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August 4, 2015

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2016 <under Japanese GAAP>

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 Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 9682
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Scheduled date to file quarterly securities report: August 10, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2016 (from April 1, 2015 to June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2015	19,591	13.3	1,611	80.0	1,639	76.4	1,433	166.9
June 30, 2014	17,293	15.8	894	13.9	929	15.3	537	32.7

Note: Comprehensive income
 Three months ended June 30, 2015: ¥1,534 million [155.4%]
 Three months ended June 30, 2014: ¥600 million [18.2%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2015	61.35	–
June 30, 2014	22.71	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2015	49,172	38,046	74.4
March 31, 2015	51,382	38,084	71.3

Reference: Equity
 As of June 30, 2015: ¥36,603 million As of March 31, 2015: ¥36,635 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, 2015	–	15.00	–	35.00	50.00
Fiscal year ending March 31, 2016	–				
Fiscal year ending March 31, 2016 (Forecasts)		20.00	–	35.00	55.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2015	38,000	8.1	3,100	16.1	3,150	16.0	2,400	59.9	102.01
Fiscal year ending March 31, 2016	77,000	3.2	6,700	4.2	6,750	3.6	4,550	23.2	193.41

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

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

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

Note: For the details, please refer to ‘(1) Application of specific accounting for preparing quarterly consolidated financial statements in 2. Matters Regarding Summary Information (Notes)’ on page 5 of the attached materials.

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

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

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

c. Changes in accounting estimates: None

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

Note: For the details, please refer to ‘(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections in 2. Matters Regarding Summary Information (Notes)’ on page 5 of the attached materials.

(4) Number of issued shares (common stock)

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

As of June 30, 2015	25,222,266 shares
As of March 31, 2015	25,222,266 shares

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

As of June 30, 2015	1,997,449 shares
As of March 31, 2015	1,697,449 shares

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

Three months ended June 30, 2015	23,363,278 shares
Three months ended June 30, 2014	23,645,964 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 Three Months,' on page 4 of the attached materials.

Attached Materials

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

(1) Information regarding consolidated operating results

In the three months under review, the Japanese economy recovered at a moderate pace due mainly to signs of a pickup in consumer spending, improvements in corporate earnings and an increase in capital investment, despite some weakness in production and exports amid an uncertain outlook for the global economy. In the information services industry, investment in information technology increased, particularly by financial institutions, supported by improvements in corporate earnings.

Amid this environment, the DTS Group focused on strengthening its proposal capabilities to boost sales, reinforcing its business base, transforming its business model, and enhancing the Group's management structure to support those efforts, guided by the vision of "providing the highest value to customers as the Best Value Partner" under the medium-term management plan (April 2013 to March 2016), formulated in April 2013. The medium-term management plan's final year financial targets – net sales of ¥72 billion and operating income of ¥5.6 billion – were achieved one year early in the previous fiscal year. Targeting further growth, the Company has raised its targets for the current fiscal year, the plan's final year, and will continue to work towards its long-term goals of net sales of ¥100.0 billion and operating income of ¥10.0 billion.

Under its medium-term management plan, the Group is working to reinforce its business base and transform its business model. To achieve these goals, the Company is developing a third business pillar to complement existing businesses in finance and communication by working to expand its embedding business, focusing on the medical and in-vehicle fields, which are expected to grow going forward. Specifically, the Company transferred some of its embedding operations to ART System Co., Ltd. in April 2015 in order to integrate customer bases, know-how and other resources. Also, the Company stepped up cooperation with YOKOGAWA DIGITAL COMPUTER CORPORATION, which has a strong position in the in-vehicle field. The Company is also developing a new project-based business, including co-development with a university of a medical care support system for rheumatoid arthritis, and working on examining and testing the use of robots so that they can coexist with humans in society.

As part of our efforts to enhance the Group's management structure, we are continuing to reorganize the Group to establish a management environment in each company that maximizes synergy for the Group. In April 2015, we merged DTS WEST CORPORATION, a Group company in West Japan, with SOUGOU SYSTEM SERVICE CORPORATION, aiming to expand the business under this new operating structure. The company is also proceeding with planning to integrate bases, including headquarters, with the aim of fostering high-added-value human resources that will strengthen technical capabilities and promote global business, while realizing more efficient management.

As a result of the above, the Group reported net sales of ¥19,591 million for the three months under review, an increase of 13.3% year on year. The increase in sales reflected a strong performance in development contracts for a wide range of sectors, including banks, life insurance companies and other customers in the financial or insurance sector, the service sector and government agencies. Gross profit rose by 30.4% year on year to ¥3,513 million. This mainly reflected the increase in net sales, as well as an improvement in the gross profit margin of companies in the Group. Selling, general and administrative expenses increased by 5.7% year on year to ¥1,902 million. Consequently, operating income was ¥1,611 million, up 80.0% year on year, ordinary income was ¥1,639 million, up 76.4% year on year, and profit attributable to owners of parent was ¥1,433 million, up 166.9% year on year, mainly reflecting gains on the sale of land and buildings at the head office and other locations as part of moves to consolidate operating sites.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	19,591	13.3	13,129	23.4
Operating income	1,611	80.0	1,467	72.9
Ordinary income	1,639	76.4	1,546	68.9
Profit attributable to owners of parent	1,433	166.9	–	–
Profit (Non-consolidated)	–	–	1,460	(20.6)

<Breakdown of net sales>

(Million yen)

		Consolidated		Non-consolidated (Reference)	
			Year-on-year change (%)		Year-on-year change (%)
Information Service	System Engineering Services	13,726	30.6	10,198	31.8
	Operation Engineering Services	3,339	2.8	2,721	6.0
	Product Services and Others	1,676	(35.1)	209	(37.7)
	Subtotal	18,741	14.7	13,129	23.4
Human Resource Service	Staffing Services and Others	849	(10.7)	–	–
	Subtotal	849	(10.7)	–	–
Total		19,591	13.3	13,129	23.4

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

Information Service**[System Engineering Services]**

Sales from System Engineering Services increased year on year, supported by rising demand in the financial sector from banks for large-scale system integration projects and from life insurance companies, as well as by development contracts in a wide range of sectors, including the service sector and government agencies.

[Operation Engineering Services]

Sales from Operation Engineering Services rose year on year, mainly supported by expansion in the size of projects among various existing customers, despite a contraction in the size of projects for some telecommunication carriers.

[Product Services and Others]

Sales from Product Services and Others declined year on year, reflecting a pullback in demand from a year earlier, when there were major orders, most notably from an online services company, and special demand for PC renewals.

Human Resource Service

[Staffing Services and Others]

Sales from Staffing Services and Others declined year on year. The segment secured a new order for a call center, but sales from staffing services were affected mainly by a shift to in-house production by clients, and the segment's mainstay business of outsourcing services related to product sales contracted.

(2) Information regarding consolidated financial position

Total assets as of June 30, 2015 were ¥49,172 million, a decrease of ¥2,209 million from the previous fiscal year-end. The main factors for this were increases of ¥4,082 million in cash and deposits and ¥733 million in work in process on one hand and decreases of ¥4,281 million in land and ¥1,504 million in notes and accounts receivable - trade on the other, respectively.

Liabilities were ¥11,126 million, a decrease of ¥2,171 million from the previous fiscal year-end. The main factors for this were decreases of ¥1,633 million in provision for bonuses and ¥795 million in income taxes payable, respectively.

Net assets were ¥38,046 million, a decrease of ¥38 million from the previous fiscal year-end. The main factor for the increase was ¥1,433 million of profit attributable to owners of parent on one hand and the main factors for the decrease were ¥823 million of dividends of surplus and ¥726 million of purchase of treasury shares on the other, respectively.

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

With respect to the future outlook, the economy's recovery trend 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 12, 2015.

2. Matters Regarding Summary Information (Notes)

(1) 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 for the fiscal year including the first quarter under review, and next by multiplying the quarterly income before income taxes by such estimated effective tax rate.

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

Changes in accounting policies

(Application of accounting standard for business combinations, etc.)

Effective from the first quarter ended June 30, 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “Net income” and other related items was changed, and the presentation of “Minority interests” was changed to “Non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first three months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter ended June 30, 2015.

These changes in accounting policies have no impact on profit and loss.

3. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	21,998,684	26,080,918
Notes and accounts receivable - trade	12,212,152	10,707,586
Merchandise and finished goods	274,620	200,705
Work in process	637,129	1,370,700
Raw materials and supplies	28,138	26,000
Other	1,983,827	2,060,405
Allowance for doubtful accounts	(8,141)	(7,853)
Total current assets	37,126,412	40,438,463
Non-current assets		
Property, plant and equipment		
Land	6,327,111	2,045,379
Other, net	2,298,589	1,057,206
Total property, plant and equipment	8,625,700	3,102,586
Intangible assets		
Goodwill	1,364,134	1,240,113
Other	779,301	717,678
Total intangible assets	2,143,436	1,957,791
Investments and other assets		
Other	3,487,314	3,674,194
Allowance for doubtful accounts	(330)	(330)
Total investments and other assets	3,486,984	3,673,864
Total non-current assets	14,256,121	8,734,242
Total assets	51,382,534	49,172,705
Liabilities		
Current liabilities		
Accounts payable - trade	3,801,739	3,771,842
Income taxes payable	1,655,531	859,709
Provision for bonuses	2,996,944	1,363,371
Provision for directors' bonuses	65,876	13,584
Other	4,083,058	4,467,074
Total current liabilities	12,603,149	10,475,582
Non-current liabilities		
Provision for directors' retirement benefits	48,944	48,859
Net defined benefit liability	381,070	390,044
Other	264,919	211,772
Total non-current liabilities	694,935	650,676
Total liabilities	13,298,084	11,126,258
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,190,917	6,190,917
Retained earnings	25,811,759	26,421,638
Treasury shares	(1,922,921)	(2,648,921)
Total shareholders' equity	36,192,756	36,076,635

(Thousand yen)

	As of March 31, 2015	As of June 30, 2015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	415,495	497,378
Foreign currency translation adjustment	84,927	85,448
Remeasurements of defined benefit plans	(57,556)	(55,797)
Total accumulated other comprehensive income	442,866	527,029
Non-controlling interests	1,448,826	1,442,781
Total net assets	38,084,449	38,046,446
Total liabilities and net assets	51,382,534	49,172,705

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

(Thousand yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	17,293,427	19,591,897
Cost of sales	14,599,441	16,078,549
Gross profit	2,693,985	3,513,348
Selling, general and administrative expenses	1,799,122	1,902,340
Operating income	894,863	1,611,007
Non-operating income		
Interest income	2,266	3,443
Dividend income	16,431	20,182
Insurance premiums refunded cancellation	3,459	122
Subsidy income	–	228
Other	15,263	6,929
Total non-operating income	37,421	30,905
Non-operating expenses		
Interest expenses	165	306
Commission for purchase of treasury shares	856	192
Foreign exchange losses	–	2,096
Amortization of deferred organization expenses	1,576	–
Other	451	4
Total non-operating expenses	3,049	2,600
Ordinary income	929,235	1,639,312
Extraordinary income		
Gain on sales of non-current assets	–	1,160,924
Other	–	23,780
Total extraordinary income	–	1,184,705
Extraordinary losses		
Loss on sales of non-current assets	–	558,157
Loss on retirement of non-current assets	1,127	8,356
Total extraordinary losses	1,127	566,513
Income before income taxes and minority interests	928,107	2,257,504
Income taxes	385,552	808,521
Profit	542,554	1,448,982
Profit attributable to non-controlling interests	5,512	15,735
Profit attributable to owners of parent	537,042	1,433,247

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Profit	542,554	1,448,982
Other comprehensive income		
Valuation difference on available-for-sale securities	67,665	82,738
Foreign currency translation adjustment	(11,174)	520
Remeasurements of defined benefit plans, net of tax	1,587	1,782
Total other comprehensive income	58,079	85,042
Comprehensive income	600,633	1,534,024
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	595,291	1,517,410
Comprehensive income attributable to non-controlling interests	5,342	16,614

(3) Consolidated statements of cash flows

(Thousand yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	928,107	2,257,504
Depreciation	226,753	131,257
Amortization of goodwill	124,020	124,020
Increase (decrease) in provision for bonuses	(1,388,052)	(1,633,640)
Increase (decrease) in provision for directors' bonuses	(50,880)	(52,291)
Increase (decrease) in provision for loss on order received	(1,333)	–
Increase (decrease) in provision for directors' retirement benefits	(11,110)	(85)
Increase (decrease) in net defined benefit liability	9,368	11,607
Loss on sales of non-current assets	–	558,157
Gain on sales of non-current assets	–	(1,160,924)
Decrease (increase) in notes and accounts receivable - trade	797,179	1,504,277
Decrease (increase) in inventories	(246,859)	(657,459)
Increase (decrease) in notes and accounts payable - trade	(585,048)	(29,921)
Other, net	1,461,018	103,630
Subtotal	1,263,164	1,156,133
Interest and dividend income received	17,623	23,167
Interest expenses paid	(651)	(610)
Income taxes paid	(1,418,540)	(1,615,559)
Net cash provided by (used in) operating activities	(138,404)	(436,868)
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,045)	(65,134)
Proceeds from sales of property, plant and equipment	–	6,069,605
Purchase of intangible assets	(65,197)	(38,118)
Purchase of investment securities	(511)	(585)
Proceeds from sales of investment securities	5,000	74,114
Payments for investments in capital of subsidiaries and associates	(123,516)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,205,541)	–
Other, net	(5,027)	360
Net cash provided by (used in) investing activities	(1,416,838)	6,040,239

(Thousand yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Cash flows from financing activities		
Cash dividends paid	(443,625)	(775,624)
Dividends paid to non-controlling interests	(21,114)	(20,292)
Purchase of treasury shares	(429,222)	(726,192)
Other, net	(41,565)	(118)
Net cash provided by (used in) financing activities	(935,527)	(1,522,228)
Effect of exchange rate change on cash and cash equivalents	(4,776)	1,090
Net increase (decrease) in cash and cash equivalents	(2,495,546)	4,082,233
Cash and cash equivalents at beginning of period	18,055,296	21,728,531
Increase in cash and cash equivalents from newly consolidated subsidiary	36,711	—
Cash and cash equivalents at end of period	15,596,461	25,810,764

(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.

(Business combination)

Absorption of the Company's operations by a consolidated subsidiary via absorption-type demerger
The Company transferred part of its embedding business to wholly owned subsidiary ART System Co., Ltd. by means of a demerger with an effective date of April 1, 2015, in accordance with a resolution at a meeting of its Board of Directors held on February 6, 2015.

1. Outline of transaction

(1) Name and business transferred

Name: Information service business

Business: Embedding business based on service contracts with customers

(2) Date of transaction

April 1, 2015

(3) Legal form of transaction

An absorption-type demerger, in which the Company was the demerging company and ART System Co., Ltd. was the successor company.

(4) Name of company after transaction

ART System Co., Ltd.

(5) Other items regarding outline of transaction

1) Purpose of transaction

With the aim of creating a third pillar for its business as set forth in the medium-term management plan, the Company made YOKOGAWA DIGITAL COMPUTER CORPORATION and ART System Co., Ltd., both of which have strengths in the high-growth-potential embedding business, into its subsidiaries in April 2014. The Company now aims to further expand the embedding business by transferring the part of the Company's embedding business that is based on service contracts with customers to ART System Co., Ltd. and integrating the two companies' customer bases, knowhow, and other resources.

2) Details of allotments in connection with demerger

As this demerger involves the parent company and its wholly owned subsidiary, there will be no allotment of shares or any other consideration upon this demerger.

3) Financial position in most recent fiscal year of companies involved in demerger

As of March 31, 2015

(Million yen)

	Demerging company (consolidated)	Successor company (non-consolidated)
Assets	51,382	509
Liabilities	13,298	243
Net assets	38,084	266

2. Outline of accounting procedures applied

The transaction was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

4. Supplementary Information

Production, orders and sales

(1) Production

Production in the three months under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	13,726,135	30.6
	Operation Engineering Services	3,339,172	2.8
Total		17,065,308	24.0

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

(2) Orders

Orders in the three months under review are as follows.

Segment and services		Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	12,935,270	16.0	18,305,071	47.8
	Operation Engineering Services	1,148,600	(20.5)	7,035,821	3.2
Total		14,083,871	11.8	25,340,893	32.0

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

(3) Sales

Sales in the three months under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	13,726,135	30.6
	Operation Engineering Services	3,339,172	2.8
	Product Services and Others	1,676,687	(35.1)
	Subtotal	18,741,995	14.7
Human Resource Service	Staffing Services and Others	849,902	(10.7)
	Subtotal	849,902	(10.7)
Total		19,591,897	13.3

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