August 4, 2017

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2018 <under Japanese GAAP>

Company name: **DTS Corporation**
Stock listing: Tokyo Stock Exchange, First Section
Stock code: 9682
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Scheduled date to file quarterly securities report: August 9, 2017
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Million yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2018 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2017	20,187	6.1	1,558	3.4	1,578	1.6	1,019	(7.7)
June 30, 2016	19,020	(2.9)	1,506	(6.5)	1,552	(5.3)	1,104	(23.0)

Note: Comprehensive income
Three months ended June 30, 2017: ¥1,197 million [5.5%]
Three months ended June 30, 2016: ¥1,135 million [(26.0)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2017	44.46	–
June 30, 2016	47.69	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2017	54,961	43,189	75.8
March 31, 2017	57,141	43,660	73.7

Reference: Equity
As of June 30, 2017: ¥41,637 million As of March 31, 2017: ¥42,091 million

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	25.00	–	45.00	70.00
Fiscal year ending March 31, 2018	–				
Fiscal year ending March 31, 2018 (Forecasts)		35.00	–	40.00	75.00

Notes: 1. Revisions to the forecasts of dividends most recently announced: None
2. The second quarter-end dividend (forecasts) for the fiscal year ending March 31, 2018, includes a 45th anniversary commemorative dividend of ¥5.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2018	82,550	3.4	8,100	1.4	8,200	1.3	5,250	2.5	230.01

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

* Notes

(1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For the details, please refer to '(Application of specific accounting for preparing quarterly consolidated financial statements) in (4) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto' on page 10 of the attached materials.

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

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
b. Changes in accounting policies due to other reasons: Yes
c. Changes in accounting estimates: Yes
d. Restatement of prior period financial statements after error corrections: None

Note: The above changes are based on Article 10-5 of the 'Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.' For the details, please refer to '(Changes in accounting policies) in (4) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto' on page 10 of the attached materials.

(4) Number of issued shares (common stock)

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

As of June 30, 2017	25,222,266 shares
As of March 31, 2017	25,222,266 shares

b. Number of treasury shares at the end of the period

As of June 30, 2017	2,428,950 shares
As of March 31, 2017	2,247,002 shares

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

Three months ended June 30, 2017	22,921,289 shares
Three months ended June 30, 2016	23,153,873 shares

* **Quarterly financial results reports are not required to be subjected to quarterly reviews.**

* **Proper use of earnings forecasts, and other special matters**
  The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.
  For matters regarding the above earnings forecasts, please refer to '(3) Information regarding consolidated earnings forecasts and other forward-looking statements' in '1. Qualitative Information Regarding Settlement of Accounts for the First Three Months,' on page 4 of the attached materials.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the First Three Months

(1) Information regarding consolidated operating results

In the three months under review, the Japanese economy recovered at a modest pace due to ongoing improvements in the employment and income environments. However, the outlook has remained uncertain due mainly to rising uncertainty in overseas economies, including policy developments from the new administration in the USA, as well as fluctuations in financial and capital markets.

The environment in which the information services industry operates is projected to remain robust, with investment in information technology growing moderately against a background of improved corporate earnings and following the diversification of the use of IT, exemplified by such trends as FinTech, IoT, AI, and big data.

Amid this environment, the DTS Group is working toward achieving three “Changes”: Management innovation, Business reform and Marketing reform, guided by the vision of “Creating New Value Change! for the Next” under the medium-term management plan (April 2016 to March 2019). Specifically, through executing the corresponding key activities of “introducing segment-specific growth strategies,” “implementing corporate reorganization” and “accelerating management activities,” the Group is focusing on strengthening marketing capability and SI capability, strengthening the overall capabilities of all group companies, carrying out initiatives for new business, and enhancing the management foundation.

In the fiscal year under review, the second year of the medium-term management plan which aims to make changes for the future, the Group will aim to achieve record-high net sales and operating profit. The Group will continuously work to drive further sustained growth in order to achieve the medium-term management plan’s final year financial targets of net sales of ¥90.0 billion or higher and an operating margin of 9% or higher.

In the fiscal year under review, as part of its focus on “strengthening its marketing capability,” the Company will further bolster the company-wide cross-sectional sales structure, centered on the Sales Sector established in April 2016. In addition, the Company is working on strengthening account marketing and solution marketing activities based on portfolio strategy, including promoting the “Plus One Strategy” which aims to generate new customers, strengthening project management in cooperation with business sectors, and reforming proposal activities utilizing customer satisfaction surveys.

Also, with the aim of growing the top-line, the Company is proceeding to expand its business so that in addition to its existing contracted-out business model it will also operate business centered on an SI solutions service model in order to widely respond to customer needs.

With respect to “strengthening SI capability,” in order to leverage the strengths and special characteristics of group companies and optimally allocate the Group’s management resources, the Group is sharing development strategies and development resources to reinforce group management. Also, by further expanding off-shore development using overseas group companies, the Group is continuing to work as one to improve productivity and bolster development capabilities.

With respect to the project for creating The Kosei Securities Co., Ltd.’s website, the Company shortened the development period and boosted quality by utilizing the automated development tool “GeneXus.” Going forward, the Company will proactively utilize the newest technologies and focus on providing IT services that capture customer needs.

With regard to “strengthening the overall capabilities of all group companies,” the Company has conducted the merger of YOKOGAWA DIGITAL COMPUTER CORPORATION and ART System Co., Ltd. in April 2017 and integrated the Group’s embedding business into DTS INSIGHT CORPORATION. In addition, in August 2017 the Company made DATALINKS CORPORATION a wholly owned subsidiary company.

Through these Group reorganizations, the Group will work to maximize business synergy and strengthen its management foundation, and will realize top-line growth, enhanced Group profit-earning capabilities, and increased corporate value.

With respect to “carrying out initiatives for new business,” targeting an enhancement of solutions, the Company launched sales of a software structure analysis tool called “Re:Zolver” for embedded development, and a 3D presentation system for the construction industry called “Walk in home 17.” With respect to FinTech, the Company continues to make proposals such as regional virtual currency payments and money laundering countermeasures. In relation to IoT and AI, the Company is utilizing AI analysis of production data to conduct demonstration experiments related to the prevention of equipment failure and defective products, and is pushing towards commercialization of this technology. With respect to Connected Industries, the Company is participating in a demonstration project for placing and accepting orders in the processing and manufacturing industry, and is working to generate new business. With respect to RPA, the Company is collaborating with financial institutions and pushing forward on projects to boost business efficiency. Going forward, the Company will continue to make strategic investments and focus on research and development, develop the skills of engineers, and other goals, with the aim of creating new businesses utilizing creative solutions and new technologies.

Regarding "enhancing the management foundation," the Group will continue to pursue work style reform based on Group-wide creativity. As a part of this, in April 2017, the Company established the Work Style Reform Promotion Office, which is endeavoring to put in place a diverse range of working styles and promote a balance between work and private life. Also, in order to reduce long working hours and encourage employees to take paid annual leave, the Group is promoting new initiatives aimed at Group business reform and productivity improvement, as well as making daily management of working hours more visible and making sure that all employees comply with "no overtime days," as we focus on changing the mindset of individual employees.

As a result of the above, the Group reported net sales of ¥20,187 million for the three months under review, an increase of 6.1% year on year. The increase in sales mainly reflected the acquisition of new customers, the expansion of existing projects, and the product business of group companies remaining strong.

Gross profit rose by 3.7% year on year to ¥3,666 million. This mainly reflected the improvement in the cost ratios by sales expansion and improving productivity.

Selling, general and administrative expenses increased by 3.9% year on year to ¥2,108 million, mainly reflecting the impact of system changes accompanying the establishment of DTS INSIGHT CORPORATION and increased personnel expenses arising from an increase of new employees.

Consequently, operating profit was ¥1,558 million, up 3.4% year on year, ordinary profit was ¥1,578 million, up 1.6% year on year, and profit attributable to owners of parent was ¥1,019 million, down 7.7% year on year, mainly reflecting the booking of gain on the transfer of part of the staffing services business in the same period of the previous fiscal year.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	20,187	6.1	13,717	3.5
Operating profit	1,558	3.4	1,509	5.0
Ordinary profit	1,578	1.6	1,761	8.3
Profit attributable to owners of parent	1,019	(7.7)	–	–
Profit (Non-consolidated)	–	–	1,276	4.3

<Breakdown of net sales>

(Million yen)

	Consolidated	Year-on-year change (%)
Finance and Public Sector	6,948	(0.4)
Corporate, Communications and Solutions	4,993	14.0
Operation BPO	3,031	2.1
Regional, Overseas, Etc.	5,213	11.0
Total	20,187	6.1

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

Finance and Public Sector Segment
Although there was steady progress on the expansion of new projects and on development projects for government agencies as well as other customers, there was a decrease in integration projects, etc. As a result, sales in this segment totaled ¥6,948 million, down 0.4% year on year.

Corporate, Communications and Solutions Segment
New customers were acquired in a wide range of industries, including transport, information and telecommunications, wholesale and retail; and existing projects expanded. As a result, sales in this segment totaled ¥4,993 million, up 14.0% year on year.

Operation BPO Segment
System operation and maintenance services were firm in industries such as information and telecommunications, and government agencies. As a result, sales in this segment totaled ¥3,031 million, up 2.1% year on year.

Regional, Overseas, Etc. Segment
Product business and regional business remained strong. As a result, sales in this segment totaled ¥5,213 million, up 11.0% year on year.

(2) Information regarding consolidated financial position

Total assets as of June 30, 2017 were ¥54,961 million, a decrease of ¥2,180 million from the previous fiscal year-end. The main factors for this were increases of ¥565 million in work in process and ¥546 million in investment securities included in other under investments and other assets on one hand, and decreases of ¥1,874 million in notes and accounts receivable - trade and ¥1,482 million in cash and deposits on the other hand.

Liabilities were ¥11,771 million, a decrease of ¥1,709 million from the previous fiscal year-end. The main factors for this were increases of ¥689 million in deposits received included in other under current liabilities and ¥391 million in accounts payable - other on one hand, and decreases of ¥1,683 million in provision for bonuses and ¥1,055 million in income taxes payable on the other hand.

Net assets were ¥43,189 million, a decrease of ¥470 million from the previous fiscal year-end. Although there was an increase of ¥1,019 million in retained earnings due to profit attributable to owners of parent, this was offset by a decrease of ¥1,033 million in dividends of surplus and an increase of ¥600 million in treasury shares.

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

With respect to the full-year consolidated earnings forecasts, there is no change from the earnings forecasts announced on May 11, 2017.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	30,629,556	29,147,091
Notes and accounts receivable - trade	14,452,515	12,578,242
Merchandise and finished goods	201,860	210,412
Work in process	625,719	1,190,730
Raw materials and supplies	32,768	32,305
Other	2,048,849	2,162,590
Allowance for doubtful accounts	(7,687)	(6,614)
Total current assets	47,983,582	45,314,757
Non-current assets		
Property, plant and equipment	3,217,390	3,214,500
Intangible assets		
Goodwill	514,237	457,346
Other	455,631	422,535
Total intangible assets	969,869	879,882
Investments and other assets		
Other	5,001,079	5,582,532
Allowance for doubtful accounts	(30,002)	(30,002)
Total investments and other assets	4,971,077	5,552,529
Total non-current assets	9,158,336	9,646,912
Total assets	57,141,918	54,961,670

(Thousand yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	4,908,663	4,548,235
Income taxes payable	1,653,297	597,990
Provision for bonuses	3,166,452	1,482,468
Provision for directors' bonuses	66,480	17,548
Provision for loss on order received	–	17,592
Provision for loss on liquidation of subsidiaries and associates	29,585	29,585
Other	2,971,820	4,305,983
Total current liabilities	12,796,298	10,999,402
Non-current liabilities		
Provision for directors' retirement benefits	69,279	58,367
Net defined benefit liability	541,588	583,512
Other	73,810	130,427
Total non-current liabilities	684,678	772,306
Total liabilities	13,480,977	11,771,709
Net assets		
Shareholders' equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,166,259	6,166,259
Retained earnings	32,483,962	32,469,266
Treasury shares	(3,199,657)	(3,799,773)
Total shareholders' equity	41,563,564	40,948,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	458,894	628,992
Foreign currency translation adjustment	40,315	30,280
Remeasurements of defined benefit plans	28,875	29,379
Total accumulated other comprehensive income	528,085	688,652
Non-controlling interests	1,569,291	1,552,555
Total net assets	43,660,941	43,189,961
Total liabilities and net assets	57,141,918	54,961,670

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

Consolidated statements of income (cumulative)

(Thousand yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	19,020,441	20,187,401
Cost of sales	15,484,856	16,520,621
Gross profit	3,535,585	3,666,779
Selling, general and administrative expenses	2,029,023	2,108,435
Operating profit	1,506,562	1,558,344
Non-operating income		
Interest income	2,330	2,407
Dividend income	23,022	24,372
Foreign exchange gains	11,512	5,786
Other	18,672	17,897
Total non-operating income	55,538	50,464
Non-operating expenses		
Interest expenses	614	307
Commission fee	–	27,213
Loss on insurance cancellation	2,530	–
Other	5,998	3,145
Total non-operating expenses	9,142	30,665
Ordinary profit	1,552,957	1,578,143
Extraordinary income		
Gain on transfer of business	161,287	–
Total extraordinary income	161,287	–
Extraordinary losses		
Loss on retirement of non-current assets	588	–
Loss on revision of retirement benefit plan	–	22,587
Other	–	1,084
Total extraordinary losses	588	23,671
Profit before income taxes	1,713,656	1,554,471
Income taxes	535,537	519,495
Profit	1,178,119	1,034,976
Profit attributable to non-controlling interests	73,965	15,785
Profit attributable to owners of parent	1,104,153	1,019,190

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	1,178,119	1,034,976
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,337)	172,102
Foreign currency translation adjustment	(20,748)	(10,035)
Remeasurements of defined benefit plans, net of tax	2,234	503
Total other comprehensive income	(42,851)	162,570
Comprehensive income	1,135,267	1,197,547
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,063,123	1,179,757
Comprehensive income attributable to non-controlling interests	72,144	17,789

(3) Consolidated statements of cash flows

(Thousand yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,713,656	1,554,471
Depreciation	108,035	97,354
Amortization of goodwill	124,020	56,891
Increase (decrease) in provision for bonuses	(1,794,092)	(1,683,711)
Increase (decrease) in provision for directors' bonuses	(52,832)	(48,932)
Increase (decrease) in provision for loss on order received	(14,921)	17,592
Increase (decrease) in provision for directors' retirement benefits	2,989	(10,912)
Increase (decrease) in net defined benefit liability	12,454	42,506
Decrease (increase) in notes and accounts receivable - trade	3,169,062	1,872,870
Decrease (increase) in inventories	(620,505)	(573,111)
Increase (decrease) in notes and accounts payable - trade	(553,988)	(360,145)
Other, net	691,402	1,023,750
Subtotal	2,785,280	1,988,623
Interest and dividend income received	24,252	27,615
Income taxes paid	(1,638,700)	(1,481,232)
Net cash provided by (used in) operating activities	1,170,833	535,007
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,961)	(36,691)
Purchase of intangible assets	(67,212)	(26,051)
Purchase of investment securities	(648)	(300,000)
Payments into time deposits	(100,000)	(100,000)
Proceeds from withdrawal of time deposits	100,000	100,000
Purchase of shares of subsidiaries and associates	–	(18,177)
Proceeds from transfer of business	161,287	–
Other, net	(325)	225
Net cash provided by (used in) investing activities	61,140	(380,695)
Cash flows from financing activities		
Cash dividends paid	(882,172)	(988,157)
Dividends paid to non-controlling interests	(26,283)	(31,313)
Purchase of treasury shares	(550,909)	(603,314)
Net cash provided by (used in) financing activities	(1,459,364)	(1,622,786)
Effect of exchange rate change on cash and cash equivalents	(5,770)	(13,990)
Net increase (decrease) in cash and cash equivalents	(233,161)	(1,482,465)
Cash and cash equivalents at beginning of period	30,120,850	30,459,352
Cash and cash equivalents at end of period	29,887,688	28,976,887

(4) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in the amount of shareholders' equity)

No items to report.

(Application of specific accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the first quarter under review, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

(Changes in accounting policies)

(Change in depreciation method of property, plant and equipment)

Previously, the Company had mainly used the declining-balance method for depreciating property, plant and equipment. From the first quarter under review, however, the Company has changed to using the straight-line method.

The purpose of this change is to consolidate operating bases which had been expanded and spread out, further enhance links between organizations and increase management efficiency during the fiscal year under review, and thereby establish a foundation for actions to support future business expansion. The Company used the relocation of the headquarters as an occasion to take a fresh look at held assets. In the past, the Company determined that using the declining-balance method, which results in more expenses the newer the asset, was logical due to the assumption that the fast pace of technological progress on information equipment would lead to early investment in replacements. However, in recent years, given the trend for assets to be used stably over the long term, the Company determined that the straight-line method, which allows for depreciation to be allocated in a level manner over time, more properly reflects the actual management situation.

This has immaterial effect on profit or loss.

(Business combination)

Absorption of the Company's operations by a consolidated subsidiary via absorption-type demerger

Based on the resolution at a meeting of its Board of Directors held on February 7, 2017, the Company transferred its embedding business to wholly owned subsidiary DTS INSIGHT CORPORATION by means of a demerger with an effective date of April 1, 2017.

1. Outline of transaction

(1) Name and business to be transferred

Name: Corporate, Communications and Solutions business

Business: All aspects of the embedding business handled by the EBS Division of the Enterprise and Communication Sector

(2) Date of transaction

April 1, 2017

(3) Legal form of transaction

An absorption-type demerger, in which the Company is the demerging company and YOKOGAWA DIGITAL COMPUTER CORPORATION is the successor company.

(4) Name of company after transaction

DTS INSIGHT CORPORATION

(5) Other items regarding outline of transaction

1) Purpose of transaction

In accordance with the "embedding area strategy," which is one of the key strategies in the medium-term management plan started in April 2016, the Company aims to further grow the business by expanding the corporate scale to build an efficient framework, grow the customer base and establish a competitive edge in the medical and automobile-related markets.

2) Details of allotments in connection with demerger

As this demerger involves the parent company and its wholly owned subsidiary, there is no allotment of shares or any other consideration upon this demerger.

3) Financial position in most recent fiscal year of companies involved in demerger

As of March 31, 2017

(Million yen)

	Demerging company (consolidated)	Successor company (non-consolidated)
Assets	57,141	1,460
Liabilities	13,480	729
Net assets	43,660	731

2. Outline of accounting procedures applied

The transaction is accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(Significant subsequent events)

Making a Subsidiary a Wholly Owned Subsidiary Company through Share Exchange

The Company resolved at a meeting of its Board of Directors held on May 11, 2017, to conduct a share exchange in which the Company would make consolidated subsidiary DATALINKS CORPORATION ("DATALINKS") a wholly owned subsidiary company (the "Share Exchange"), and the share exchange agreement was concluded on the same date.

Under the procedures for a simplified share exchange in accordance with the provision of Article 796, paragraph 2 of the Companies Act, the Company conducted the Share Exchange with an effective date of August 1, 2017, after receiving approval for the share exchange agreement at the ordinary general meeting of shareholders of DATALINKS held on June 16, 2017, and without receiving approval at the Company's general shareholders' meeting.

The common shares of DATALINKS were delisted from Tokyo Stock Exchange Inc. on July 27, 2017, prior to the effective date of the Share Exchange (August 1, 2017).

(1) Outline of transaction

1) Name of companies involved in business combination and nature of their business

	Name	Business
Wholly owning parent company resulting from the share exchange	The Company	Information service
Wholly owned subsidiary company resulting from the share exchange	DATALINKS	Services

2) Date of transaction

August 1, 2017

3) Legal form of transaction

Share exchange, through which the Company becomes the wholly owning parent company and DATALINKS becomes the wholly owned subsidiary company.

4) Purpose of transaction

By making DATALINKS a wholly owned subsidiary company of the Company, business efficiency will be increased by the speeding up the decision-making process, the selection and concentration of management resources, the consolidation of information, and other factors, which will build a stronger management foundation. In addition, by further bolstering Group management, the Company will push ahead with raising the corporate value of the DTS Group.

(2) Outline of accounting procedures applied

The transaction was accounted for as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

(3) Items regarding additional purchase of shares of subsidiary

1) Type of shares, share exchange ratio and number of shares delivered

	The Company (wholly owning parent company resulting from the share exchange)	DATALINKS (wholly owned subsidiary company resulting from the share exchange)
Share exchange ratio	1	0.73
Number of shares delivered in the Share Exchange	Common stock of the Company: 650,726 shares	

No shares were allocated based on the Share Exchange for the 1,080,000 common shares of DATALINKS held by the Company. Delivered shares were appropriated from treasury shares owned by the Company.

2) Method to calculate share exchange ratio

Both the Company and DATALINKS determined that the share exchange ratio was appropriate and would not harm the interests of shareholders of each company. Both companies came to this decision based on the calculations of share exchange ratios and advice submitted by third-party advisors, advice from legal advisors of each company, followed by comprehensive considerations of a number of factors, including the financial condition, earnings trends, and share price trends of both companies, and repeated negotiations and discussions between the two companies. The share exchange agreement was concluded between the two companies based on resolutions passed at board of directors meetings at both the Company and DATALINKS held on May 11, 2017, concerning executing the Share Exchange at the share exchange ratio.

3. Others

Production, orders and sales

(1) Production

Production in the three months under review is as follows.

Segment	Production (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	6,948,919	(0.4)
Corporate, Communications and Solutions	4,993,248	14.0
Operation BPO	3,031,675	2.1
Regional, Overseas, Etc.	5,213,557	11.0
Total	20,187,401	6.1

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

(2) Orders

Orders in the three months under review are as follows.

Segment	Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	3,199,337	(54.7)	10,424,482	(18.0)
Corporate, Communications and Solutions	4,882,462	32.2	6,661,250	44.2
Operation BPO	696,547	(43.5)	7,460,051	(0.9)
Regional, Overseas, Etc.	5,597,938	20.5	3,670,036	17.1
Total	14,376,286	(13.6)	28,215,820	0.8

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

(3) Sales

Sales in the three months under review are as follows.

Segment	Sales (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	6,948,919	(0.4)
Corporate, Communications and Solutions	4,993,248	14.0
Operation BPO	3,031,675	2.1
Regional, Overseas, Etc.	5,213,557	11.0
Total	20,187,401	6.1

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