
***DTS CORPORATION and
Consolidated Subsidiaries***

*Unaudited Consolidated Financial Statements
for the Second Quarter Ended September 30, 2011*

DTS CORPORATION and Consolidated Subsidiaries

**Quarterly Consolidated Balance Sheets—Unaudited
September 30 and March 31, 2011**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2011	March 31, 2011	September 30, 2011		September 30, 2011	March 31, 2011	September 30, 2011
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 11,707	¥ 11,251	\$ 152,733	Short-term bank loans	¥ 334	¥ 344	\$ 4,357
Notes and accounts receivable:				Current portion of long-term debt	125	125	1,631
Trade	8,022	9,335	104,658	Payables:			
Other	95	122	1,239	Trade accounts	1,726	2,057	22,518
Allowance for doubtful receivables	(15)	(19)	(196)	Other	1,227	1,232	16,008
Inventories	1,099	665	14,338	Advances received	1,146	1,040	14,951
Deferred tax assets	1,264	1,264	16,491	Income taxes payable	576	1,063	7,515
Prepaid expenses and other current assets	1,941	1,535	25,323	Accrued expenses	2,749	2,650	35,864
				Other current liabilities	881	1,000	11,494
Total current assets	<u>24,113</u>	<u>24,153</u>	<u>314,586</u>	Total current liabilities	<u>8,764</u>	<u>9,511</u>	<u>114,338</u>
PROPERTY AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land	6,422	6,432	83,784	Long-term debt	160	235	2,087
Buildings and structures	5,059	5,024	66,001	Liability for employees' retirement benefits	436	499	5,688
Furniture and fixtures	1,313	1,328	17,130	Retirement allowances for directors and corporate auditors	88	85	1,148
Other	71	43	926	Other long-term liabilities	269	185	3,510
Total	12,865	12,827	167,841	Total long-term liabilities	<u>953</u>	<u>1,004</u>	<u>12,433</u>
Accumulated depreciation	(3,776)	(3,733)	(49,263)	EQUITY:			
Net property and equipment	<u>9,089</u>	<u>9,094</u>	<u>118,578</u>	Common stock—authorized, 100,000,000 shares; issued, 25,222,266 shares at September 30 and March 31, 2011	6,113	6,113	79,752
INVESTMENTS AND OTHER ASSETS:				Capital surplus	6,191	6,191	80,770
Investment securities	1,239	1,393	16,164	Retained earnings	18,790	18,755	245,140
Investments in unconsolidated subsidiaries and associated companies	204	204	2,661	Treasury stock—at cost, 1,446,884 at September 30, 2011 and 1,446,816 shares at March 31, 2011	(1,494)	(1,494)	(19,491)
Software	2,065	2,417	26,941	Accumulated other comprehensive income— unrealized loss on available-for-sale securities	(125)	(72)	(1,631)
Goodwill	2,051	2,268	26,758	Total	<u>29,475</u>	<u>29,493</u>	<u>384,540</u>
Deferred tax assets	751	763	9,798	Minority interests	1,422	1,439	18,552
Other assets	1,285	1,337	16,764	Total equity	<u>30,897</u>	<u>30,932</u>	<u>403,092</u>
Allowance for doubtful receivables	(183)	(182)	(2,387)	TOTAL	<u>¥ 40,614</u>	<u>¥ 41,447</u>	<u>\$ 529,863</u>
Total investments and other assets	<u>7,412</u>	<u>8,200</u>	<u>96,699</u>				
TOTAL	<u>¥ 40,614</u>	<u>¥ 41,447</u>	<u>\$ 529,863</u>				

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Statements of Income—Unaudited Six Months Ended September 30, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2011	September 30, 2010	September 30, 2011
NET SALES	¥ 28,201	¥ 29,152	\$ 367,919
COST OF SALES	<u>24,281</u>	<u>25,263</u>	<u>316,777</u>
Gross profit	3,920	3,889	51,142
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>2,905</u>	<u>2,955</u>	<u>37,900</u>
Operating income	<u>1,015</u>	<u>934</u>	<u>13,242</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	26	27	339
Interest expense	(2)	(6)	(26)
Subsidy income	12	69	156
Loss on sale or disposal of property and equipment—net	(2)		(26)
Other—net	<u>(24)</u>	<u>(12)</u>	<u>(313)</u>
Other income —net	<u>10</u>	<u>78</u>	<u>130</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>1,025</u>	<u>1,012</u>	<u>13,372</u>
INCOME TAXES	<u>498</u>	<u>503</u>	<u>6,497</u>
NET INCOME BEFORE MINORITY INTERESTS	527	509	6,875
MINORITY INTERESTS IN NET INCOME	<u>17</u>	<u>56</u>	<u>221</u>
NET INCOME	<u>¥ 510</u>	<u>¥ 453</u>	<u>\$ 6,654</u>
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 7):			
Basic net income	¥ 21.45	¥ 19.07	\$ 0.28

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Statements of Comprehensive Income—Unaudited Six Months Ended September 30, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2011	September 30, 2010	September 30, 2011
NET INCOME BEFORE MINORITY INTERESTS	<u>¥ 527</u>	<u>¥ 509</u>	<u>\$ 6,875</u>
OTHER COMPREHENSIVE LOSS—			
Unrealized loss on available-for-sale securities	<u>(53)</u>	<u>(86)</u>	<u>(691)</u>
Total other comprehensive loss	<u>(53)</u>	<u>(86)</u>	<u>(691)</u>
COMPREHENSIVE INCOME	<u>¥ 474</u>	<u>¥ 423</u>	<u>\$ 6,184</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 457	¥ 368	\$ 5,962
Minority interests	17	55	222

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Statements of Cash Flows—Unaudited Six Months Ended September 30, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	September 30, 2011	September 30, 2010	September 30, 2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,025	¥ 1,012	\$ 13,372
Adjustments for:			
Income taxes paid	(950)	(282)	(12,394)
Depreciation and amortization	924	943	12,055
Loss on sale or disposal of property and equipment—net	2		26
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	1,320	714	17,221
Increase in inventories	(433)	(74)	(5,649)
Increase in other current assets	(106)	(73)	(1,383)
Decrease in accounts payable	(288)	(766)	(3,757)
Increase in accrued expenses	99	221	1,292
Decrease in other current liabilities	(278)	(177)	(3,627)
Decrease in liability for employees' retirement benefits and retirement allowances for directors and corporate auditors	(60)	(169)	(783)
Other—net	317	128	4,136
Total adjustments	<u>547</u>	<u>465</u>	<u>7,137</u>
Net cash provided by operating activities	<u>1,572</u>	<u>1,477</u>	<u>20,509</u>
INVESTING ACTIVITIES:			
Increase in time deposits other than cash equivalents	(425)	(325)	(5,545)
Decrease in time deposits other than cash equivalents	125	325	1,631
Payment for purchases of property and equipment	(137)	(164)	(1,787)
Payment for purchases of software	(223)	(370)	(2,909)
Proceeds from redemption of investment securities	100		1,305
Payments for transfer of business		(134)	
Net decrease in other assets	<u>25</u>	<u></u>	<u>326</u>
Net cash used in investing activities	<u>(535)</u>	<u>(668)</u>	<u>(6,980)</u>
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(11)	(64)	(143)
Redemption of bonds	(60)	(60)	(783)
Repayment of long-term debt		(215)	
Dividends paid	(508)	(510)	(6,628)
Other—net	<u>(2)</u>	<u>(2)</u>	<u>(26)</u>
Net cash used in financing activities	<u>(581)</u>	<u>(851)</u>	<u>(7,580)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	456	(42)	5,949
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>11,251</u>	<u>9,367</u>	<u>146,784</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>¥ 11,707</u>	<u>¥ 9,325</u>	<u>\$152,733</u>

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited quarterly consolidated financial statements of DTS CORPORATION (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain financial information and disclosures that are normally included in annual financial statements prepared in accordance with Japanese GAAP, but is not required for quarterly reporting purposes, has been condensed or omitted.

In preparing these unaudited quarterly consolidated financial statements, certain reclassifications and rearrangements have been made to the quarterly consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The unaudited quarterly consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥76.65 to \$1, the approximate rate of exchange at September 30, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Effective April 1, 2011, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting and Related Standard and Implementation Guidance” as amended (ASBJ Statement No. 12, latest amendment on March 25, 2011). Accordingly, disclosures in the accompanying quarterly consolidated financial statements including footnotes are simplified.

2. APPLICATION OF ACCOUNTING METHOD SPECIAL FOR PREPARING QUARTERLY FINANCIAL STATEMENTS

Income taxes—Income taxes are calculated by multiplying the income before income taxes and minority interests for the six months ended September 30, 2011 by the estimated effective tax rate for the year ending March 31, 2012, after taking into account the effect of possible temporary differences.

3. ADDITIONAL INFORMATION

Effective April 1, 2011, the Company has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009). Accordingly, any change in accounting policies and presentations after March 31, 2011 and any correction of prior period errors are retrospectively accounted for.

4. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major item of selling, general and administrative expenses for the six months ended September 30, 2011 and 2010 were as follows:

Six Months Ended September 30	Millions of Yen		Thousands of
	2011	2010	U.S. Dollars
Salaries and fringe benefits	¥ 961	¥ 967	\$ 12,538
Provision for bonuses	259	251	3,379

5. DIVIDEND

The following appropriations of retained earnings were resolved at the Company's shareholders meetings held during the six months ended September 30, 2011 and 2010:

	Millions of Yen	Thousands of
		U.S. Dollars
Shareholders meeting held on June 24, 2011: Year-end cash dividends, ¥20 (\$0.26) per share (Record date: March 31, 2011; effective date: June 27, 2011)	¥ 476	\$ 6,210
Shareholders meeting held on June 25, 2010: Year-end cash dividends, ¥20 per share (Record date: March 31, 2010; effective date: June 28, 2010)	¥ 476	

The following appropriations of retained earnings were resolved by the Board of Directors during the six months ended September 30, 2011 and 2010:

	Millions of Yen	Thousands of
		U.S. Dollars
Board of Directors meeting held on November 7, 2011: Year-end cash dividends, ¥15 (\$0.20) per share (Record date: September 30, 2011; effective date: November 28, 2011)	¥ 357	\$ 4,658
Board of Directors meeting held on November 5, 2010: Year-end cash dividends, ¥15 per share (Record date: September 30, 2010; effective date: November 29, 2010)	¥ 357	

6. SEGMENT INFORMATION

Information about sales and segment profit is as follows:

Six Months Ended September 30, 2011					
Millions of Yen					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	¥ 25,874	¥ 2,327	¥ 28,201		¥ 28,201
Intersegment sales or transfers	2	42	44	¥ (44)	
Total	<u>¥ 25,876</u>	<u>¥ 2,369</u>	<u>¥ 28,245</u>	<u>¥ (44)</u>	<u>¥ 28,201</u>
Segment profit	¥ 974	¥ 39	¥ 1,013	¥ 2	¥ 1,015

Six Months Ended September 30, 2010					
Millions of Yen					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	¥ 26,817	¥ 2,335	¥ 29,152		¥ 29,152
Intersegment sales or transfers	4	42	46	¥ (46)	
Total	<u>¥ 26,821</u>	<u>¥ 2,377</u>	<u>¥ 29,198</u>	<u>¥ (46)</u>	<u>¥ 29,152</u>
Segment profit	¥ 892	¥ 40	¥ 932	¥ 2	¥ 934

Six Months Ended September 30, 2011					
Thousands of U.S. Dollars					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	\$ 337,560	\$ 30,359	\$ 367,919		\$ 367,919
Intersegment sales or transfers	26	548	574	\$ (574)	
Total	<u>\$ 337,586</u>	<u>\$ 30,907</u>	<u>\$ 368,493</u>	<u>\$ (574)</u>	<u>\$ 367,919</u>
Segment profit	\$ 12,707	\$ 509	\$ 13,216	\$ 26	\$ 13,242

Notes: * 1. There is no significant reconciliation to segment profit.

* 2. Segment profit is reconciled to operating income in the accompanying quarterly consolidated statements of income.

7. NET INCOME PER SHARE

Basic net income per share for the six months ended September 30, 2011 and 2010 were calculated as follows:

	<u>Millions of Yen</u>	<u>Number of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
<u>Six Months Ended September 30, 2011</u>	<u>Net Income</u>	<u>Weighted-average Shares</u>	<u>Net Income per Share</u>	
Basic net income per share				
—Net income available to common shareholders	¥ 510	23,775,382	¥ 21.45	\$ 0.28
 <u>Six Months Ended September 30, 2010</u>				
Basic net income per share				
—Net income available to common shareholders	¥ 453	23,775,645	¥ 19.07	

Diluted net income per share is not disclosed because no dilutive securities outstanding for the six months ended September 30, 2011 and it is anti-dilutive for the six months ended September 30, 2010.

8. SUBSEQUENT EVENT

No item to report.
