

***DTS CORPORATION and
Consolidated Subsidiaries***

*Unaudited Consolidated Financial Statements
for the Three Months Ended June 30, 2009*

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Balance Sheets—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)		Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2009	March 31, 2009	June 30, 2009		June 30, 2009	March 31, 2009	June 30, 2009
ASSETS				LIABILITIES AND EQUITY			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 10,466	¥ 10,740	\$ 109,009	Short-term bank loans	¥ 48	¥ 45	\$ 500
Notes and accounts receivable:				Current portion of long-term debt	345	345	3,593
Trade	6,417	8,681	66,837	Payables:			
Other	310	290	3,229	Trade accounts	1,398	1,998	14,561
Allowance for doubtful receivables	(193)	(197)	(2,010)	Other	1,857	1,328	19,342
Inventories (Note 6)	2,443	1,320	25,445	Income taxes payable	124	845	1,292
Deferred tax assets	1,169	1,169	12,176	Accrued expenses	1,456	2,728	15,165
Prepaid expenses and other current assets	354	326	3,687	Other current liabilities (Note 6)	2,223	942	23,154
Total current assets	20,966	22,329	218,373	Total current liabilities	7,451	8,231	77,607
PROPERTY AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land	6,432	6,432	66,993	Long-term debt	449	454	4,676
Buildings and structures	4,924	4,913	51,286	Liability for employees' retirement benefits	399	473	4,156
Tools, furniture and fixtures	1,403	1,392	14,613	Retirement allowances for directors and corporate auditors	223	364	2,323
Other	24	23	250	Other long-term liabilities	197	28	2,052
Total	12,783	12,760	133,142	Total long-term liabilities	1,268	1,319	13,207
Accumulated depreciation	(3,540)	(3,481)	(36,871)	EQUITY:			
Net property and equipment	9,243	9,279	96,271	Common stock—authorized, 100,000,000 shares; issued, 25,222,266 shares at June 30 and March 31, 2009	6,113	6,113	63,670
INVESTMENTS AND OTHER ASSETS:				Capital surplus	6,193	6,193	64,504
Investment securities	1,673	1,531	17,425	Retained earnings	18,384	19,031	191,480
Investments in unconsolidated subsidiaries and associated companies	204	204	2,125	Net unrealized gain (loss) on available-for-sale securities	75	(63)	781
Long-term loans receivable:				Treasury stock—at cost, 1,558,263 shares at June 30 and March 31, 2009	(1,609)	(1,609)	(16,759)
Other	1	1	10	Total	29,156	29,665	303,676
Software	3,233	3,148	33,674	Minority interests	1,266	1,301	13,186
Goodwill	2,539	2,741	26,445	Total equity	30,422	30,966	316,862
Guarantee deposit	402	408	4,187	TOTAL			
Life insurance premiums							
Deferred tax assets	289	290	3,010				
Other assets	591	585	6,156				
Total investments and other assets	8,932	8,908	93,032				
TOTAL	¥ 39,141	¥ 40,516	\$ 407,676	TOTAL	¥ 39,141	¥ 40,516	\$ 407,676

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Statements of Operations—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009
NET SALES	¥ 11,986	¥ 14,145	\$ 124,841
COST OF SALES	<u>10,600</u>	<u>11,744</u>	<u>110,405</u>
Gross profit	1,386	2,401	14,436
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7)	<u>1,487</u>	<u>1,666</u>	<u>15,488</u>
Operating (loss) income	<u>(101)</u>	<u>735</u>	<u>(1,052)</u>
OTHER INCOME (EXPENSES):			
Interest and dividends income	20	42	208
Interest expense	(3)	(7)	(31)
Other—net	<u>13</u>	<u>26</u>	<u>135</u>
Other income—net	<u>30</u>	<u>61</u>	<u>312</u>
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>(71)</u>	<u>796</u>	<u>(740)</u>
INCOME TAXES:			
Current	84	399	875
Deferred	<u> </u>	<u>(2)</u>	<u> </u>
Total income taxes	<u>84</u>	<u>397</u>	<u>875</u>
MINORITY INTERESTS IN NET INCOME	<u>19</u>	<u>31</u>	<u>198</u>
NET (LOSS) INCOME	<u>¥ (174)</u>	<u>¥ 368</u>	<u>\$ (1,813)</u>
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 10.b):			
Basic net (loss) income	¥ (7.35)	¥ 15.05	\$ (0.08)
Diluted net income		15.00	

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Quarterly Consolidated Statements of Cash Flows—Unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (71)	¥ 796	\$ (740)
Adjustments for:			
Income taxes paid	(801)	(1,611)	(8,343)
Depreciation and amortization	528	476	5,499
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	2,268	1,734	23,623
Increase in inventories	(1,123)	(1,175)	(11,697)
Increase in other current assets	(29)	(45)	(302)
Increase (decrease) in accounts payable	3	(188)	31
Decrease in accrued expenses	(1,274)	(934)	(13,269)
Increase in other current liabilities	1,038	410	10,811
Decrease in liability for employees' retirement benefits and retirement allowances for directors and corporate auditors	(215)	(23)	(2,239)
Other—net	212	(35)	2,209
Total adjustments	<u>607</u>	<u>(1,391)</u>	<u>6,323</u>
Net cash provided by (used in) operating activities	<u>536</u>	<u>(595)</u>	<u>5,583</u>
INVESTING ACTIVITIES:			
Increase in time deposits other than cash equivalents		(2)	
Payment for purchases of property and equipment	(23)	(74)	(240)
Proceeds from redemption of investment securities		500	
Payment for purchases of software	(340)	(17)	(3,541)
Net increase in other assets		(1)	
Net cash (used in) provided by investing activities	<u>(363)</u>	<u>406</u>	<u>(3,781)</u>
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	2	(641)	21
Repayment of long-term debt	(5)	(72)	(52)
Dividends paid	(444)	(594)	(4,625)
Repurchase of treasury stock		(1)	
Disposal of treasury stock		57	
Net cash used in financing activities	<u>(447)</u>	<u>(1,251)</u>	<u>(4,656)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(274)	(1,440)	(2,854)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,740</u>	<u>11,242</u>	<u>111,863</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>¥ 10,466</u>	<u>¥ 9,802</u>	<u>\$ 109,009</u>

See notes to quarterly consolidated financial statements.

DTS CORPORATION and Consolidated Subsidiaries

Notes to Quarterly Consolidated Financial Statements—Unaudited

1. BASIS OF PRESENTING QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited quarterly consolidated financial statements of DTS CORPORATION (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan 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 that is normally included in annual financial statements prepared in accordance with Japanese GAAP, but is not required for interim reporting purposes, has been condensed or omitted.

In preparing the accompanying unaudited quarterly consolidated financial statements, certain reclassifications and rearrangements have been made to the 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 ¥96.01 to \$1, the approximate rate of exchange at June 30, 2009. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited quarterly consolidated financial statements are prepared based on the same accounting policies except otherwise stated below and should be read in conjunction with the consolidated financial statements and related notes included in the Company's "Consolidated Financial Statements for the Years Ended March 31, 2009 and 2008."

3. ADOPTION OF NEW ACCOUNTING STANDARD

Construction Contracts—Under the previous accounting standard, construction contracts had been accounted for by the completed-contract method.

On December 27, 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

The Company adopted this new standard effective April 1, 2009. The adoption of this new standard has no effect on net loss for the three months ended June 30, 2009.

4. APPLICATION OF SIMPLIFIED ACCOUNTING METHODS

a. Inventories—As of June 30, 2009, physical inventory counts were not performed and inventories are adjusted for an estimated shrinkage factor based on the results of physical inventory counts performed as of March 31, 2009 and measured at cost if a loss of profitability was not apparent.

b. *Property and Equipment*—Depreciation charge for property and equipment depreciated using the declining-balance method represents proportional amount of the annual budget.

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

Income Taxes—Income taxes are calculated by multiplying the loss before income taxes and minority interests for the three months ended June 30, 2009 by the estimated effective tax rate for the year ending March 31, 2010, after taking into account the effect of possible temporary differences.

6. CONSTRUCTION CONTRACTS

As of June 30, 2009, an estimated loss of ¥379 million (\$3,948 thousand) on construction contracts was included in inventories and other current liabilities, respectively.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major item of selling, general and administrative expenses for the three months ended June 30, 2009 and 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009
Salaries and fringe benefits	¥ 458	¥ 480	\$ 4,770

8. DIVIDENDS

The following appropriation of retained earnings was resolved at the Company's shareholders meeting held on June 25, 2009.

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 (\$0.21) per share (Record date: March 31, 2009; effective date: June 26, 2009)	¥ 473	\$ 4,927

9. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in the following industries:

- “Information service” consists of
 - consulting and integration services of information systems; design and construction of various networks and development of communication control software; design, development and maintenance of consignment software and packaged software; and
 - operational management of computer facilities and information systems; and monitoring and maintenance of various networks.
- “Other” consists of
 - sales of system products such as packaged software produced by other companies and information-related equipment such as computers;
 - general worker dispatching business; and
 - education business in the IT field.

Information about industry segments, geographical segments and sales to foreign customers for the three months ended June 30, 2009 and 2008 was as follows:

a. Industry Segments

Information about operations in different industry segments for the three months ended June 30, 2009 and 2008 was as follows:

		Three Months Ended June 30, 2009				
		Millions of Yen				
	Information Service	Other	Total	Inter-Segment Elimination or Corporate	Consolidated Amount	
Net sales	¥ 10,548	¥ 1,544	¥ 12,092	¥ (106)	¥ 11,986	
Operating income (loss)	737	96	833	(934)	(101)	
		Thousands of U.S. Dollars				
	Information Service	Other	Total	Inter-Segment Elimination or Corporate	Consolidated Amount	
Net sales	\$ 109,863	\$ 16,082	\$ 125,945	\$ (1,104)	\$ 124,841	
Operating income (loss)	7,676	1,000	8,676	(9,728)	(1,052)	
		Three Months Ended June 30, 2008				
		Millions of Yen				
	Information Service	Other	Total	Inter-Segment Elimination or Corporate	Consolidated Amount	
Net sales	¥ 12,604	¥ 1,626	¥ 14,230	¥ (85)	¥ 14,145	
Operating income	1,850	152	2,002	(1,267)	735	

b. Geographical Segments

Information about geographical segments for the three months ended June 30, 2009 and 2008 has been omitted since sales in Japan accounted for more than 90% of the total consolidated sales.

c. Sales to Foreign Customers

Information about sales to foreign customers has been omitted since sales to foreign customers accounted for less than 10% of the total consolidated sales for the three months ended June 30, 2009 and the Company and its consolidated subsidiaries had no sales to foreign customers for the three months ended June 30, 2008.

10. PER SHARE INFORMATION

a. *Equity per Share*

Equity per share as of June 30 and March 31, 2009 was as follows:

	Yen		U.S. Dollars
	June 30, 2009	March 31, 2009	June 30, 2009
Equity per share	¥ 1,232.08	¥1,253.58	\$ 12.83

Basis for the above computation was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2009	March 31, 2009	June 30, 2009
Total equity	¥ 30,422	¥ 30,966	\$ 316,862
Less: Minority interests	(1,266)	(1,301)	(13,186)
Equity available to common shareholders	<u>¥ 29,156</u>	<u>¥ 29,665</u>	<u>\$ 303,676</u>
Number of common stock shares for computation	<u>23,664,003</u>	<u>23,664,003</u>	

b. *Net Loss or Income per Share*

Basic net loss per share for the three months ended June 30, 2009 was calculated as follows:

Three Months Ended June 30, 2009	Millions of Yen	Number of Shares	Yen	U.S. Dollars
	Net Loss	Weighted-average Shares	Net Loss per Share	
Basic net loss per share—Net loss available to common shareholders	¥ (174)	23,664,003	¥ (7.35)	\$ (0.08)

Diluted net income per share for the three months ended June 30, 2009 is not disclosed because of the Company's net loss position and because it is anti-dilutive.

Reconciliation of the differences between basic and diluted net income per share for the three months ended June 30, 2008 was as follows:

Three Months Ended June 30, 2008	Millions of Yen	Number of Shares	Yen
	Net Income	Weighted-average Shares	Net Income per Share
Basic net income per share—Net income available to common shareholders	¥ 368	24,444,251	<u>¥ 15.05</u>
Effect of dilutive securities— Stock options	_____	<u>82,457</u>	
Diluted net income per share—Net income for computation	<u>¥ 368</u>	<u>24,526,708</u>	<u>¥ 15.00</u>

* * * * *