Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

May 9, 2014

Consolidated Financial Results for the Fiscal Year Ended 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 of General Shareholders' Meeting: June 25, 2014
Scheduled date to commence dividend payments: June 26, 2014
Scheduled date to file annual securities report: June 26, 2014
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, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2014	64,174	5.1	4,741	18.5	4,810	17.5	2,653	21.9
March 31, 2013	61,039	6.4	4,003	34.6	4,095	33.4	2,177	40.0

Note: Comprehensive income
Fiscal year ended March 31, 2014: ¥3,056 million [20.5%]
Fiscal year ended March 31, 2013: ¥2,536 million [57.2%]

	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, 2014	111.60	–	8.1	10.7	7.4
March 31, 2013	91.57	–	7.0	9.5	6.6

Reference: Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2014: ¥– million Fiscal year ended March 31, 2013: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2014	46,316	35,251	73.3	1,426.97
March 31, 2013	44,016	33,470	72.4	1,341.06

Reference: Equity
As of March 31, 2014: ¥33,926 million   As of March 31, 2013: ¥31,884 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2014	3,725	(172)	(985)	18,055
March 31, 2013	3,597	(250)	(866)	15,320

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, 2013	–	15.00	–	20.00	35.00	832	38.2	2.7
Fiscal year ended March 31, 2014	–	15.00	–	20.00	35.00	832	31.4	2.5
Fiscal year ending March 31, 2015 (Forecasts)	–	15.00	–	20.00	35.00		29.7	

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, 2015 (from April 1, 2014 to March 31, 2015)

(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, 2014	33,400	8.4	1,700	(18.2)	1,750	(17.1)	650	(42.1)	27.34
Fiscal year ending March 31, 2015	70,000	9.1	5,000	5.4	5,050	5.0	2,800	5.5	117.77

* 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: For details, please refer to (Changes in accounting policies) in (5) Notes to consolidated financial statements under 4. Consolidated financial statements' on page 23 of the attached materials and (Changes in accounting estimates) in (5) Notes to consolidated financial statements under 4. Consolidated financial statements on page 24 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 shares)

As of March 31, 2014	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 March 31, 2014	1,447,128 shares
As of March 31, 2013	1,446,904 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2014	23,775,264 shares
Fiscal year ended March 31, 2013	23,775,362 shares

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2014	40,071	9.5	3,646	16.6	3,830	16.7	2,303	12.9
March 31, 2013	36,607	6.1	3,127	15.5	3,281	13.9	2,040	27.9

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2014	96.88	–
March 31, 2013	85.83	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2014	39,948	33,286	83.3	1,400.04
March 31, 2013	37,836	31,602	83.5	1,329.22

Reference: Equity
As of March 31, 2014: ¥33,286 million   As of March 31, 2013: ¥31,602 million

2. Non-consolidated earnings forecasts for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(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, 2014	21,200	13.6	1,600	(11.7)	2,000	77.9	84.12
Fiscal year ending March 31, 2015	46,000	14.8	4,300	12.3	3,850	67.1	161.93

* **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 recovered, supported mainly by a pickup in public-sector investment and consumer spending. Conditions in the information services industry were also firm, with positive developments including an increase in information technology investment, mainly by financial institutions.

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 Group focused on efforts to increase net sales, including the strengthening of its proposal-making capability, 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.

In the fiscal year under review, the DTS Group's mainstay Information Service business reported an increase in sales, driven by a high level of development contracts for banks, securities companies and other customers in the financial sector, and higher sales from existing customers and new customers in the manufacturing sector and service sector. In addition, as part of its strategy to develop a third business pillar to support existing businesses in finance and communications, the Group made the decision to acquire shares in Artsystem CORPORATION and YOKOGAWA DIGITAL COMPUTER CORPORATION, making both companies subsidiaries of the Group. In the embedding business, both companies already have strong positions in the medical and in-vehicle fields, which are expected to grow going forward. The Group will focus on further expanding its business mainly in those areas.

In the global business, the DTS Group established a local company in Thailand, following similar moves in China and the U.S., and worked to develop markets overseas. The Group also worked on setting up a new business base in Vietnam to conduct offshore development, Business Process Outsourcing (BPO) and other operations (established April 2014).

Group companies are also being restructured to maximize group synergies. In the fiscal year under review, the Company absorbed consolidated subsidiary FAITEC CORPORATION in a merger with the Company as the surviving entity, as part of efforts to expand business with the financial sector. Also, in order to build an optimal operating structure in western Japan, the Company spun off the information service businesses of its Kansai Branch and Chukyo Branch to create a separate company called DTS WEST CORPORATION. The Company will continue to push ahead with business restructuring to create an optimal operating framework for the whole DTS Group.

As a result of the above, the Group reported net sales of ¥64,174 million for the fiscal year under review, an increase of 5.1% year on year, and gross profit of ¥10,626 million, an increase of 13.5% year on year. This mainly reflected an increase in net sales and a decline in unprofitable projects thanks to the strengthening of project management.

Although steps were taken to reduce various costs, selling, general and administrative expenses increased 9.9% year on year to ¥5,885 million due to strategic investment outlays to strengthen sales capabilities, to create new solutions, and to develop the third business pillar.

As a result of the above, operating income was ¥4,741 million, up 18.5% year on year, ordinary income was ¥4,810 million, up 17.5% year on year, and net income was ¥2,653 million, up 21.9% year on year.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	64,174	5.1	40,071	9.5
Operating income	4,741	18.5	3,646	16.6
Ordinary income	4,810	17.5	3,830	16.7
Net income	2,653	21.9	2,303	12.9

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	40,929	7.4	28,244	11.3
	Operation Engineering Services	13,209	(4.7)	10,906	2.3
	Product Services and Others	5,886	21.5	920	59.5
	Subtotal	60,025	5.6	40,071	9.5
Human Resource Service	Staffing Services and Others	4,149	(1.7)	–	–
	Subtotal	4,149	(1.7)	–	–
Total		64,174	5.1	40,071	9.5

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

Information Service

[System Engineering Services]

In the finance sector, systems integration projects for banks increased and sales from development contracts for securities companies and other customers were firm. Although some large projects for certain customers in the transportation, wholesale and retail sectors from the previous fiscal year have run their course and moved into the phase of maintenance provision, in the manufacturing and service sectors, sales from existing customers expanded and the business secured new customers. As a result, sales in the System Engineering Services business increased year on year.

[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]

Sales from outsourcing services related to product sales grew strongly, but sales from staffing services declined, leading to an overall drop in sales year on year in Staffing Services and Others.

2) Outlook for the next fiscal year

In the near term, the increase in consumption tax could lead to a temporary economic slowdown, but over the longer term, the economy is forecasted to show a gradual recovery, which should support firm investment in information technology.

In the second year of the three-year medium-term management plan, the Group will continue to focus on strengthening its proposal-making capability to drive sales growth, developing new solutions, and establishing a business base for global business operations. The Group will also push ahead with personnel development and business restructuring to support self-sustaining growth.

In light of the above-mentioned changes and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2015 are as follows.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	70,000	9.1	46,000	14.8
Operating income	5,000	5.4	4,200	15.2
Ordinary income	5,050	5.0	4,300	12.3
Net income	2,800	5.5	3,850	67.1

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	46,200	12.9	34,050	20.6
	Operation Engineering Services	13,500	2.2	11,150	2.2
	Product Services and Others	6,400	8.7	800	(13.1)
	Subtotal	66,100	10.1	46,000	14.8
Human Resource Service	Staffing Services and Others	3,900	(6.0)	–	–
	Subtotal	3,900	(6.0)	–	–
Total		70,000	9.1	46,000	14.8

Net sales are forecast to be ¥70,000 million, up 9.1% year on year. System Engineering Services and Product Services and Others are likely to perform strongly due to higher sales from the consolidation of new group companies and an upturn in information technology investment. The Company also projects a firm performance by Operation Engineering Services. In Staffing Services and Others, the Company forecasts a drop in sales year on year due to changes in business conditions at key customers of its outsourcing services related to product sales and weak demand for staffing services.

In terms of profits, the Company projects an improvement in the gross profit margin, mainly reflecting sales growth and a decline in the number of unprofitable projects due to tighter project management. As a result, operating income is forecast to be ¥5,000 million, up 5.4% year on year, ordinary income is forecast to be ¥5,050 million, up 5.0% year on year, and net income is forecast to be ¥2,800 million, up 5.5% year on year.

"Design, development and maintenance of computers and other information-related equipment" has been added to the business operations of the System Engineering Services business segment following the addition of newly consolidated subsidiaries.

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, 2014 were ¥46,316 million, an increase of ¥2,299 million from the previous fiscal year-end. This mainly reflected increases of ¥2,184 million for cash and deposits, ¥750 million for notes and accounts receivable – trade, and ¥506 million for merchandise, offset by a decrease of ¥708 million for goodwill and other intangible assets. For the increase in cash and deposits, please refer to "2) Cash flows."

Liabilities were ¥11,064 million, an increase of ¥519 million compared with the end of the previous fiscal year. This mainly reflected an increase of ¥963 million for notes and accounts payable – trade, offset by declines of ¥230 million for accounts payable – other and ¥100 million for current portion of bonds.

Net assets were ¥35,251 million, an increase of ¥1,780 million from the previous fiscal year end. This was mainly the result of ¥832 million decrease due to dividends of surplus being offset by an increase of ¥2,653 million in net income.

2) Cash flows

Cash and cash equivalents as of March 31, 2014 was ¥18,055 million, an increase of ¥2,734 million from ¥15,320 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 ¥3,725 million. There was an increase in cash provided of ¥127 million compared with the previous fiscal year. This mainly reflected cash provided from an increase in income before income taxes and minority interests of ¥754 million and decrease in notes and accounts receivable – trade of ¥700 million, offset by cash used from increase in inventories of ¥873 million and income taxes paid of ¥431 million.

Net cash used in investing activities was ¥172 million. There was a decrease in cash used of ¥78 million compared with the previous fiscal year. Although payments into time deposits decreased ¥574 million, proceeds of ¥300 million from redemption of securities booked in the previous fiscal year were absent from the fiscal year under review, and ¥338 million was used for the purchase of shares of subsidiaries and associates.

Net cash used in financing activities was ¥985 million. There was an increase in cash used of ¥119 million compared with the previous fiscal year, due mainly to an increase in cash dividends paid of ¥118 million.

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

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Equity ratio (%)	71.2	71.8	72.4	73.3
Market value equity ratio (%)	47.3	61.0	83.2	92.7
Interest-bearing debt to cash flow ratio (%)	15.7	6.1	3.7	0.9
Interest coverage ratio (times)	394.3	910.3	1,937.6	3,445.1

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 shares 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.

Taking into account factors such as operating results for the fiscal year under review, which exceeded projections, the Company plans to pay a fiscal year-end dividend of ¥20 per share, which is ¥5 higher than the Company's most recent dividend forecast. As a result, the planned annual dividend is ¥35 per share, including the interim dividend of ¥15 per share already paid.

For annual dividends in the next fiscal year, the Company plans to pay ¥35 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, 2014.

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), eight 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, 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

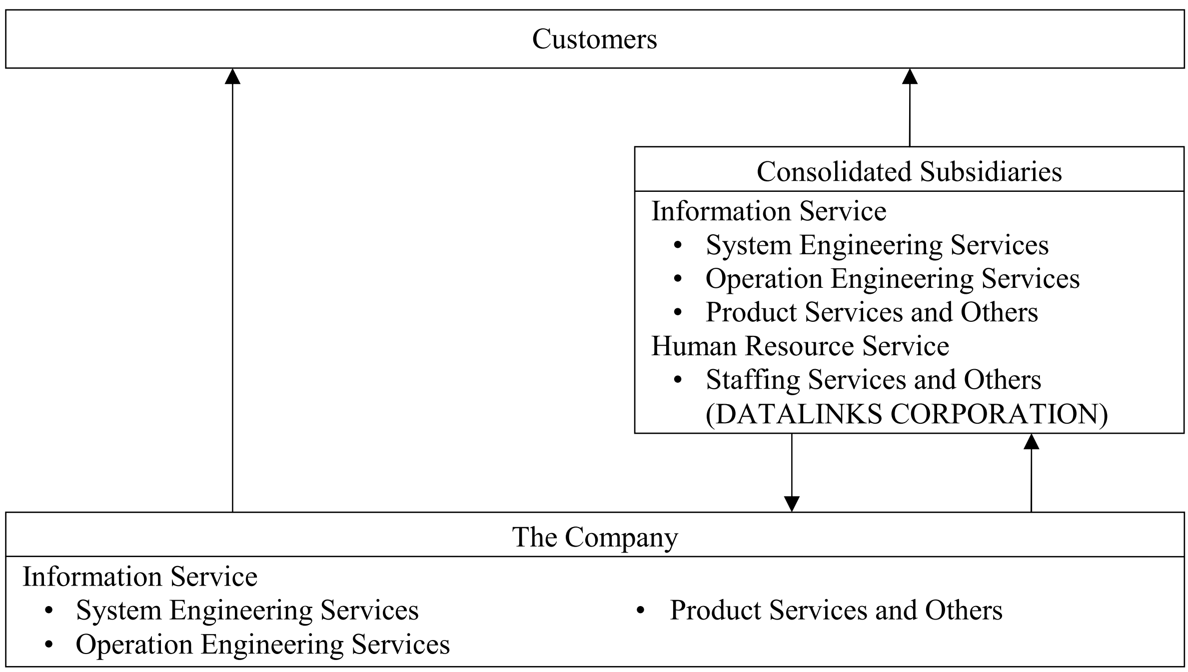
This business is engaged in selling system products of other companies such as packaged software and computers and other information-related equipment, and education and training in IT fields.

[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	100.00%	Information Service
JAPAN SYSTEMS ENGINEERING CORPORATION	¥755 million	98.69%	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
DTS (Shanghai) CORPORATION	CNY 14 million	100.00%	Information Service

Notes:
1. In the column of main business lines, the names of the DTS Group's business segments are provided.
2. DTS (Shanghai) CORPORATION, which was a non-consolidated subsidiary not accounted for by equity method until the previous fiscal year, is included in the scope of consolidation because of an increase in the significance from the fiscal year under review.
3. The Company absorbed FAITEC CORPORATION with the effective date of April 1, 2014.

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 has been working 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 has been cultivating 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, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	16,070,588	18,255,320
Notes and accounts receivable - trade	10,050,944	10,801,675
Merchandise	99,862	606,711
Work in process	478,527	546,784
Supplies	9,782	9,428
Deferred tax assets	1,256,098	1,228,829
Other	859,130	681,197
Allowance for doubtful accounts	(17,254)	(9,574)
Total current assets	28,807,679	32,120,374
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,031,878	5,074,662
Accumulated depreciation	(2,807,408)	(2,981,813)
Buildings and structures, net	2,224,470	2,092,849
Land	6,422,365	6,422,365
Other	1,434,004	1,532,552
Accumulated depreciation	(1,207,094)	(1,317,660)
Other, net	226,909	214,891
Total property, plant and equipment	8,873,744	8,730,106
Intangible assets		
Goodwill	1,476,574	1,114,091
Software	1,232,620	886,673
Other	18,738	18,365
Total intangible assets	2,727,932	2,019,130
Investments and other assets		
Investment securities	1,585,073	1,937,312
Deferred tax assets	570,869	527,366
Other	1,450,963	981,999
Allowance for doubtful accounts	-	(226)
Total investments and other assets	3,606,906	3,446,451
Total non-current assets	15,208,584	14,195,688
Total assets	44,016,263	46,316,062

(Thousand yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	2,658,822	3,621,955
Current portion of bonds	100,000	-
Accounts payable - other	1,391,874	1,160,971
Income taxes payable	1,131,816	1,429,940
Provision for bonuses	2,507,029	2,578,991
Provision for directors' bonuses	59,280	61,960
Provision for loss on order received	5,286	30,590
Provision for office transfer expenses	20,263	-
Other	1,923,633	1,299,162
Total current liabilities	9,798,006	10,183,573
Non-current liabilities		
Provision for retirement benefits	473,454	-
Provision for directors' retirement benefits	66,438	51,172
Net defined benefit liability	-	599,715
Other	207,577	230,486
Total non-current liabilities	747,470	881,374
Total liabilities	10,545,477	11,064,947
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	22,781,766
Treasury shares	(1,493,615)	(1,493,973)
Total shareholders' equity	31,752,860	33,591,711
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131,311	348,967
Foreign currency translation adjustment	-	41,638
Remeasurements of defined benefit plans	-	(55,892)
Total accumulated other comprehensive income	131,311	334,713
Minority interests	1,586,614	1,324,688
Total net assets	33,470,786	35,251,114
Total liabilities and net assets	44,016,263	46,316,062

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

Consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	61,039,777	64,174,913
Cost of sales	51,679,310	53,548,124
Gross profit	9,360,467	10,626,788
Selling, general and administrative expenses		
Salaries and allowances	1,860,122	2,018,157
Provision for bonuses	280,573	297,474
Amortization of goodwill	365,939	362,483
Other	2,850,732	3,207,001
Total selling, general and administrative expenses	5,357,367	5,885,116
Operating income	4,003,099	4,741,671
Non-operating income		
Interest income	9,177	8,883
Dividend income	28,911	31,540
Commission for insurance office work	8,683	8,351
Insurance premiums refunded cancellation	21,590	7,723
Subsidy income	6,650	5,644
Other	20,199	39,490
Total non-operating income	95,213	101,633
Non-operating expenses		
Interest expenses	1,707	952
Foreign exchange losses	128	25,888
Commission fee	1,336	259
Loss on insurance cancellation	-	5,334
Other	6	340
Total non-operating expenses	3,178	32,774
Ordinary income	4,095,133	4,810,530
Extraordinary income		
Gain on sales of investment securities	7,550	574
Gain on bargain purchase	-	19,831
Total extraordinary income	7,550	20,406
Extraordinary losses		
Loss on retirement of non-current assets	6,646	3,775
Loss on valuation of golf club membership	4,950	-
Provision for allowance of office transfer expenses	20,263	-
Office transfer expenses	-	2,032
Other	690	-
Total extraordinary losses	32,550	5,808
Income before income taxes and minority interests	4,070,133	4,825,128
Income taxes - current	1,583,093	1,993,495
Income taxes - deferred	184,582	44,298
Total income taxes	1,767,676	2,037,793
Income before minority interests	2,302,457	2,787,334
Minority interests in income	125,303	133,897
Net income	2,177,154	2,653,436

Consolidated statements of comprehensive income

(Thousand yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Income before minority interests	2,302,457	2,787,334
Other comprehensive income		
Valuation difference on available-for-sale securities	234,109	218,861
Foreign currency translation adjustment	-	50,526
Total other comprehensive income	234,109	269,387
Comprehensive income	2,536,567	3,056,722
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,410,072	2,921,619
Comprehensive income attributable to minority interests	126,494	135,103

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2013

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,113,000	6,190,917	19,478,665	(1,493,615)	30,288,967
Changes of items during period					
Dividends of surplus			(713,260)		(713,260)
Net income			2,177,154		2,177,154
Purchase of treasury shares					
Change of scope of consolidation					
Change of scope of consolidation - foreign currency translation adjustment					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,463,893	–	1,463,893
Balance at end of current period	6,113,000	6,190,917	20,942,558	(1,493,615)	31,752,860

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	(101,607)	–	–	(101,607)	1,492,028	31,679,389
Changes of items during period						
Dividends of surplus						(713,260)
Net income						2,177,154
Purchase of treasury shares						
Change of scope of consolidation						
Change of scope of consolidation - foreign currency translation adjustment						
Net changes of items other than shareholders' equity	232,918			232,918	94,585	327,504
Total changes of items during period	232,918	–	–	232,918	94,585	1,791,397
Balance at end of current period	131,311	–	–	131,311	1,586,614	33,470,786

Fiscal year ended March 31, 2014

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,113,000	6,190,917	20,942,558	(1,493,615)	31,752,860
Changes of items during period					
Dividends of surplus			(832,135)		(832,135)
Net income			2,653,436		2,653,436
Purchase of treasury shares				(357)	(357)
Change of scope of consolidation			17,907		17,907
Change of scope of consolidation - foreign currency translation adjustment					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,839,208	(357)	1,838,851
Balance at end of current period	6,113,000	6,190,917	22,781,766	(1,493,973)	33,591,711

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	131,311	–	–	131,311	1,586,614	33,470,786
Changes of items during period						
Dividends of surplus						(832,135)
Net income						2,653,436
Purchase of treasury shares						(357)
Change of scope of consolidation						17,907
Change of scope of consolidation - foreign currency translation adjustment		(8,887)		(8,887)		(8,887)
Net changes of items other than shareholders' equity	217,656	50,526	(55,892)	212,290	(261,925)	(49,635)
Total changes of items during period	217,656	41,638	(55,892)	203,402	(261,925)	1,780,328
Balance at end of current period	348,967	41,638	(55,892)	334,713	1,324,688	35,251,114

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	4,070,133	4,825,128
Depreciation	1,154,613	873,294
Amortization of goodwill	365,939	362,483
Increase (decrease) in provision for bonuses	292,144	71,489
Increase (decrease) in provision for directors' bonuses	(2,820)	2,680
Increase (decrease) in provision for loss on order received	(117,243)	25,304
Increase (decrease) in provision for office transfer expenses	20,263	(3,466)
Increase (decrease) in provision for retirement benefits	38,112	(473,454)
Increase (decrease) in provision for directors' retirement benefits	(31,955)	(15,265)
Increase (decrease) in net defined benefit liability	-	511,774
Decrease (increase) in notes and accounts receivable - trade	(1,333,867)	(633,233)
Decrease (increase) in inventories	298,627	(574,752)
Increase (decrease) in notes and accounts payable - trade	490,666	917,871
Increase (decrease) in accounts payable - other	(80,448)	(261,076)
Other, net	(333,444)	(238,661)
Subtotal	4,830,720	5,390,116
Interest and dividend income received	41,836	40,931
Interest expenses paid	(1,856)	(1,081)
Income taxes paid	(1,273,376)	(1,704,672)
Net cash provided by (used in) operating activities	3,597,323	3,725,293
Cash flows from investing activities		
Payments into time deposits	(775,012)	(200,023)
Proceeds from withdrawal of time deposits	800,000	750,012
Proceeds from redemption of securities	300,000	-
Purchase of property, plant and equipment	(206,492)	(156,605)
Purchase of intangible assets	(353,288)	(217,835)
Purchase of investment securities	(826)	(920)
Proceeds from sales of investment securities	17,550	5,074
Purchase of shares of subsidiaries and associates	-	(338,444)
Other, net	(32,912)	(13,801)
Net cash provided by (used in) investing activities	(250,982)	(172,544)

(Thousand yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from financing activities		
Redemption of bonds	(120,000)	(100,000)
Purchase of treasury shares of subsidiaries	-	(17,710)
Cash dividends paid	(712,013)	(830,034)
Cash dividends paid to minority shareholders	(31,731)	(35,616)
Other, net	(2,851)	(2,579)
Net cash provided by (used in) financing activities	(866,597)	(985,940)
Effect of exchange rate change on cash and cash equivalents	-	17,102
Net increase (decrease) in cash and cash equivalents	2,479,743	2,583,911
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	15,320,576	18,055,296

(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: 8

Names of principal consolidated subsidiaries:
DATALINKS CORPORATION
FAITEC CORPORATION
JAPAN SYSTEMS ENGINEERING CORPORATION
DIGITAL TECHNOLOGIES CORPORATION

DTS (Shanghai) CORPORATION, which was a non-consolidated subsidiary not accounted for by equity method until the previous fiscal year, is included in the scope of consolidation because of an increase in the significance from the fiscal year under review.

In addition, FAITEC CORPORATION, which was a consolidated subsidiary, merged with the Company in a merger dated April 1, 2014, and was absorbed into the Company.

b. Names of principal non-consolidated subsidiaries, etc.

Names of principal non-consolidated subsidiaries:
DTS America 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 America 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:	4 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 leased 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 leased 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 (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) Leased 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 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. Accounting for retirement benefits
(a) Allocation of expected retirement benefit payments
When calculating retirement benefit obligations, the straight-line method is used to allocate expected retirement benefit payments to the period until this fiscal year end.

(b) Actuarial differences and prior service cost
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 in equally allocated amounts over a fixed number of years (12 years) set within the average remaining service period of employees as occurred, starting in the respective fiscal years following each occurrence.

(c) Simplified accounting method used by small companies
Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of net defined benefit liability and retirement benefit expenses is carried out 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.

e. 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

f. 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.

g. 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 (9-10 years).

h. 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.

i. 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)

(Application of “Accounting Standard for Retirement Benefits”, etc.)

The Company has applied “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, May 17, 2012) and “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) from the end of this fiscal year excluding paragraph 35 of ASBJ Statement No. 26 and paragraph 67 of ASBJ Guidance No. 25. As a result, the Company has changed the way it recognizes the difference between retirement benefit obligations and plan assets, with unrecognized actuarial gains and losses and unrecognized prior service costs now recorded as net defined benefit liability.

At the application of these accounting standards, in accordance with paragraph 37 of ASBJ Statement No. 26, the Company reduced accumulated other comprehensive income by the amount arising from this change at the fiscal year end.

As a result, as of the fiscal year end, ¥599,715 thousand was recognized as net defined benefit liability, accumulated other comprehensive income was reduced by ¥55,892 thousand and minority interests was reduced by ¥741 thousand.

Net assets per share has also been reduced by ¥2.35.

(Changes in presentation)

(Consolidated balance sheets)

“Short-term loans payable,” which was presented separately under “Current liabilities” in the previous fiscal year, is included in “Other” under “Current liabilities” for the fiscal year under review because the amount became immaterial. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, an amount of ¥32,930 thousand presented as “Short-term loans payable” under “Current liabilities” in the consolidated balance sheets of the previous fiscal year has been reclassified as “Other” under “Current liabilities.”

(Consolidated statements of income)

“Foreign exchange losses” which was included in “Other” under non-operating expenses in the previous fiscal year, is presented separately under non-operating expenses for the fiscal year under review because the amount became greater than 10% of non-operating expenses. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, an amount of ¥135 thousand shown as “Other” under non-operating expenses in the consolidated statements of income of the previous fiscal year has been reclassified as “Foreign exchange losses” of ¥128 thousand and “Other” of ¥6 thousand under non-operating expenses.

(Consolidated statements of cash flows)

“Net increase (decrease) in short-term loans payable,” which was presented separately under “Net cash provided by (used in) financing activities” in the previous fiscal year, is included in “Other” under “Net cash provided by (used in) financing activities” for the fiscal year under review because the amount became immaterial. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, a minus figure of ¥130 thousand that was presented as “Net increase (decrease) in short-term loans payable” under “Net cash provided by (used in) financing activities” in the consolidated statements of cash flows of the previous fiscal year has been reclassified as “Other” under “Net cash provided by (used in) financing activities.”

(Changes in accounting estimates)

(Changes in useful lives)

In the fiscal year under review, the Company decided to rebuild some of its employee dormitories. The useful lives of these buildings have been reduced and will be applied prospectively.

As a result of this change, compared with the previous method, depreciation has increased by ¥41,139 thousand and operating income, ordinary income and income before income taxes and minority interests have each decreased by ¥41,139 thousand in the fiscal year under review.

(Additional information)

(Revisions to the amounts of deferred tax assets and liabilities as a result of a change in the corporate tax rate)

On March 31, 2014, the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated and companies were no longer required to pay the special corporation tax for reconstruction from the fiscal year beginning on or after April 1, 2014. Consequently, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from the previous fiscal year’s rate of 38.0% to 35.6% for taxable temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2014.

As a result of this change in the tax rate, the amount of deferred tax assets (after subtracting deferred tax liabilities) decreased by ¥92,867 thousand and the amount of income taxes – deferred increased by the same amount.

5. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

(Thousand yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	11,253,822	12,186,599
Notes receivable - trade	9,891	-
Accounts receivable - trade	6,385,083	7,153,829
Merchandise	12,588	68,230
Work in process	331,223	398,528
Supplies	6,659	8,135
Advance payments - trade	123,307	114,855
Prepaid expenses	210,929	210,379
Deferred tax assets	926,134	912,135
Short-term loans receivable from subsidiaries and associates	858,197	1,265,438
Current portion of long-term loans receivable from subsidiaries and associates	120,000	120,000
Other	151,725	153,413
Allowance for doubtful accounts	(752)	(1,758)
Total current assets	20,388,808	22,589,787
Non-current assets		
Property, plant and equipment		
Buildings	1,973,502	1,858,354
Tools, furniture and fixtures	167,417	142,535
Land	6,310,197	6,310,197
Leased assets	3,762	1,906
Other	1,516	1,572
Total property, plant and equipment	8,456,395	8,314,566
Intangible assets		
Software	1,311,219	879,584
Other	9,105	8,955
Total intangible assets	1,320,324	888,539
Investments and other assets		
Investment securities	1,495,459	1,821,291
Shares of subsidiaries and associates	5,103,580	5,442,025
Investments in capital of subsidiaries and associates	203,627	203,627
Long-term loans receivable from subsidiaries and associates	170,000	50,000
Long-term prepaid expenses	49,876	50,647
Deferred tax assets	62,764	-
Other	585,763	588,472
Allowance for doubtful accounts	(17)	(5)
Total investments and other assets	7,671,056	8,156,058
Total non-current assets	17,447,776	17,359,164
Total assets	37,836,585	39,948,952

(Thousand yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	1,303,294	1,744,505
Lease obligations	2,721	2,721
Accounts payable - other	802,812	661,474
Accrued expenses	284,291	294,289
Income taxes payable	868,484	1,062,305
Advances received	101,096	123,459
Deposits received	246,163	100,652
Provision for bonuses	1,932,592	1,996,813
Provision for directors' bonuses	47,840	53,820
Provision for loss on order received	5,286	30,590
Provision for office transfer expenses	7,363	-
Other	466,185	388,427
Total current liabilities	6,068,133	6,459,060
Non-current liabilities		
Lease obligations	2,776	54
Long-term accounts payable - other	142,355	120,143
Deferred tax liabilities	-	62,361
Asset retirement obligations	17,277	17,678
Other	3,468	3,468
Total non-current liabilities	165,877	203,705
Total liabilities	6,234,011	6,662,765
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	9,076,113	10,547,349
Total retained earnings	20,658,022	22,129,257
Treasury shares	(1,493,615)	(1,493,973)
Total shareholders' equity	31,468,324	32,939,202
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	134,249	346,983
Total valuation and translation adjustments	134,249	346,983
Total net assets	31,602,573	33,286,186
Total liabilities and net assets	37,836,585	39,948,952

(2) Non-consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	36,607,730	40,071,262
Cost of sales	30,502,596	32,994,385
Gross profit	6,105,134	7,076,876
Selling, general and administrative expenses	2,977,173	3,430,604
Operating income	3,127,961	3,646,272
Non-operating income		
Interest income	7,719	7,871
Interest on securities	3,858	3,300
Dividend income	100,467	121,745
Real estate rent	24,426	31,369
Other	17,119	19,696
Total non-operating income	153,592	183,983
Ordinary income	3,281,553	3,830,255
Extraordinary income		
Gain on sales of investment securities	7,550	574
Total extraordinary income	7,550	574
Extraordinary losses		
Loss on retirement of non-current assets	5,771	6
Loss on valuation of golf club membership	4,950	-
Provision for allowance of office transfer expenses	7,363	-
Other	690	-
Total extraordinary losses	18,775	6
Income before income taxes	3,270,328	3,830,823
Income taxes - current	1,286,533	1,505,926
Income taxes - deferred	(56,915)	21,525
Total income taxes	1,229,618	1,527,452
Net income	2,040,710	2,303,371

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2013

(Thousand yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total share-holders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	7,748,664	19,330,572	(1,493,615)	30,140,875
Changes of items during period									
Dividends of surplus						(713,260)	(713,260)		(713,260)
Net income						2,040,710	2,040,710		2,040,710
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	1,327,449	1,327,449	–	1,327,449
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	9,076,113	20,658,022	(1,493,615)	31,468,324

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(93,740)	(93,740)	30,047,134
Changes of items during period			
Dividends of surplus			(713,260)
Net income			2,040,710
Purchase of treasury shares			
Net changes of items other than shareholders' equity	227,989	227,989	227,989
Total changes of items during period	227,989	227,989	1,555,438
Balance at end of current period	134,249	134,249	31,602,573

Fiscal year ended March 31, 2014

(Thousand yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total share-holders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	9,076,113	20,658,022	(1,493,615)	31,468,324
Changes of items during period									
Dividends of surplus						(832,135)	(832,135)		(832,135)
Net income						2,303,371	2,303,371		2,303,371
Purchase of treasury shares								(357)	(357)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	1,471,235	1,471,235	(357)	1,470,878
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	10,547,349	22,129,257	(1,493,973)	32,939,202

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	134,249	134,249	31,602,573
Changes of items during period			
Dividends of surplus			(832,135)
Net income			2,303,371
Purchase of treasury shares			(357)
Net changes of items other than shareholders' equity	212,733	212,733	212,733
Total changes of items during period	212,733	212,733	1,683,612
Balance at end of current period	346,983	346,983	33,286,186

(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 non-current assets
   a. Property, plant and equipment (excluding leased 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 leased 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 (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. Leased 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) 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.

5) 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

6) 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)

The non-consolidated balance sheets, non-consolidated statements of income and the non-consolidated statements of changes in net assets have been prepared in accordance with Article 127-1 of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.

In addition, the Company has changed its methods for presenting notes to the financial statements in accordance with accounting regulations stipulated in Article 127-2 of the same ordinance.

The following notes have been omitted.

- Notes related to inventory assets and provision for loss on construction contracts as defined in article 54-4 have been omitted in accordance with the same Article.
- Notes related to provision for loss on construction contracts as defined in Article 76-2 have been omitted in accordance with the same article.
- Notes related to research and development expenses as defined in Article 86 have been omitted in accordance with Article 86-2.
- Notes related to treasury shares as defined in Article 107 have been omitted in accordance with Article 107-2.
- Notes related to net assets per share as defined in Article 68-4 have been omitted in accordance with Article 68-3.
- Notes related to net income (loss) per share as defined in Article 95-5 (2) have been omitted in accordance with Article 95-3.

(Changes in accounting estimates)

(Changes in useful lives)

In the fiscal year under review, the Company decided to rebuild some of its employee dormitories. The useful lives of these buildings have been reduced and will be applied prospectively.

As a result of this change, compared with the previous method, depreciation has increased ¥41,139 thousand and operating income, ordinary income and income before income taxes have each decreased by ¥41,139 thousand in the fiscal year under review.

(Additional information)

(Revisions to the amounts of deferred tax assets and liabilities as a result of a change in the corporate tax rate)

On March 31, 2014, the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated and companies were no longer required to pay the special corporation tax for reconstruction from the fiscal year beginning on or after April 1, 2014. Consequently, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been reduced from the previous fiscal year’s rate of 38.0% to 35.6% for taxable temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2014.

As a result of this change in the tax rate, the amount of deferred tax assets (after subtracting deferred tax liabilities) decreased by ¥64,538 thousand and the amount of income taxes – deferred increased by the same amount.

6. Others

(1) Changes in directors and corporate auditors (scheduled for June 25, 2014)

1) Change in representative directors
   - Retiring representative directors
     Chairman & Representative Director
     Yasutaka Akabane

2) Other changes
   - Candidates for new directors
     Director — Isao Yokoo
     (Currently, Executive Officer, the Company
     Executive Officer and Vice President,
     DATALINKS CORPORATION)
     Director — Shunichi Sakata
     (Currently, Chairman,
     Sumitomo Mitsui Trust Asset Management Co., Ltd.)
   - Retiring directors
     Director — Kazuyuki Murai
     Director — Hiroki Hara
   - Candidates for new corporate auditors
     Full-time Corporate Auditor — Kazuyuki Murai
     (Currently, Director, the Company
     Representative Director and President,
     DATALINKS CORPORATION)

Note: The candidate for new director Shunichi Sakata 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	40,929,073	7.4
	Operation Engineering Services	13,209,949	(4.7)
Total		54,139,022	4.2

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

2) Orders

Orders in the 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	41,322,376	8.6	11,743,303	3.5
	Operation Engineering Services	13,964,285	(1.6)	8,617,930	9.6
Total		55,286,661	5.8	20,361,234	6.0

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

3) Sales

Sales in the fiscal year under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	40,929,073	7.4
	Operation Engineering Services	13,209,949	(4.7)
	Product Services and Others	5,886,816	21.5
	Subtotal	60,025,839	5.6
Human Resource Service	Staffing Services and Others	4,149,074	(1.7)
	Subtotal	4,149,074	(1.7)
Total		64,174,913	5.1

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