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November 5, 2014

## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2015 <under Japanese GAAP>

Company name: **DTS Corporation**  
 Stock listing: Tokyo Stock Exchange, First Section  
 Stock code: 9682  
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Scheduled date to file quarterly securities report: November 11, 2014  
 Scheduled date to commence dividend payments: November 27, 2014  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

### 1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2015 (from April 1, 2014 to September 30, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2014	35,137	14.0	2,669	28.5	2,716	28.6	1,501	33.7
September 30, 2013	30,821	3.6	2,077	24.4	2,111	22.8	1,123	24.2

Note: Comprehensive income  
 Six months ended September 30, 2014: ¥1,575 million [17.0%]  
 Six months ended September 30, 2013: ¥1,346 million [27.7%]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2014	63.65	—
September 30, 2013	47.24	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
September 30, 2014	47,078	36,123	73.8
March 31, 2014	46,316	35,251	73.3

Reference: Equity  
 As of September 30, 2014: ¥34,729 million      As of March 31, 2014: ¥33,926 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, 2014	–	15.00	–	20.00	35.00
Fiscal year ending March 31, 2015	–	15.00			
Fiscal year ending March 31, 2015 (Forecasts)			–	25.00	40.00

Note: Revisions to the forecasts of dividends most recently announced: Yes

## 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
Fiscal year ending March 31, 2015	72,000	12.2	5,600	18.1	5,650	17.5	3,200	20.6	135.85

Note: Revisions to the earnings forecasts most recently announced: Yes

### \* Notes

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

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

Note: For the details, please refer to '(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 September 30, 2014	25,222,266 shares
As of March 31, 2014	25,222,266 shares

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

As of September 30, 2014	1,697,333 shares
As of March 31, 2014	1,447,128 shares

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

Six months ended September 30, 2014	23,585,159 shares
Six months ended September 30, 2013	23,775,334 shares

\* **Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

\* **Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

For matters regarding the above earnings forecasts, please refer to '(3) Information regarding consolidated earnings forecasts and other forward-looking statements in 1. Qualitative Information Regarding Settlement of Accounts for the First Six Months,' on page 4 of the attached materials.

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

### **(1) Information regarding consolidated operating results**

In the six months under review, the Japanese economy recovered at a moderate pace, partly due to improvements in corporate earnings and employment. Also, in the information services industry, investment in information technology continued to recover, particularly by financial institutions and others, supported by an upturn in corporate earnings.

Amid this environment, the DTS Group is in the second year of its medium-term management plan (April 2013 to March 2016) formulated in April 2013, and in order to realize the plan's 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. The DTS Group is also continuously working to train its workforce into high value-added personnel to support these aims, strengthen its management base and maximize group synergies.

In the six months under review, aiming to expand the embedding business as a third pillar to support existing businesses in finance and communication, the Group acquired shares in Artsystem CORPORATION and YOKOGAWA DIGITAL COMPUTER CORPORATION, making both companies subsidiaries of the Group.

DTS has also continued to push ahead with the restructuring of Group companies. In April, consolidated subsidiary FAITEC CORPORATION was absorbed through a merger, with the Company as the surviving entity, and the Company also spun off the information service businesses of its Kansai Branch and Chukyo Branch to create a separate company called DTS WEST CORPORATION.

In September, it was decided that DTS WEST CORPORATION will merge with the Company's consolidated subsidiary SOUGOU SYSTEM SERVICE CORPORATION in April 2015. Both companies are based in the Kansai region, and the Group aims to further expand its operations in western Japan by combining their respective knowhow and strengthening their joint management base.

As part of initiatives for new solutions development, the DTS Group launched Dr. Cowbell, a new cloud-based service aimed at the livestock industry, in May. The Group also launched a number of other new services, including Remote System Management Service (ReSM), a system management service for small and midsize system users, and On-PreSt, an online storage system that allows users to share and access information on multiple terminals.

In April 2014, as part of efforts to establish a global business base, the Group set up a local company in Vietnam as a new business base to conduct offshore development, Business Process Outsourcing (BPO) and other operations. This followed the establishment of other overseas bases in China, the U.S. and Thailand. The Group will continue to establish overseas bases and train globally-minded personnel in order to increase net sales across its global operations.

As a result of the above, the Group reported net sales of ¥35,137 million for the six months under review, an increase of 14.0% year on year. The increase in sales reflected the consolidation of the above-mentioned two companies and DTS America Corporation; a strong performance in development contracts for banks, securities companies and other customers in the financial sector; and success in securing new contracts mainly from government agencies.

Gross profit rose 21.9% year on year to ¥6,029 million. This mainly reflected an increase in net sales. Selling, general and administrative expenses increased 17.2% year on year to ¥3,359 million, mainly due to the impact of new consolidations. Consequently, operating income was ¥2,669 million, up 28.5% year on year, ordinary income was ¥2,716 million, up 28.6% year on year, and net income was ¥1,501 million, up 33.7% year on year.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	35,137	14.0	22,884	22.6
Operating income	2,669	28.5	2,343	40.2
Ordinary income	2,716	28.6	2,422	33.6
Net income	1,501	33.7	2,799	149.0

## &lt;Breakdown of net sales&gt;

(Million yen)

		Consolidated		Non-consolidated (Reference)	
			Year-on-year change (%)		Year-on-year change (%)
Information Service	System Engineering Services	22,914	20.2	17,069	32.1
	Operation Engineering Services	6,482	(1.1)	5,275	(0.8)
	Product Services and Others	3,882	29.4	539	27.6
	Subtotal	33,279	16.3	22,884	22.6
Human Resource Service	Staffing Services and Others	1,858	(15.5)	–	–
	Subtotal	1,858	(15.5)	–	–
Total		35,137	14.0	22,884	22.6

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

**Information Service****[System Engineering Services]**

Sales from System Engineering Services increased, supported by contribution from new consolidations, as well as rising demand in the financial sector for large-scale system integration projects for banks and new contracts obtained from government agencies related to the integration of pension systems and local government IT system upgrades.

**[Operation Engineering Services]**

Sales from Operation Engineering Services were steady year on year. Although the size of projects contracted at some of the communications carrier customers due to the completion of system migration projects, this was offset by growth in the size of projects at other existing customers.

**[Product Services and Others]**

Sales from Product Services and Others increased thanks to a strong performance in equipment sales, particularly sales of servers and storage reflecting the installation of additional equipment by cloud computing operators. Meanwhile, there was also special demand for services such as Windows OS renewals.

## **Human Resource Service**

[Staffing Services and Others]

Staffing services faced an increasingly uphill battle with key customers reducing rates paid to temporary workers and fiercer competition with industry competitors. Also, sales from outsourcing services related to product sales, which had been expanding, were affected by major adjustments to contract terms during the six months under review, among other factors. As a result, sales from Staffing Services and Others declined year on year.

### **(2) Information regarding consolidated financial position**

Total assets as of September 30, 2014 were ¥47,078 million, an increase of ¥762 million from the previous fiscal year-end. The main factors for this were a decrease of ¥279 million in merchandise and finished goods on one hand and increases of ¥629 million in work in process and ¥498 million in goodwill on the other.

Liabilities were ¥10,954 million, a decrease of ¥110 million from the previous fiscal year-end. The main factors for this were decreases of ¥369 million in accounts payable - trade and ¥330 million in income taxes payable.

Net assets were ¥36,123 million, an increase of ¥872 million from the previous fiscal year-end. This was mainly the result of decreases of ¥475 million of dividends of surplus and ¥428 million of purchase of treasury shares being offset by an increase of ¥1,501 million from net income.

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

Sales trended ahead of the Company's start-of-year forecast due to rising demand for system development from financial institutions and other customers. Orders are also increasing steadily. In addition, the Company now expects profits to exceed its start-of-year forecasts due to the increase in sales. In light of these factors, the Company has revised its earnings forecasts for the fiscal year ending March 31, 2015, announced on May 9, 2014.

Moreover, due to this upward revision to the earnings forecasts, the Company has also upwardly revised its forecast most recently announced for the fiscal year-end dividend by ¥5 to ¥25 per share, resulting in the forecast for the total dividends for the fiscal year ending March 31, 2015 being upwardly revised from ¥35 to ¥40 per share.

## **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 second quarter under review, and next by multiplying the quarterly income before income taxes by such estimated effective tax rate.

Income taxes - deferred are included in income taxes.

### **(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 Retirement Benefits and Its Guidance)

For the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), the Company has additionally applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter, and reviewed the determination of retirement benefit obligations and current service costs. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, as well as the determination of discount rate from one based on a period approximate to the expected average remaining working lives of employees to one that uses different discount rates according to the estimated timing of benefit payment.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the six months under review.

As a result, as of the beginning of the six months under review, net defined benefit liability decreased by ¥255,255 thousand and retained earnings increased by ¥164,384 thousand. In addition, the effect of these changes on operating income, ordinary income and income before income taxes and minority interests for the six months under review is immaterial.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2014	As of September 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	18,255,320	18,226,621
Notes and accounts receivable - trade	10,801,675	10,724,610
Merchandise and finished goods	606,711	327,579
Work in process	546,784	1,176,492
Raw materials and supplies	9,428	27,660
Other	1,910,026	1,982,640
Allowance for doubtful accounts	(9,574)	(7,719)
Total current assets	32,120,374	32,457,885
Non-current assets		
Property, plant and equipment		
Land	6,422,365	6,386,625
Other, net	2,307,741	2,160,906
Total property, plant and equipment	8,730,106	8,547,532
Intangible assets		
Goodwill	1,114,091	1,612,176
Other	905,039	837,052
Total intangible assets	2,019,130	2,449,228
Investments and other assets		
Other	3,446,678	3,624,230
Allowance for doubtful accounts	(226)	(330)
Total investments and other assets	3,446,451	3,623,900
Total non-current assets	14,195,688	14,620,661
Total assets	46,316,062	47,078,547
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,621,955	3,251,969
Income taxes payable	1,429,940	1,099,344
Provision for bonuses	2,578,991	2,612,561
Provision for directors' bonuses	61,960	29,330
Provision for loss on order received	30,590	-
Other	2,460,134	3,272,580
Total current liabilities	10,183,573	10,265,787
Non-current liabilities		
Provision for directors' retirement benefits	51,172	43,023
Net defined benefit liability	599,715	363,657
Other	230,486	282,110
Total non-current liabilities	881,374	688,791
Total liabilities	11,064,947	10,954,579

(Thousand yen)

	As of March 31, 2014	As of September 30, 2014
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,190,917	6,190,917
Retained earnings	22,781,766	23,973,805
Treasury shares	(1,493,973)	(1,922,660)
Total shareholders' equity	33,591,711	34,355,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	348,967	397,946
Foreign currency translation adjustment	41,638	29,350
Remeasurements of defined benefit plans	(55,892)	(52,758)
Total accumulated other comprehensive income	334,713	374,538
Minority interests	1,324,688	1,394,364
Total net assets	35,251,114	36,123,967
Total liabilities and net assets	46,316,062	47,078,547

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

(Thousand yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	30,821,095	35,137,455
Cost of sales	25,877,017	29,108,428
Gross profit	4,944,078	6,029,026
Selling, general and administrative expenses	2,866,237	3,359,254
Operating income	2,077,841	2,669,771
Non-operating income		
Interest income	4,434	4,869
Dividend income	15,889	16,431
Insurance premiums refunded cancellation	1,899	3,459
Subsidy income	570	5,085
Other	26,598	27,207
Total non-operating income	49,391	57,053
Non-operating expenses		
Interest expenses	539	358
Commission for purchase of treasury shares	–	856
Foreign exchange losses	14,380	–
Amortization of deferred organization expenses	–	1,576
Commission fee	193	–
Compensation for damage	–	6,544
Other	223	908
Total non-operating expenses	15,336	10,243
Ordinary income	2,111,896	2,716,581
Extraordinary income		
Gain on sales of investment securities	574	–
Total extraordinary income	574	–
Extraordinary losses		
Impairment loss	–	110,766
Loss on retirement of non-current assets	214	2,209
Provision for allowance of office transfer expenses	4,666	–
Office transfer expenses	–	16,202
Other	–	50
Total extraordinary losses	4,881	129,228
Income before income taxes and minority interests	2,107,589	2,587,352
Income taxes	911,279	1,047,981
Income before minority interests	1,196,310	1,539,371
Minority interests in income	73,238	38,095
Net income	1,123,071	1,501,275

**Consolidated statements of comprehensive income (cumulative)**

(Thousand yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	1,196,310	1,539,371
Other comprehensive income		
Valuation difference on available-for-sale securities	118,614	48,876
Foreign currency translation adjustment	31,754	(15,768)
Remeasurements of defined benefit plans, net of tax	–	3,175
Total other comprehensive income	150,369	36,282
Comprehensive income	1,346,679	1,575,653
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,273,096	1,537,618
Comprehensive income attributable to minority interests	73,583	38,034

**(3) Consolidated statements of cash flows**

(Thousand yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,107,589	2,587,352
Depreciation	402,616	380,728
Impairment loss	–	110,766
Amortization of goodwill	181,241	248,041
Increase (decrease) in provision for bonuses	(150,315)	(73,511)
Increase (decrease) in provision for directors' bonuses	(27,710)	(34,436)
Increase (decrease) in provision for loss on order received	53,871	(34,624)
Increase (decrease) in provision for office transfer expenses	1,199	–
Increase (decrease) in provision for retirement benefits	21,418	–
Increase (decrease) in provision for directors' retirement benefits	(8,431)	(8,149)
Increase (decrease) in net defined benefit liability	–	16,005
Decrease (increase) in notes and accounts receivable - trade	1,239,534	1,153,658
Decrease (increase) in inventories	(821,272)	(225,646)
Increase (decrease) in notes and accounts payable - trade	(72,999)	(715,357)
Other, net	(592,505)	390,943
Subtotal	2,334,238	3,795,770
Interest and dividend income received	19,977	20,626
Interest expenses paid	(939)	(683)
Income taxes paid	(1,087,604)	(1,411,286)
Net cash provided by (used in) operating activities	1,265,671	2,404,426
<b>Cash flows from investing activities</b>		
Payments into time deposits	–	(20,110)
Proceeds from withdrawal of time deposits	100,000	20,102
Purchase of property, plant and equipment	(71,886)	(54,056)
Purchase of intangible assets	(76,862)	(132,449)
Purchase of investment securities	(615)	(663)
Proceeds from sales of investment securities	5,074	5,000
Purchase of shares of subsidiaries and associates	(15,660)	–
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	(1,288)	(3,470)
Net cash provided by (used in) investing activities	(61,238)	(1,514,706)

(Thousand yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
<b>Cash flows from financing activities</b>		
Redemption of bonds	(50,000)	–
Purchase of treasury shares of subsidiaries	(17,710)	–
Cash dividends paid	(474,264)	(474,171)
Cash dividends paid to minority shareholders	(35,572)	(22,422)
Purchase of treasury shares	(159)	(429,543)
Other, net	(1,860)	(42,503)
Net cash provided by (used in) financing activities	(579,567)	(968,640)
Effect of exchange rate change on cash and cash equivalents	10,198	(6,601)
Net increase (decrease) in cash and cash equivalents	635,064	(85,521)
Cash and cash equivalents at beginning of period	15,320,576	18,055,296
Increase in cash and cash equivalents from newly consolidated subsidiary	150,808	36,711
Cash and cash equivalents at end of period	16,106,449	18,006,486

#### (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.

#### 4. Supplementary Information

Production, orders and sales

##### (1) Production

Production in the six months under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	22,914,366	20.2
	Operation Engineering Services	6,482,255	(1.1)
Total		29,396,622	14.7

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

##### (2) Orders

Orders in the six months under review are as follows.

Segment and services		Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	24,398,876	30.7	13,227,812	20.7
	Operation Engineering Services	2,532,170	(28.9)	4,667,846	(4.2)
Total		26,931,046	21.1	17,895,658	13.1

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

##### (3) Sales

Sales in the six months under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	22,914,366	20.2
	Operation Engineering Services	6,482,255	(1.1)
	Product Services and Others	3,882,497	29.4
	Subtotal	33,279,120	16.3
Human Resource Service	Staffing Services and Others	1,858,335	(15.5)
	Subtotal	1,858,335	(15.5)
Total		35,137,455	14.0

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