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November 5, 2015

## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2016 <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, 2015  
 Scheduled date to commence dividend payments: November 27, 2015  
 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, 2016 (from April 1, 2015 to September 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	%
Six months ended								
September 30, 2015	40,181	14.4	3,774	41.4	3,809	40.2	2,783	85.4
September 30, 2014	35,137	14.0	2,669	28.5	2,716	28.6	1,501	33.7

Note: Comprehensive income  
 Six months ended September 30, 2015: ¥2,711 million [72.1%]  
 Six months ended September 30, 2014: ¥1,575 million [17.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2015	119.51	—
September 30, 2014	63.65	—

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2015	51,153	39,223	73.8
March 31, 2015	51,382	38,084	71.3

Reference: Equity  
 As of September 30, 2015: ¥37,743 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	–	20.00			
Fiscal year ending March 31, 2016 (Forecasts)			–	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
Fiscal year ending March 31, 2016	77,000	3.2	6,700	4.2	6,750	3.6	4,550	23.2	195.62

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

### \* 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, 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 September 30, 2015	1,997,521 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)

Six months ended September 30, 2015	23,293,657 shares
Six months ended September 30, 2014	23,585,159 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.

**Attached Materials**

**Contents**

- 1. Qualitative Information Regarding Settlement of Accounts for the First Six 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) Application of specific accounting for preparing quarterly consolidated financial statements ..... 5
  - (2) 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 Six Months

### (1) Information regarding consolidated operating results

In the six months under review, the Japanese economy recovered at a moderate pace due mainly to 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 foundation 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 ¥72.0 billion and operating income of ¥5.6 billion – were achieved one year early in the previous fiscal year ended March 31, 2015. 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 conducting research and testing in promising areas for business development, such as robotics and big data utilization.

As part of our efforts to enhance the Group's management foundation, 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 consolidate operating 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 ¥40,181 million for the six months under review, an increase of 14.4% year on year. The increase in sales reflected a strong performance in development contracts for banks and life insurance companies, offsetting lower sales of equipment to online services companies and other customers.

Gross profit rose by 22.7% year on year to ¥7,400 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 7.9% year on year to ¥3,625 million, mainly reflecting enhancement of the management foundation. Consequently, operating income was ¥3,774 million, up 41.4% year on year, ordinary income was ¥3,809 million, up 40.2% year on year, and profit attributable to owners of parent was ¥2,783 million, up 85.4% 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 bases.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	40,181	14.4	27,317	19.4
Operating income	3,774	41.4	3,182	35.8
Ordinary income	3,809	40.2	3,270	35.0
Profit attributable to owners of parent	2,783	85.4	–	–
Profit (Non-consolidated)	–	–	2,603	(7.0)

## &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	28,842	25.9	21,209	24.3
	Operation Engineering Services	6,820	5.2	5,676	7.6
	Product Services and Others	2,856	(26.4)	431	(20.1)
	Subtotal	38,519	15.7	27,317	19.4
Human Resource Service	Staffing Services and Others	1,662	(10.5)	–	–
	Subtotal	1,662	(10.5)	–	–
Total		40,181	14.4	27,317	19.4

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 for system development, 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 of the share among various customers including the communications and financial sectors, 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, mainly reflecting the passing of a demand cycle for large-scale projects from online services companies and a shift to internal procurement by some telecommunication carriers.

## **Human Resource Service**

[Staffing Services and Others]

Sales from Staffing Services and Others declined year on year. In staffing services, the segment was affected by a shift to reduced rates paid to temporary workers by key clients and by intensifying competition with other companies in the same sector. In addition, sales declined due mainly to the impact of partial contract revisions in business of outsourcing services, which had been expanding.

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

Total assets as of September 30, 2015 were ¥51,153 million, a decrease of ¥229 million from the previous fiscal year-end. The main factors for this were increases of ¥6,261 million in cash and deposits and ¥567 million in work in process on one hand and decreases of ¥4,281 million in land, ¥1,021 million in notes and accounts receivable - trade, ¥248 million in goodwill, ¥1,243 million in buildings and structures included in other under non-current assets and ¥239 million in investment securities included in other under investments and other assets on the other, respectively.

Liabilities were ¥11,929 million, a decrease of ¥1,368 million from the previous fiscal year-end. The main factors for this were decreases of ¥229 million in provision for bonuses, ¥893 million in accrued consumption taxes included in other under current liabilities, ¥129 million in accounts payable - other included in other under current liabilities and ¥100 million in long-term accounts payable - other included in other under non-current liabilities, respectively.

Net assets were ¥39,223 million, an increase of ¥1,139 million from the previous fiscal year-end. Although there were decreases of ¥823 million in retained earnings due to dividends of surplus and ¥137 million in valuation difference on available-for-sale securities, and an increase of ¥726 million in treasury shares, this was offset by an increase of ¥2,783 million in retained earnings due to profit attributable to owners of parent.

### **(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 second 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 six 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 standards, 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 September 30, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	21,998,684	28,260,621
Notes and accounts receivable - trade	12,212,152	11,190,486
Merchandise and finished goods	274,620	235,151
Work in process	637,129	1,205,111
Raw materials and supplies	28,138	29,990
Other	1,983,827	1,953,498
Allowance for doubtful accounts	(8,141)	(7,810)
Total current assets	37,126,412	42,867,048
Non-current assets		
Property, plant and equipment		
Land	6,327,111	2,045,379
Other, net	2,298,589	1,142,534
Total property, plant and equipment	8,625,700	3,187,914
Intangible assets		
Goodwill	1,364,134	1,116,093
Other	779,301	687,063
Total intangible assets	2,143,436	1,803,156
Investments and other assets		
Other	3,487,314	3,296,797
Allowance for doubtful accounts	(330)	(1,897)
Total investments and other assets	3,486,984	3,294,900
Total non-current assets	14,256,121	8,285,970
Total assets	51,382,534	51,153,019
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	3,801,739	3,738,857
Income taxes payable	1,655,531	1,650,500
Provision for bonuses	2,996,944	2,767,630
Provision for directors' bonuses	65,876	30,932
Provision for loss on order received	-	96,924
Other	4,083,058	3,086,951
Total current liabilities	12,603,149	11,371,796
Non-current liabilities		
Provision for directors' retirement benefits	48,944	51,843
Net defined benefit liability	381,070	395,231
Other	264,919	110,570
Total non-current liabilities	694,935	557,645
Total liabilities	13,298,084	11,929,441

(Thousand yen)

	As of March 31, 2015	As of September 30, 2015
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	27,772,153
Treasury shares	(1,922,921)	(2,649,101)
Total shareholders' equity	36,192,756	37,426,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	415,495	278,281
Foreign currency translation adjustment	84,927	92,604
Remeasurements of defined benefit plans	(57,556)	(54,037)
Total accumulated other comprehensive income	442,866	316,848
Non-controlling interests	1,448,826	1,479,759
Total net assets	38,084,449	39,223,577
Total liabilities and net assets	51,382,534	51,153,019

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

(Thousand yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	35,137,455	40,181,640
Cost of sales	29,108,428	32,781,280
Gross profit	6,029,026	7,400,360
Selling, general and administrative expenses	3,359,254	3,625,481
Operating income	2,669,771	3,774,878
Non-operating income		
Interest income	4,869	7,520
Dividend income	16,431	20,182
Insurance premiums refunded cancellation	3,459	122
Subsidy income	5,085	51
Other	27,207	17,453
Total non-operating income	57,053	45,330
Non-operating expenses		
Interest expenses	358	483
Commission for purchase of treasury shares	856	192
Foreign exchange losses	–	10,009
Amortization of deferred organization expenses	1,576	–
Compensation for damage	6,544	–
Other	908	224
Total non-operating expenses	10,243	10,909
Ordinary income	2,716,581	3,809,298
Extraordinary income		
Gain on sales of non-current assets	–	1,160,924
Other	–	23,775
Total extraordinary income	–	1,184,699
Extraordinary losses		
Impairment loss	110,766	–
Loss on sales of non-current assets	1	558,160
Loss on retirement of non-current assets	2,209	8,895
Office transfer expenses	16,202	244
Other	48	–
Total extraordinary losses	129,228	567,300
Income before income taxes and minority interests	2,587,352	4,426,698
Income taxes	1,047,981	1,591,219
Profit	1,539,371	2,835,478
Profit attributable to non-controlling interests	38,095	51,715
Profit attributable to owners of parent	1,501,275	2,783,762

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

(Thousand yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	1,539,371	2,835,478
Other comprehensive income		
Valuation difference on available-for-sale securities	48,876	(135,384)
Foreign currency translation adjustment	(15,768)	7,676
Remeasurements of defined benefit plans, net of tax	3,175	3,565
Total other comprehensive income	36,282	(124,142)
Comprehensive income	1,575,653	2,711,336
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,537,618	2,657,744
Comprehensive income attributable to non-controlling interests	38,034	53,591

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

(Thousand yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	2,587,352	4,426,698
Depreciation	380,728	260,217
Impairment loss	110,766	–
Amortization of goodwill	248,041	248,041
Increase (decrease) in provision for bonuses	(73,511)	(229,453)
Increase (decrease) in provision for directors' bonuses	(34,436)	(34,944)
Increase (decrease) in provision for loss on order received	(34,624)	96,924
Increase (decrease) in provision for directors' retirement benefits	(8,149)	2,898
Increase (decrease) in net defined benefit liability	16,005	19,428
Loss on sales of non-current assets	1	558,160
Gain on sales of non-current assets	–	(1,160,924)
Decrease (increase) in notes and accounts receivable - trade	1,153,658	1,023,147
Decrease (increase) in inventories	(225,646)	(530,273)
Increase (decrease) in notes and accounts payable - trade	(715,357)	(63,154)
Other, net	390,941	(1,187,681)
Subtotal	3,795,770	3,429,084
Interest and dividend income received	20,626	27,561
Interest expenses paid	(683)	(1,084)
Income taxes paid	(1,411,286)	(1,603,273)
Net cash provided by (used in) operating activities	2,404,426	1,852,288
<b>Cash flows from investing activities</b>		
Payments into time deposits	(20,110)	(120,128)
Proceeds from withdrawal of time deposits	20,102	20,119
Purchase of property, plant and equipment	(54,056)	(82,533)
Proceeds from sales of property, plant and equipment	–	6,096,690
Purchase of intangible assets	(132,449)	(91,643)
Purchase of investment securities	(663)	(732)
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	(3,470)	624
Net cash provided by (used in) investing activities	(1,514,706)	5,896,510

(Thousand yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from financing activities		
Cash dividends paid	(474,171)	(821,288)
Dividends paid to non-controlling interests	(22,422)	(22,498)
Purchase of treasury shares	(429,543)	(726,373)
Other, net	(42,503)	(30,168)
Net cash provided by (used in) financing activities	(968,640)	(1,600,328)
Effect of exchange rate change on cash and cash equivalents	(6,601)	13,457
Net increase (decrease) in cash and cash equivalents	(85,521)	6,161,927
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	18,006,486	27,890,458

#### (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	28,842,181	25.9
	Operation Engineering Services	6,820,732	5.2
Total		35,662,913	21.3

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	24,488,904	0.4	14,930,331	12.9
	Operation Engineering Services	2,619,080	3.4	5,073,871	8.7
Total		27,107,985	0.7	20,004,203	11.8

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	28,842,181	25.9
	Operation Engineering Services	6,820,732	5.2
	Product Services and Others	2,856,189	(26.4)
	Subtotal	38,519,103	15.7
Human Resource Service	Staffing Services and Others	1,662,537	(10.5)
	Subtotal	1,662,537	(10.5)
Total		40,181,640	14.4

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