

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.



August 2, 2013

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending 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 to file quarterly securities report: August 8, 2013
 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, 2014 (from April 1, 2013 to June 30, 2013)

(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	%
Three months ended								
June 30, 2013	14,928	2.1	785	29.9	805	26.7	404	31.4
June 30, 2012	14,626	5.6	605	41.5	636	36.2	307	22.3

Note: Comprehensive income
 Three months ended June 30, 2013: ¥507 million [48.1%]
 Three months ended June 30, 2012: ¥342 million [35.7%]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2013	17.03	–
June 30, 2012	12.95	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2013	43,338	33,476	73.6
March 31, 2013	44,016	33,470	72.4

Reference: Equity
 As of June 30, 2013: ¥31,893 million As of March 31, 2013: ¥31,884 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, 2013	–	15.00	–	20.00	35.00
Fiscal year ending March 31, 2014	–				
Fiscal year ending March 31, 2014 (Forecasts)		15.00	–	15.00	30.00

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

Breakdown of the fiscal year-end dividend for the 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, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2013	30,200	1.5	1,700	1.8	1,750	1.7	920	1.7	38.70
Fiscal year ending March 31, 2014	62,000	1.6	4,100	2.4	4,150	1.3	2,200	1.0	92.53

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

* Notes

(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 '(2) 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: None

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

(4) Number of issued shares (common stock)

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

As of June 30, 2013	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 June 30, 2013	1,446,904 shares
As of March 31, 2013	1,446,904 shares

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

Three months ended June 30, 2013	23,775,362 shares
Three months ended June 30, 2012	23,775,362 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

Contents

- 1. Qualitative Information Regarding Settlement of Accounts for the First Three Months 2
 - (1) Information regarding consolidated operating results..... 2
 - (2) Information regarding consolidated financial position 4
 - (3) Information regarding consolidated earnings forecasts and other forward-looking statements..... 4
- 2. Matters Regarding Summary Information (Notes)..... 5
 - (1) Changes in significant subsidiaries during the three months under review 5
 - (2) Application of specific accounting for preparing quarterly consolidated financial statements 5
 - (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections 5
- 3. Quarterly Consolidated Financial Statements 6
 - (1) Consolidated balance sheets..... 6
 - (2) Consolidated statements of income and consolidated statements of comprehensive income..... 8
 - Consolidated statements of income (cumulative) 8
 - Consolidated statements of comprehensive income (cumulative)..... 9
 - (3) Consolidated statements of cash flows 10
 - (4) Notes to quarterly consolidated financial statements..... 12
 - (Notes on premise of going concern)..... 12
 - (Notes on substantial changes in the amount of shareholders' equity)..... 12
- 4. Supplementary Information..... 12
 - Production, orders and sales 12

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 showed signs of gradual recovery, mainly reflecting support from improvement in the export environment and a pickup in consumer spending. In the information services industry, there were signs of recoveries in investment in information technology by companies in the manufacturing sector, financial institutions and others on the back of improved corporate earnings. Nevertheless, the industry environment remained difficult, with many companies taking a cautious approach toward the resumption of investment.

Amid this environment, the DTS Group has formulated its new three-year medium-term management plan (April 2013 to March 2016), which started in April 2013. Under its medium-term management plan vision of “providing the highest value to customers as the Best Value Partner,” the DTS Group is focusing on efforts including the strengthening of its proposal-making capability to increase net sales, 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 current fiscal year, which is the first year of the medium-term management plan, the DTS Group is working to expand business with existing customers and cultivate customers in new areas by strengthening its sales capabilities. For the purpose of new business creation, the DTS Group has set up Innovative Business Promotion Department and is strengthening marketing and promoting technological innovation. Looking at global business development, operations have started at the subsidiary in Thailand that was established in April. In this way, the DTS Group is working to build up business bases and develop markets in Southeast Asia in addition to China and North America.

With respect to business reorganizations, the DTS Group has introduced a business division system in which areas of responsibility are divided out. With this move, the DTS Group is promoting further efficiency in the use of resources through such efforts as developing an organizational structure that is capable of changing flexibly in response to environmental changes and revisions to business strategies.

In addition, with the aim of meeting the expectations of its customers and the rest of society, as well as deserving their trust, the Group is making ceaseless efforts in such areas as strengthening its compliance structure, environmental measures and information security measures, under the understanding that such efforts will contribute to medium- to long-term improvement in corporate value.

As a result of the above, operating results in the three months under review were as follows.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	14,928	2.1	8,705	5.5
Operating income	785	29.9	622	25.9
Ordinary income	805	26.7	747	25.9
Net income	404	31.4	462	27.0

<Breakdown of net sales>

(Million yen)

		Consolidated		Non-consolidated	
			Year-on-year change (%)	(Reference)	Year-on-year change (%)
Information Service	System Engineering Services	8,725	2.2	5,983	7.5
	Operation Engineering Services	3,284	(0.3)	2,584	(0.9)
	Product Services and Others	1,825	6.8	137	78.4
	Subtotal	13,835	2.2	8,705	5.5
Human Resource Service	Staffing Services and Others	1,093	0.9	–	–
	Subtotal	1,093	0.9	–	–
Total		14,928	2.1	8,705	5.5

Net sales were ¥14,928 million, up 2.1% year on year. Sales increased in Information Service as a result of a firm sales performance in system development, particularly large-scale projects for financial institutions, and a steady performance in equipment sales to specific customers. In addition, sales increased slightly in Human Resource Service thanks to an increase in outsourcing operations, despite a decline in staffing services operations.

Cost of sales was ¥12,675 million, up 0.5% year on year, while gross profit was ¥2,253 million, up 11.6% year on year. The increase in gross profit was mainly due to an increase in net sales in addition to a decrease in unprofitable projects.

Regarding selling, general and administrative expenses, while efforts were made to reduce various costs, strategic investment outlays were carried out to strengthen sales capabilities and to create new solutions. As a result, selling, general and administrative expenses totaled ¥1,467 million, up 3.7% year on year.

As a result of the above, operating income was ¥785 million, up 29.9% year on year, ordinary income was ¥805 million, up 26.7% year on year, and net income was ¥404 million, up 31.4% year on year.

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

Information Service

[System Engineering Services]

In System Engineering Services, there were strong sales performances in development contracts for a wide variety of customers including city banks, trust banks and securities companies, particularly in large-scale projects for financial institutions. In addition, although major projects from the previous fiscal year in the transportation sector as well as the retail and wholesale sectors have run their course and are now in the phase of maintenance provision, new ERP contracts ^(Note 1) and others were obtained in areas including the service sector, manufacturing, construction and real estate, leading to a sales increase in System Engineering Services.

Note 1 : ERP (Enterprise resource planning): The methods and concept for integrally managing the entire company from the point of view of effectively utilizing management resources in order to achieve management efficiency, and the IT systems and software used to realize these aims.

[Operation Engineering Services]

Although there were increases in projects for cloud computing operators and others, some projects came to an end, resulting in overall sales in Operation Engineering Services remaining largely unchanged.

[Product Services and Others]

Sales for Product Services and Others increased thanks to steady performance in equipment sales, particularly sales of servers and storage to specific companies.

Human Resource Service

[Staffing Services and Others]

Although there was a decline in operations and projects coming to an end in the area of staffing service, there was an increase in outsourcing operations related to product sales, and sales in Staffing Services and Others increased slightly as a result.

(2) Information regarding consolidated financial position

Total assets as of June 30, 2013 were ¥43,338 million, a decrease of ¥677 million from the previous fiscal year-end. The main factors for this were an increase of ¥767 million in work in process on one hand, and a decline of ¥1,424 million in notes and accounts receivable-trade on the other.

Liabilities were ¥9,862 million, a decrease of ¥683 million from the previous fiscal year-end. The main factors for this were a ¥316 million increase in accounts payable-trade on one hand, and decreases of ¥1,283 million in provision for bonuses and ¥741 million in income taxes payable on the other.

Net assets were ¥33,476 million, an increase of ¥5 million from the previous fiscal year-end. This mainly reflected an increase in net assets from ¥404 million of net income as well as increases in valuation difference on available-for-sale securities and net assets resulting from changes in the scope of consolidation, which offset a ¥475 million decrease due to dividends from surplus.

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

With respect to the future outlook, the recovery trend of economy 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 10, 2013.

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the three months under review

No items to report.

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

Deferred income taxes are included in income taxes.

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

No items to report.

3. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and deposits	16,070,588	16,256,093
Notes and accounts receivable-trade	10,050,944	8,626,604
Merchandise	99,862	256,845
Work in process	478,527	1,245,697
Supplies	9,782	8,525
Other	2,115,228	2,054,733
Allowance for doubtful accounts	(17,254)	(14,685)
Total current assets	28,807,679	28,433,814
Noncurrent assets		
Property, plant and equipment		
Land	6,422,365	6,422,365
Other, net	2,451,379	2,450,299
Total property, plant and equipment	8,873,744	8,872,664
Intangible assets		
Goodwill	1,476,574	1,385,953
Other	1,251,358	1,165,661
Total intangible assets	2,727,932	2,551,615
Investments and other assets	3,606,906	3,480,732
Total noncurrent assets	15,208,584	14,905,012
Total assets	44,016,263	43,338,826
Liabilities		
Current liabilities		
Accounts payable-trade	2,658,822	2,975,438
Current portion of bonds	100,000	50,000
Income taxes payable	1,131,816	390,103
Provision for bonuses	2,507,029	1,223,999
Provision for directors' bonuses	59,280	15,384
Provision for loss on order received	5,286	-
Provision for office transfer expenses	20,263	11,029
Other	3,315,507	4,453,749
Total current liabilities	9,798,006	9,119,704
Noncurrent liabilities		
Provision for retirement benefits	473,454	484,453
Provision for directors' retirement benefits	66,438	54,385
Other	207,577	203,840
Total noncurrent liabilities	747,470	742,679
Total liabilities	10,545,477	9,862,384

(Thousand yen)

	As of March 31, 2013	As of June 30, 2013
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	20,889,738
Treasury stock	(1,493,615)	(1,493,615)
Total shareholders' equity	31,752,860	31,700,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131,311	184,288
Foreign currency translation adjustment	-	9,489
Total accumulated other comprehensive income	131,311	193,778
Minority interests	1,586,614	1,582,623
Total net assets	33,470,786	33,476,442
Total liabilities and net assets	44,016,263	43,338,826

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

(Thousand yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net sales	14,626,565	14,928,371
Cost of sales	12,607,086	12,675,158
Gross profit	2,019,479	2,253,213
Selling, general and administrative expenses	1,414,427	1,467,442
Operating income	605,051	785,770
Non-operating income		
Interest income	2,592	2,104
Dividends income	14,788	15,889
Insurance premiums refunded cancellation	6,422	266
Subsidy income	731	23
Other	7,364	10,879
Total non-operating income	31,899	29,164
Non-operating expenses		
Interest expenses	498	294
Foreign exchange losses	363	8,644
Commission fee	52	128
Other	0	11
Total non-operating expenses	914	9,078
Ordinary income	636,037	805,857
Extraordinary income		
Gain on sales of investment securities	-	574
Total extraordinary income	-	574
Extraordinary loss		
Loss on retirement of noncurrent assets	134	206
Provision for allowance of office transfer expenses	-	3,665
Total extraordinary losses	134	3,872
Income before income taxes and minority interests	635,902	802,559
Income taxes	303,336	366,631
Income before minority interests	332,565	435,927
Minority interests in income	24,600	31,147
Net income	307,965	404,779

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Income before minority interests	332,565	435,927
Other comprehensive income		
Valuation difference on available-for-sale securities	10,413	53,650
Foreign currency translation adjustment	-	18,377
Total other comprehensive income	10,413	72,027
Comprehensive income	342,979	507,954
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	319,271	476,134
Comprehensive income attributable to minority interests	23,708	31,820

(3) Consolidated statements of cash flows

(Thousand yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	635,902	802,559
Depreciation and amortization	334,000	195,543
Amortization of goodwill	94,076	90,620
Increase (decrease) in provision for bonuses	(978,895)	(1,283,039)
Increase (decrease) in provision for directors' bonuses	(46,626)	(43,895)
Increase (decrease) in provision for loss on order received	(10,645)	(5,286)
Increase (decrease) in provision for office transfer	-	2,685
Increase (decrease) in provision for retirement benefits	10,558	10,999
Increase (decrease) in provision for directors' retirement benefits	(42,216)	(12,053)
Decrease (increase) in notes and accounts receivable-trade	690,705	1,529,091
Decrease (increase) in inventories	(577,358)	(922,323)
Increase (decrease) in notes and accounts payable-trade	377,830	274,892
Other, net	884,896	1,049,582
Subtotal	1,372,226	1,689,376
Interest and dividends income received	19,722	17,083
Interest expenses paid	(1,190)	(906)
Income taxes paid	(856,242)	(1,084,857)
Net cash provided by (used in) operating activities	534,515	620,695
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	300,000	-
Purchase of property, plant and equipment	(61,942)	(18,759)
Purchase of intangible assets	(83,377)	(48,661)
Purchase of investment securities	(379)	(473)
Purchase of stocks of subsidiaries and affiliates	-	(15,660)
Other, net	812	1,151
Net cash provided by (used in) investing activities	155,112	(82,403)

(Thousand yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013
Net cash provided by (used in) financing activities		
Redemption of bonds	(50,000)	(50,000)
Cash dividends paid	(318,542)	(427,567)
Cash dividends paid to minority shareholders	(29,563)	(33,678)
Other, net	(80)	19
Net cash provided by (used in) financing activities	(398,186)	(511,227)
Effect of exchange rate change on cash and cash equivalents	-	7,631
Net increase (decrease) in cash and cash equivalents	291,441	34,696
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	13,132,274	15,506,081

(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 three months under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	8,725,155	2.2
	Operation Engineering Services	3,284,234	(0.3)
Total		12,009,390	1.5

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	7,435,109	2.5	10,059,953	(0.7)
	Operation Engineering Services	2,011,715	3.7	6,591,075	6.7
Total		9,446,825	2.8	16,651,029	2.1

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 three months under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	8,725,155	2.2
	Operation Engineering Services	3,284,234	(0.3)
	Product Services and Others	1,825,861	6.8
	Subtotal	13,835,252	2.2
Human Resource Service	Staffing Services and Others	1,093,119	0.9
	Subtotal	1,093,119	0.9
Total		14,928,371	2.1

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