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***DTS CORPORATION and  
Consolidated Subsidiaries***

*Unaudited Consolidated Financial Statements  
for the Third Quarter Ended December 31, 2011*

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**DTS CORPORATION and Consolidated Subsidiaries**

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2011	March 31, 2011	December 31, 2011		December 31, 2011	March 31, 2011	December 31, 2011
<b>ASSETS</b>				<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 11,285	¥ 11,251	\$ 145,163	Short-term bank loans	¥ 34	¥ 344	\$ 437
Notes and accounts receivable:				Current portion of long-term debt	125	125	1,608
Trade	7,188	9,335	92,462	Payables:			
Other	190	122	2,444	Trade accounts	1,740	2,057	22,382
Allowance for doubtful receivables	(15)	(19)	(193)	Other	1,757	1,232	22,601
Inventories	1,977	665	25,431	Advances received	1,202	1,040	15,462
Deferred tax assets	1,265	1,264	16,273	Income taxes payable	579	1,063	7,448
Prepaid expenses and other current assets	1,998	1,535	25,701	Accrued expenses	1,496	2,650	19,243
				Other current liabilities	1,554	1,000	19,990
Total current assets	<u>23,888</u>	<u>24,153</u>	<u>307,281</u>				
				Total current liabilities	<u>8,487</u>	<u>9,511</u>	<u>109,171</u>
<b>PROPERTY AND EQUIPMENT:</b>				<b>LONG-TERM LIABILITIES:</b>			
Land	6,422	6,432	82,608	Long-term debt	110	235	1,415
Buildings and structures	5,045	5,024	64,896	Liability for employees' retirement benefits	426	499	5,480
Furniture and fixtures	1,334	1,328	17,160	Retirement allowances for directors and corporate auditors	93	85	1,196
Other	77	43	990	Other long-term liabilities	265	185	3,409
Total	12,878	12,827	165,654				
Accumulated depreciation	(3,840)	(3,733)	(49,395)	Total long-term liabilities	<u>894</u>	<u>1,004</u>	<u>11,500</u>
Net property and equipment	<u>9,038</u>	<u>9,094</u>	<u>116,259</u>	<b>EQUITY:</b>			
<b>INVESTMENTS AND OTHER ASSETS:</b>				Common stock—authorized, 100,000,000 shares; issued, 25,222,266 shares at December 31 and March 31, 2011	6,113	6,113	78,634
Investment securities	1,190	1,393	15,308	Capital surplus	6,191	6,191	79,637
Investments in unconsolidated subsidiaries and associated companies	249	204	3,203	Retained earnings	18,516	18,755	238,179
Software	1,827	2,417	23,502	Treasury stock—at cost, 1,446,884 shares at December 31, 2011 and 1,446,816 shares at March 31, 2011	(1,494)	(1,494)	(19,218)
Goodwill	1,944	2,268	25,006	Accumulated other comprehensive income:			
Deferred tax assets	744	763	9,570	Unrealized loss on available-for-sale securities	(175)	(72)	(2,251)
Other assets	1,279	1,337	16,452	Total	29,151	29,493	374,981
Allowance for doubtful receivables	(184)	(182)	(2,367)	Minority interests	1,443	1,439	18,562
Total investments and other assets	<u>7,049</u>	<u>8,200</u>	<u>90,674</u>	Total equity	<u>30,594</u>	<u>30,932</u>	<u>393,543</u>
<b>TOTAL</b>	<u>¥ 39,975</u>	<u>¥ 41,447</u>	<u>\$ 514,214</u>	<b>TOTAL</b>	<u>¥ 39,975</u>	<u>¥ 41,447</u>	<u>\$ 514,214</u>

See notes to quarterly consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

### Quarterly Consolidated Statements of Income—Unaudited Nine Months Ended December 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2011	December 31, 2010	December 31, 2011
NET SALES	¥ 41,589	¥ 42,954	\$ 534,976
COST OF SALES	<u>35,606</u>	<u>37,317</u>	<u>458,014</u>
Gross profit	5,983	5,637	76,962
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>4,316</u>	<u>4,375</u>	<u>55,519</u>
Operating income	<u>1,667</u>	<u>1,262</u>	<u>21,443</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	43	46	553
Interest expense	(3)	(8)	(39)
Subsidy income	15	76	193
Other—net	<u>(42)</u>	<u>(24)</u>	<u>(540)</u>
Other income —net	<u>13</u>	<u>90</u>	<u>167</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>1,680</u>	<u>1,352</u>	<u>21,610</u>
INCOME TAXES	<u>1,050</u>	<u>730</u>	<u>13,506</u>
NET INCOME BEFORE MINORITY INTERESTS	630	622	8,104
MINORITY INTERESTS IN NET INCOME	<u>37</u>	<u>94</u>	<u>476</u>
NET INCOME	<u>¥ 593</u>	<u>¥ 528</u>	<u>\$ 7,628</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 6):			
Basic net income	¥ 24.92	¥ 22.21	\$ 0.32

See notes to quarterly consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

### Quarterly Consolidated Statements of Comprehensive Income—Unaudited Nine Months Ended December 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2011	December 31, 2010	December 31, 2011
NET INCOME BEFORE MINORITY INTERESTS	<u>¥ 630</u>	<u>¥ 622</u>	<u>\$ 8,104</u>
OTHER COMPREHENSIVE (LOSS) INCOME:			
Unrealized (loss) gain on available-for-sale securities	<u>(102)</u>	<u>2</u>	<u>(1,312)</u>
Total other comprehensive (loss) income	<u>(102)</u>	<u>2</u>	<u>(1,312)</u>
COMPREHENSIVE INCOME	<u>¥ 528</u>	<u>¥ 624</u>	<u>\$ 6,792</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 491	¥ 530	\$ 6,316
Minority interests	37	94	476

See notes to quarterly consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

### Quarterly Consolidated Statements of Cash Flows—Unaudited Nine Months Ended December 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	December 31, 2011	December 31, 2010	December 31, 2011
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 1,680	¥ 1,352	\$ 21,610
Adjustments for:			
Income taxes paid	(1,555)	(511)	(20,002)
Depreciation and amortization	1,378	1,405	17,726
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	2,142	1,355	27,553
Increase in inventories	(1,311)	(504)	(16,864)
Increase in other current assets	(113)	(94)	(1,453)
Increase (decrease) in accounts payable	270	(340)	3,473
Decrease in accrued expenses	(1,153)	(855)	(14,831)
Increase in other current liabilities	409	666	5,261
Decrease in liability for employees' retirement benefits and retirement allowances for directors and corporate auditors	(65)	(156)	(836)
Other—net	342	104	4,399
Total adjustments	344	1,070	4,426
Net cash provided by operating activities	2,024	2,422	26,036
<b>INVESTING ACTIVITIES:</b>			
Increase in time deposits other than cash equivalents	(775)	(625)	(9,969)
Decrease in time deposits other than cash equivalents	425	325	5,467
Payment for purchases of property and equipment	(168)	(188)	(2,161)
Payment for purchases of software	(264)	(445)	(3,396)
Proceeds from redemption of investment securities	100	100	1,286
Payments for transfer of business		(134)	
Other—net	(25)	(3)	(322)
Net cash used in investing activities	(707)	(970)	(9,095)
<b>FINANCING ACTIVITIES:</b>			
Decrease in short-term bank loans—net	(310)	(65)	(3,988)
Redemption of bonds	(110)	(110)	(1,415)
Repayment of long-term debt		(218)	
Dividends paid	(859)	(863)	(11,050)
Other—net	(4)	(3)	(51)
Net cash used in financing activities	(1,283)	(1,259)	(16,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34	193	437
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,251	9,367	144,726
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 11,285	¥ 9,560	\$145,163

See notes to quarterly consolidated financial statements.

## DTS CORPORATION and Consolidated Subsidiaries

### Notes to Quarterly Consolidated Financial Statements—Unaudited

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#### 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 are not required for quarterly reporting purposes, have 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 ¥77.74 to \$1, the approximate rate of exchange at December 31, 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 nine months ended December 31, 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.

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, income taxes increased by ¥100 million (\$1,286 thousand) for the nine months ended December 31, 2011.

#### 4. DIVIDEND

The following appropriations of retained earnings were resolved at the Company's shareholders meetings held during the nine months ended December 31, 2011 and 2010:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
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	\$ 6,123
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 nine months ended December 31, 2011 and 2010:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Board of Directors meeting held on November 7, 2011: Interim cash dividends, ¥15 (\$0.19) per share (Record date: September 30, 2011; effective date: November 28, 2011)	¥ 357	\$ 4,592
Board of Directors meeting held on November 5, 2010: Interim cash dividends, ¥15 per share (Record date: September 30, 2010; effective date: November 29, 2010)	¥ 357	

## 5. SEGMENT INFORMATION

Information about sales and segment profit is as follows:

Nine Months Ended December 31, 2011					
Millions of Yen					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	¥ 38,125	¥ 3,464	¥ 41,589		¥ 41,589
Intersegment sales or transfers	3	67	70	¥ (70)	
Total	<u>¥ 38,128</u>	<u>¥ 3,531</u>	<u>¥ 41,659</u>	<u>¥ (70)</u>	<u>¥ 41,589</u>
Segment profit	¥ 1,603	¥ 62	¥ 1,665	¥ 2	¥ 1,667

Nine Months Ended December 31, 2010					
Millions of Yen					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	¥ 39,471	¥ 3,483	¥ 42,954		¥ 42,954
Intersegment sales or transfers	4	62	66	¥ (66)	
Total	<u>¥ 39,475</u>	<u>¥ 3,545</u>	<u>¥ 43,020</u>	<u>¥ (66)</u>	<u>¥ 42,954</u>
Segment profit	¥ 1,192	¥ 68	¥ 1,260	¥ 2	¥ 1,262

Nine Months Ended December 31, 2011					
Thousands of U.S. Dollars					
Reportable Segment					
	Information Service	Human Resource Service	Total	Reconciliations (* 1)	Consolidated (* 2)
Sales:					
Sales to external customers	\$ 490,417	\$ 44,559	\$ 534,976		\$ 534,976
Intersegment sales or transfers	38	862	900	\$ (900)	
Total	<u>\$ 490,455</u>	<u>\$ 45,421</u>	<u>\$ 535,876</u>	<u>\$ (900)</u>	<u>\$ 534,976</u>
Segment profit	\$ 20,620	\$ 798	\$ 21,418	\$ 25	\$ 21,443

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.



## 6. NET INCOME PER SHARE

Basic net income per share for the nine months ended December 31, 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>Nine Months Ended December 31, 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	¥ 593	23,775,382	¥ 24.92	\$ 0.32
 <u>Nine Months Ended December 31, 2010</u>				
Basic net income per share				
—Net income available to common shareholders	¥ 528	23,775,614	¥ 22.21	

Diluted net income per share is not disclosed because no dilutive securities outstanding for the nine months ended December 31, 2011 and it is anti-dilutive for the nine months ended December 31, 2010.

## 7. SUBSEQUENT EVENT

No item to report.

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