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May 12, 2015

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 <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
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Scheduled date of General Shareholders' Meeting: June 24, 2015
Scheduled date to commence dividend payments: June 25, 2015
Scheduled date to file annual securities report: June 25, 2015
Preparation of supplementary material on financial results: Yes
Holding of 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 fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2015	74,609	16.3	6,432	35.7	6,518	35.5	3,692	39.1
March 31, 2014	64,174	5.1	4,741	18.5	4,810	17.5	2,653	21.9

Note: Comprehensive income
Fiscal year ended March 31, 2015: ¥3,889 million [27.2%]
Fiscal year ended March 31, 2014: ¥3,056 million [20.5%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2015	156.74	–	10.5	13.3	8.6
March 31, 2014	111.60	–	8.1	10.7	7.4

Reference: Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2015: ¥– million Fiscal year ended March 31, 2014: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2015	51,382	38,084	71.3	1,557.32
March 31, 2014	46,316	35,251	73.3	1,426.97

Reference: Equity
As of March 31, 2015: ¥36,635 million As of March 31, 2014: ¥33,926 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2015	6,950	(2,050)	(1,326)	21,728
March 31, 2014	3,725	(172)	(985)	18,055

2. Dividends

	Annual dividends					Total dividend payments	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2014	–	15.00	–	20.00	35.00	832	31.4	2.5
Fiscal year ended March 31, 2015	–	15.00	–	35.00	50.00	1,176	31.9	3.4
Fiscal year ending March 31, 2016 (Forecasts)	–	20.00	–	35.00	55.00		28.4	

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		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2015	38,000	8.1	3,100	16.1	3,150	16.0	2,400	59.9	102.01
Fiscal year ending March 31, 2016	77,000	3.2	6,700	4.2	6,750	3.6	4,550	23.2	193.41

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) 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 details, please refer to '(Changes in accounting policies) in (5) Notes to consolidated financial statements under 5. Consolidated Financial Statements' on page 25 of the attached materials.

(3) Number of issued shares (common stock)

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

As of March 31, 2015	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 March 31, 2015	1,697,449 shares
As of March 31, 2014	1,447,128 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2015	23,555,084 shares
Fiscal year ended March 31, 2014	23,775,264 shares

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2015	50,489	26.0	5,445	49.3	5,611	46.5	4,745	106.0
March 31, 2014	40,071	9.5	3,646	16.6	3,830	16.7	2,303	12.9

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2015	201.47	–
March 31, 2014	96.88	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2015	45,860	36,836	80.3	1,565.84
March 31, 2014	39,948	33,286	83.3	1,400.04

Reference: Equity
As of March 31, 2015: ¥36,836 million　　As of March 31, 2014: ¥33,286 million

2. Non-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		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2015	25,500	11.4	2,700	11.5	2,250	(19.6)	95.64
Fiscal year ending March 31, 2016	52,000	3.0	5,650	0.7	4,150	(12.6)	176.40

* **Indication regarding execution of audit procedures**
  The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for 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 '(1) Analysis of operating results in 1. Analysis of Operating Results and Financial Position' on page 2 of the attached materials.

Attached Materials

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

1) Operating results in the fiscal year under review

In the fiscal year under review, the Japanese economy recovered at a moderate pace. Despite some signs of weakness caused by the consumption tax hike and other factors, corporate earnings improved and the employment environment strengthened. In the information services industry, the trend of recovery continued for information technology investment by client companies, particularly financial institutions, supported by an upturn in corporate earnings.

Amid this environment, under its medium-term management plan (April 2013 to March 2016) formulated in April 2013, the DTS Group set forth “providing the highest value to customers as the Best Value Partner” as the plan’s vision and focused on efforts to increase net sales, including the strengthening of its proposal-making capability, the strengthening of business base, 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 fiscal year under review, aiming to expand the embedding business as a third pillar to support existing businesses in finance and communication, the Company acquired shares in ART System Co., Ltd. and YOKOGAWA DIGITAL COMPUTER CORPORATION, to expand and enhance the business foundation of the embedding business in the DTS Group.

In addition, the Company transferred some of its embedding operations to ART System Co., Ltd. in April 2015. It aims to further expand the embedding business by generating synergies through the integration of both companies’ customer bases, knowhow, and other resources.

The DTS Group as a whole has also continued to push ahead with restructuring to establish an optimal organization. In the fiscal year under review, the Company absorbed consolidated subsidiary FAITEC CORPORATION in a merger, with the Company as the surviving entity. In addition, the Company spun off the information service businesses of its Kansai Branch and Chukyo Branch to create a separate company called DTS WEST CORPORATION.

DTS WEST CORPORATION was then merged with consolidated subsidiary SOUGOU SYSTEM SERVICE CORPORATION in April 2015. The DTS Group aims to improve its services and expand its business areas in the West Japan region by integrating and concentrating the management resources of both companies and reinforcing the management base.

As part of efforts to reinforce the business structure, the Company has been implementing measures to prevent unprofitable project development work. In recent years, those efforts have been starting to pay off, with the number of unprofitable projects now at a low level. The Company will continue to implement these measures going forward.

In terms of initiatives to boost productivity, the Company will continue to automate development and system operation work and promote offshoring, particularly in the system maintenance and operation field, as there is growing demand from clients for cost reduction and price competition is becoming more severe.

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 2014. 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, as part of ongoing efforts to acquire more customers.

In order to win new clients, the Company has been working to capture demand from local governments. This resulted in an order to upgrade the Sapporo city hall backbone IT system. Also, in March 2015, the Company began nearshore development outsourcing work at the Sendai Development Center set up under the leadership of Miyagi Information Service Industry Association. This center will help address the IT software engineer shortage in the Tokyo area and contribute to the regional economy.

The DTS Group has also been working toward demonstration experiments in fields including medical, big data and mobile, which is providing a means to accumulate technology and knowhow that can be applied in future commercialization.

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 train globally minded personnel by facilitating the sharing of solutions among its global business bases and further promoting personnel exchange and cooperation between these bases and Japan in order to further expand business chances overseas.

As a result of the above, the Group reported net sales of ¥74,609 million for the fiscal year under review, an increase of 16.3% year on year. The increase in sales reflected the consolidation of ART System Co., Ltd., YOKOGAWA DIGITAL COMPUTER CORPORATION and DTS America Corporation, in addition to a strong performance in development contracts for banks, securities companies and other customers in the financial sector, as well as for government agencies.

Gross profit rose 24.0% year on year to ¥13,173 million. This mainly reflected the increase in net sales, as well as a decline in unprofitable projects thanks to the strengthening of project management. Selling, general and administrative expenses increased 14.5% year on year to ¥6,740 million, mainly due to the impact of new consolidations. Consequently, operating income was ¥6,432 million, up 35.7% year on year, ordinary income was ¥6,518 million, up 35.5% year on year, and net income was ¥3,692 million, up 39.1% year on year.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	74,609	16.3	50,489	26.0
Operating income	6,432	35.7	5,445	49.3
Ordinary income	6,518	35.5	5,611	46.5
Net income	3,692	39.1	4,745	106.0

<Breakdown of net sales>

(Million yen)

		Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Information Service	System Engineering Services	51,159	25.0	38,557	36.5
	Operation Engineering Services	13,050	(1.2)	10,695	(1.9)
	Product Services and Others	6,851	16.4	1,236	34.4
	Subtotal	71,062	18.4	50,489	26.0
Human Resource Service	Staffing Services and Others	3,546	(14.5)	–	–
	Subtotal	3,546	(14.5)	–	–
Total		74,609	16.3	50,489	26.0

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 a strong performance in development contracts for government agencies related to the integration of pension systems and local government IT system upgrades.

[Operation Engineering Services]

Sales from Operation Engineering Services slightly decreased year on year. Although the size of projects contracted at some of the communications carrier customers, 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]

Sales from Staffing Services and Others decreased. This was due to not only intensified competition with other companies of the same sector, but also a slump in sales support services for B Flets optical fiber connections, and a revision of contract conditions of outsourcing services related to product sales.

2) Outlook for the next fiscal year

The Japanese economy is expected to continue recovering at a moderate pace, which should support firm investment in information technology.

In the final year of the medium-term management plan, the Group will continue to focus on strengthening its proposal-making capability to drive sales growth, developing new solutions, and establishing a business base for global business operations. The Group will also push ahead with personnel development and business restructuring to support self-sustaining growth.

In light of the above-mentioned changes and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2016 are as follows.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	77,000	3.2	52,000	3.0
Operating income	6,700	4.2	5,600	2.8
Ordinary income	6,750	3.6	5,650	0.7
Profit attributable to owners of parent	4,550	23.2	4,150	(12.6)

<Breakdown of net sales>

(Million yen)

		Consolidated		Non-consolidated (Reference)	
			Year-on-year change (%)		Year-on-year change (%)
Information Service	System Engineering Services	54,000	5.6	40,400	4.8
	Operation Engineering Services	13,300	1.9	10,900	1.9
	Product Services and Others	6,200	(9.5)	700	(43.4)
	Subtotal	73,500	3.4	52,000	3.0
Human Resource Service	Staffing Services and Others	3,500	(1.3)	–	–
	Subtotal	3,500	(1.3)	–	–
Total		77,000	3.2	52,000	3.0

Net sales are forecast to be ¥77,000 million, up 3.2% year on year. System Engineering Services are likely to perform strongly due to an upturn in information technology investment. Operation Engineering Services are expected to be steady year on year. In Staffing Services and Others, the Company forecasts a slight drop in sales year on year due to changes in business conditions at key customers of its outsourcing services related to product sales and weak demand for staffing services. In Product Services and Others, sales are expected to decline in a pullback from special demand for services such as Windows OS renewals.

In terms of profits, operating income is forecast to be ¥6,700 million, up 4.2% year on year, ordinary income is forecast to be ¥6,750 million, up 3.6% year on year, and profit attributable to owners of parent is forecast to be ¥4,550 million, up 23.2% year on year. The Company projects an improvement in the gross profit margin, mainly reflecting sales growth and prevention of the number of unprofitable projects due to tighter project management.

Note: The forecasts for net sales and profits provided in this financial results report are made on the basis of projections derived from information currently available to the Company including industry trends and other economic conditions, as well as trends among customers, all of which are subject to the influence of a variety of uncertain factors. Consequently, actual net sales and profits may differ from the forecasts provided in this financial results report.

(2) Analysis of financial position

1) Assets, liabilities and net assets

Total assets as of March 31, 2015 were ¥51,382 million, an increase of ¥5,066 million from the previous fiscal year-end. This mainly reflected increases of ¥3,743 million for cash and deposits, and ¥1,410 million for notes and accounts receivable - trade, offset by a decrease of ¥332 million for merchandise and finished goods. For the increase in cash and deposits, please refer to “2) Cash flows.”

Liabilities were ¥13,298 million, an increase of ¥2,233 million compared with the end of the previous fiscal year. This mainly reflected increases of ¥417 million for provision for bonuses, ¥239 million for accounts payable - other, ¥225 million for income taxes payable, and ¥179 million for accounts payable - trade.

Net assets were ¥38,084 million, an increase of ¥2,833 million from the previous fiscal year end. This was mainly the result of ¥828 million and ¥428 million decreases, due to dividends of surplus and purchase of treasury shares, respectively, being offset by an increase of ¥3,692 million in net income.

2) Cash flows

Cash and cash equivalents (hereinafter, “cash”) as of March 31, 2015 was ¥21,728 million, an increase of ¥3,673 million from ¥18,055 million as of the previous fiscal year-end.

The respective cash flow positions in the fiscal year under review and comparisons with the previous fiscal year are as follows.

Net cash provided by operating activities was ¥6,950 million. There was an increase in cash provided of ¥3,225 million compared with the previous fiscal year. This mainly reflected an increase in income before income taxes and minority interests of ¥1,413 million, a change from increase to decrease in inventories by ¥941 million, an increase in provision for bonuses of ¥238 million, an increase in accounts payable - other of ¥221 million and a decrease in notes and accounts receivable - trade of ¥313 million, in spite of a change from increase to decrease in notes and accounts payable - trade by ¥1,086 million.

Net cash used in investing activities was ¥2,050 million. There was an increase in cash used of ¥1,877 million compared with the previous fiscal year. This mainly reflected purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,205 million in the fiscal year under review and a decrease in proceeds from withdrawal of time deposits of ¥509 million.

Net cash used in financing activities was ¥1,326 million. There was an increase in cash used of ¥340 million compared with the previous fiscal year, due mainly to purchase of treasury shares of ¥429 million in the fiscal year under review.

The following table shows trends in cash flow indicators for the DTS Group.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Equity ratio (%)	71.8	72.4	73.3	71.3
Market value equity ratio (%)	61.0	83.2	92.7	105.3
Interest-bearing debt to cash flow ratio (%)	6.1	3.7	0.9	0.4
Interest coverage ratio (times)	910.3	1,937.6	3,445.1	9,238.7

Notes: Equity ratio: Equity / Total assets
Market value equity ratio: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow
Interest coverage ratio: Cash flow / Interest payment

* All calculations are made using consolidated financial figures.
* For the calculation of market capitalization, the total number of issued shares less treasury shares is used.
* Cash flow from operating activities is used for cash flow.
* Interest-bearing debt includes all debt reported on the consolidated balance sheets on which interest is paid.
* For interest payment, interest expenses paid on the consolidated statements of cash flows is used.

(3) Basic policy for profit sharing and dividends for the fiscal year under review and next fiscal year

The Company regards the return of profits to shareholders as one of the priority issues of management, and believes that medium- to long-term growth in corporate value is the largest source of profit return. The Company intends to contribute to the return of profits to shareholders in the medium- to long-term through the continuous payment of stable dividends, after making a comprehensive consideration of results trends, its financial position and other factors as well as the internal reserves needed for business expansion.

The Company intends to make use of internal reserves for forward-looking investment to boost corporate value in the medium- to long-term, including development investment in new information technology, capital alliances for operational expansion and new business development, investment in employee training, and investment to strengthen managerial functions.

Taking into account factors such as operating results for the fiscal year under review, which exceeded projections, the Company plans to pay a fiscal year-end dividend of ¥35 per share, which is ¥10 higher than the Company's most recent dividend forecast. As a result, the planned annual dividend is ¥50 per share, including the interim dividend of ¥15 per share already paid.

For annual dividends in the next fiscal year, the Company plans to pay ¥55 per share.

(4) Business and other risks

Risks that may have an impact on the operating results and financial position of the DTS Group are as follows.

Forward-looking statements mentioned in this discussion of risks reflect the judgment of the DTS Group (the Company and its consolidated subsidiaries) as of March 31, 2015.

1) Price competition

In the information services industry, to which the DTS Group belongs, customers are becoming increasingly demanding with regard to investment in information technology. As such, customers constantly compare the relative merits of the DTS Group with those of industry competitors both in terms of price and service quality. On the price front, there is expected to be further intensification in competition in the foreseeable future, partly reflecting entry into the Japanese market by information service providers with competitive advantages in terms of price, from China and other areas. Amid this market environment, the Company is endeavoring to minimize the effects of price competition from cost cutting by thoroughly promoting project profit management and working to improve productivity, as well as providing even higher-value added services by such means as strengthening its efforts to expand the consulting business. Nevertheless, the results of the DTS Group may be affected if any external factor causes downward price pressure in excess of that anticipated by the Company.

2) Management of software development projects

In order to secure competitive advantages for themselves, customers are becoming increasingly demanding with regard to shortening system development turnaround times. As a result, project management and quality management are becoming even more important than before. In response, the Company holds project promotion meetings with the purpose of holding regular discussions on the receipt or otherwise of orders for packaged services of a certain minimum value and the progress of existing projects, and also avoids unprofitable projects. Currently there are no unprofitable projects with the potential to have a significant impact on the DTS Group. Nevertheless, the results of the DTS Group may be affected if projects with a negative impact on profitability occur due to unforeseen circumstances, notwithstanding the measures taken to prevent such occurrences.

3) Security

Companies operating in the information service business, an area of strength for the DTS Group, come into contact with important information of various customers due to the nature of the business. As a consequence, security management is an important operational issue. In light of such considerations, the Company has developed internal rules on the handling and management of information. It has also obtained the "Privacy Mark" certification as one of its activities for the protection of personal information, and carries out training to enhance awareness about handling information among employees of the Company and employees of business partners. In addition, the Company has obtained certification for its Information Security Management System (ISMS) and is working to strengthen its security management structure further. Nevertheless, the results of the DTS Group may be affected in the unlikely event of a serious leakage of information, as such a leak would expose the Company to the possibility of being held liable for compensation for damages, in addition to other problems such as customer cancellations caused by loss of trust in the Company.

4) Business overseas

As part of the DTS Group's business strategy, it is pushing forward with overseas business expansion by such means as increasing overseas business transactions and establishing overseas subsidiaries. In carrying out such overseas operations, the DTS Group anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishing and operating overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices or contracts. The DTS Group is aware of such risks and is strengthening risk management by putting a business division in charge of handling risks. Nevertheless, the results of the DTS Group may be affected if an inability to comply appropriately with local rules, etc. causes it to be held liable to pay compensation for damages.

2. Status of the Corporate Group

The corporate group consists of the Company (DTS Corporation), eleven consolidated subsidiaries and three non-consolidated subsidiaries, and is primarily engaged in the information service business.

The contents of the corporate group's businesses and the relationships among each of the companies in the group are as follows.

[Information Service]

(1) System Engineering Services

This business is engaged in consulting and integration regarding information systems, as well as designing and constructing various networks, and designing, developing and maintaining outsourced software and packaged software.

(2) Operation Engineering Services

This business is engaged in operating computer facilities and information systems as well as monitoring and maintaining various networks.

(3) Product Services and Others

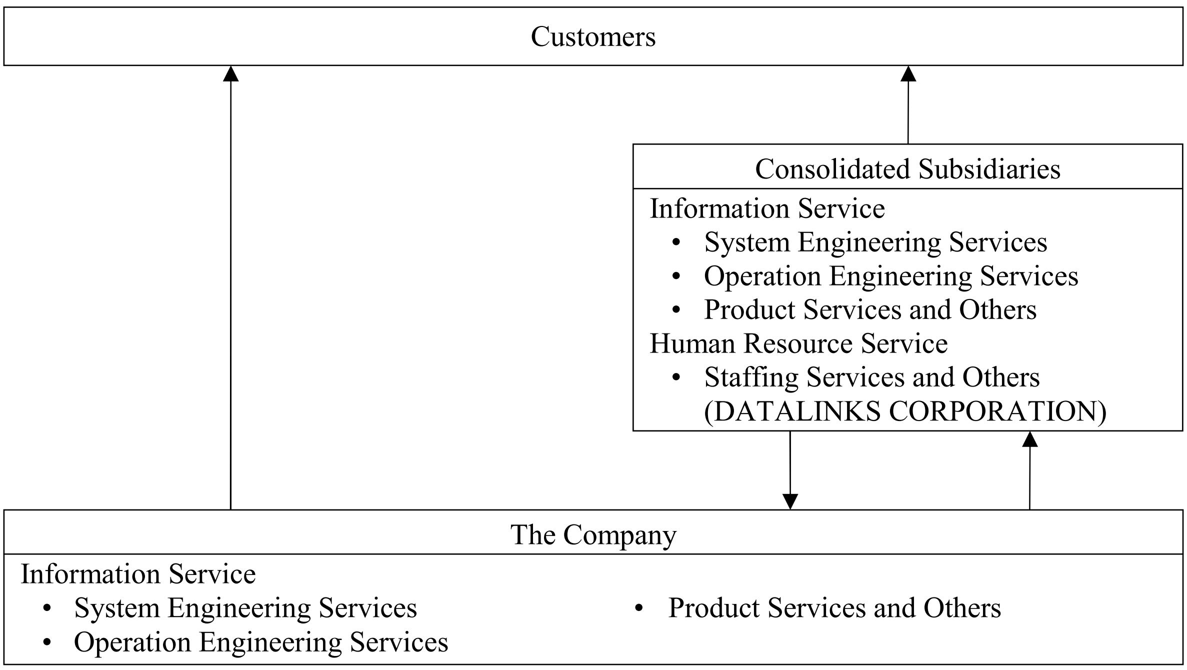
This business is engaged in selling system products of other companies such as packaged software and computers and other information-related equipment, and education and training in IT fields.

[Human Resource Service]

(4) Staffing Services and Others

This business is engaged in general worker dispatch, providing human resources for dispatch to a wide variety of general business companies. This business is carried out by DATALINKS CORPORATION.

An organizational chart of the businesses in the DTS Group is as follows.



Consolidated subsidiaries

Name	Stated capital	Ratio of voting rights held	Main business lines
KYUSHU DTS CORPORATION	¥100 million	100.00%	Information Service
DATALINKS CORPORATION	¥309 million	50.02%	Information Service Human Resource Service
JAPAN SYSTEMS ENGINEERING CORPORATION	¥755 million	98.69%	Information Service
SOUGOU SYSTEM SERVICE CORPORATION	¥46 million	100.00%	Information Service
MIRUCA CORPORATION	¥100 million	100.00%	Information Service
DIGITAL TECHNOLOGIES CORPORATION	¥100 million	100.00%	Information Service
DTS (Shanghai) CORPORATION	CNY 14 million	100.00%	Information Service
DTS America Corporation	US $200,000	100.00%	Information Service
DTS WEST CORPORATION	¥100 million	100.00%	Information Service
ART System Co., Ltd.	¥50 million	100.00%	Information Service
YOKOGAWA DIGITAL COMPUTER CORPORATION	¥200 million	90.00%	Information Service

Notes:
1. In the column of main business lines, the names of the DTS Group’s business segments are provided.
2. Changes to the scope of consolidation during the fiscal year under review are as follows.

   (i) FAITEC CORPORATION

   FAITEC CORPORATION, a consolidated subsidiary until the previous fiscal year, was excluded from the scope of consolidation from the fiscal year under review due to its absorption by the Company through a merger, effective April 1, 2014.

   (ii) DTS WEST CORPORATION

   This company was included in the scope of consolidation from the fiscal year under review after the Company established it through a spin off, effective April 1, 2014.

   (iii) ART System Co., Ltd. and YOKOGAWA DIGITAL COMPUTER CORPORATION

   ART System Co., Ltd. and YOKOGAWA DIGITAL COMPUTER CORPORATION were included in the scope of consolidation from the fiscal year under review due to the purchase of additional shares in those companies, effective April 1, 2014.

   (iv) DTS America Corporation

   DTS America Corporation, a non-consolidated subsidiary not accounted for by equity method until the previous fiscal year, was included in the scope of consolidation from the fiscal year under review due to an increase in materiality.
3. Effective April 1, 2015, SOUGOU SYSTEM SERVICE CORPORATION absorbed DTS WEST CORPORATION through a merger and changed its company name to DTS WEST CORPORATION.
4. Effective April 1, 2015, ART System Co., Ltd. succeeded to part of the Company’s embedding business by an absorption-type demerger.

3. Management Policies

(1) Basic management policies

The DTS Group believes that it is vitally important to strive to strengthen its business performance and secure a certain level of results as a group of enterprises with a long track record in the information services industry, while also returning profits to stakeholders on the basis of that performance and working to increase medium- and long-term corporate value. Furthermore, the DTS Group's corporate philosophy is to utilize "the creation of new value through unimaginable achievements" as one of the "skills" of the Group, and to "utilize its skills to build up the trust of customers, expand corporate value, enhance the lives of employees, and contribute to society." Based on this philosophy, the DTS Group aims to be a group of enterprises that is trusted by all its stakeholders and provides a sense of reassurance, and will work to enhance its presence in the information services industry as a group of independent, comprehensive information service providers that is always at the forefront of the industry. The DTS Group also intends to achieve further development by establishing a sound and strong management foundation.

(2) Targeted management indicators

Under its management vision "Made by DTS, creating new value," the DTS Group is aiming for long-term targets of consolidated net sales of ¥100.0 billion, overseas net sales of ¥10.0 billion, and an operating margin of 10%. As the first step towards those targets, the Group had been aiming for consolidated net sales of ¥72.0 billion and operating income of ¥5.6 billion in the final year of the current medium-term management plan (April 2014 – March 2016). These goals were achieved in the plan's second year, so the plan's final-year targets have been revised as follows.

○ In the fiscal year ending March 31, 2016, net sales of ¥77.0 billion and operating income of ¥6.7 billion (on a consolidated basis for the full fiscal year)

(3) Medium- to long-term management strategies and issues to be addressed

The information services industry is entering a period in which there is a shift away from traditional business models such as contracted out system development and operation, creating an environment that is not conducive to large-scale future business growth. On the other hand, there is optimism regarding growth in the markets for service provision and solution provision business models, particularly in the fields of cloud computing, social networking, big data and mobiles. The DTS Group intends to achieve continuous and self-sustaining growth by seizing the opportunities arising from these changes in the business environment and continuing to provide solutions that are in line with market needs in a timely manner.

In its medium-term management plan (April 2013 to March 2016), the DTS Group has positioned "providing the highest value to customers as the Best Value Partner" as the plan's vision. In accordance with this vision, the DTS Group has been working to strengthen its proposal-making capability, shift away from a contracted-out business model to a solution provision and outsourcing business model, and endeavor to create new solutions. In addition, with the aim of further strengthening the DTS Group's management base, in the core SI Business, it has been cultivating a third business pillar in addition to finance and communications, expand the stock business, and construct a business base for globalization. To support these aims, the DTS Group will continue working to train its workforce into high-value added personnel and to maximize group synergies that gather together the overall capabilities of all group companies.

4. Basic Concept Regarding Selection of Accounting Standard

At the moment, the DTS Group's fund procurement activities are limited to domestic capital markets. The Company will continue to use the generally accepted accounting standards in Japan (Japanese GAAP) for the time being, but given this limitation, it will consider adopting International Financial Reporting Standards (IFRS) while monitoring trends in IFRS adoption by other Japanese companies.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	18,255,320	21,998,684
Notes and accounts receivable - trade	10,801,675	12,212,152
Merchandise and finished goods	606,711	274,620
Work in process	546,784	637,129
Raw materials and supplies	9,428	28,138
Deferred tax assets	1,228,829	1,356,362
Other	681,197	627,465
Allowance for doubtful accounts	(9,574)	(8,141)
Total current assets	32,120,374	37,126,412
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,074,662	4,611,703
Accumulated depreciation	(2,981,813)	(2,653,855)
Buildings and structures, net	2,092,849	1,957,848
Land	6,422,365	6,327,111
Other	1,532,552	1,765,865
Accumulated depreciation	(1,317,660)	(1,425,124)
Other, net	214,891	340,741
Total property, plant and equipment	8,730,106	8,625,700
Intangible assets		
Goodwill	1,114,091	1,364,134
Software	886,673	760,566
Other	18,365	18,734
Total intangible assets	2,019,130	2,143,436
Investments and other assets		
Investment securities	1,937,312	1,986,022
Deferred tax assets	527,366	415,639
Other	981,999	1,085,651
Allowance for doubtful accounts	(226)	(330)
Total investments and other assets	3,446,451	3,486,984
Total non-current assets	14,195,688	14,256,121
Total assets	46,316,062	51,382,534

(Thousand yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	3,621,955	3,801,739
Accounts payable - other	1,160,971	1,400,920
Income taxes payable	1,429,940	1,655,531
Provision for bonuses	2,578,991	2,996,944
Provision for directors’ bonuses	61,960	65,876
Provision for loss on order received	30,590	–
Other	1,299,162	2,682,137
Total current liabilities	10,183,573	12,603,149
Non-current liabilities		
Provision for directors’ retirement benefits	51,172	48,944
Net defined benefit liability	599,715	381,070
Other	230,486	264,919
Total non-current liabilities	881,374	694,935
Total liabilities	11,064,947	13,298,084
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	25,811,759
Treasury shares	(1,493,973)	(1,922,921)
Total shareholders’ equity	33,591,711	36,192,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	348,967	415,495
Foreign currency translation adjustment	41,638	84,927
Remeasurements of defined benefit plans	(55,892)	(57,556)
Total accumulated other comprehensive income	334,713	442,866
Minority interests	1,324,688	1,448,826
Total net assets	35,251,114	38,084,449
Total liabilities and net assets	46,316,062	51,382,534

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

Consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	64,174,913	74,609,075
Cost of sales	53,548,124	61,435,759
Gross profit	10,626,788	13,173,316
Selling, general and administrative expenses		
Salaries and allowances	2,018,157	2,161,348
Provision for bonuses	297,474	353,639
Amortization of goodwill	362,483	496,083
Other	3,207,001	3,729,827
Total selling, general and administrative expenses	5,885,116	6,740,899
Operating income	4,741,671	6,432,417
Non-operating income		
Interest income	8,883	10,038
Dividend income	31,540	34,983
Commission for insurance office work	8,351	8,347
Insurance premiums refunded cancellation	7,723	8,970
Subsidy income	5,644	9,700
Other	39,490	59,663
Total non-operating income	101,633	131,704
Non-operating expenses		
Interest expenses	952	701
Foreign exchange losses	25,888	35,249
Commission fee	259	–
Compensation for damage	–	6,544
Loss on insurance cancellation	5,334	–
Other	340	3,620
Total non-operating expenses	32,774	46,116
Ordinary income	4,810,530	6,518,004
Extraordinary income		
Gain on sales of investment securities	574	–
Gain on bargain purchase	19,831	–
Gain on sales of golf memberships	–	158
Total extraordinary income	20,406	158
Extraordinary losses		
Impairment loss	–	200,061
Loss on retirement of non-current assets	3,775	61,553
Office transfer expenses	2,032	17,698
Other	–	100
Total extraordinary losses	5,808	279,415
Income before income taxes and minority interests	4,825,128	6,238,748
Income taxes - current	1,993,495	2,392,772
Income taxes - deferred	44,298	63,479
Total income taxes	2,037,793	2,456,252
Income before minority interests	2,787,334	3,782,495
Minority interests in income	133,897	90,392
Net income	2,653,436	3,692,103

Consolidated statements of comprehensive income

(Thousand yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Income before minority interests	2,787,334	3,782,495
Other comprehensive income		
Valuation difference on available-for-sale securities	218,861	68,654
Foreign currency translation adjustment	50,526	39,807
Remeasurements of defined benefit plans, net of tax	–	(1,686)
Total other comprehensive income	269,387	106,775
Comprehensive income	3,056,722	3,889,271
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,921,619	3,796,774
Comprehensive income attributable to minority interests	135,103	92,496

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2014

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,113,000	6,190,917	20,942,558	(1,493,615)	31,752,860
Cumulative effects of changes in accounting policies					
Restated balance	6,113,000	6,190,917	20,942,558	(1,493,615)	31,752,860
Changes of items during period					
Dividends of surplus			(832,135)		(832,135)
Net income			2,653,436		2,653,436
Purchase of treasury shares				(357)	(357)
Change of scope of consolidation			17,907		17,907
Change of scope of consolidation - foreign currency translation adjustment					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,839,208	(357)	1,838,851
Balance at end of current period	6,113,000	6,190,917	22,781,766	(1,493,973)	33,591,711

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	131,311	–	–	131,311	1,586,614	33,470,786
Cumulative effects of changes in accounting policies						
Restated balance	131,311	–	–	131,311	1,586,614	33,470,786
Changes of items during period						
Dividends of surplus						(832,135)
Net income						2,653,436
Purchase of treasury shares						(357)
Change of scope of consolidation						17,907
Change of scope of consolidation - foreign currency translation adjustment		(8,887)		(8,887)		(8,887)
Net changes of items other than shareholders' equity	217,656	50,526	(55,892)	212,290	(261,925)	(49,635)
Total changes of items during period	217,656	41,638	(55,892)	203,402	(261,925)	1,780,328
Balance at end of current period	348,967	41,638	(55,892)	334,713	1,324,688	35,251,114

Fiscal year ended March 31, 2015

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,113,000	6,190,917	22,781,766	(1,493,973)	33,591,711
Cumulative effects of changes in accounting policies			162,231		162,231
Restated balance	6,113,000	6,190,917	22,943,998	(1,493,973)	33,753,943
Changes of items during period					
Dividends of surplus			(828,376)		(828,376)
Net income			3,692,103		3,692,103
Purchase of treasury shares				(428,948)	(428,948)
Change of scope of consolidation			4,034		4,034
Change of scope of consolidation - foreign currency translation adjustment					
Net changes of items other than shareholders' equity					
Total changes of items during period			2,867,761	(428,948)	2,438,812
Balance at end of current period	6,113,000	6,190,917	25,811,759	(1,922,921)	36,192,756

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	348,967	41,638	(55,892)	334,713	1,324,688	35,251,114
Cumulative effects of changes in accounting policies					2,153	164,384
Restated balance	348,967	41,638	(55,892)	334,713	1,326,842	35,415,499
Changes of items during period						
Dividends of surplus						(828,376)
Net income						3,692,103
Purchase of treasury shares						(428,948)
Change of scope of consolidation						4,034
Change of scope of consolidation - foreign currency translation adjustment		3,481		3,481		3,481
Net changes of items other than shareholders' equity	66,528	39,807	(1,664)	104,671	121,984	226,656
Total changes of items during period	66,528	43,289	(1,664)	108,152	121,984	2,668,950
Balance at end of current period	415,495	84,927	(57,556)	442,866	1,448,826	38,084,449

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	4,825,128	6,238,748
Depreciation	873,294	706,092
Impairment loss	–	200,061
Amortization of goodwill	362,483	496,083
Increase (decrease) in provision for bonuses	71,489	309,987
Increase (decrease) in provision for directors' bonuses	2,680	2,108
Increase (decrease) in provision for loss on order received	25,304	(34,624)
Increase (decrease) in provision for office transfer expenses	(3,466)	–
Increase (decrease) in provision for retirement benefits	(473,454)	–
Increase (decrease) in provision for directors' retirement benefits	(15,265)	(2,228)
Increase (decrease) in net defined benefit liability	511,774	30,282
Decrease (increase) in notes and accounts receivable - trade	(633,233)	(319,469)
Decrease (increase) in inventories	(574,752)	366,436
Increase (decrease) in notes and accounts payable - trade	917,871	(168,129)
Increase (decrease) in accounts payable - other	(261,076)	(40,020)
Other, net	(238,661)	1,365,067
Subtotal	5,390,116	9,150,395
Interest and dividend income received	40,931	44,497
Interest expenses paid	(1,081)	(752)
Income taxes paid	(1,704,672)	(2,243,433)
Net cash provided by (used in) operating activities	3,725,293	6,950,707
Cash flows from investing activities		
Payments into time deposits	(200,023)	(290,264)
Proceeds from withdrawal of time deposits	750,012	240,236
Purchase of property, plant and equipment	(156,605)	(399,291)
Purchase of intangible assets	(217,835)	(251,732)
Purchase of investment securities	(920)	(963)
Proceeds from sales of investment securities	5,074	5,000
Purchase of shares of subsidiaries and associates	(338,444)	–
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	(13,801)	(24,275)
Net cash provided by (used in) investing activities	(172,544)	(2,050,347)

(Thousand yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Cash flows from financing activities		
Redemption of bonds	(100,000)	–
Purchase of treasury shares of subsidiaries	(17,710)	–
Cash dividends paid	(830,034)	(826,679)
Cash dividends paid to minority shareholders	(35,616)	(22,490)
Purchase of treasury shares	(357)	(429,804)
Other, net	(2,221)	(47,384)
Net cash provided by (used in) financing activities	(985,940)	(1,326,358)
Effect of exchange rate change on cash and cash equivalents	17,102	62,521
Net increase (decrease) in cash and cash equivalents	2,583,911	3,636,522
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	18,055,296	21,728,531

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant matters forming the basis of preparing the consolidated financial statements)

1) Scope of consolidation

a. Number of consolidated subsidiaries: 11

Names of principal consolidated subsidiaries:
DATALINKS CORPORATION
DIGITAL TECHNOLOGIES CORPORATION
JAPAN SYSTEMS ENGINEERING CORPORATION
YOKOGAWA DIGITAL COMPUTER CORPORATION
SOUGOU SYSTEM SERVICE CORPORATION

FAITEC CORPORATION, a consolidated subsidiary until the previous fiscal year, was excluded from the scope of consolidation from the fiscal year under review due to its absorption by the Company through a merger, effective April 1, 2014.

DTS WEST CORPORATION was included in the scope of consolidation from the fiscal year under review after the Company established it through a spin off, effective April 1, 2014.

ART System Co., Ltd. and YOKOGAWA DIGITAL COMPUTER CORPORATION were included in the scope of consolidation from the fiscal year under review due to the purchase of additional shares in those companies, effective April 1, 2014.

DTS America Corporation, a non-consolidated subsidiary not accounted for by equity method until the previous fiscal year, was included in the scope of consolidation from the fiscal year under review due to an increase in materiality.

Effective April 1, 2015, SOUGOU SYSTEM SERVICE CORPORATION absorbed DTS WEST CORPORATION, a consolidated subsidiary through a merger and changed its company name to DTS WEST CORPORATION.

b. Names of principal non-consolidated subsidiaries, etc.

Names of principal non-consolidated subsidiaries:
DTS palette Inc.

(Reason for exclusion from scope of consolidation)

All non-consolidated subsidiaries are small in scale and their aggregate amount of total assets, net sales, net income or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others do not have a material effect on the Company’s consolidated financial statements.

2) Application of the equity method

a. There are no non-consolidated subsidiaries or affiliates to which the equity method is applied.

b. The non-consolidated subsidiaries that are not accounted for by the equity method (DTS palette Inc. and others) are excluded from the application of the equity method since such exclusion has immaterial effect on the Company’s consolidated financial statements in terms of net income or loss (for the Company’s equity interest), retained earnings (for the Company’s equity interest) and others, and they are not material as a whole.

3) Fiscal year-end dates of consolidated subsidiaries

a. Balance sheet dates of consolidated subsidiaries are as follows.

December 31:	5 companies
March 31:	6 companies

b. In the preparation of the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the financial statements as of this date are used. However, for major transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4) Accounting policies
   a. Valuation bases and methods of significant assets
      (a) Securities
          Available-for-sale securities
          i. Securities with readily determinable fair value
             Stated at fair value based on market price at the fiscal year-end.
             Valuation difference is included in a separate component of net assets, and cost of sales is determined based on the moving-average method.
          ii. Securities without readily determinable fair value
             Stated at cost determined by the moving-average method.

      (b) Inventories
          i. Merchandise and finished goods
             Mainly stated at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
          ii. Work in process
             Stated at cost determined by the identified cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
          iii. Raw materials
             Stated at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).
          iv. Supplies
             Stated using the last cost method.

   b. Depreciation and amortization method for significant depreciable assets
      (a) Property, plant and equipment (excluding leased assets)
          Mainly depreciated by the declining balance method.
          However, buildings (excluding accompanying facilities) acquired on or after April 1, 1998 are depreciated by the straight-line method.
          The main useful lives are as follows:
            Buildings and structures: 3-50 years
            Tools, furniture and fixtures: 2-20 years
          Assets for which the acquisition cost is at least ¥100,000 and less than ¥200,000 are mainly depreciated evenly over three years.

      (b) Intangible assets (excluding leased assets)
          Amortized by the straight-line method.
          However, software to be sold on the market is amortized based on expected sales volume and sales revenue within three or five years after it is put on sale. If the resulting amortization amount is less than the evenly distributed amount based on the remaining effective period of the software, the software is amortized by the evenly distributed amount.
          With respect to software for internal use, software used in providing services (software for licensing services on the basis of contracts with specific customers) is amortized evenly over the period during which fees are paid under the relevant contract (five years). Other software with cost reduction effects is amortized by the straight-line method based on its estimated useful life within the Company (within five years).

(c) Leased assets

Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

c. Significant allowances and provisions

(a) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(b) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(c) Provision for directors' bonuses

To prepare for the payment of bonuses to directors, the amount expected to be paid is provided.

(d) Provision for directors' retirement benefits

At certain consolidated subsidiaries, to prepare for the payment of retirement benefits to directors, the amount to be paid at the fiscal year-end, based on an internal rule, is provided.

d. Accounting for retirement benefits

(a) Allocation of expected retirement benefit payments

When calculating retirement benefit obligations, the benefit formula basis is used to allocate expected retirement benefit payments to the period as of the fiscal year-end.

(b) Actuarial differences and prior service cost

Prior service cost is amortized by the straight-line method over a fixed number of years (12 years) set within the average remaining service period of employees as occurred.

Unrecognized actuarial gains and losses are amortized by the straight-line method in equally allocated amounts over a fixed number of years (12 years) set within the average remaining service period of employees as occurred, starting in the respective fiscal years following each occurrence.

(c) Simplified accounting method used by small companies

Certain consolidated subsidiaries apply a simplified accounting method in which the calculation of net defined benefit liability and retirement benefit expenses is carried out by using a method in which the retirement benefit obligations are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired at the fiscal year-end date.

e. Recognition of significant revenues and expenses

Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts

(a) Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite

Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)

(b) Other construction activities

Completed-contract method

f. Translation of major assets or liabilities denominated in foreign currencies
Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized as profit and loss in the consolidated statements of income. Assets and liabilities of overseas subsidiaries and other affiliates are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, and revenues and expenses are translated into Japanese yen using the average exchange rate during the fiscal year. The foreign exchange gains and losses from translation are included in foreign currency translation adjustment and minority interests under net assets.

g. Method and period for amortization of goodwill
Goodwill is amortized by the straight-line method based on its cause and the period during which it has an effect (4-10 years).

h. Scope of cash in the consolidated statement of cash flows
Cash (cash and cash equivalents) in the consolidated statements of cash flows consists of cash on hand, demand deposits, and short-term investments with a maturity not exceeding three months from the acquisition date that are readily convertible to cash and not exposed to significant risk of price fluctuations.

i. Other significant matters for preparing the consolidated financial statements
Items subject to consumption taxes are accounted for at amounts exclusive of consumption taxes.

(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, March 26, 2015), 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 beginning of the fiscal year under review, 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 fiscal year under review.

As a result, as of the beginning of the fiscal year under review, net defined benefit liability decreased by ¥255,255 thousand, retained earnings increased by ¥162,231 thousand, and minority interests increased by ¥2,153 thousand. In addition, the effect of these changes on operating income, ordinary income and income before income taxes and minority interests for the fiscal year under review is immaterial.

Net assets per share for the fiscal year under review has also been increased by ¥6.90.

(Changes in presentation)

(Consolidated balance sheets)

“Merchandise” and “Supplies” were presented separately under “Current assets” in the previous fiscal year. However, in light of the inclusion of products and raw materials following the inclusion of YOKOGAWA DIGITAL COMPUTER CORPORATION in the scope of consolidation, effective April 1, 2014, due to the purchase of additional shares, “Merchandise” and “Supplies” have been reclassified as “Merchandise and finished goods” and “Raw materials and supplies,” respectively, from the fiscal year under review. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, an amount of ¥606,711 thousand presented as “Merchandise” and an amount of ¥9,428 thousand presented as “Supplies” under “Current assets” in the consolidated balance sheets of the previous fiscal year have been reclassified as “Merchandise and finished goods” and “Raw materials and supplies” under “Current assets,” respectively.

(Additional information)

(Revisions to the amounts of deferred tax assets and liabilities as a result of a change in the corporate tax rate)

Following the promulgation of the “Act on Partial Revision, etc. of the Income Tax Act” (Act No. 9 of 2015) and the “Act to Amend the Local Taxation Act, etc.” (Act No. 2 of 2015) on March 31, 2015, the income tax rates are to be lowered from the fiscal year beginning on or after April 1, 2015. In line with these changes, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been changed from the previous fiscal year’s rate of 35.6% to 33.1% for taxable temporary differences expected to be eliminated in the fiscal years beginning on April 1, 2015 and 32.3% for temporary taxable differences expected to be eliminated in the fiscal years beginning on or after April 1, 2016.

As a result of this change in the tax rate, the amount of deferred tax assets (after subtracting deferred tax liabilities) decreased by ¥111,240 thousand, income taxes - deferred increased by ¥129,084 thousand, valuation difference on available-for-sale securities increased by ¥17,843 thousand, and remeasurements of defined benefit plans decreased by ¥2,842 thousand.

6. Non-consolidated Financial Statements

(1) Non-consolidated balance sheets

(Thousand yen)

	As of March 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	12,186,599	15,978,279
Accounts receivable - trade	7,153,829	8,395,866
Merchandise	68,230	84,748
Work in process	398,528	493,829
Supplies	8,135	6,825
Advance payments - trade	114,855	84,992
Prepaid expenses	210,379	207,822
Deferred tax assets	912,135	1,026,486
Short-term loans receivable from subsidiaries and associates	1,265,438	1,090,000
Current portion of long-term loans receivable from subsidiaries and associates	120,000	50,000
Other	153,413	108,874
Allowance for doubtful accounts	(1,758)	(1,852)
Total current assets	22,589,787	27,525,871
Non-current assets		
Property, plant and equipment		
Buildings	1,858,354	1,790,348
Tools, furniture and fixtures	142,535	127,054
Land	6,310,197	6,247,427
Leased assets	1,906	0
Other	1,572	120,644
Total property, plant and equipment	8,314,566	8,285,475
Intangible assets		
Software	879,584	681,226
Other	8,955	8,969
Total intangible assets	888,539	690,195
Investments and other assets		
Investment securities	1,821,291	1,882,354
Shares of subsidiaries and associates	5,442,025	6,543,891
Investments in capital of subsidiaries and associates	203,627	327,143
Long-term loans receivable from subsidiaries and associates	50,000	23,985
Long-term prepaid expenses	50,647	58,717
Other	588,472	522,592
Allowance for doubtful accounts	(5)	(2)
Total investments and other assets	8,156,058	9,358,682
Total non-current assets	17,359,164	18,334,353
Total assets	39,948,952	45,860,225

(Thousand yen)

	As of March 31, 2014	As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	1,744,505	2,615,330
Lease obligations	2,721	118
Accounts payable - other	661,474	840,061
Accrued expenses	294,289	351,878
Income taxes payable	1,062,305	1,336,352
Advances received	123,459	118,210
Deposits received	100,652	98,987
Provision for bonuses	1,996,813	2,374,604
Provision for directors' bonuses	53,820	52,100
Provision for loss on order received	30,590	–
Other	388,427	1,086,101
Total current liabilities	6,459,060	8,873,745
Non-current liabilities		
Lease obligations	54	–
Long-term accounts payable - other	120,143	57,234
Deferred tax liabilities	62,361	86,148
Asset retirement obligations	17,678	6,550
Other	3,468	468
Total non-current liabilities	203,705	150,400
Total liabilities	6,662,765	9,024,146
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus		
Legal capital surplus	6,190,917	6,190,917
Total capital surpluses	6,190,917	6,190,917
Retained earnings		
Legal retained earnings	411,908	411,908
Other retained earnings		
General reserve	11,170,000	11,170,000
Retained earnings brought forward	10,547,349	14,464,675
Total retained earnings	22,129,257	26,046,583
Treasury shares	(1,493,973)	(1,922,921)
Total shareholders' equity	32,939,202	36,427,580
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	346,983	408,498
Total valuation and translation adjustments	346,983	408,498
Total net assets	33,286,186	36,836,079
Total liabilities and net assets	39,948,952	45,860,225

(2) Non-consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Net sales	40,071,262	50,489,757
Cost of sales	32,994,385	41,394,044
Gross profit	7,076,876	9,095,712
Selling, general and administrative expenses	3,430,604	3,650,495
Operating income	3,646,272	5,445,217
Non-operating income		
Interest income	7,871	8,023
Interest on securities	3,300	3,300
Dividend income	121,745	90,429
Real estate rent	31,369	24,983
Other	19,696	47,453
Total non-operating income	183,983	174,190
Non-operating expenses		
Commission for purchase of treasury shares	–	856
Compensation for damage	–	6,544
Other	–	13
Total non-operating expenses	–	7,414
Ordinary income	3,830,255	5,611,992
Extraordinary income		
Gain on sales of investment securities	574	–
Gain on extinguishment of tie-in shares	–	1,251,733
Total extraordinary income	574	1,251,733
Extraordinary losses		
Impairment loss	–	89,294
Loss on retirement of non-current assets	6	59,290
Total extraordinary losses	6	148,585
Income before income taxes	3,830,823	6,715,140
Income taxes - current	1,505,926	2,003,497
Income taxes - deferred	21,525	(34,059)
Total income taxes	1,527,452	1,969,438
Net income	2,303,371	4,745,702

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2014

(Thousand yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total share-holders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	9,076,113	20,658,022	(1,493,615)	31,468,324
Changes of items during period									
Dividends of surplus						(832,135)	(832,135)		(832,135)
Net income						2,303,371	2,303,371		2,303,371
Purchase of treasury shares								(357)	(357)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	1,471,235	1,471,235	(357)	1,470,878
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	10,547,349	22,129,257	(1,493,973)	32,939,202

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	134,249	134,249	31,602,573
Changes of items during period			
Dividends of surplus			(832,135)
Net income			2,303,371
Purchase of treasury shares			(357)
Net changes of items other than shareholders' equity	212,733	212,733	212,733
Total changes of items during period	212,733	212,733	1,683,612
Balance at end of current period	346,983	346,983	33,286,186

Fiscal year ended March 31, 2015

(Thousand yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total share-holders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	10,547,349	22,129,257	(1,493,973)	32,939,202
Changes of items during period									
Dividends of surplus						(828,376)	(828,376)		(828,376)
Net income						4,745,702	4,745,702		4,745,702
Purchase of treasury shares								(428,948)	(428,948)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	3,917,325	3,917,325	(428,948)	3,488,377
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	14,464,675	26,046,583	(1,922,921)	36,427,580

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	346,983	346,983	33,286,186
Changes of items during period			
Dividends of surplus			(828,376)
Net income			4,745,702
Purchase of treasury shares			(428,948)
Net changes of items other than shareholders' equity	61,515	61,515	61,515
Total changes of items during period	61,515	61,515	3,549,893
Balance at end of current period	408,498	408,498	36,836,079

(4) Notes to non-consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1) Valuation bases and methods of securities

a. Stocks of subsidiaries

Stated at cost determined by the moving-average method.

b. Available-for-sale securities

(a) Securities with readily determinable fair value

Stated at fair value based on market price at the fiscal year-end.

Valuation difference is included in a separate component of net assets, and cost of sales is determined based on the moving-average method.

(b) Securities without readily determinable fair value

Stated at cost determined by the moving-average method.

2) Valuation bases and methods of inventories

a. Merchandise

Stated at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).

b. Work in process

Stated at cost determined by the identified cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability of assets).

c. Supplies

Stated using the last cost method.

3) Depreciation and amortization method for non-current assets

a. Property, plant and equipment (excluding leased assets)

Depreciated by the declining balance method.

However, buildings (excluding accompanying facilities) acquired on or after April 1, 1998 are depreciated by the straight-line method.

The main useful lives are as follows:

Buildings:	3-50 years
Tools, furniture and fixtures:	2-20 years

Assets for which the acquisition cost is at least ¥100,000 and less than ¥200,000 are depreciated evenly over three years.

b. Intangible assets (excluding leased assets)

Amortized by the straight-line method.

However, software to be sold on the market is amortized based on expected sales volume and sales revenue within three or five years after it is put on sale. If the resulting amortization amount is less than the evenly distributed amount based on the remaining effective period of the software, the software is amortized by the evenly distributed amount.

With respect to software for internal use, software used in providing services (software for licensing services on the basis of contracts with specific customers) is amortized evenly over the period during which fees are paid under the relevant contract (five years). Other software with cost reduction effects is amortized by the straight-line method based on its estimated useful life within the Company (within five years).

c. Leased assets
Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

d. Long-term prepaid expenses
Amortized by the straight-line method.

4) Allowances and provisions
a. Allowance for doubtful accounts
To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

b. Provision for bonuses
To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

c. Provision for directors' bonuses
To prepare for the payment of bonuses to directors, the amount expected to be paid is provided.

5) Recognition of revenues and expenses
Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts
a. Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite
Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)

b. Other construction activities
Completed-contract method

6) Other significant matters forming the basis of preparing the non-consolidated financial statements
Items subject to consumption taxes are accounted for at amounts exclusive of consumption taxes.

(Additional information)

(Revisions to the amounts of deferred tax assets and liabilities as a result of a change in the corporate tax rate)

Following the promulgation of the "Act on Partial Revision, etc. of the Income Tax Act" (Act No. 9 of 2015) and the "Act to Amend the Local Taxation Act, etc." (Act No. 2 of 2015) on March 31, 2015, the income tax rates are to be lowered from the fiscal year beginning on or after April 1, 2015. In line with these changes, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been changed from the previous fiscal year's rate of 35.6% to 33.1% for taxable temporary differences expected to be eliminated in the fiscal years beginning on April 1, 2015 and 32.3% for temporary taxable differences expected to be eliminated in the fiscal years beginning on or after April 1, 2016.

As a result of this change in the tax rate, the amount of deferred tax assets (after subtracting deferred tax liabilities) decreased by ¥67,651 thousand, income taxes - deferred increased by ¥84,167 thousand, and valuation difference on available-for-sale securities increased by ¥16,516 thousand.

7. Others

(1) Changes in directors and corporate auditors (scheduled for June 24, 2015)

1) Change in representative directors
   No items to report.

2) Other changes
   - Candidates for new directors
     Director   Masayuki Hirata
     (Currently, Board Director, SKY Perfect JSAT Holdings Inc.
     Adviser, InfoCom Research, Inc.)
     Note: The candidate for new director Masayuki Hirata is a candidate for outside director.

   - Candidates for new corporate auditors
     Corporate Auditor (part-time)   Kazumichi Taniguchi
     Note: The candidate for new corporate auditor Kazumichi Taniguchi is a candidate for outside corporate auditor.

   - Retiring corporate auditors
     Full-time Corporate Auditor   Hiroshi Kurihara
     Corporate Auditor (part-time)   Joichi Tanaka

(2) Production, orders and sales

1) Production

Production in the fiscal year under review is as follows.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	51,159,931	25.0
	Operation Engineering Services	13,050,722	(1.2)
Total		64,210,654	18.6

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 fiscal year 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	58,700,236	42.1	19,283,608	64.2
	Operation Engineering Services	13,708,315	(1.8)	9,275,523	7.6
Total		72,408,551	31.0	28,559,131	40.3

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 fiscal year under review are as follows.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	51,159,931	25.0
	Operation Engineering Services	13,050,722	(1.2)
	Product Services and Others	6,851,666	16.4
	Subtotal	71,062,320	18.4
Human Resource Service	Staffing Services and Others	3,546,755	(14.5)
	Subtotal	3,546,755	(14.5)
Total		74,609,075	16.3

Notes:

1. The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.
2. The table below shows sales results by major transaction partner and the ratios to total sales results of those sales results for the last two fiscal years.

Transaction partner	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2015	
	Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
Mizuho Information & Research Institute, Inc.	5,655,077	8.8	10,727,808	14.4