmental Risk

Concerns over the SaaS shock—with AI agents replacing existing SaaS—that occurred in February 2026 shook the entire IT services sector. However, DTS possesses the resilience and strategy to turn this headwind into a tailwind.

#### 1. Paradigm Shift from Person-Months to Value

While AI automation threatens the traditional person-month-based model, DTS is actively transitioning to value-based pricing. AI application in manufacturing and testing processes is already in the verification phase. DTS is currently working to build a structure that directly links improved development speed and project responsiveness through AI utilization to enhanced profitability.



## 2. The Impermeability of Mission-Critical Domains

In large-scale, core systems (mission-critical domains), such as those of financial institutions, it is difficult to envision AI completely replacing humans in the short term. From the perspective of requirements definition and quality assurance, a process where humans intervene while utilizing AI as a tool is indispensable. DTS's domain knowledge (expertise in understanding operational needs), cultivated over many years, will become a competitive advantage in the AI era.

## 3. Creating New SI Demand: The Integration of Infrastructure and AI

Even as SaaS alternatives advance, the need to securely integrate and operate them with data platforms and core systems will only increase. Complex infrastructure construction required to run AI, exemplified by projects like RIKEN's, remains beyond the capabilities of AI agents. As the builder of AI infrastructure, DTS is well-positioned to reliably capture the integration demand that accompanies AI adoption in private data centers and major corporations.

## Impact of Generative AI on Development Processes

For DTS's primary customers in the financial sector, a cautious approach to adoption is expected to continue for the foreseeable future. Consequently, a rapid expansion of AI utilization in the short term is not anticipated. While this may be the case, it is also important to note that DTS has already completed verification of generative AI-powered development within its manufacturing and testing processes. This represents less of a new introduction and more of a replacement and enhancement of automation tools the company has cultivated over time.

Currently, DTS is participating in projects for major S1er clients that adhere to development standards incorporating AI utilization, including in upstream processes. Based on the know-how accumulated there, DTS is advancing the formulation of its own proprietary development standards. Going forward, applying these standards to its own prime projects and shifting to value-based pricing will significantly increase the likelihood that productivity gains directly translate into improved profit margins.



## Progressive Evolution of the Revenue Structure: Moving Away from Reliance on Specific Customers

The fundamental shift in DTS's investment value lies in the qualitative evolution of its revenue structure. It is evolving from a business model dependent on the banking system renewal cycle into a company capable of more autonomous growth, driven by two pillars: its proprietary solutions and its AI infrastructure development capabilities.

## Conservative Earnings Forecast and Expectations for Next Fiscal Year

Although the operating profit progress rate of 79.5% for the third quarter is the highest level on record, the full-year forecast remains unchanged. This is due to changes in the project mix for the fourth quarter. While high-margin contract development projects for banks are wrapping up, the Platform and Services segment is expected to record large-scale product projects (such as GPU servers) with relatively lower profit margins.

While this appears as a temporary profit margin slowdown, it represents a sound process to transition into recurring revenue business—specifically, operation and maintenance—starting next fiscal year and beyond, by completing infrastructure construction projects like the RIKEN project. Global IR analysis suggests that the conservative fourth-quarter figures will heighten expectations for growth rates in the next fiscal year's initial forecasts.

## Reduced Specific Customer Risk and Established Resilient Growth

The fact that DTS achieved record profits in a period where the banking sector's special demand, present in the previous fiscal year, had faded signifies that the company has established a structure no longer dependent on the financial cycle. Its diversified portfolio across the public sector, manufacturing, and information and communications now simultaneously possesses resilience against economic fluctuations (resilience) and the growth potential to capture DX demand (growth potential).

DTS's third-quarter results not only demonstrate that the shift towards its focus businesses is yielding results faster than anticipated, but also prove its execution capability by filling the gap left by mega-bank projects with quantum-HPC infrastructure, thereby setting a new profit record. This performance significantly outpaces its current valuation, which is around a PER of 16 times. The time has come to discern the true value of the "new DTS," which has achieved structural advancements independent of short-term sentiments.

**Figure 4: Consolidated Results**

Accounting Period	Net Sales (mn)	YoY (%)	Operating Profit (mn)	YoY (%)	Ordinary Profit (mn)	YoY (%)	Profit (mn)	YoY (%)	EPS (Yen)	PER (Times)
FY 03/2016	82,537	110.6	7,599	118.2	7,707	118.2	4,341	117.6	186.6	11.5
FY 03/2017	79,858	96.8	7,986	105.1	8,093	105.0	5,121	118.0	222.4	12.4
FY 03/2018	83,163	104.1	8,523	106.7	8,574	105.9	5,765	112.6	247.9	14.8
FY 03/2019	86,716	104.3	9,789	114.8	9,929	115.8	6,817	118.2	292.2	14.0
FY 03/2020	94,618	109.1	10,674	109.0	10,849	109.3	7,317	107.3	158.0	11.9
FY 03/2021	90,493	95.6	10,817	101.3	11,131	101.3	7,593	103.8	165.4	15.2
FY 03/2022	94,452	104.4	11,196	103.5	11,403	102.4	7,853	103.4	172.7	15.5
FY 03/2023	106,132	112.4	11,694	104.4	11,932	104.6	8,001	101.9	181.4	17.7
FY 03/2024	115,727	109.0	12,508	107.0	12,831	107.5	7,293	91.1	168.5	23.8
FY 03/2025	125,908	108.8	14,489	115.8	15,457	120.5	10,635	145.8	253.8	15.7
FY 03/2026 CE	135,000	107.2	15,500	107.0	15,850	102.5	10,900	102.5	-	-

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

Note: Figures are rounded to the nearest million yen, or to the first decimal place. CE: "Company Estimate"



## Management Indicators

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

Accounting Period	FY 03/2022	FY 03/2023	FY 03/2024	FY 03/2025	FY 03/2026				Full-year (CE)
					Q1	Q2	H1	Q3	
Operating Revenue	94,452	106,132	115,727	125,908	32,908	34,018	66,926	31,409	135,000
YoY (%)	103.3	110.0	109.0	108.8	113.9	109.9	111.8	100.8	107.2
Profit Before Tax	11,384	11,637	11,592	15,131	3,946	4,286	8,232	4,455	15,850
YoY (%)	102.6	102.2	99.6	130.5	130.1	119.5	124.6	111.3	104.8
Profit Before Tax Margin (%)	12.1	11.0	10.0	12.0	11.2	12.6	12.3	14.2	11.7
Profit Attributable to Owners of Parent	7,837	8,005	7,293	10,635	2,696	2,770	5,466	3,125	10,900
YoY (%)	102.7	102.1	91.2	145.8	132.1	114.3	122.7	112.9	102.5
Profit Margin (%)	8.3	7.5	6.3	8.4	8.2	8.1	8.2	9.9	8.1

### Per Share Data (Consolidated)

Accounting Period	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024	FY 03/2025
Total Number of Shares Issued and Outstanding (Thousand Shares)	50,445	49,073	47,591	46,854	41,498
EPS	165.49	172.78	181.41	168.51	253.80
EPS Adjusted	-	-	-	-	-
BPS	1293.61	1376.05	1408.81	1451.61	1440.87
DPS	60.00	70.00	120.00	103.00	127.00

### Cash Flows (Millions of Yen)

Accounting Period	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024	FY 03/2025
Depreciation and Amortization	535	532	608	628	703
Cash Flows from Operating Activities	9,459	7,589	7,642	10,410	9,181
Cash Flows from Investing Activities	(787)	(139)	(931)	(8,516)	(2,322)
Cash Flows from Financing Activities	(3,848)	(5,025)	(9,095)	(7,817)	(16,087)

### Financial Data (%)

Accounting Period	FY 03/2021	FY 03/2022	FY 03/2023	FY 03/2024	FY 03/2025
Return on Assets (ROA)	10.1	9.9	9.9	8.8	13.2
Return on Equity (ROE)	13.3	13.0	13.0	11.8	17.7
Equity-to-asset Ratio	78.8	78.4	76.1	73.4	72.2

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

Note: Figures are rounded to the nearest million yen, or to the first decimal place. CE: "Company Estimate"



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