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August 3, 2012

## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2013 <under Japanese GAAP>

Company name: **DTS Corporation**  
 Stock listing: Tokyo Stock Exchange, First Section  
 Stock code: 9682  
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Scheduled date to file quarterly securities report: August 9, 2012  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Million yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2013 (from April 1, 2012 to June 30, 2012)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2012	14,626	5.6	605	41.5	636	36.2	307	22.3
June 30, 2011	13,853	(2.0)	427	96.6	466	63.9	251	370.0

Note: Comprehensive income  
 Three months ended June 30, 2012: ¥342 million [35.7%]  
 Three months ended June 30, 2011: ¥252 million [574.0%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2012	12.95	–
June 30, 2011	10.59	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2012	41,535	31,633	72.6
March 31, 2012	42,065	31,679	71.8

Reference: Equity  
 As of June 30, 2012: ¥30,150 million      As of March 31, 2012: ¥30,187 million

## 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2012	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2013	–				
Fiscal year ending March 31, 2013 (Forecasts)		15.00	–	15.00	30.00

Note: Revisions to the forecasts of dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2012	29,700	5.3	1,150	13.3	1,200	12.4	600	17.7	25.24
Fiscal year ending March 31, 2013	61,000	6.3	3,500	17.7	3,550	15.7	1,800	15.7	75.71

Note: Revisions to the earnings forecasts most recently announced: None

### \* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For the details, please refer to ' (2) Application of specific accounting for preparing quarterly consolidated financial statements in 2. Matters Regarding Summary Information (Notes), ' on page 5 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: Yes

d. Restatement of prior period financial statements after error corrections: None

Note: The above changes are based on Article 10-5 of the 'Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.' For the details, please refer to ' (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections in 2. Matters Regarding Summary Information (Notes), ' on page 5 of the attached materials.

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2012	25,222,266 shares
As of March 31, 2012	25,222,266 shares

b. Number of treasury shares at the end of the period

As of June 30, 2012	1,446,904 shares
As of March 31, 2012	1,446,904 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2012	23,775,362 shares
Three months ended June 30, 2011	23,775,383 shares

\* **Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

\* **Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

For matters regarding the above earnings forecasts, please refer to '(3) Qualitative information regarding consolidated earnings forecasts in 1. Qualitative Information Regarding Settlement of Accounts for the First Three Months,' on page 4 of the attached materials.

**Attached Materials**

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## 1. Qualitative Information Regarding Settlement of Accounts for the First Three Months

### (1) Qualitative information regarding consolidated operating results

In the three months under review the Japanese economy showed signs of gradual recovery driven mainly by reconstruction-related demand following the Great East Japan Earthquake. However, conditions remained unstable due to a continuing slowdown in overseas economies caused by the prolonged sovereign debt crisis in Europe and the resulting concern over appreciation of the yen, among other factors. In the information services industry, although there is heightened demand for services including system renewal and infrastructure optimization, demand for lower priced services is becoming ever stronger due to customer companies shifting their investment in information technology overseas and their growing use of cloud computing.

Under these circumstances, the DTS Group concentrated on several areas for the final year of its three-year medium-term comprehensive plan to be a “Value Solution Provider,” which commenced in April 2010. Specifically, the Group worked on the development of core businesses to become pillars alongside finance and communications, the creation of new planning-type businesses, and the establishment of a business base for global business development. In order to achieve these aims, the Group is actively implementing various initiatives aimed at boosting corporate value. These include ‘enhancing SI capabilities’ primarily by strengthening project management; ‘proactively utilizing alliances’ with the aim of business expansion through cooperation with other companies; ‘strengthening the collective strength of the Group,’ thus furthering coordination among group companies in accordance with each core business field; and ‘strengthening management infrastructure’ by renewing the information systems that underpin the management base.

Specifically, as an initiative to create new planning-type businesses, the Group has started the provision of ‘EAGISCORP,’ a SaaS-type computer log management and information leak countermeasure service for the products of general electronics manufacturers. Furthermore, as an initiative to establish a business base overseas, the Group has started the provision of an outsourcing service for creating design drawings of stand-alone houses in partnership with CAD centers of Vietnam. As an initiative to strengthen management infrastructure, in April 2012 the Group introduced and started operating a new personnel system, which is aimed at spurring self-sustainable innovation by organizations and their employees by treating employees based on their roles and achievements.

In addition, with the aim of meeting the expectations of its customers and the rest of society, as well as deserving their trust, the Group is making ceaseless efforts in such areas as strengthening its compliance structure, environmental measures and information security measures, under the understanding that such efforts will contribute to medium- to long-term improvement in corporate value.

As a result of the above, consolidated operating results in the three months under review were as follows.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	14,626	5.6	8,249	2.9
Operating income	605	41.5	494	38.6
Ordinary income	636	36.2	593	24.2
Net income	307	22.3	364	(1.4)

<Breakdown of net sales>

(Million yen)

		Consolidated		Non-consolidated (Reference)	
			Year-on-year change (%)		Year-on-year change (%)
Information Service	System Engineering Services	8,538	5.9	5,564	3.9
	Operation Engineering Services	3,294	0.0	2,607	1.0
	Product Services and Others	1,709	27.9	77	(2.3)
	Subtotal	13,542	6.7	8,249	2.9
Human Resource Service	Staffing Services and Others	1,083	(6.8)	–	–
	Subtotal	1,083	(6.8)	–	–
Total		14,626	5.6	8,249	2.9

Net sales was ¥14,626 million, up 5.6% year on year. Contributing to this were solid growth in system development for the wholesale and retail sector and the services sector, and a considerable increase in product services due to stronger demand from specific customers for equipment sales.

Cost of sales was ¥12,607 million, up 5.9% year on year, while gross profit was ¥2,019 million, up 3.7% year on year. The increase in gross profit was mainly the result of improvements in project cost ratios due to greater productivity in non-consolidated operations, and an increase in net sales.

Regarding selling, general and administrative expenses, although strategic investment outlays were carried out to strengthen the management infrastructure and the collective strength of the Group in accordance with the three-year medium-term comprehensive plan to be a “Value Solution Provider,” proactive efforts were undertaken to reduce various expenses. As a result, selling, general and administrative expenses totaled ¥1,414 million, down 6.9% year on year.

As a result of the above, operating income was ¥605 million, up 41.5% year on year, ordinary income was ¥636 million, up 36.2% year on year, and net income was ¥307 million, up 22.3% year on year.

Summaries of the operational conditions of each business are as follows.

### Information Service

#### [System Engineering Services]

Net sales for System Engineering Services increased due to steady sales performances in system development contracts including ERP (Note) and store system projects in the wholesale and retail sector, as well as system development contracts for a wide variety of customers in the services sector. Their core sectors of finance, and transportation and communications also performed firmly.

#### [Operation Engineering Services]

A new order for a project was received in the construction and real estate sector. However, some projects in the services sector were scaled down. Consequently, net sales for Operation Engineering Services remained at about the same level year on year.

#### [Product Services and Others]

Net sales for Product Services and Others increased considerably, mainly due to the sales of servers

arising from a broad increase in demand from specific customers for equipment sales.

Note: ERP (Enterprise resource planning): The methods and concept for integrally managing the entire company from the point of view of effectively utilizing management resources in order to achieve management efficiency, and the IT systems and software used to realize these aims.

### **Human Resource Service**

[Staffing Services and Others]

Net sales for Staffing Services and Others declined, mainly because of a reduction in outsourcing due to internalization at some core customers, as well as the completion of work to accommodate digital terrestrial broadcasting.

## **(2) Qualitative information regarding consolidated financial position**

Total assets as of June 30, 2012 was ¥41,535 million, a decrease of ¥529 million from the previous fiscal year-end. The main factors for this were a ¥476 million increase in work in process on one hand, and a ¥690 million decline in notes and accounts receivable-trade and a ¥300 million decline in short-term investment securities on the other.

Liabilities was ¥9,902 million, a decrease of ¥484 million from the previous fiscal year-end. The main factors for this were a ¥377 million increase in accounts payable-trade on one hand, and a ¥978 million decrease in provision for bonuses and a ¥582 million decrease in income taxes payable on the other.

Net assets was ¥31,633 million, a decrease of ¥45 million from the previous fiscal year-end. This was mainly because there was a ¥356 million decrease in retained earnings due to dividends from surplus, which offset a ¥307 million increase in retained earnings from net income.

## **(3) Qualitative information regarding consolidated earnings forecasts**

Regarding the outlook for the economy, earthquake reconstruction-related demand is expected to remain firm, contributing to a gentle recovery. However, there are concerns that the global economy may slow down due to the European sovereign debt crisis, and it is difficult to ascertain the direction of business confidence among customer companies or the stance they will take on investment in information technology.

Under these conditions, the DTS Group will implement initiatives for the final year of its three-year medium-term comprehensive plan, which commenced in April 2010. These initiatives include the enhancement of planning-type sales promotion and the provision of market-in-type solution in order to construct the optimal business portfolio. The DTS Group aims to build mutually beneficial relationships with customers and grow autonomously by becoming a “value solution provider” that can efficiently provide high added-value services.

In accordance with the above, there is no change from the earnings forecasts announced on May 11, 2012.

## **2. Matters Regarding Summary Information (Notes)**

### **(1) Changes in significant subsidiaries during the three months under review**

No items to report.

### **(2) Application of specific accounting for preparing quarterly consolidated financial statements**

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes and minority interests for the fiscal year including the first quarter under review, and next by multiplying the quarterly income before income taxes and minority interests by such estimated effective tax rate.

Deferred income taxes is included in income taxes.

### **(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections**

(Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates)

Following the revision of the Corporation Tax Act, the Company and its consolidated subsidiaries applied the depreciation method in compliance with the revised Corporation Tax Act to property, plant and equipment acquired on or after April 1, 2012, from the first quarter under review.

The impact of this change on profit or loss was immaterial.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2012	As of June 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	13,615,833	13,907,274
Notes and accounts receivable-trade	8,717,076	8,026,371
Short-term investment securities	300,402	-
Merchandise	211,962	313,125
Work in process	664,002	1,140,714
Supplies	10,834	10,319
Other	2,471,437	2,397,700
Allowance for doubtful accounts	(14,976)	(16,626)
Total current assets	25,976,573	25,778,878
Noncurrent assets		
Property, plant and equipment		
Land	6,422,365	6,422,365
Other, net	2,566,072	2,536,915
Total property, plant and equipment	8,988,437	8,959,280
Intangible assets		
Goodwill	1,842,513	1,748,437
Other	1,802,010	1,596,639
Total intangible assets	3,644,524	3,345,076
Investments and other assets		
Other	3,656,005	3,452,604
Allowance for doubtful accounts	(199,860)	-
Total investments and other assets	3,456,144	3,452,604
Total noncurrent assets	16,089,106	15,756,961
Total assets	42,065,679	41,535,840
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,168,156	2,545,986
Short-term loans payable	33,060	33,660
Current portion of bonds	120,000	120,000
Income taxes payable	906,338	324,153
Provision for bonuses	2,214,885	1,235,989
Provision for directors' bonuses	62,100	15,473
Provision for loss on order received	122,529	111,883
Other	3,892,482	4,734,907
Total current liabilities	9,519,552	9,122,055
Noncurrent liabilities		
Bonds payable	100,000	50,000
Provision for retirement benefits	435,342	445,900
Provision for directors' retirement benefits	98,394	56,177
Other	233,001	227,878
Total noncurrent liabilities	866,738	779,956
Total liabilities	10,386,290	9,902,011

(Thousand yen)

	As of March 31, 2012	As of June 30, 2012
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,190,917	6,190,917
Retained earnings	19,478,665	19,430,000
Treasury stock	(1,493,615)	(1,493,615)
Total shareholders' equity	30,288,967	30,240,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(101,607)	(90,302)
Total accumulated other comprehensive income	(101,607)	(90,302)
Minority interests	1,492,028	1,483,828
Total net assets	31,679,389	31,633,828
Total liabilities and net assets	42,065,679	41,535,840

**(2) Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income (cumulative)**

(Thousand yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	13,853,893	14,626,565
Cost of sales	11,906,844	12,607,086
Gross profit	1,947,049	2,019,479
Selling, general and administrative expenses	1,519,345	1,414,427
Operating income	427,703	605,051
Non-operating income		
Interest income	3,253	2,592
Dividends income	18,702	14,788
Insurance premiums refunded cancellation	319	6,422
Subsidy income	11,374	731
Other	7,985	7,364
Total non-operating income	41,636	31,899
Non-operating expenses		
Interest expenses	1,258	498
Loss on insurance cancellation	575	-
Other	688	415
Total non-operating expenses	2,522	914
Ordinary income	466,817	636,037
Extraordinary loss		
Loss on retirement of noncurrent assets	3,874	134
Total extraordinary losses	3,874	134
Income before income taxes and minority interests	462,942	635,902
Income taxes	189,537	303,336
Income before minority interests	273,405	332,565
Minority interests in income	21,558	24,600
Net income	251,846	307,965

**Consolidated statements of comprehensive income (cumulative)**

(Thousand yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Income before minority interests	273,405	332,565
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,673)	10,413
Total other comprehensive income	(20,673)	10,413
Comprehensive income	252,731	342,979
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	231,183	319,271
Comprehensive income attributable to minority interests	21,548	23,708

**(3) Consolidated statements of cash flows**

(Thousand yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	462,942	635,902
Depreciation and amortization	349,990	334,000
Amortization of goodwill	108,202	94,076
Increase (decrease) in provision for bonuses	(994,339)	(978,895)
Increase (decrease) in provision for directors' bonuses	(42,307)	(46,626)
Increase (decrease) in provision for loss on order received	22,465	(10,645)
Increase (decrease) in provision for retirement benefits	11,465	10,558
Increase (decrease) in provision for directors' retirement benefits	(1,929)	(42,216)
Decrease (increase) in notes and accounts receivable-trade	1,639,717	690,705
Decrease (increase) in inventories	(571,347)	(577,358)
Increase (decrease) in notes and accounts payable-trade	(31,200)	377,830
Other, net	714,151	884,896
Subtotal	1,667,810	1,372,226
Interest and dividends income received	23,158	19,722
Interest expenses paid	(2,202)	(1,190)
Income taxes paid	(1,009,134)	(856,242)
Net cash provided by (used in) operating activities	679,631	534,515
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	-	300,000
Purchase of property, plant and equipment	(40,152)	(61,942)
Purchase of intangible assets	(36,979)	(83,377)
Purchase of investment securities	(330)	(379)
Other, net	3,270	812
Net cash provided by (used in) investing activities	(74,192)	155,112
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(450)	600
Redemption of bonds	(50,000)	(50,000)
Cash dividends paid	(407,244)	(318,542)
Cash dividends paid to minority shareholders	(31,563)	(29,563)
Other, net	(1,279)	(680)
Net cash provided by (used in) financing activities	(490,536)	(398,186)
Net increase (decrease) in cash and cash equivalents	114,902	291,441
Cash and cash equivalents at beginning of period	11,250,614	12,840,833
Cash and cash equivalents at end of period	11,365,516	13,132,274

**(4) Notes on premise of going concern**

No items to report.

**(5) Notes on substantial changes in the amount of shareholders' equity**

No items to report.

**4. Supplementary Information**

Production, orders and sales

**(1) Production**

Production in the three months under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	8,538,424	5.9
	Operation Engineering Services	3,294,864	0.0
Total		11,833,289	4.2

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.

**(2) Orders**

Orders in the three months under review are as follows.

Segment and services		Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	7,250,888	5.9	10,134,058	12.7
	Operation Engineering Services	1,939,105	12.2	6,174,412	(13.6)
Total		9,189,993	7.2	16,308,470	1.0

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.

**(3) Sales**

Sales in the three months under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	8,538,424	5.9
	Operation Engineering Services	3,294,864	0.0
	Product Services and Others	1,709,521	27.9
	Subtotal	13,542,810	6.7
Human Resource Service	Staffing Services and Others	1,083,754	(6.8)
	Subtotal	1,083,754	(6.8)
Total		14,626,565	5.6

Note: The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.