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November 5, 2012

## Consolidated Financial Results for the First Six 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: November 8, 2012  
 Scheduled date to commence dividend payments: November 27, 2012  
 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 six months of the fiscal year ending March 31, 2013 (from April 1, 2012 to September 30, 2012)

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

Six months ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2012	29,742	5.5	1,670	64.5	1,720	61.1	904	77.4
September 30, 2011	28,200	(3.3)	1,015	8.7	1,067	(1.8)	509	12.5

Note: Comprehensive income  
 Six months ended September 30, 2012: ¥1,054 million [122.6%]  
 Six months ended September 30, 2011: ¥474 million [12.1%]

Six months ended	Net income per share	Diluted net income per share
	Yen	Yen
September 30, 2012	38.04	–
September 30, 2011	21.45	–

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2012	42,479	32,345	72.6
March 31, 2012	42,065	31,679	71.8

Reference: Equity  
 As of September 30, 2012: ¥30,831 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	–	15.00			
Fiscal year ending March 31, 2013 (Forecasts)			–	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
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 six 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 September 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 September 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)

Six months ended September 30, 2012	23,775,362 shares
Six months ended September 30, 2011	23,775,382 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 Six Months,' on page 4 of the attached materials.

**Attached Materials**

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

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

In the six months under review, the Japanese economy showed signs of gradual recovery owing to a firm domestic demand, driven mainly by reconstruction-related demand following the Great East Japan Earthquake. However, the trend for recovery was brought to a standstill by decreased production and export volumes, a consequence of slowdown in overseas economies. In the information services industry, although solid growth has been seen thanks to higher demand for system renewal and infrastructure optimization services, demand for lower priced services is strengthening as customer companies shift their investment in information technology overseas and increase their 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. 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.

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.

On August 25, 2012, the Company celebrated its 40th anniversary. During the 40 years since its foundation, the Company has endeavored to contribute to the development of Japan’s information service industry with the use of its technology. In the future also, the Company shall strive to deftly use the business knowhow and technical capability accumulated up until now as an independent information service company to boost its corporate value.

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

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	29,742	5.5	17,324	2.8
Operating income	1,670	64.5	1,352	23.6
Ordinary income	1,720	61.1	1,467	19.3
Net income	904	77.4	906	12.9

## &lt;Breakdown of net sales&gt;

(Million yen)

		Consolidated		Non-consolidated (Reference)	
			Year-on-year change (%)		Year-on-year change (%)
Information Service	System Engineering Services	18,169	6.1	11,884	2.5
	Operation Engineering Services	6,804	5.9	5,242	2.9
	Product Services and Others	2,628	13.2	197	24.9
	Subtotal	27,602	6.7	17,324	2.8
Human Resource Service	Staffing Services and Others	2,139	(8.0)	–	–
	Subtotal	2,139	(8.0)	–	–
Total		29,742	5.5	17,324	2.8

Net sales was ¥29,742 million, up 5.5% year on year. Net sales increased in Information Service owing to steady sales performance in system development mainly in the finance sector and the wholesale and retail sector, a new project order in the construction and real estate sector, and steady performance in equipment sales to universities and Internet companies. On the other hand, net sales decreased in Human Resource Service due to a reduction in contracts for staffing services from core customers.

Cost of sales was ¥25,383 million, up 4.5% year on year, while gross profit was ¥4,358 million, up 11.2% year on year. The increase in gross profit was the result of a decrease in unprofitable projects, improvements in the labor utilization rate and the project cost ratios.

Regarding selling, general and administrative expenses, 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. However, thanks to a reduction of various expenses, selling, general and administrative expenses totaled ¥2,688 million, down 7.5% year on year.

As a result of the above, operating income was ¥1,670 million, up 64.5% year on year, ordinary income was ¥1,720 million, up 61.1% year on year, and net income was ¥904 million, up 77.4% 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 the finance sector, including system development contracts for trust banks and life and non-life insurance companies, and in the securities sector for AMO contracts <sup>(Note)</sup> as well as an increase in system development contracts for convenience stores, etc. in the wholesale and retail sector.

Note: AMO (Application Management Outsourcing): Outsourcing to specialists by a company etc. of the maintenance, management and support operations of its system in order to optimize IT investment.

[Operation Engineering Services]

A newly received project in the construction and real estate sector and projects in the services sector fared well. Consequently, net sales for Operation Engineering Services increased.

[Product Services and Others]

Net sales for Product Services and Others increased considerably thanks to steady performance in equipment sales, particularly sales of servers to universities and Internet companies.

### **Human Resource Service**

[Staffing Services and Others]

Net sales for Staffing Services and Others declined, mainly because of a reduction in contracts for staffing services due to internalization at some core customers, as well as the extensive reduction in operations related to the conversion to digital terrestrial broadcasting.

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

Total assets as of September 30, 2012 was ¥42,479 million, an increase of ¥413 million from the previous fiscal year-end. The main factors for this were a ¥300 million decline in short-term investment securities and a ¥240 million decline in notes and accounts receivable-trade on one hand, and a ¥1,405 million increase in cash and deposits on the other.

Liabilities was ¥10,133 million, a decrease of ¥252 million from the previous fiscal year-end. The main factor for this was a ¥119 million decrease in income taxes payable.

Net assets was ¥32,345 million, an increase of ¥666 million from the previous fiscal year-end. This was mainly because there was a ¥904 million increase in net assets from net income, which offset a ¥356 million decrease due to dividends from surplus.

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

Regarding the outlook for the economy, it is expected to get back on a recovery track in line with the improvement of the global economic situation. However, owing to concerns for the slowdown of overseas economies and other factors, 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 six 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 second 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.

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 September 30, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	13,615,833	15,020,862
Notes and accounts receivable-trade	8,717,076	8,476,811
Short-term investment securities	300,402	-
Merchandise	211,962	340,882
Work in process	664,002	788,906
Supplies	10,834	10,917
Other	2,471,437	2,160,166
Allowance for doubtful accounts	(14,976)	(15,945)
Total current assets	25,976,573	26,782,601
Noncurrent assets		
Property, plant and equipment		
Land	6,422,365	6,422,365
Other, net	2,566,072	2,551,815
Total property, plant and equipment	8,988,437	8,974,181
Intangible assets		
Goodwill	1,842,513	1,657,816
Other	1,802,010	1,388,845
Total intangible assets	3,644,524	3,046,661
Investments and other assets		
Other	3,656,005	3,676,144
Allowance for doubtful accounts	(199,860)	-
Total investments and other assets	3,456,144	3,676,144
Total noncurrent assets	16,089,106	15,696,987
Total assets	42,065,679	42,479,588
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,168,156	2,180,497
Short-term loans payable	33,060	33,230
Current portion of bonds	120,000	110,000
Income taxes payable	906,338	786,627
Provision for bonuses	2,214,885	2,315,490
Provision for directors' bonuses	62,100	30,998
Provision for loss on order received	122,529	134,675
Other	3,892,482	3,754,145
Total current liabilities	9,519,552	9,345,666
Noncurrent liabilities		
Bonds payable	100,000	50,000
Provision for retirement benefits	435,342	454,152
Provision for directors' retirement benefits	98,394	59,100
Other	233,001	224,903
Total noncurrent liabilities	866,738	788,156
Total liabilities	10,386,290	10,133,822

(Thousand yen)

	As of March 31, 2012	As of September 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	20,026,528
Treasury stock	(1,493,615)	(1,493,615)
Total shareholders' equity	30,288,967	30,836,830
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(101,607)	(5,158)
Total accumulated other comprehensive income	(101,607)	(5,158)
Minority interests	1,492,028	1,514,093
Total net assets	31,679,389	32,345,765
Total liabilities and net assets	42,065,679	42,479,588

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

(Thousand yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	28,200,709	29,742,560
Cost of sales	24,280,766	25,383,800
Gross profit	3,919,943	4,358,760
Selling, general and administrative expenses	2,904,552	2,688,079
Operating income	1,015,390	1,670,680
Non-operating income		
Interest income	7,496	4,842
Dividends income	18,702	14,788
Insurance premiums refunded cancellation	319	13,262
Subsidy income	12,228	1,182
Other	18,078	18,576
Total non-operating income	56,825	52,653
Non-operating expenses		
Interest expenses	2,479	951
Foreign exchange losses	189	1,065
Commission fee	912	958
Other	784	64
Total non-operating expenses	4,366	3,039
Ordinary income	1,067,849	1,720,293
Extraordinary income		
Gain on sales of noncurrent assets	4,651	-
Other	374	-
Total extraordinary income	5,025	-
Extraordinary loss		
Loss on sales of noncurrent assets	1,072	-
Loss on retirement of noncurrent assets	5,532	5,577
Loss on valuation of golf club membership	-	4,950
Provision for allowance of office transfer expenses	41,018	-
Total extraordinary losses	47,623	10,527
Income before income taxes and minority interests	1,025,251	1,709,765
Income taxes	498,176	750,447
Income before minority interests	527,074	959,318
Minority interests in income	17,207	54,824
Net income	509,867	904,493

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

(Thousand yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	527,074	959,318
Other comprehensive income		
Valuation difference on available-for-sale securities	(53,062)	95,597
Total other comprehensive income	(53,062)	95,597
Comprehensive income	474,012	1,054,916
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	457,283	1,000,942
Comprehensive income attributable to minority interests	16,728	53,973

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

(Thousand yen)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,025,251	1,709,765
Depreciation and amortization	707,239	676,136
Amortization of goodwill	216,404	184,697
Increase (decrease) in provision for bonuses	80,973	100,604
Increase (decrease) in provision for directors' bonuses	(25,045)	(31,101)
Increase (decrease) in provision for loss on order received	246,634	12,146
Increase (decrease) in provision for office transfer	20,525	-
Increase (decrease) in provision for retirement benefits	(63,012)	18,810
Increase (decrease) in provision for directors' retirement benefits	3,028	(39,294)
Decrease (increase) in notes and accounts receivable-trade	1,313,285	240,265
Decrease (increase) in inventories	(433,290)	(253,906)
Increase (decrease) in notes and accounts payable-trade	(330,912)	12,341
Other, net	(260,800)	(13,782)
Subtotal	2,500,281	2,616,683
Interest and dividends income received	24,989	22,330
Interest expenses paid	(3,091)	(1,349)
Income taxes paid	(949,885)	(769,939)
Net cash provided by (used in) operating activities	1,572,294	1,867,725
Net cash provided by (used in) investing activities		
Payments into time deposits	(425,000)	(125,000)
Proceeds from withdrawal of time deposits	125,000	125,000
Proceeds from redemption of securities	-	300,000
Purchase of property, plant and equipment	(136,552)	(148,346)
Purchase of intangible assets	(223,462)	(157,800)
Purchase of investment securities	(478)	(531)
Proceeds from redemption of investment securities	100,000	-
Other, net	25,277	(7,137)
Net cash provided by (used in) investing activities	(535,215)	(13,815)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10,470)	170
Redemption of bonds	(60,000)	(60,000)
Cash dividends paid	(473,854)	(356,071)
Cash dividends paid to minority shareholders	(33,918)	(31,618)
Other, net	(2,504)	(1,360)
Net cash provided by (used in) financing activities	(580,747)	(448,881)
Net increase (decrease) in cash and cash equivalents	456,331	1,405,028
Cash and cash equivalents at beginning of period	11,250,614	12,840,833
Cash and cash equivalents at end of period	11,706,945	14,245,862

**(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 six months under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	18,169,821	6.1
	Operation Engineering Services	6,804,355	5.9
Total		24,974,176	6.0

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 six 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	15,757,110	(3.5)	9,008,883	(4.3)
	Operation Engineering Services	4,296,250	26.4	5,022,066	(11.7)
Total		20,053,360	1.6	14,030,950	(7.1)

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 six months under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	18,169,821	6.1
	Operation Engineering Services	6,804,355	5.9
	Product Services and Others	2,628,399	13.2
	Subtotal	27,602,575	6.7
Human Resource Service	Staffing Services and Others	2,139,984	(8.0)
	Subtotal	2,139,984	(8.0)
Total		29,742,560	5.5

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