May 10, 2013

Consolidated Financial Results for the Fiscal Year Ended 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 of General Shareholders' Meeting: June 25, 2013
Scheduled date to commence dividend payments: June 26, 2013
Scheduled date to file annual securities report: June 26, 2013
Preparation of supplementary material on financial results: Yes
Holding of 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 fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2013	61,039	6.4	4,003	34.6	4,095	33.4	2,177	40.0
March 31, 2012	57,385	(1.9)	2,973	29.5	3,069	23.4	1,555	38.3

Note: Comprehensive income
Fiscal year ended March 31, 2013: ¥2,536 million [57.2%]
Fiscal year ended March 31, 2012: ¥1,613 million [30.9%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2013	91.57	–	7.0	9.5	6.6
March 31, 2012	65.43	–	5.2	7.4	5.2

Reference: Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2013: ¥– million Fiscal year ended March 31, 2012: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2013	44,016	33,470	72.4	1,341.06
March 31, 2012	42,065	31,679	71.8	1,269.69

Reference: Equity
As of March 31, 2013: ¥31,884 million As of March 31, 2012: ¥30,187 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2013	3,597	(250)	(866)	15,320
March 31, 2012	4,139	(1,249)	(1,299)	12,840

2. Dividends

	Annual dividends					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2012	–	15.00	–	15.00	30.00	713	45.9	2.4
Fiscal year ended March 31, 2013	–	15.00	–	20.00	35.00	832	38.2	2.7
Fiscal year ending March 31, 2014 (Forecasts)	–	15.00	–	15.00	30.00		32.4	

Note: Breakdown of fiscal year-end dividend for fiscal year ended March 31, 2013: Ordinary dividend of ¥15.00
Commemorative dividend of ¥5.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2013	30,200	1.5	1,700	1.8	1,750	1.7	920	1.7	38.70
Fiscal year ending March 31, 2014	62,000	1.6	4,100	2.4	4,150	1.3	2,200	1.0	92.53

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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 relevant change falls under the category of Article 14-7 (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates) of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements." For details, please refer to '(Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates) in (5) Notes to consolidated financial statements under 4. Consolidated financial statements' on page 22 of the attached materials.

(3) Number of issued shares (common stock)

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

As of March 31, 2013	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 March 31, 2013	1,446,904 shares
As of March 31, 2012	1,446,904 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2013	23,775,362 shares
Fiscal year ended March 31, 2012	23,775,378 shares

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2013 (from April 1, 2012 to March 31, 2013)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2013	36,607	6.1	3,127	15.5	3,281	13.9	2,040	27.9
March 31, 2012	34,502	(2.6)	2,707	61.4	2,882	54.8	1,595	73.2

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2013	85.83	–
March 31, 2012	67.12	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2013	37,836	31,602	83.5	1,329.22
March 31, 2012	36,109	30,047	83.2	1,263.79

Reference: Equity
As of March 31, 2013: ¥31,602 million As of March 31, 2012: ¥30,047 million

2. Non-consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2013	17,850	3.0	1,300	(11.4)	800	(11.7)	33.65
Fiscal year ending March 31, 2014	38,000	3.8	3,300	0.6	2,050	0.5	86.22

* **Indication regarding execution of audit procedures**

The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for 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 '(1) Analysis of operating results in 1. Analysis of Operating Results and Financial Position' on page 2 of the attached materials.

Attached Materials

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

1) Operating results in the fiscal year under review

In the fiscal year under review, the Japanese economy showed signs of gradual recovery on the back of firm domestic demand driven mainly by reconstruction-related demand following the Great East Japan Earthquake. Overall, however, the economy continued to face difficult circumstances because of decreases in production and export volumes against the background of slowdown in overseas economies and subsequent cautious attitudes toward capital investment, particularly in the manufacturing sector. Nevertheless, from December 2012 there were improvements in the export environment on the back of a correction in the yen's appreciation and a sense of optimism regarding economic measures by the new administration in Japan, and these developments helped to put the economy on the road to recovery. The market environment for the information services industry also showed signs of recovery, with positive developments including the resumption of system renewal projects that had previously been postponed due to economic downturn as well as heightened demand for infrastructure optimization and other services.

Amid this environment, the DTS Group concentrated on several areas based on its three-year medium-term comprehensive plan to be a "Value Solution Provider," which commenced in April 2010. These include the strengthening of SI capabilities, new business creation, and the establishment of a business base for global business development.

In the DTS Group's main area of strength, the Information Service business, the DTS Group made proactive proposals on the basis of its extensive development track record in the finance sector, acquired new system development contracts and AMO contracts(Note 1), and captured strong capital investment demand in the wholesale and retail sector. As a result, there was a considerable increase in net sales in this business. In addition, the Company launched "DaTa SuperExpress," which is capable of ultra-high speed and simple analysis of big data and utilizes "DaTaStudio@WEB," the Company's analysis solution using strategic data. The new product was developed in partnership with Hitachi, Ltd. In the area of CAD systems for housing solutions, the Company launched "Walk in home 13," which features enhanced housing electricity-saving performance simulation functions and operability, in February 2013. In addition, efforts were made to improve profitability by pushing ahead with structural improvements through such means as strengthening project management and reducing selling, general and administrative expenses on a group-wide basis.

With respect to further global business development, there has been steady growth in local business carried out at the Company's subsidiary in Shanghai. In the area of new operations, preparations are underway for the establishment of a subsidiary in Bangkok following on from the one established in New York, and the Company is working to build up business bases and develop markets in Asia and America, particularly in the manufacturing and finance sectors.

The Company marked its 40th anniversary on August 25, 2012, and formulated the "DTS WAY" as its policy for the next ten years. Under this new policy, the Company has adopted "Made by DTS, creating new value" as its management vision and will continue to speedily adapt to changes in the business environment and to develop its ability to provide high-value added services.

Note 1: 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.

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

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	61,039	6.4	36,607	6.1
Operating income	4,003	34.6	3,127	15.5
Ordinary income	4,095	33.4	3,281	13.9
Net income	2,177	40.0	2,040	27.9

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	38,113	6.2	25,369	5.4
	Operation Engineering Services	13,859	9.4	10,661	6.1
	Product Services and Others	4,844	12.7	577	52.7
	Subtotal	56,817	7.5	36,607	6.1
Human Resource Service	Staffing Services and Others	4,222	(7.0)	–	–
	Subtotal	4,222	(7.0)	–	–
Total		61,039	6.4	36,607	6.1

Net sales was ¥61,039 million, up 6.4% year on year. Sales increased in Information Service as a result of a steady sales performance in system development mainly related to life insurance companies, securities companies and trust banks in the finance sector, a new project in the construction and real estate sector, and steady performance in equipment sales to data center companies. On the other hand, sales decreased in Human Resource Service mainly because of the ending of operations related to the conversion to digital terrestrial broadcasting.

Cost of sales was ¥51,679 million, up 6.0% year on year, while gross profit was ¥9,360 million, up 8.7% year on year. The increase in gross profit was mainly due to the growth in net sales in addition to a decrease in unprofitable projects and improvements in the labor utilization rate.

Regarding selling, general and administrative expenses, strategic investment outlays were carried out to strengthen the management infrastructure and the collective strength of the DTS Group. However, thanks to efforts to reduce various expenses, selling, general and administrative expenses totaled ¥5,357 million, down 5.0% year on year.

As a result of the above, operating income was ¥4,003 million, up 34.6% year on year, ordinary income was ¥4,095 million, up 33.4% year on year, and net income was ¥2,177 million, up 40.0% year on year.

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

Information Service

[System Engineering Services]

In System Engineering Services, there were steady sales performances in the finance sector, including system development contracts for securities companies and trust banks, and AMO contracts, as well as an increase in system development contracts for department stores, specialty stores and convenience stores and ERP contracts[Note 2] in the wholesale and retail sector. There was also a steady performance by group companies for system development contracts in the life insurance sector, and net sales for System Engineering Services increased as a result.

Note 2: 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.

[Operation Engineering Services]

A new 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 thanks to steady performance in equipment sales, particularly sales of servers to data center companies.

Human Resource Service

[Staffing Services and Others]

Net sales for Staffing Services and Others declined, partly because of the ending of operations related to the conversion to digital terrestrial broadcasting.

2) Outlook for the next fiscal year

With respect to the future outlook, the economy is expected to continue on a recovery track mainly on the back of improvements in the export environment and the effects of economic measures by the new administration in Japan. Although the information services industry is also showing signs of moderate recovery amid the resumption of investment in information technology that had previously been postponed, it remains difficult to ascertain what kind of stance customer companies will take on investment in information technology because of overseas economic slowdown concerns.

The DTS Group launched its new, three-year medium-term management plan in April 2013. In the first fiscal year of this medium-term management plan, the Group will set up a new innovation promotion division and push ahead with the creation of new businesses by strengthening marketing and promoting technological innovation. With respect to business reorganizations, the DTS Group will introduce a business division system in which areas of responsibility are divided out. With this move, the DTS Group will develop an organizational structure that is capable of changing flexibly in response to environmental changes and revisions to business strategies. The change will also increase effectiveness in the utilization of resources. In addition, by promoting cross selling and global business operations utilizing the strengths of each group company, the DTS Group will work to secure further growth by steadily capturing demand even under uncertain market conditions.

In light of the above-mentioned changes and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2014 are as follows.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	62,000	1.6	38,000	3.8
Operating income	4,100	2.4	3,150	0.7
Ordinary income	4,150	1.3	3,300	0.6
Net income	2,200	1.0	2,050	0.5

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	39,900	4.7	26,950	6.2
	Operation Engineering Services	12,800	(7.6)	10,600	(0.6)
	Product Services and Others	5,000	3.2	450	(22.0)
	Subtotal	57,700	1.6	38,000	3.8
Human Resource Service	Staffing Services and Others	4,300	1.8	–	–
	Subtotal	4,300	1.8	–	–
Total		62,000	1.6	38,000	3.8

Net sales are forecast to be ¥62,000 million, up 1.6% year on year. Sales of System Engineering Services are expected to be steady mainly on the back of major development projects in the finance sector and firm IT investment demand. In Operation Engineering Services, however, declines are expected in maintenance contracts at some group companies. Product Services and Others and Staffing Services and Others are expected to have firm sales.

Looking at profitability, the gross profit margin is expected to improve on the back of further strengthening of project management on a group-wide basis. Even so, strategic investment outlays are planned for the purpose of medium- and long-term sales expansion, and as a result operating income is forecast to be ¥4,100 million, up 2.4% year on year, ordinary income is forecast to be ¥4,150 million, up 1.3% year on year, and net income is forecast to be ¥2,200 million, up 1.0% year on year.

Note: The forecasts for net sales and profits provided in this financial results report are made on the basis of projections derived from information currently available to the Company including industry trends and other economic conditions, as well as trends among customers, all of which are subject to the influence of a variety of uncertain factors. Consequently, actual net sales and profits may differ from the forecasts provided in this financial results report.

(2) Analysis of financial position

1) Assets, liabilities and net assets

Total assets as of March 31, 2013 was ¥44,016 million, an increase of ¥1,950 million from the previous fiscal year-end. The main factors for this were a decrease of ¥916 million in intangible assets such as goodwill and software due to depreciation and amortization, offset by increases of ¥2,454 million in cash and deposits and ¥1,333 million in notes and accounts receivable-trade.

Liabilities was ¥10,545 million, an increase of ¥159 million from the previous fiscal year-end. The main factors for this were decreases of ¥144 million in accounts payable-other, ¥117 million in provision for loss on order received, and ¥100 million in bonds payable, offset by increases of ¥490 million in accounts payable-trade and ¥292 million in provision for bonuses.

Net assets was ¥33,470 million, an increase of ¥1,791 million from the previous fiscal year-end. This was mainly the result of ¥713 million decrease due to dividends from surplus being offset by an increase of ¥2,177 million in net income.

2) Cash flows

Cash and cash equivalents as of March 31, 2013 was ¥15,320 million, an increase of ¥2,479 million from ¥12,840 million as of the previous fiscal year-end.

The respective cash flow positions in the fiscal year under review and comparisons with the previous fiscal year are as follows.

Net cash provided by operating activities was ¥3,597 million. There was a year-on-year decrease of ¥542 million in cash provided, with an increase of ¥1,068 million in income before income taxes and minority interests, while other items included a decrease of ¥1,952 million resulting from a change in notes and accounts receivable-trade from a decline to an increase.

Net cash used in investing activities was ¥250 million. There was a year-on-year decrease of ¥998 million in cash used, while proceeds from withdrawal of time deposits increased by ¥350 million and there was ¥300 million in proceeds from redemption of securities.

Net cash used in financing activities was ¥866 million. There was a year-on-year decrease of ¥432 million in cash used, while short-term loans payable decreased by ¥311 million and cash dividends paid declined by ¥117 million.

The following table shows trends in cash flow indicators for the DTS Group.

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Equity ratio (%)	70.8	71.2	71.8	72.4
Market value equity ratio (%)	53.5	47.3	61.0	83.2
Interest-bearing debt to cash flow ratio (%)	68.7	15.7	6.1	3.7
Interest coverage ratio (times)	185.3	394.3	910.3	1,937.6

Notes: Equity ratio: Equity / Total assets
Market value equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payment

* All calculations are made using consolidated financial figures.
* For the calculation of market capitalization, the total number of issued shares less treasury stock is used.
* Cash flow from operating activities is used for cash flow.
* Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.
* For interest payment, interest expenses paid on the consolidated statements of cash flows is used.

(3) Basic policy for profit sharing and dividends for the fiscal year under review and next fiscal year

The Company regards the return of profits to shareholders as one of the priority issues of management, and believes that medium- to long-term growth in corporate value is the largest source of profit return. The Company intends to contribute to the return of profits to shareholders in the medium- to long-term through the continuous payment of stable dividends, after making a comprehensive consideration of results trends, its financial position and other factors as well as the internal reserves needed for business expansion.

The Company intends to make use of internal reserves for forward-looking investment to boost corporate value in the medium- to long-term, including development investment in new information technology, capital alliances for operational expansion and new business development, investment in employee training, and investment to strengthen managerial functions.

The Company marked its 40th anniversary on August 25, 2012. The Company would like to express its sincere gratitude to its shareholders and all other related parties for their cooperation and support, as this could not have been achieved without them. As an expression of gratitude to shareholders for their support, the Company will pay a commemorative dividend of ¥5 per share. Combined with the ordinary dividend of ¥15 per share, this brings the planned fiscal year-end dividend to ¥20 per share. As a result, the planned annual dividend is ¥35 per share, including the interim dividend of ¥15 per share already paid.

For dividends in the next fiscal year, the Company plans to pay an annual dividend of ¥30 per share .

(4) Business and other risks

Risks that may have an impact on the operating results and financial position of the DTS Group are as follows.

Forward-looking statements mentioned in this discussion of risks reflect the judgment of the DTS Group (the Company and its consolidated subsidiaries) as of March 31, 2013.

1) Price competition

In the information services industry, to which the DTS Group belongs, customers are becoming increasingly demanding with regard to investment in information technology. As such, customers constantly compare the relative merits of the DTS Group with those of industry competitors both in terms of price and service quality. On the price front, there is expected to be further intensification in competition in the foreseeable future, partly reflecting entry into the Japanese market by information service providers with competitive advantages in terms of price, from China and other areas. Amid this market environment, the Company is endeavoring to minimize the effects of price competition from cost cutting by thoroughly promoting project profit management and working to improve productivity, as well as providing even higher-value added services by such means as strengthening its efforts to expand the consulting business. Nevertheless, the results of the DTS Group may be affected if any external factor causes downward price pressure in excess of that anticipated by the Company.

2) Management of software development projects

In order to secure competitive advantages for themselves, customers are becoming increasingly demanding with regard to shortening system development turnaround times. As a result, project management and quality management are becoming even more important than before. In response, the Company holds project promotion meetings with the purpose of holding regular discussions on the receipt or otherwise of orders for packaged services of a certain minimum value and the progress of existing projects, and also avoids unprofitable projects. Currently there are no unprofitable projects with the potential to have a significant impact on the DTS Group. Nevertheless, the results of the DTS Group may be affected if projects with a negative impact on profitability occur due to unforeseen circumstances, notwithstanding the measures taken to prevent such occurrences.

3) Security

Companies operating in the information service business, an area of strength for the DTS Group, come into contact with important information of various customers due to the nature of the business. As a consequence, security management is an important operational issue. In light of such considerations, the Company has developed internal rules on the handling and management of information. It has also obtained the “Privacy Mark” certification as one of its activities for the protection of personal information, and carries out training to enhance awareness about handling information among employees of the Company and employees of business partners. In addition, the Company has obtained certification for its Information Security Management System (ISMS) and is working to strengthen its security management structure further. Nevertheless, the results of the DTS Group may be affected in the unlikely event of a serious leakage of information, as such a leak would expose the Company to the possibility of being held liable for compensation for damages, in addition to other problems such as customer cancellations caused by loss of trust in the Company.

4) Business overseas

As part of the DTS Group’s business strategy, it is pushing forward with overseas business expansion by such means as increasing overseas business transactions and establishing overseas subsidiaries. In carrying out such overseas operations, the DTS Group anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishing and operating overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices or contracts. The DTS Group is aware of such risks and is strengthening risk management by putting a business division in charge of handling risks. Nevertheless, the results of the DTS Group may be affected if an inability to comply appropriately with local rules, etc. causes it to be held liable to pay compensation for damages.

2. Status of the Corporate Group

The corporate group consists of the Company (DTS Corporation), seven consolidated subsidiaries and three non-consolidated subsidiaries, and is primarily engaged in the information service business.

The contents of the corporate group's businesses and the relationships among each of the companies in the group are as follows.

[Information Service]

(1) System Engineering Services

This business is engaged in consulting and integration regarding information systems, as well as designing and constructing various networks, developing telecommunication control software, and designing, developing and maintaining outsourced software and packaged software.

(2) Operation Engineering Services

This business is engaged in operating computer facilities and information systems as well as monitoring and maintaining various networks.

(3) Product Services and Others

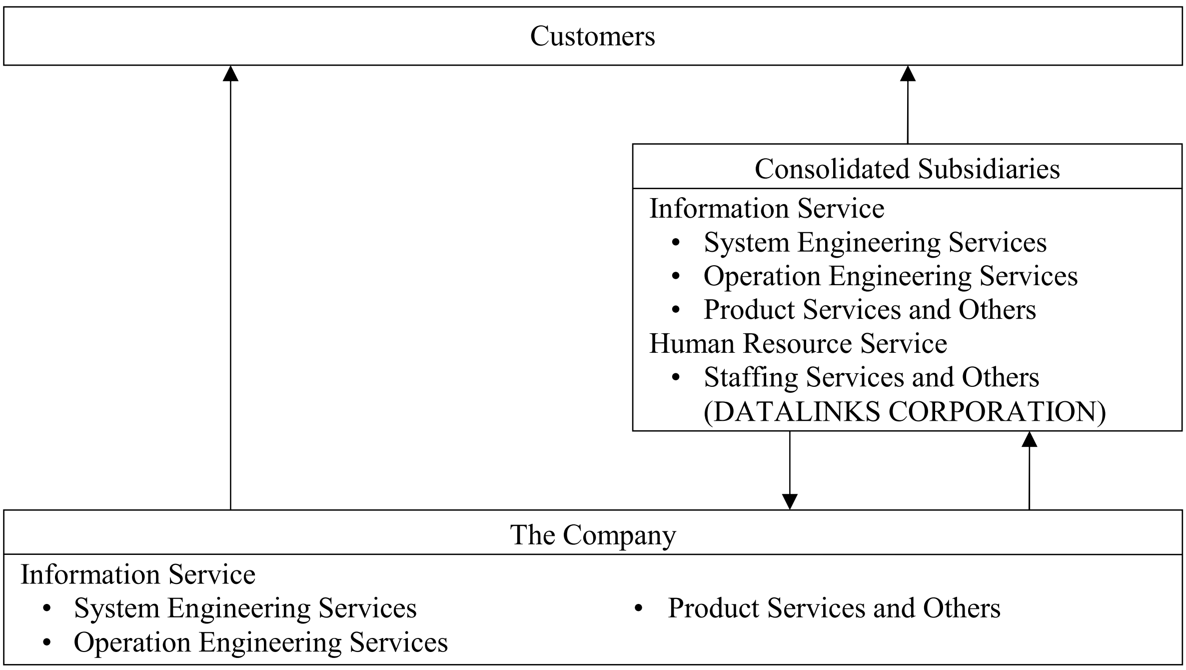
This business is engaged in selling system products of other companies such as packaged software and computers and other information-related equipment.

[Human Resource Service]

(4) Staffing Services and Others

This business is engaged in general worker dispatch, providing human resources for dispatch to a wide variety of general business companies. This business is carried out by DATALINKS CORPORATION.

An organizational chart of the businesses in the DTS Group is as follows.



Consolidated subsidiaries

Name	Stated capital	Ratio of voting rights held	Main business lines
KYUSHU DTS CORPORATION	¥100 million	100.00%	Information Service
DATALINKS CORPORATION	¥309 million	50.02%	Information Service Human Resource Service
FAITEC CORPORATION	¥300 million	80.10%	Information Service
JAPAN SYSTEMS ENGINEERING CORPORATION	¥755 million	96.95%	Information Service
SOUGOU SYSTEM SERVICE CORPORATION	¥46 million	100.00%	Information Service
MIRUCA CORPORATION	¥100 million	100.00%	Information Service
DIGITAL TECHNOLOGIES CORPORATION	¥100 million	100.00%	Information Service

Note: In the column of main business lines, the names of the DTS Group’s business segments are provided.

3. Management Policies

(1) Basic management policies

The DTS Group believes that it is vitally important to strive to strengthen its business performance and secure a certain level of results as a group of enterprises with a long track record in the information services industry, while also returning profits to stakeholders on the basis of that performance and working to increase medium- and long-term corporate value. Furthermore, the DTS Group's corporate philosophy is to utilize "the creation of new value through unimaginable achievements" as one of the "skills" of the Group, and to "utilize its skills to build up the trust of customers, expand corporate value, enhance the lives of employees, and contribute to society." Based on this philosophy, the DTS Group aims to be a group of enterprises that is trusted by all its stakeholders and provides a sense of reassurance, and will work to enhance its presence in the information services industry as a group of independent, comprehensive information service providers that is always at the forefront of the industry. The DTS Group also intends to achieve further development by establishing a sound and strong management foundation.

(2) Targeted management indicators

Under its new management vision of "Made by DTS, creating new value," the DTS Group has set up long-term targets of consolidated net sales of ¥100.0 billion, overseas net sales of ¥10.0 billion, and an operating margin of 10%. As the first steps toward achieving these goals, the following targets have been established under the medium-term management plan (April 2013 to March 2016):

○ In the fiscal year ending March 31, 2016, net sales of ¥72.0 billion and operating income of ¥5.6 billion (on a consolidated basis for the full fiscal year)

(3) Medium- to long-term management strategies and issues to be addressed

The information services industry is entering a period in which there is a shift away from traditional business models such as contracted out system development and operation, creating an environment that is not conducive to large-scale future business growth. On the other hand, there is optimism regarding growth in the markets for service provision and solution provision business models, particularly in the fields of cloud computing, social networking, big data and mobiles. The DTS Group intends to achieve continuous and self-sustaining growth by seizing the opportunities arising from these changes in the business environment and continuing to provide solutions that are in line with market needs in a timely manner.

In its medium-term management plan (April 2013 to March 2016), the DTS Group has positioned "providing the highest value to customers as the Best Value Partner" as its medium-term vision. In accordance with this vision, the DTS Group intends to strengthen its proposal-making capability, shift away from a contracted-out business model to a solution provision and outsourcing business model, and endeavor to create new solutions. In addition, with the aim of further strengthening the DTS Group's management base, in the core SI Business, it will cultivate a third business pillar in addition to finance and communications, expand the stock business, and construct a business base for globalization. To support these aims, the DTS Group will continue working to train its workforce into high-value added personnel and to maximize group synergies that gather together the overall capabilities of all group companies.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	13,615,833	16,070,588
Notes and accounts receivable-trade	8,717,076	10,050,944
Securities	300,402	-
Merchandise	211,962	99,862
Work in process	664,002	478,527
Supplies	10,834	9,782
Deferred tax assets	1,144,542	1,256,098
Other	1,326,895	859,130
Allowance for doubtful accounts	(14,976)	(17,254)
Total current assets	25,976,573	28,807,679
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,011,592	5,031,878
Accumulated depreciation	(2,690,628)	(2,807,408)
Buildings and structures, net	2,320,964	2,224,470
Land	6,422,365	6,422,365
Other	1,422,497	1,434,004
Accumulated depreciation	(1,177,389)	(1,207,094)
Other, net	245,107	226,909
Total property, plant and equipment	8,988,437	8,873,744
Intangible assets		
Goodwill	1,842,513	1,476,574
Software	1,782,624	1,232,620
Other	19,385	18,738
Total intangible assets	3,644,524	2,727,932
Investments and other assets		
Investment securities	1,310,914	1,585,073
Deferred tax assets	915,827	570,869
Other	1,429,262	1,450,963
Allowance for doubtful accounts	(199,860)	-
Total investments and other assets	3,456,144	3,606,906
Total noncurrent assets	16,089,106	15,208,584
Total assets	42,065,679	44,016,263

(Thousand yen)

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Accounts payable-trade	2,168,156	2,658,822
Short-term loans payable	33,060	32,930
Current portion of bonds	120,000	100,000
Accounts payable-other	1,536,812	1,391,874
Income taxes payable	906,338	1,131,816
Provision for bonuses	2,214,885	2,507,029
Provision for directors’ bonuses	62,100	59,280
Provision for loss on order received	122,529	5,286
Provision for office transfer expenses	-	20,263
Other	2,355,669	1,890,703
Total current liabilities	9,519,552	9,798,006
Noncurrent liabilities		
Bonds payable	100,000	-
Provision for retirement benefits	435,342	473,454
Provision for directors’ retirement benefits	98,394	66,438
Other	233,001	207,577
Total noncurrent liabilities	866,738	747,470
Total liabilities	10,386,290	10,545,477
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	20,942,558
Treasury stock	(1,493,615)	(1,493,615)
Total shareholders’ equity	30,288,967	31,752,860
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(101,607)	131,311
Total accumulated other comprehensive income	(101,607)	131,311
Minority interests	1,492,028	1,586,614
Total net assets	31,679,389	33,470,786
Total liabilities and net assets	42,065,679	44,016,263

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

Consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	57,385,172	61,039,777
Cost of sales	48,773,981	51,679,310
Gross profit	8,611,191	9,360,467
Selling, general and administrative expenses		
Salaries and allowances	1,899,255	1,860,122
Provision for bonuses	245,942	280,573
Amortization of goodwill	425,511	365,939
Other	3,067,162	2,850,732
Total selling, general and administrative expenses	5,637,871	5,357,367
Operating income	2,973,319	4,003,099
Non-operating income		
Interest income	14,261	9,177
Dividends income	32,686	28,911
Commission for insurance office work	9,057	8,683
Insurance premiums refunded cancellation	326	21,590
Subsidy income	24,381	6,650
Other	22,079	20,199
Total non-operating income	102,794	95,213
Non-operating expenses		
Interest expenses	4,181	1,707
Commission fee	1,255	1,336
Other	1,223	135
Total non-operating expenses	6,660	3,178
Ordinary income	3,069,453	4,095,133
Extraordinary income		
Gain on sales of noncurrent assets	4,651	-
Gain on sales of investment securities	-	7,550
Other	374	-
Total extraordinary income	5,025	7,550

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Extraordinary loss		
Loss on sales of noncurrent assets	1,072	-
Loss on retirement of noncurrent assets	37,655	6,646
Loss on valuation of golf club membership	-	4,950
Provision for allowance of office transfer expenses	-	20,263
Office transfer expenses	9,952	-
Special retirement expenses	15,773	-
Outplacement expenses	5,000	-
Other	3,300	690
Total extraordinary losses	72,754	32,550
Income before income taxes and minority interests	3,001,724	4,070,133
Income taxes-current	1,395,474	1,583,093
Income taxes-deferred	(35,578)	184,582
Total income taxes	1,359,896	1,767,676
Income before minority interests	1,641,827	2,302,457
Minority interests in income	86,221	125,303
Net income	1,555,606	2,177,154

Consolidated statements of comprehensive income

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Income before minority interests	1,641,827	2,302,457
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,704)	234,109
Total other comprehensive income	(28,704)	234,109
Comprehensive income	1,613,123	2,536,567
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,526,301	2,410,072
Comprehensive income attributable to minority interests	86,821	126,494

(3) Consolidated statements of changes in net assets

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,113,000	6,113,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,113,000	6,113,000
Capital surplus		
Balance at the beginning of current period	6,190,917	6,190,917
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,190,917	6,190,917
Retained earnings		
Balance at the beginning of current period	18,755,198	19,478,665
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,555,606	2,177,154
Total changes of items during the period	723,466	1,463,893
Balance at the end of current period	19,478,665	20,942,558
Treasury stock		
Balance at the beginning of current period	(1,493,542)	(1,493,615)
Changes of items during the period		
Purchase of treasury stock	(73)	-
Total changes of items during the period	(73)	-
Balance at the end of current period	(1,493,615)	(1,493,615)
Total shareholders' equity		
Balance at the beginning of current period	29,565,574	30,288,967
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,555,606	2,177,154
Purchase of treasury stock	(73)	-
Total changes of items during the period	723,393	1,463,893
Balance at the end of current period	30,288,967	31,752,860
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(72,302)	(101,607)
Changes of items during the period		
Net changes of items other than shareholders' equity	(29,304)	232,918
Total changes of items during the period	(29,304)	232,918
Balance at the end of current period	(101,607)	131,311

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Total accumulated other comprehensive income		
Balance at the beginning of current period	(72,302)	(101,607)
Changes of items during the period		
Net changes of items other than shareholders' equity	(29,304)	232,918
Total changes of items during the period	(29,304)	232,918
Balance at the end of current period	(101,607)	131,311
Minority interests		
Balance at the beginning of current period	1,439,026	1,492,028
Changes of items during the period		
Net changes of items other than shareholders' equity	53,002	94,585
Total changes of items during the period	53,002	94,585
Balance at the end of current period	1,492,028	1,586,614
Total net assets		
Balance at the beginning of current period	30,932,297	31,679,389
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,555,606	2,177,154
Purchase of treasury stock	(73)	-
Net changes of items other than shareholders' equity	23,698	327,504
Total changes of items during the period	747,091	1,791,397
Balance at the end of current period	31,679,389	33,470,786

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,001,724	4,070,133
Depreciation and amortization	1,413,552	1,154,613
Amortization of goodwill	425,511	365,939
Increase (decrease) in provision for bonuses	(3,479)	292,144
Increase (decrease) in provision for directors' bonuses	2,530	(2,820)
Increase (decrease) in provision for loss on order received	7,677	(117,243)
Increase (decrease) in provision for office transfer	(20,493)	20,263
Increase (decrease) in provision for compensation for damage	(20,475)	-
Increase (decrease) in provision for retirement benefits	(63,379)	38,112
Increase (decrease) in provision for directors' retirement benefits	12,834	(31,955)
Decrease (increase) in notes and accounts receivable-trade	618,462	(1,333,867)
Decrease (increase) in inventories	(221,482)	298,627
Increase (decrease) in notes and accounts payable-trade	111,562	490,666
Increase (decrease) in accounts payable-other	240,004	(80,448)
Other, net	161,614	(333,444)
Subtotal	5,666,164	4,830,720
Interest and dividends income received	45,695	41,836
Interest expenses paid	(4,547)	(1,856)
Income taxes paid	(1,567,775)	(1,273,376)
Net cash provided by (used in) operating activities	4,139,537	3,597,323
Net cash provided by (used in) investing activities		
Payments into time deposits	(800,000)	(775,012)
Proceeds from withdrawal of time deposits	450,000	800,000
Proceeds from redemption of securities	-	300,000
Purchase of property, plant and equipment	(179,100)	(206,492)
Purchase of intangible assets	(496,749)	(353,288)
Purchase of investment securities	(300,780)	(826)
Proceeds from sales of investment securities	-	17,550
Proceeds from redemption of investment securities	100,000	-
Purchase of stocks of subsidiaries and affiliates	(45,811)	-
Other, net	22,594	(32,912)
Net cash provided by (used in) investing activities	(1,249,846)	(250,982)

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(311,260)	(130)
Redemption of bonds	(120,000)	(120,000)
Cash dividends paid	(829,648)	(712,013)
Cash dividends paid to minority shareholders	(33,769)	(31,731)
Other, net	(4,792)	(2,721)
Net cash provided by (used in) financing activities	(1,299,470)	(866,597)
Net increase (decrease) in cash and cash equivalents	1,590,219	2,479,743
Cash and cash equivalents at beginning of period	11,250,614	12,840,833
Cash and cash equivalents at end of period	12,840,833	15,320,576

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant matters forming the basis of preparing the consolidated financial statements)

1) Scope of consolidation
   a. Number of consolidated subsidiaries: 7
      Names of principal consolidated subsidiaries:
      DATALINKS CORPORATION
      FAITEC CORPORATION
      JAPAN SYSTEMS ENGINEERING CORPORATION
      DIGITAL TECHNOLOGIES CORPORATION

   b. Names of principal non-consolidated subsidiaries, etc.
      Names of principal non-consolidated subsidiaries:
      DTS (Shanghai) CORPORATION

      (Reason for exclusion from scope of consolidation)
      All non-consolidated subsidiaries are small in scale and their aggregate amount of total assets, net sales, net income or loss (for the Company's equity interest), retained earnings (for the Company's equity interest) and others do not have a material effect on the Company's consolidated financial statements.

2) Application of the equity method
   a. There are no non-consolidated subsidiaries or affiliates to which the equity method is applied.

   b. The non-consolidated subsidiaries that are not accounted for by the equity method (DTS (Shanghai) CORPORATION and others) are excluded from the application of the equity method since such exclusion has immaterial effect on the Company's consolidated financial statements in terms of net income or loss (for the Company's equity interest), retained earnings (for the Company's equity interest) and others, and they are not material as a whole.

3) Fiscal year-end dates of consolidated subsidiaries
   a. Balance sheet dates of consolidated subsidiaries are as follows.
      December 31: 3 companies
      March 31: 4 companies

   b. In the preparation of the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the financial statements as of this date are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4) Accounting policies
   a. Valuation bases and methods of significant assets
      (a) Securities
          Available-for-sale securities
          i. Securities with readily determinable fair value
             Stated at fair value based on market price at the fiscal year-end.
             Valuation difference is included in a separate component of net assets, and cost of sales is determined based on the moving-average method.

ii. Securities without readily determinable fair value
Stated at cost determined by the moving-average method.

(b) Inventories
i. Merchandise
Mainly stated at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
ii. Work in process
Stated at cost determined by the identified cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
iii. Supplies
Stated using the last cost method.

b. Depreciation and amortization method for significant depreciable assets
(a) Property, plant and equipment (excluding lease assets)
Depreciated by the declining balance method.
However, buildings (excluding accompanying facilities) acquired on or after April 1, 1998 are depreciated by the straight-line method.
The main useful lives are as follows:

Buildings and structures:	3-50 years
Tools, furniture and fixtures:	2-20 years

Assets for which the acquisition cost is at least ¥100,000 and less than ¥200,000 are mainly depreciated evenly over three years.

(b) Intangible assets (excluding lease assets)
Amortized by the straight-line method.
However, software to be sold on the market is amortized based on expected sales volume and sales revenue within three or five years after it is put on sale. If the resulting amortization amount is less than the evenly distributed amount based on the remaining effective period of the software, the software is amortized by the evenly distributed amount.
With respect to software for internal use, software used in providing services (software for licensing services on the basis of contracts with specific customers) is amortized evenly over the period during which fees are paid under the relevant contract (mainly five years). Other software with cost reduction effects is amortized by the straight-line method based on its estimated useful life within the Company (within five years).

(c) Lease assets
Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.
Finance lease transactions that do not transfer ownership and for which the transaction commenced on or before March 31, 2008 are accounted for in the same way as operating lease transactions.

c. Significant allowances and provisions
(a) Allowance for doubtful accounts
To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(b) Provision for bonuses
To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(c) Provision for directors' bonuses
To prepare for the payment of bonuses to directors, the amount expected to be paid is provided.

(d) Provision for loss on order received
To prepare for future losses on orders received, the amount of expected loss from orders received at the fiscal year-end is provided.

(e) Provision for office transfer expenses
To prepare for office transfer expenses to occur in the following fiscal year, a reasonable estimate is provided.

(f) Provision for retirement benefits
To prepare for the payment of retirement benefits to employees of consolidated subsidiaries, an amount deemed accrued at the fiscal year-end, based on the projected retirement benefit obligation at the fiscal year-end, is provided.
Prior service cost is amortized by the straight-line method over a fixed number of years (12 years) set within the average remaining service period of employees as occurred.
Unrecognized actuarial gains and losses are amortized by the straight-line method over a fixed number of years (12 years) set within the average remaining service period of employees as occurred, starting in the respective following fiscal years.
At certain consolidated subsidiaries, an amount deemed accrued at the fiscal year-end is provided by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date.

(g) Provision for directors' retirement benefits
At certain consolidated subsidiaries, to prepare for the payment of retirement benefits to directors, the amount to be paid at the fiscal year-end, based on an internal rule, is provided.

d. Recognition of significant revenues and expenses
Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts
(a) Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite
Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)

(b) Other construction activities
Completed-contract method

e. Translation of major assets or liabilities denominated in foreign currencies
Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized as profit and loss in the consolidated statements of income.

f. Method and period for amortization of goodwill
Goodwill is amortized by the straight-line method based on its cause and the period during which it has an effect (5-10 years).

g. Scope of cash in the consolidated statement of cash flows
Cash (cash and cash equivalents) in the consolidated statements of cash flows consists of cash on hand, demand deposits, and short-term investments with a maturity not exceeding three months from the acquisition date that are readily convertible to cash and not exposed to significant risk of price fluctuations.

h. Other significant matters for preparing the consolidated financial statements
Items subject to consumption taxes are accounted for at amounts exclusive of consumption taxes.

(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 fiscal year under review.

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

5. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

(Thousand yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	8,551,695	11,253,822
Notes receivable-trade	-	9,891
Accounts receivable-trade	5,702,811	6,385,083
Securities	300,402	-
Merchandise	22,695	12,588
Work in process	484,266	331,223
Supplies	7,043	6,659
Advance payments-trade	39,678	123,307
Prepaid expenses	207,439	210,929
Deferred tax assets	858,211	926,134
Short-term loans receivable from subsidiaries and affiliates	1,620,000	858,197
Current portion of long-term loans receivable from subsidiaries and affiliates	120,000	120,000
Other	169,169	151,725
Allowance for doubtful accounts	(758)	(752)
Total current assets	18,082,656	20,388,808
Noncurrent assets		
Property, plant and equipment		
Buildings	4,642,627	4,640,249
Accumulated depreciation	(2,583,467)	(2,666,746)
Buildings, net	2,059,159	1,973,502
Tools, furniture and fixtures	1,130,483	1,133,158
Accumulated depreciation	(966,487)	(965,740)
Tools, furniture and fixtures, net	163,995	167,417
Land	6,310,197	6,310,197
Lease assets	9,276	9,276
Accumulated depreciation	(3,658)	(5,514)
Lease assets, net	5,617	3,762
Other	23,563	23,563
Accumulated depreciation	(21,654)	(22,047)
Other, net	1,909	1,516
Total property, plant and equipment	8,540,879	8,456,395
Intangible assets		
Software	1,918,522	1,311,219
Other	9,531	9,105
Total intangible assets	1,928,053	1,320,324

(Thousand yen)

	As of March 31, 2012	As of March 31, 2013
Investments and other assets		
Investment securities	1,230,874	1,495,459
Stocks of subsidiaries and affiliates	5,103,580	5,103,580
Investments in capital of subsidiaries and affiliates	203,627	203,627
Long-term loans receivable from subsidiaries and affiliates	290,000	170,000
Long-term prepaid expenses	30,481	49,876
Insurance funds	418,799	432,617
Deferred tax assets	119,964	62,764
Other	160,370	153,145
Allowance for doubtful accounts	(29)	(17)
Total investments and other assets	7,557,670	7,671,056
Total noncurrent assets	18,026,603	17,447,776
Total assets	36,109,259	37,836,585
Liabilities		
Current liabilities		
Accounts payable-trade	1,453,530	1,303,294
Lease obligations	2,721	2,721
Accounts payable-other	818,530	802,812
Accrued expenses	247,156	284,291
Income taxes payable	801,175	868,484
Accrued consumption taxes	329,811	422,237
Advances received	78,903	101,096
Deposits received	235,855	246,163
Provision for bonuses	1,700,156	1,932,592
Provision for directors' bonuses	51,400	47,840
Provision for loss on order received	122,529	5,286
Provision for office transfer expenses	-	7,363
Other	44,536	43,947
Total current liabilities	5,886,309	6,068,133
Noncurrent liabilities		
Lease obligations	5,498	2,776
Long-term accounts payable-other	149,962	142,355
Asset retirement obligations	16,886	17,277
Other	3,468	3,468
Total noncurrent liabilities	175,815	165,877
Total liabilities	6,062,124	6,234,011

(Thousand yen)

	As of March 31, 2012	As of March 31, 2013
Net assets		
Shareholders’ equity		
Capital stock	6,113,000	6,113,000
Capital surplus		
Legal capital surplus	6,190,917	6,190,917
Total capital surpluses	6,190,917	6,190,917
Retained earnings		
Legal retained earnings	411,908	411,908
Other retained earnings		
General reserve	11,170,000	11,170,000
Retained earnings brought forward	7,748,664	9,076,113
Total retained earnings	19,330,572	20,658,022
Treasury stock	(1,493,615)	(1,493,615)
Total shareholders’ equity	30,140,875	31,468,324
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(93,740)	134,249
Total valuation and translation adjustments	(93,740)	134,249
Total net assets	30,047,134	31,602,573
Total liabilities and net assets	36,109,259	37,836,585

(2) Non-consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	34,502,005	36,607,730
Cost of sales	28,774,388	30,502,596
Gross profit	5,727,616	6,105,134
Selling, general and administrative expenses		
Directors' compensations	179,400	170,310
Salaries and allowances	1,134,416	1,125,101
Bonuses	186,236	188,073
Provision for bonuses	176,204	208,092
Provision for directors' bonuses	51,400	47,840
Legal welfare expenses	188,565	199,210
Education and training expenses	93,213	111,178
Depreciation	97,481	113,275
Commission fee	329,488	382,183
Transfer to other account	(117,008)	(248,642)
Other	701,047	680,550
Total selling, general and administrative expenses	3,020,445	2,977,173
Operating income	2,707,170	3,127,961
Non-operating income		
Interest income	6,851	7,719
Interest on securities	9,624	3,858
Dividends income	121,036	100,467
Real estate rent	23,573	24,426
Other	13,943	17,119
Total non-operating income	175,029	153,592
Non-operating expenses		
Foreign exchange losses	125	-
Other	16	-
Total non-operating expenses	142	-
Ordinary income	2,882,057	3,281,553
Extraordinary income		
Gain on sales of noncurrent assets	4,651	-
Gain on extinguishment of tie-in shares	13,657	-
Gain on sales of investment securities	-	7,550
Total extraordinary income	18,308	7,550

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Extraordinary loss		
Loss on sales of noncurrent assets	1,072	-
Loss on retirement of noncurrent assets	4,805	5,771
Loss on valuation of golf club membership	-	4,950
Provision for allowance of office transfer expenses	-	7,363
Other	-	690
Total extraordinary losses	5,877	18,775
Income before income taxes	2,894,488	3,270,328
Income taxes-current	1,254,091	1,286,533
Income taxes-deferred	44,559	(56,915)
Total income taxes	1,298,650	1,229,618
Net income	1,595,837	2,040,710

(3) Non-consolidated statements of changes in net assets

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,113,000	6,113,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,113,000	6,113,000
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	6,190,917	6,190,917
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,190,917	6,190,917
Total capital surplus		
Balance at the beginning of current period	6,190,917	6,190,917
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	6,190,917	6,190,917
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	411,908	411,908
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	411,908	411,908
Other retained earnings		
General reserve		
Balance at the beginning of current period	11,170,000	11,170,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	11,170,000	11,170,000
Retained earnings brought forward		
Balance at the beginning of current period	6,984,967	7,748,664
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,595,837	2,040,710
Total changes of items during the period	763,697	1,327,449
Balance at the end of current period	7,748,664	9,076,113
Total retained earnings		
Balance at the beginning of current period	18,566,875	19,330,572
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,595,837	2,040,710
Total changes of items during the period	763,697	1,327,449
Balance at the end of current period	19,330,572	20,658,022

(Thousand yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Treasury stock		
Balance at the beginning of current period	(1,493,542)	(1,493,615)
Changes of items during the period		
Purchase of treasury stock	(73)	-
Total changes of items during the period	(73)	-
Balance at the end of current period	(1,493,615)	(1,493,615)
Total shareholders' equity		
Balance at the beginning of current period	29,377,251	30,140,875
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,595,837	2,040,710
Purchase of treasury stock	(73)	-
Total changes of items during the period	763,623	1,327,449
Balance at the end of current period	30,140,875	31,468,324
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(62,452)	(93,740)
Changes of items during the period		
Net changes of items other than shareholders' equity	(31,288)	227,989
Total changes of items during the period	(31,288)	227,989
Balance at the end of current period	(93,740)	134,249
Total valuation and translation adjustments		
Balance at the beginning of current period	(62,452)	(93,740)
Changes of items during the period		
Net changes of items other than shareholders' equity	(31,288)	227,989
Total changes of items during the period	(31,288)	227,989
Balance at the end of current period	(93,740)	134,249
Total net assets		
Balance at the beginning of current period	29,314,798	30,047,134
Changes of items during the period		
Dividends from surplus	(832,139)	(713,260)
Net income	1,595,837	2,040,710
Purchase of treasury stock	(73)	-
Net changes of items other than shareholders' equity	(31,288)	227,989
Total changes of items during the period	732,335	1,555,438
Balance at the end of current period	30,047,134	31,602,573

(4) Notes to non-consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1) Valuation bases and methods of securities

a. Stocks of subsidiaries

Stated at cost determined by the moving-average method.

b. Available-for-sale securities

(a) Securities with readily determinable fair value

Stated at fair value based on market price at the fiscal year-end.

Valuation difference is included in a separate component of net assets, and cost of sales is determined based on the moving-average method.

(b) Securities without readily determinable fair value

Stated at cost determined by the moving-average method.

2) Valuation bases and methods of inventories

a. Merchandise

Stated at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).

b. Work in process

Stated at cost determined by the identified cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).

c. Supplies

Stated using the last cost method.

3) Depreciation and amortization method for noncurrent assets

a. Property, plant and equipment (excluding lease assets)

Depreciated by the declining balance method.

However, buildings (excluding accompanying facilities) acquired on or after April 1, 1998 are depreciated by the straight-line method.

The main useful lives are as follows:

Buildings:	3-50 years
Tools, furniture and fixtures:	2-15 years

Assets for which the acquisition cost is at least ¥100,000 and less than ¥200,000 are depreciated evenly over three years.

b. Intangible assets (excluding lease assets)

Amortized by the straight-line method.

However, software to be sold on the market is amortized based on expected sales volume and sales revenue within three or five years after it is put on sale. If the resulting amortization amount is less than the evenly distributed amount based on the remaining effective period of the software, the software is amortized by the evenly distributed amount.

With respect to software for internal use, software used in providing services (software for licensing services on the basis of contracts with specific customers) is amortized evenly over the period during which fees are paid under the relevant contract (mainly five years). Other software with cost reduction effects is amortized by the straight-line method based on its estimated useful life within the Company (within five years).

c. Lease assets
Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.
Finance lease transactions that do not transfer ownership and for which the transaction commenced on or before March 31, 2008 are accounted for in the same way as operating lease transactions.

d. Long-term prepaid expenses
Amortized by the straight-line method.

4) Translation of assets and liabilities denominated in foreign currencies
Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the fiscal year-end. The foreign exchange gains and losses from translation are recognized as profit and loss in the non-consolidated statements of income.

5) Allowances and provisions
a. Allowance for doubtful accounts
To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

b. Provision for bonuses
To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

c. Provision for directors' bonuses
To prepare for the payment of bonuses to directors, the amount expected to be paid is provided.

d. Provision for loss on order received
To prepare for future losses on orders received, the amount of expected loss from orders received at the fiscal year-end is provided.

e. Provision for office transfer expenses
To prepare for office transfer expenses to occur in the following fiscal year, a reasonable estimate is provided.

6) Recognition of revenues and expenses
Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts
a. Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite
Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)

b. Other construction activities
Completed-contract method

7) Other significant matters forming the basis of preparing the non-consolidated financial statements
Items subject to consumption taxes are accounted for at amounts exclusive of consumption taxes.

(Changes in presentation)

(Statements of income)

"Transfer to other account," which was included in "Other" under "Selling, general and administrative expenses" in the previous fiscal year, is presented as a separate line item from the fiscal year under review because of an increase in the significance of the amount. The financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥584,039 thousand that was presented as "Other" under "Selling, general and administrative expenses" in the statements of income of the previous fiscal year has been reclassified as a minus figure of ¥117,008 thousand in "Transfer to other account" and a positive figure of ¥701,047 thousand in "Other."

"Transfer to other account" is primarily attributable to the amount transferred to "Intangible assets." The amount is the result of software development for systems within the Company.

(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 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 fiscal year under review.

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

6. Others

(1) Changes in directors and corporate auditors (scheduled for June 25, 2013)

1) Change in representative directors
   No items to report.

2) Other changes
   - Candidates for new directors
     Director — Shigehiko Suzuki
     (Currently, Chairman of the Board of Directors,
     Canon Electronics Technology Inc.
     Supreme Advisor, CANON ELECTRONICS INC.
     Special Advisor, NTT Advanced Technology Corporation)

   - Retiring corporate auditors
     Full-time Corporate Auditor — Minoru Ozaki

Note: The candidate for new director Shigehiko Suzuki is a candidate for outside director.

(2) Production, orders and sales

1) Production

Production in the fiscal year under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	38,113,455	6.2
	Operation Engineering Services	13,859,215	9.4
Total		51,972,671	7.1

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 fiscal year 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	38,041,861	2.6	11,350,000	(0.6)
	Operation Engineering Services	14,192,638	23.5	7,863,594	4.4
Total		52,234,500	7.5	19,213,595	1.4

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 fiscal year under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	38,113,455	6.2
	Operation Engineering Services	13,859,215	9.4
	Product Services and Others	4,844,660	12.7
	Subtotal	56,817,331	7.5
Human Resource Service	Staffing Services and Others	4,222,446	(7.0)
	Subtotal	4,222,446	(7.0)
Total		61,039,777	6.4

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