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November 5, 2013

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2014 <under Japanese GAAP>

Company name: **DTS Corporation**
Stock listing: Tokyo Stock Exchange, First Section
Stock code: 9682
URL: http://www.dts.co.jp/
Representative: Kouichi Nishida, Representative Director and President
Inquiries: Takeo Haruki, General Manager, Accounting Department
TEL: +81-3-3437-5488

Scheduled date to file quarterly securities report: November 11, 2013
Scheduled date to commence dividend payments: November 27, 2013
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, 2014 (from April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2013	30,821	3.6	2,077	24.4	2,111	22.8	1,123	24.2
September 30, 2012	29,742	5.5	1,670	64.5	1,720	61.1	904	77.4

Note: Comprehensive income
Six months ended September 30, 2013: ¥1,346 million [27.7%]
Six months ended September 30, 2012: ¥1,054 million [122.6%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2013	47.24	–
September 30, 2012	38.04	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2013	43,786	34,297	74.7
March 31, 2013	44,016	33,470	72.4

Reference: Equity
As of September 30, 2013: ¥32,690 million As of March 31, 2013: ¥31,884 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, 2013	–	15.00	–	20.00	35.00
Fiscal year ending March 31, 2014	–	15.00			
Fiscal year ending March 31, 2014 (Forecasts)			–	15.00	30.00

Note: Revisions to the forecasts of dividends most recently announced: None
Breakdown of the fiscal year-end dividend for the 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
Fiscal year ending March 31, 2014	62,000	1.6	4,100	2.4	4,150	1.3	2,200	1.0	92.53

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: None
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements after error corrections: None

(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, 2013	25,222,266 shares
As of March 31, 2013	25,222,266 shares

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

As of September 30, 2013	1,447,020 shares
As of March 31, 2013	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, 2013	23,775,334 shares
Six months ended September 30, 2012	23,775,362 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) Information regarding consolidated earnings forecasts and other forward-looking statements in 1. Qualitative Information Regarding Settlement of Accounts for the First Six Months,' on page 4 of the attached materials.

Attached Materials

Contents

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

(1) Information regarding consolidated operating results

In the six months under review, the Japanese economy continued to show signs of recovery, mainly reflecting support from improvement in the export environment and a pickup in consumer spending. In the information services industry, although investment in information technology particularly by financial institutions and others was recovering on the back of improved corporate earnings, many companies retained a cautious approach toward the resumption of investment.

Amid this environment, the DTS Group formulated its medium-term management plan (April 2013 to March 2016) in April 2013, and under its medium-term management plan vision of "providing the highest value to customers as the Best Value Partner," the DTS Group is focusing on efforts including the strengthening of its proposal-making capability to increase net sales, the creation of new solutions, and the establishment of a business base for global business operations. To support these aims, the DTS Group is also continuously working to train its workforce into high-value added personnel, strengthen its management base and maximize group synergies.

During the six months under review, in Information Service, which is the DTS Group's main area of strength, net sales increased on the back of strong sales performances in development contracts in the finance sector for banks, trust banks and others. Furthermore, with the aim of strengthening its work to build up the packaged solutions and embedding businesses into a third business pillar in addition to finance and communications, the DTS Group strengthened its sales force and established an embedding business division. The Group is also working on possibilities for M&As and alliances with other companies for business expansion purposes.

In addition to the above efforts, the DTS Group has set up the Innovative Business Promotion Department with the purpose of strengthening marketing and promoting technological innovation for the creation of new businesses, and is pushing ahead with this work. In terms of global business development, the DTS Group has started studies into establishing new offshore and Business Process Outsourcing (BPO) service centers in addition to the Group's existing business bases in China and Thailand.

The Company took the decision to carry out an absorption-type merger with its consolidated subsidiary FAITEC CORPORATION in which the Company will be the surviving company (planned for execution on April 1, 2014). FAITEC CORPORATION is a financial system integration company engaged in operations focused on property management for the insurance and pension fields. By combining the operational knowhow of FAITEC CORPORATION with the Company's technological capabilities in the finance sector and expediting decision making, the Company will work to further expand its operations in the finance sector, in which demand for system development is expected to grow.

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

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	30,821	3.6	18,663	7.7
Operating income	2,077	24.4	1,671	23.6
Ordinary income	2,111	22.8	1,812	23.6
Net income	1,123	24.2	1,124	24.1

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	19,064	4.9	12,922	8.7
	Operation Engineering Services	6,556	(3.6)	5,317	1.4
	Product Services and Others	3,000	14.2	423	113.7
	Subtotal	28,621	3.7	18,663	7.7
Human Resource Service	Staffing Services and Others	2,199	2.8	–	–
	Subtotal	2,199	2.8	–	–
Total		30,821	3.6	18,663	7.7

Net sales were ¥30,821 million, up 3.6% year on year. Sales increased in Information Service as a result of strong sales performances in system development, particularly large-scale projects for financial institutions, and in equipment sales to specific customers. In addition, sales increased in Human Resource Service thanks to a strong sales performance in outsourcing operations, despite a decline in staffing services operations.

Cost of sales was ¥25,877 million, up 1.9% year on year, while gross profit was ¥4,944 million, up 13.4% year on year. The increase in gross profit was mainly due to an increase in net sales in addition to a decrease in unprofitable projects thanks to the strengthening of project management.

Regarding selling, general and administrative expenses, while efforts were made to reduce various costs, strategic investment outlays were carried out to strengthen sales capabilities and to create new solutions. As a result, selling, general and administrative expenses totaled ¥2,866 million, up 6.6% year on year.

As a result of the above, operating income was ¥2,077 million, up 24.4% year on year, ordinary income was ¥2,111 million, up 22.8% year on year, and net income was ¥1,123 million, up 24.2% year on year.

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

Information Service

[System Engineering Services]
In System Engineering Services, in the finance sector there was substantial growth in large-scale projects for banks, while there were firm sales performances in development contracts for a wide variety of customers including trust banks and securities companies. In addition, although large-scale projects for certain customers in the previous fiscal year have run their course and are now in the phase of maintenance provision, new contracts were obtained in areas including manufacturing, construction and real estate, leading to a sales increase in System Engineering Services.

[Operation Engineering Services]
Although there were increases in projects for cloud computing operators and others, some projects came to an end, resulting in an overall sales decline in Operation Engineering Services.

[Product Services and Others]
Sales for Product Services and Others increased thanks to a strong performance in equipment sales, particularly sales of servers and storage to specific companies, while there was also special demand for services such as PC renewals.

Human Resource Service

[Staffing Services and Others]
Although there was a decline in operations and projects coming to an end in the area of staffing service, there was a substantial increase in outsourcing operations related to product sales due to the peak summer season, and sales in Staffing Services and Others increased as a result.

(2) Information regarding consolidated financial position

Total assets as of September 30, 2013 were ¥43,786 million, a decrease of ¥229 million from the previous fiscal year-end. The main factors for this were increases of ¥685 million in cash and deposits and ¥563 million in work in process on one hand, and declines of ¥1,127 million in notes and accounts receivable-trade and ¥366 million in intangible assets such as goodwill on the other.

Liabilities were ¥9,489 million, a decrease of ¥1,055 million from the previous fiscal year-end. The main factors for this were decreases of ¥178 million in income taxes payable and ¥150 million in provision for bonuses.

Net assets were ¥34,297 million, an increase of ¥826 million from the previous fiscal year-end. This mainly reflected an increase in net assets from ¥1,123 million of net income, which offset a ¥475 million decrease due to dividends from surplus.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

With respect to the future outlook, the recovery trend of economy is expected to continue. Even so, partly because of overseas economic slowdown concerns, it is difficult to ascertain what kind of stance customer companies will take on investment in information technology.

In accordance with the above, there is no change from the earnings forecasts announced on May 10, 2013.

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 are included in income taxes.

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

No items to report.

3. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	16,070,588	16,756,461
Notes and accounts receivable-trade	10,050,944	8,923,139
Merchandise	99,862	361,015
Work in process	478,527	1,041,807
Supplies	9,782	7,189
Other	2,115,228	2,005,941
Allowance for doubtful accounts	(17,254)	(9,142)
Total current assets	28,807,679	29,086,412
Noncurrent assets		
Property, plant and equipment		
Land	6,422,365	6,422,365
Other, net	2,451,379	2,427,717
Total property, plant and equipment	8,873,744	8,850,082
Intangible assets		
Goodwill	1,476,574	1,295,332
Other	1,251,358	1,066,226
Total intangible assets	2,727,932	2,361,559
Investments and other assets		
Other	3,606,906	3,488,910
Allowance for doubtful accounts	-	(226)
Total investments and other assets	3,606,906	3,488,684
Total noncurrent assets	15,208,584	14,700,326
Total assets	44,016,263	43,786,738
Liabilities		
Current liabilities		
Accounts payable-trade	2,658,822	2,629,167
Current portion of bonds	100,000	50,000
Income taxes payable	1,131,816	953,771
Provision for bonuses	2,507,029	2,356,899
Provision for directors’ bonuses	59,280	31,569
Provision for loss on order received	5,286	59,158
Provision for office transfer expenses	20,263	4,666
Other	3,315,507	2,647,445
Total current liabilities	9,798,006	8,732,678
Noncurrent liabilities		
Provision for retirement benefits	473,454	494,872
Provision for directors’ retirement benefits	66,438	58,007
Other	207,577	204,033
Total noncurrent liabilities	747,470	756,913
Total liabilities	10,545,477	9,489,591

(Thousand yen)

	As of March 31, 2013	As of September 30, 2013
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,190,917	6,190,917
Retained earnings	20,942,558	21,608,030
Treasury stock	(1,493,615)	(1,493,775)
Total shareholders' equity	31,752,860	32,418,172
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131,311	249,581
Foreign currency translation adjustment	-	22,867
Total accumulated other comprehensive income	131,311	272,448
Minority interests	1,586,614	1,606,526
Total net assets	33,470,786	34,297,147
Total liabilities and net assets	44,016,263	43,786,738

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

Consolidated statements of income (cumulative)

(Thousand yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	29,742,560	30,821,095
Cost of sales	25,383,800	25,877,017
Gross profit	4,358,760	4,944,078
Selling, general and administrative expenses	2,688,079	2,866,237
Operating income	1,670,680	2,077,841
Non-operating income		
Interest income	4,842	4,434
Dividends income	14,788	15,889
Insurance premiums refunded cancellation	13,262	1,899
Subsidy income	1,182	570
Other	18,576	26,598
Total non-operating income	52,653	49,391
Non-operating expenses		
Interest expenses	951	539
Foreign exchange losses	1,065	14,380
Commission fee	958	193
Other	64	223
Total non-operating expenses	3,039	15,336
Ordinary income	1,720,293	2,111,896
Extraordinary income		
Gain on sales of investment securities	-	574
Total extraordinary income	-	574
Extraordinary loss		
Loss on retirement of noncurrent assets	5,577	214
Loss on valuation of golf club membership	4,950	-
Provision for allowance of office transfer expenses	-	4,666
Total extraordinary losses	10,527	4,881
Income before income taxes and minority interests	1,709,765	2,107,589
Income taxes	750,447	911,279
Income before minority interests	959,318	1,196,310
Minority interests in income	54,824	73,238
Net income	904,493	1,123,071

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	959,318	1,196,310
Other comprehensive income		
Valuation difference on available-for-sale securities	95,597	118,614
Foreign currency translation adjustment	-	31,754
Total other comprehensive income	95,597	150,369
Comprehensive income	1,054,916	1,346,679
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,000,942	1,273,096
Comprehensive income attributable to minority interests	53,973	73,583

(3) Consolidated statements of cash flows

(Thousand yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,709,765	2,107,589
Depreciation and amortization	676,136	402,616
Amortization of goodwill	184,697	181,241
Increase (decrease) in provision for bonuses	100,604	(150,315)
Increase (decrease) in provision for directors' bonuses	(31,101)	(27,710)
Increase (decrease) in provision for loss on order received	12,146	53,871
Increase (decrease) in provision for office transfer	-	1,199
Increase (decrease) in provision for retirement benefits	18,810	21,418
Increase (decrease) in provision for directors' retirement benefits	(39,294)	(8,431)
Decrease (increase) in notes and accounts receivable-trade	240,265	1,239,534
Decrease (increase) in inventories	(253,906)	(821,272)
Increase (decrease) in notes and accounts payable-trade	12,341	(72,999)
Other, net	(13,782)	(592,505)
Subtotal	2,616,683	2,334,238
Interest and dividends income received	22,330	19,977
Interest expenses paid	(1,349)	(939)
Income taxes paid	(769,939)	(1,087,604)
Net cash provided by (used in) operating activities	1,867,725	1,265,671
Net cash provided by (used in) investing activities		
Payments into time deposits	(125,000)	-
Proceeds from withdrawal of time deposits	125,000	100,000
Proceeds from redemption of securities	300,000	-
Purchase of property, plant and equipment	(148,346)	(71,886)
Purchase of intangible assets	(157,800)	(76,862)
Purchase of investment securities	(531)	(615)
Proceeds from sales of investment securities	-	5,074
Purchase of stocks of subsidiaries and affiliates	-	(15,660)
Other, net	(7,137)	(1,288)
Net cash provided by (used in) investing activities	(13,815)	(61,238)

(Thousand yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) financing activities		
Redemption of bonds	(60,000)	(50,000)
Purchase of treasury stock of subsidiaries in consolidation	-	(17,710)
Cash dividends paid	(356,071)	(474,264)
Cash dividends paid to minority shareholders	(31,618)	(35,572)
Other, net	(1,190)	(2,020)
Net cash provided by (used in) financing activities	(448,881)	(579,567)
Effect of exchange rate change on cash and cash equivalents	-	10,198
Net increase (decrease) in cash and cash equivalents	1,405,028	635,064
Cash and cash equivalents at beginning of period	12,840,833	15,320,576
Increase in cash and cash equivalents from newly consolidated subsidiary	-	150,808
Cash and cash equivalents at end of period	14,245,862	16,106,449

(4) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

No items to report.

(Significant subsequent events)

Making a consolidated subsidiary a wholly owned subsidiary and carrying out an absorption-type merger

The Company resolved at a meeting of its Board of Directors held on November 5, 2013, to make an additional purchase of the shares of its consolidated subsidiary, FAITEC CORPORATION, thus making the subsidiary into a wholly owned subsidiary. Furthermore, at the same meeting of the Board of Directors held on November 5, 2013, the Company resolved to carry out an absorption-type merger with FAITEC CORPORATION, with the planned effective date of April 1, 2014.

1. Making a consolidated subsidiary a wholly owned subsidiary

(1) Outline of transaction

1) Name and business of company involved

Name of company involved	FAITEC CORPORATION
Business	An information service business engaged in operations focused on property management for the insurance and pension fields

2) Date of transaction

November 29, 2013 (planned)

3) Legal form of transaction

Making the subsidiary a wholly owned subsidiary by purchasing shares from minority shareholders

4) Company name after transaction

This transaction will not result in a change in the company name.

5) Other items regarding outline of transaction

FAITEC CORPORATION was established in partnership with The Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited) and others, and is engaged in operations focused on property management for the insurance and pension fields.

With the aim of combining the operational knowhow of FAITEC CORPORATION with the Company's technological capabilities in the finance sector and expanding operations in the finance sector as a whole, in which demand for system development is expected to grow, while also boosting management efficiency and expediting decision making, the Company has decided to make FAITEC CORPORATION a wholly owned subsidiary and carry out an absorption-type merger with it in which the Company will be the surviving company.

(2) Outline of accounting procedures to be applied

The transaction is to be accounted for as a transaction with minority shareholders in the scope of transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(3) Items regarding additional purchase of shares of subsidiary

1) Acquisition cost and breakdown of cost

Consideration for acquisition (cash) ¥322 million

2) Items regarding goodwill or negative goodwill

At present, these items are yet to be confirmed.

2. Merger with consolidated subsidiary

(1) Outline of transaction

1) Name and business of company to be absorbed

Name of company to be absorbed	FAITEC CORPORATION
Business	An information service business engaged in operations focused on property management for the insurance and pension fields

2) Date of merger

April 1, 2014 (planned)

3) Legal form of merger

Absorption-type merger in which the Company will be the surviving company and FAITEC CORPORATION will be the absorbed company

4) Company name after merger

DTS Corporation

5) Other items regarding outline of transaction

(a) Purpose of transaction

Please refer to '5) Other items regarding outline of transaction in (1) Outline of transaction under 1. Making a consolidated subsidiary a wholly owned subsidiary.'

(b) Details of allotments in connection with merger

Because the Company will own all shares of FAITEC CORPORATION, there will be no issuance of new shares or increase in capital stock as a result of the merger, and a cash payment will not be made for the merger.

(c) Financial position and operating results in most recent fiscal year of company to be absorbed

(For the fiscal year ended March 31, 2013)

Assets	¥2,433 million
Liabilities	¥846 million
Net assets	¥1,587 million
Net sales	¥5,839 million
Net income	¥238 million

(2) Outline of accounting procedures to be applied

The merger is to be accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

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	19,064,918	4.9
	Operation Engineering Services	6,556,297	(3.6)
Total		25,621,215	2.6

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	18,671,883	18.5	10,956,966	21.6
	Operation Engineering Services	3,562,686	(17.1)	4,869,983	(3.0)
Total		22,234,570	10.9	15,826,949	12.8

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	19,064,918	4.9
	Operation Engineering Services	6,556,297	(3.6)
	Product Services and Others	3,000,534	14.2
	Subtotal	28,621,750	3.7
Human Resource Service	Staffing Services and Others	2,199,345	2.8
	Subtotal	2,199,345	2.8
Total		30,821,095	3.6

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