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May 11, 2017

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 <under Japanese GAAP>

Company name: **DTS Corporation**
Stock listing: Tokyo Stock Exchange, First Section
Stock code: 9682
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Scheduled date of General Shareholders' Meeting: June 22, 2017
Scheduled date to commence dividend payments: June 23, 2017
Scheduled date to file annual securities report: June 23, 2017
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, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	79,858	(3.2)	7,986	5.1	8,093	5.0	5,121	18.0
March 31, 2016	82,537	10.6	7,599	18.2	7,707	18.2	4,341	17.6

Note: Comprehensive income
Fiscal year ended March 31, 2017: ¥5,502 million [27.7%]
Fiscal year ended March 31, 2016: ¥4,308 million [10.8%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2017	222.48	–	12.7	14.4	10.0
March 31, 2016	186.68	–	11.5	14.5	9.2

Reference: Equity in earnings (losses) of affiliates:
Fiscal year ended March 31, 2017: ¥– million Fiscal year ended March 31, 2016: ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2017	57,141	43,660	73.7	1,832.04
March 31, 2016	55,131	40,355	70.4	1,671.27

Reference: Equity
As of March 31, 2017: ¥42,091 million As of March 31, 2016: ¥38,814 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, 2017	3,764	(1,199)	(2,216)	30,459
March 31, 2016	5,060	5,423	(2,064)	30,120

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, 2016	–	20.00	–	40.00	60.00	1,393	32.1	3.7
Fiscal year ended March 31, 2017	–	25.00	–	45.00	70.00	1,608	31.5	4.0
Fiscal year ending March 31, 2018 (Forecasts)	–	35.00	–	40.00	75.00		32.6	

Note: A 45th anniversary commemorative dividend of ¥5 is included in the dividend for the second quarter-end of the fiscal year ending March 31, 2018 (forecasts).

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	230.09

* 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 and Significant Notes Thereto' on page 23 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, 2017	25,222,266 shares
As of March 31, 2016	25,222,266 shares

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

As of March 31, 2017	2,247,002 shares
As of March 31, 2016	1,997,593 shares

c. Average number of outstanding shares during the period

Fiscal year ended March 31, 2017	23,019,911 shares
Fiscal year ended March 31, 2016	23,259,175 shares

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2017	56,199	0.2	6,882	10.1	7,130	11.8	4,937	29.5
March 31, 2016	56,076	11.1	6,248	14.8	6,379	13.7	3,811	(19.7)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2017	214.51	–
March 31, 2016	163.89	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2017	50,212	41,192	82.0	1,792.90
March 31, 2016	47,876	38,146	79.7	1,642.49

Reference: Equity
As of March 31, 2017: ¥41,192 million As of March 31, 2016: ¥38,146 million

2. Non-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		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2017	57,500	2.3	6,750	(5.3)	4,650	(5.8)	203.80

* **Financial results reports are not required to be audited.**

* **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) Overview of operating results for the fiscal year under review in 1. Overview of Operating Results and Others' on page 2 of the attached materials.

Attached Materials

Contents

1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year under review

1) Operating results for the fiscal year under review

In the fiscal year under review, the Japanese economy recovered at a moderate pace due to improvements in corporate capital investment and the employment environment. However, the situation has remained uncertain due mainly to rising uncertainty in overseas economies in association with regime changes in the USA and the UK, as well as fluctuations in financial and capital markets.

The environment in which the information services industry operates remained 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, carrying out initiatives for new business, enhancing the management foundation, and strengthening the overall capabilities of all group companies.

In the fiscal year under review, development projects for life insurance companies and the solutions business were firm, but sales fell due to the impacts of the end of the peak of large-scale system integration projects for banks and the transfer of part of the staffing services business of DATALINKS CORPORATION. The Group will 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, the first year of the medium-term management plan, as part of its focus on strengthening its marketing capability, the Company established the Sales Sector in April 2016 to change the Company’s sales structure from one based on individual business sectors to a company-wide cross-sectional sales structure and took steps to enhance marketing resources and strengthen account marketing and solution marketing. In addition, in the Sales Sector, the Company took initiatives to strengthen marketing activities based on portfolio strategy, such as by striving to strengthen project management in cooperation with business sectors, and enhancing customer satisfaction surveys. 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.

With respect to “strengthening SI capability,” the Group has reorganized business units into segments that take into account the synergies of businesses, technologies and human resources in order to respond rapidly to changes in the market environment. The Group is now reinforcing group management in order to fully utilize its strengths in each segment, such as new business creation tailored to their specific characteristics. Moreover, as part of reforming the business model, the Company has established a development system that is able to serve as a one-stop service provider for all services ranging from application development to system infrastructure architecture by assigning system infrastructure engineers to the Financial Sector and the Enterprise and Communication Sector. The Company is promoting cooperation with DTS SOFTWARE VIETNAM CO., LTD in an effort to increase its utilization of off-shore resources for the Company’s solutions development and other operations. Furthermore, in March 2017, the Company concluded a capital alliance with Nelito Systems Limited (headquartered in India), with the aim of building a platform for financial SI business in North America and Asia and expanding the financial solutions, products and other businesses.

With respect to “carrying out initiatives for new business,” the Company newly established the Solution Sector to enhance solution and service provision-based businesses in April 2016 and strengthened planning and development system for new solutions. Concerning a 3D presentation system for the construction industry called Walk in home 16 and a BI dashboard* called GalleriaSolo, for which sales were launched during the fiscal year under review, the Company pursued sales growth through initiatives such as having booths at exhibitions and holding seminars.

In ERP solutions, the Company's proposal activities aimed at meeting customer needs, such as standardization of customer company business processes to achieve improvements in business efficiency, have been well received, leading to SAP Japan Co., Ltd. awarding the Company a SAP AWARD OF EXCELLENCE in the Project Award category. DTS WEST CORPORATION received the special award at the "MCPC award 2016" held by the Mobile Computing Promotion Consortium for the medical application for smartphones called First Aid Support for Children developed in coordination with hospitals and local governments, etc. In relation to FinTech, the Company conducted demonstrative experiments and research and development in the use of blockchain technology etc. in such areas as regional virtual currencies and money laundering countermeasures, in collaboration with regional financial institutions and other companies. In relation to IoT and AI, the Company conducted demonstration experiments of predictive maintenance of equipment, such as prediction of equipment failure, and has been strengthening cooperation with industrial equipment-related companies and others. In fields such as FinTech, IoT, AI and big data utilization, the Group continues to make strategic investments aimed at research and development and the like, and is pushing forward with initiatives to create new businesses.

Note: BI dashboards are used to quickly communicate complex information by gathering data from various sources and presenting it in graphical form such as charts, maps and graphs for analysis.

With regard to "enhancing the management foundation," the Company has newly established the Service Management Department, and developed the internal management structure in order to ensure smooth responses to changes to the business environment such as revisions to the Worker Dispatching Act. Furthermore, the Group has been focusing on improving business processes for the purpose of enhancing management efficiency and speeding up management decision-making. In October 2016, amid a dramatically changing pension system environment, the Company commenced operation of its own new corporate pension scheme as part of its policy to be a corporation that provides job satisfaction to its employees, and extended the scope of the scheme to Group companies KYUSHU DTS CORPORATION, DTS WEST CORPORATION and DTS INSIGHT CORPORATION. The Company plans to consolidate certain of its operating bases and relocate its headquarters from Minato-ku in Tokyo to Chuo-ku in Tokyo in October 2017 in order to further improve operational efficiency and enhance links between organizations. Positioning this move as its "second founding," the Company will use creative ingenuity to encourage the reform of work patterns, and deal with its transformation into a value-generating company.

With regard to "strengthening the overall capabilities of all group companies," with the aim of strengthening its embedding business, 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. Through this integration, the Company is working towards further business expansion, with the aim of building efficient operating framework, expanding the customer base in the medical- and automobile-related markets, and enhancing competitiveness. In addition, the decision was made to close DTS IT Solutions (Thailand) Co., Ltd. as of the end of October 2017 with the aims of rebuilding the overseas business platform and concentrating management resources on core businesses.

As a result of the above, the Group reported net sales of ¥79,858 million for the fiscal year under review, a decrease of 3.2% year on year. The decrease in sales mainly reflected the impacts of the end of the peak of large-scale system integration projects for banks and the transfer of part of the staffing services business.

Gross profit rose by 5.7% year on year to ¥15,842 million. This mainly reflected the improvement in the cost ratios by reinforcing project management and improving productivity.

Selling, general and administrative expenses increased by 6.4% year on year to ¥7,855 million, mainly reflecting strengthening sales structure.

Consequently, operating profit was ¥7,986 million, up 5.1% year on year, and ordinary profit was ¥8,093 million, up 5.0% year on year. Profit attributable to owners of parent was ¥5,121 million, up 18.0% year on year, mainly reflecting gain on the transfer of part of the staffing services business and the booking of allowance for special contributions related to the Company's withdrawal from the Japan Computer Information Service Employees' Pension Fund in the previous fiscal year.

(Million yen)

	Consolidated		Non-consolidated (Reference)	
		Year-on-year change (%)		Year-on-year change (%)
Net sales	79,858	(3.2)	56,199	0.2
Operating profit	7,986	5.1	6,882	10.1
Ordinary profit	8,093	5.0	7,130	11.8
Profit attributable to owners of parent	5,121	18.0	–	–
Profit (Non-consolidated)	–	–	4,937	29.5

<Breakdown of net sales>

(Million yen)

	Consolidated	
		Ratio (%)
Finance and Public Sector	29,232	36.6
Corporate, Communications and Solutions	20,200	25.3
Operation BPO	12,183	15.3
Regional, Overseas, Etc.	18,241	22.8
Total	79,858	100.0

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

Finance and Public Sector Segment

Although there were impacts of the end of the peak of large-scale system integration projects for banks, development projects for the financial industry such as life insurance companies and for local governments were firm. As a result, sales in this segment totaled ¥29,232 million.

Corporate, Communications and Solutions Segment

Although performance was poor in terms of securing development projects for the telecommunications, etc., projects were steady in the ERP solution introduction support field and the in-vehicle and broadcast equipment embedding field. As a result, sales in this segment totaled ¥20,200 million.

Operation BPO Segment

Although system operation and maintenance projects for the financial industries, etc. declined, system operation and maintenance services as well as operational support were firm in industries such as information and telecommunications and government agencies. As a result, sales in this segment totaled ¥12,183 million.

Regional, Overseas, Etc. Segment

Sales of equipment and related infrastructure architecture projects were firm. However, as a result of the poor performance in securing new regional and overseas projects and the transfer of part of the staffing services business of DATALINKS CORPORATION, sales in this segment totaled ¥18,241 million.

2) Outlook for the next fiscal year

The Japanese economy is expected to post a moderate recovery due to improvements in such areas as employment and personal income, but the outlook is likely to remain unclear due to uncertainties regarding overseas economies and volatility in financial and capital markets. In the information services industry, the DTS Group forecasts firm growth, including the creation of new markets and demand due to prospects for developments of innovation in FinTech, IoT, AI and big data utilization.

The Group regards the March 2018 fiscal year as a critical juncture in its efforts to achieve the targets laid down in the medium-term management plan (April 2016 to March 2019). The Group is continuing to put effort into strategic investment, and research and development, while gathering together the overall capabilities of all group companies to focus on providing total solutions and working toward creating solutions and business that uses new technology to bring about transformation for the future, and achieve growth of our top-line and becoming a “true system integrator” capable of responding to advanced business needs. Also, the Group is working to strengthen its management foundation while focusing primarily on optimal allocation of the Group’s management resources and maximizing business synergy by further promoting seamless management throughout the entire Group. Furthermore, the Group will aim for the transformation into a value-generating company while working to raise productivity and improve the mentality of employees, and creating an environment where employees can be creative on their own, by promoting the Group’s unique “reforming the way of working” and employee training.

In light of the above-mentioned changes and policies, consolidated earnings forecasts for the fiscal year ending March 31, 2018 are as follows.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	82,550	3.4	57,500	2.3
Operating profit	8,100	1.4	6,550	(4.8)
Ordinary profit	8,200	1.3	6,750	(5.3)
Profit attributable to owners of parent	5,250	2.5	–	–
Profit (Non-consolidated)	–	–	4,650	(5.8)

<Breakdown of net sales>

(Million yen)

	Consolidated	Year-on-year change (%)
Finance and Public Sector	29,000	(0.8)
Corporate, Communications and Solutions	21,950	8.7
Operation BPO	12,500	2.6
Regional, Overseas, Etc.	19,100	4.7
Total	82,550	3.4

Net sales are forecast to be ¥82,550 million, up 3.4% year on year. In Finance and Public Sector segment, the Group forecasts sales of ¥29,000 million, down 0.8% year on year. Sales from large-scale system integration projects for banks are likely to decline, but sales from banks and life insurance companies are expected to rise. In Corporate, Communications and Solutions segment, the Group forecasts sales of ¥21,950 million, up 8.7% year on year, to be achieved by aiming for a recovery in sales to the telecommunication industry, growth in the embedding and solutions businesses, and by new large-scale projects for core operations at customers through the total system integration, including cloud computing and infrastructure. In Operation BPO segment, the

Group forecasts sales of ¥12,500 million, up 2.6% year on year, supported by moves into new business fields and by using automation to reduce costs to secure business in existing fields. In Regional, Overseas, Etc. segment, the Group forecasts sales of ¥19,100 million, up 4.7% year on year, supported by the promotion of joint proposals that leverage the areas of strength of various group companies and developments of the business base to address changes in overseas markets.

In terms of profits, operating profit is forecast to be ¥8,100 million, up 1.4% year on year, ordinary profit is forecast to be ¥8,200 million, up 1.3% year on year, and profit attributable to owners of parent is forecast to be ¥5,250 million, up 2.5% year on year.

To deliver sustainable growth and ensure a solid earnings base, the DTS Group will reinforce project management to contain unprofitable projects, raise productivity and take other steps in order to boost profitability further.

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) Overview of financial position for the fiscal year under review

1) Overview of assets, liabilities and net assets

Total assets as of March 31, 2017 were ¥57,141 million, an increase of ¥2,010 million from the previous fiscal year-end. The main factors for this were a decrease of ¥353 million in goodwill on one hand, and increases of ¥1,511 million in investment securities and ¥875 million in notes and accounts receivable - trade, respectively.

Liabilities were ¥13,480 million, a decrease of ¥1,294 million from the previous fiscal year-end. The main factors for this were an increase of ¥126 million in accounts payable - trade on one hand, and decreases of ¥1,231 million in allowance for loss on employees' pension fund withdrawal and ¥185 million in accrued consumption taxes included in other under current liabilities, respectively.

Net assets were ¥43,660 million, an increase of ¥3,304 million from the previous fiscal year-end. Although there was an increase of ¥550 million in treasury shares, this was offset by an increase in retained earnings due to ¥5,121 million in profit attributable to owners of parent, despite a decrease of ¥1,503 million of dividends of surplus.

2) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2017 was ¥30,459 million, an increase of ¥338 million from ¥30,120 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 ¥3,764 million. There was a decrease in cash provided of ¥1,296 million compared with the previous fiscal year. This mainly reflected a change from increase to decrease in allowance for loss on employees' pension fund withdrawal by ¥2,463 million and a decrease of increase in notes and accounts payable - trade of ¥851 million, in spite of an increase in profit before income taxes of ¥613 million, a decrease in loss/gain on sales of non-current assets of ¥603 million, a decrease of increase in notes and accounts payable - trade of ¥487 million and a decrease of decrease in accrued consumption taxes included in "Other, net" of ¥494 million.

Net cash used in investing activities was ¥1,199 million. There was a decrease in cash provided of ¥6,623 million compared with the previous fiscal year. This mainly reflected a decrease in proceeds from sales of property, plant and equipment of ¥6,095 million and an increase in purchase of investment securities of ¥1,190 million.

Net cash used in financing activities was ¥2,216 million. There was an increase in cash used of ¥152 million compared with the previous fiscal year. This mainly reflected an increase in cash dividends paid of ¥214 million.

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

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	73.3	71.3	70.4	73.7
Market value equity ratio (%)	92.7	105.3	90.7	111.7
Interest-bearing debt to cash flow ratio (%)	0.9	0.4	–	–
Interest coverage ratio (times)	3,445.1	9,238.7	1,055.2	2,995.8

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 is working to pay stable dividends on an ongoing basis and implement a flexible capital policy such as purchase of treasury shares, aiming to ensure the return of profits to shareholders in the medium- and long-term, 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, in order to return profits to shareholders, the Company plans to pay a year-end dividend of ¥45 per share, which is ¥10 higher than its start-of-year dividend forecast. As a result, the planned annual dividend is ¥70 per share, including the interim dividend of ¥25 per share already paid.

In regard to the fiscal year ending March 31, 2018, the Company plans to pay a 45th anniversary commemorative dividend of ¥5 per share and the dividend per share when combined with the ordinary dividend is planned to be ¥75 for the year (interim dividend of ¥35 (including a commemorative dividend of ¥5) and a year-end dividend of ¥40).

(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, 2017.

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), ten consolidated subsidiaries, three non-consolidated subsidiaries, and one affiliate and is primarily engaged in the information service business. Taking into account the industries to which customers belong and the nature of services provided, the Group classifies its reportable segments into “Finance and Public Sector,” “Corporate, Communications and Solutions,” “Operation BPO,” and “Regional, Overseas, Etc.,” and engages in its business activities accordingly.

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

[Finance and Public Sector segment]

To the financial sector, which includes the banking, insurance and securities industries, and the public sector, which includes medical welfare, pensions and local governments, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design and construction of platforms and networks and so on)

[Corporate, Communications and Solutions segment]

To customers in the telecommunications, manufacturing, retail, distribution, air transport and other industries, the Group provides the following services.

- Consulting in relation to the deployment of information systems
- Design, development, operation and maintenance etc. of systems (including design, construction and embedding of platforms and networks and so on)
- Deployment, operation and maintenance of in-house developed solutions and ERP solutions etc.

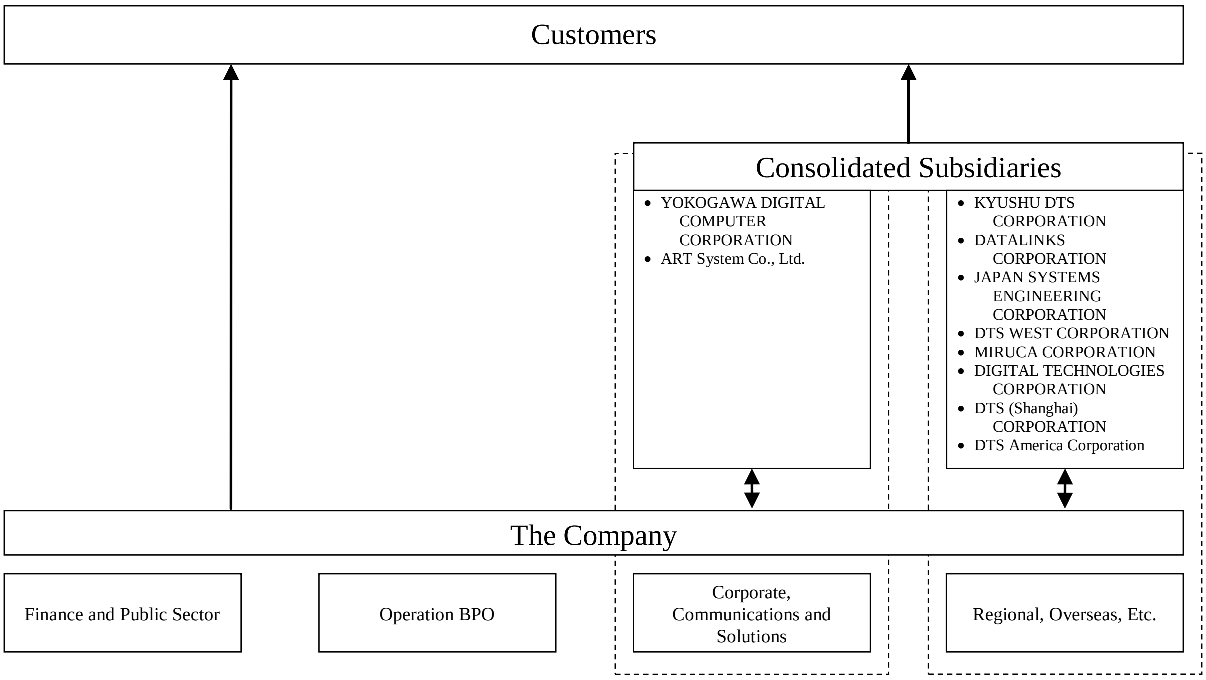
[Operation BPO]

- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring operations
- System operational diagnosis and optimization services, primarily for IT infrastructure

[Regional, Overseas, Etc.]

- Design, development and maintenance of systems, and solutions deployment for regional companies and overseas companies developing globally
- Sales of system equipment, educational services in the IT field, etc.
- Outsourcing services, and design, development, operations, maintenance etc. of software

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
JAPAN SYSTEMS ENGINEERING CORPORATION	¥310 million	100.00%	Information Service
DTS WEST CORPORATION	¥100 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
ART System Co., Ltd.	¥100 million	100.00%	Information Service
YOKOGAWA DIGITAL COMPUTER CORPORATION	¥200 million	100.00%	Information Service

Note: Effective April 1, 2017, YOKOGAWA DIGITAL COMPUTER CORPORATION succeeded the Company’s embedding business by an absorption-type demerger. Also, YOKOGAWA DIGITAL COMPUTER CORPORATION absorbed ART System Co., Ltd. through a merger and changed its company name to DTS INSIGHT CORPORATION.

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 second stage towards those targets, the DTS Group is aiming for net sales of ¥90.0 billion or higher and an operating margin of 9% or higher in the final year of the medium-term management plan (April 2016 to March 2019) and will work to achieve these goals.

(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 FinTech, IoT, AI and big data utilization. The DTS Group intends to achieve continuous and self-sustaining growth by seizing the opportunities arising from these changes in the business environment, developing, and continuing to provide new solutions that anticipate market needs in a timely manner.

The DTS Group has positioned the medium-term management plan (April 2016 to March 2019) as a three-year period of reform, aiming to become a Group that provides new value to society and customers and that can respond to advanced business needs.

Specifically, the DTS Group will introduce growth strategies for each business field and maximize technology, personnel and other resources and Group synergies to generate growth.

Also, the Group will conduct business restructuring to drive self-sustaining growth, develop highly competitive solutions and move into new businesses in promising growth fields. At the same time, in order to accurately take advantage of business opportunities, the Group will steadily work to visualize management information to support faster decision-making and increase management efficiency.

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 and Significant Notes Thereto

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	30,491,032	30,629,556
Notes and accounts receivable - trade	13,576,801	14,452,515
Merchandise and finished goods	200,470	201,860
Work in process	516,097	625,719
Raw materials and supplies	33,385	32,768
Deferred tax assets	1,726,348	1,375,949
Other	557,605	672,900
Allowance for doubtful accounts	(8,693)	(7,687)
Total current assets	47,093,046	47,983,582
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,285,693	2,296,125
Accumulated depreciation	(1,255,707)	(1,322,141)
Buildings and structures, net	1,029,986	973,983
Land	2,045,379	2,045,239
Other	1,557,854	1,468,605
Accumulated depreciation	(1,368,456)	(1,270,438)
Other, net	189,397	198,167
Total property, plant and equipment	3,264,763	3,217,390
Intangible assets		
Goodwill	868,051	514,237
Software	597,209	446,384
Other	10,181	9,247
Total intangible assets	1,475,441	969,869
Investments and other assets		
Investment securities	1,844,631	3,355,902
Deferred tax assets	304,632	198,673
Other	1,153,998	1,446,503
Allowance for doubtful accounts	(4,647)	(30,002)
Total investments and other assets	3,298,615	4,971,077
Total non-current assets	8,038,820	9,158,336
Total assets	55,131,867	57,141,918

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	4,781,841	4,908,663
Accounts payable - other	1,324,695	1,249,953
Income taxes payable	1,802,067	1,653,297
Provision for bonuses	3,166,222	3,166,452
Provision for directors’ bonuses	67,642	66,480
Provision for loss on order received	24,280	–
Provision for loss on liquidation of subsidiaries and associates	–	29,585
Allowance for loss on employees’ pension fund withdrawal	1,231,962	–
Other	1,715,436	1,721,866
Total current liabilities	14,114,148	12,796,298
Non-current liabilities		
Provision for directors’ retirement benefits	57,818	69,279
Net defined benefit liability	433,969	541,588
Other	169,933	73,810
Total non-current liabilities	661,721	684,678
Total liabilities	14,775,869	13,480,977
Net assets		
Shareholders’ equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,190,917	6,166,259
Retained earnings	28,865,886	32,483,962
Treasury shares	(2,649,308)	(3,199,657)
Total shareholders’ equity	38,520,495	41,563,564
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	297,200	458,894
Foreign currency translation adjustment	68,207	40,315
Remeasurements of defined benefit plans	(71,168)	28,875
Total accumulated other comprehensive income	294,239	528,085
Non-controlling interests	1,541,262	1,569,291
Total net assets	40,355,997	43,660,941
Total liabilities and net assets	55,131,867	57,141,918

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

Consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	82,537,533	79,858,459
Cost of sales	67,553,522	64,016,058
Gross profit	14,984,011	15,842,400
Selling, general and administrative expenses		
Salaries and allowances	2,344,508	2,467,680
Provision for bonuses	387,083	414,444
Amortization of goodwill	496,083	375,174
Other	4,156,435	4,598,620
Total selling, general and administrative expenses	7,384,110	7,855,920
Operating profit	7,599,901	7,986,480
Non-operating income		
Interest income	15,966	9,543
Dividend income	39,482	48,015
Foreign exchange gains	6,752	22,013
Subsidy income	10,536	7,048
Insurance premiums refunded cancellation	774	3,516
Commission for insurance office work	8,305	7,983
Other	28,991	65,413
Total non-operating income	110,809	163,534
Non-operating expenses		
Interest expenses	1,532	1,973
Loss on investments in partnership	–	12,090
Commission fee	–	30,286
Other	1,735	12,265
Total non-operating expenses	3,268	56,616
Ordinary profit	7,707,442	8,093,399
Extraordinary income		
Gain on sales of non-current assets	1,160,939	–
Gain on sales of golf memberships	64	–
Gain on transfer of business	–	161,287
Other	23,710	97
Total extraordinary income	1,184,714	161,385
Extraordinary losses		
Loss on sales of non-current assets	558,159	226
Loss on retirement of non-current assets	8,920	4,645
Office transfer expenses	244	–
Provision for loss on employees' pension fund withdrawal	1,231,962	–
Loss on revision of retirement benefit plan	–	246,796
Loss on employees' pension fund withdrawal	–	228,919
Other	8,133	75,558
Total extraordinary losses	1,807,419	556,146
Profit before income taxes	7,084,737	7,698,637
Income taxes - current	2,846,086	2,170,633
Income taxes - deferred	(217,383)	259,227
Total income taxes	2,628,702	2,429,860
Profit	4,456,034	5,268,777
Profit attributable to non-controlling interests	114,044	147,327
Profit attributable to owners of parent	4,341,990	5,121,449

Consolidated statements of comprehensive income

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	4,456,034	5,268,777
Other comprehensive income		
Valuation difference on available-for-sale securities	(117,063)	160,990
Foreign currency translation adjustment	(16,719)	(27,892)
Remeasurements of defined benefit plans, net of tax	(13,792)	100,787
Total other comprehensive income	(147,576)	233,886
Comprehensive income	4,308,458	5,502,663
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,193,362	5,355,295
Comprehensive income attributable to non-controlling interests	115,095	147,368

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(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	25,811,759	(1,922,921)	36,192,756
Changes of items during period					
Dividends of surplus			(1,287,863)		(1,287,863)
Profit attributable to owners of parent			4,341,990		4,341,990
Purchase of treasury shares				(726,387)	(726,387)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,054,126	(726,387)	2,327,739
Balance at end of current period	6,113,000	6,190,917	28,865,886	(2,649,308)	38,520,495

	Accumulated other comprehensive income				Non-controlling 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	415,495	84,927	(57,556)	442,866	1,448,826	38,084,449
Changes of items during period						
Dividends of surplus						(1,287,863)
Profit attributable to owners of parent						4,341,990
Purchase of treasury shares						(726,387)
Net changes of items other than shareholders' equity	(118,295)	(16,719)	(13,611)	(148,627)	92,436	(56,191)
Total changes of items during period	(118,295)	(16,719)	(13,611)	(148,627)	92,436	2,271,548
Balance at end of current period	297,200	68,207	(71,168)	294,239	1,541,262	40,355,997

Fiscal year ended March 31, 2017

(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	28,865,886	(2,649,308)	38,520,495
Changes of items during period					
Dividends of surplus			(1,503,373)		(1,503,373)
Profit attributable to owners of parent			5,121,449		5,121,449
Purchase of treasury shares				(550,349)	(550,349)
Change in ownership interest of parent due to transactions with non-controlling interests		(24,658)			(24,658)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(24,658)	3,618,076	(550,349)	3,043,068
Balance at end of current period	6,113,000	6,166,259	32,483,962	(3,199,657)	41,563,564

	Accumulated other comprehensive income				Non-controlling 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	297,200	68,207	(71,168)	294,239	1,541,262	40,355,997
Changes of items during period						
Dividends of surplus						(1,503,373)
Profit attributable to owners of parent						5,121,449
Purchase of treasury shares						(550,349)
Change in ownership interest of parent due to transactions with non-controlling interests						(24,658)
Net changes of items other than shareholders' equity	161,693	(27,892)	100,043	233,845	28,028	261,874
Total changes of items during period	161,693	(27,892)	100,043	233,845	28,028	3,304,943
Balance at end of current period	458,894	40,315	28,875	528,085	1,569,291	43,660,941

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	7,084,737	7,698,637
Depreciation	534,050	460,792
Amortization of goodwill	496,083	375,174
Increase (decrease) in provision for bonuses	169,386	529
Increase (decrease) in provision for directors' bonuses	1,766	(1,162)
Increase (decrease) in provision for loss on order received	24,280	(24,280)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	–	29,585
Increase (decrease) in allowance for loss on employees' pension fund withdrawal	1,231,962	(1,231,962)
Increase (decrease) in provision for directors' retirement benefits	8,873	11,461
Increase (decrease) in net defined benefit liability	34,744	253,392
Loss on sales of non-current assets	558,159	226
Gain on sales of non-current assets	(1,160,939)	–
Decrease (increase) in notes and accounts receivable - trade	(1,366,564)	(878,799)
Decrease (increase) in inventories	189,935	(110,394)
Increase (decrease) in notes and accounts payable - trade	981,210	129,318
Increase (decrease) in accounts payable - other	(52,731)	(74,381)
Other, net	(980,261)	(522,301)
Subtotal	7,754,693	6,115,838
Interest and dividend income received	54,041	58,309
Interest expenses paid	(4,795)	(1,256)
Income taxes paid	(2,743,762)	(2,408,750)
Net cash provided by (used in) operating activities	5,060,177	3,764,140
Cash flows from investing activities		
Purchase of property, plant and equipment	(343,273)	(130,126)
Proceeds from sales of property, plant and equipment	6,096,705	850
Purchase of intangible assets	(197,702)	(152,344)
Purchase of investment securities	(76,034)	(1,266,317)
Proceeds from sales of investment securities	74,114	181
Proceeds from redemption of investment securities	–	300,000
Payments into time deposits	(390,310)	(390,351)
Proceeds from withdrawal of time deposits	290,282	590,329
Purchase of shares of subsidiaries and associates	–	(309,593)
Proceeds from transfer of business	–	161,287
Other, net	(29,912)	(3,643)
Net cash provided by (used in) investing activities	5,423,868	(1,199,728)

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Cash dividends paid	(1,285,231)	(1,499,960)
Dividends paid to non-controlling interests	(22,525)	(28,880)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(136,089)
Purchase of treasury shares	(726,579)	(551,448)
Other, net	(30,168)	(136)
Net cash provided by (used in) financing activities	(2,064,506)	(2,216,515)
Effect of exchange rate change on cash and cash equivalents	(27,220)	(9,393)
Net increase (decrease) in cash and cash equivalents	8,392,319	338,502
Cash and cash equivalents at beginning of period	21,728,531	30,120,850
Cash and cash equivalents at end of period	30,120,850	30,459,352

(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
   1) Number of consolidated subsidiaries: 10
      Names of principal consolidated subsidiaries:
      DATALINKS CORPORATION
      DIGITAL TECHNOLOGIES CORPORATION
      JAPAN SYSTEMS ENGINEERING CORPORATION
      YOKOGAWA DIGITAL COMPUTER CORPORATION
      DTS WEST CORPORATION
      ART System Co., Ltd.
      Effective April 1, 2017, YOKOGAWA DIGITAL COMPUTER CORPORATION absorbed ART System Co., Ltd., a consolidated subsidiary through a merger and changed its company name to DTS INSIGHT CORPORATION.

   2) Names of principal non-consolidated subsidiaries, etc.
      Names of principal non-consolidated subsidiaries:
      DTS SOFTWARE VIETNAM CO., LTD.
      (Reason for exclusion from scope of consolidation)
      All non-consolidated subsidiaries are small in scale and their aggregate amount of total assets, net sales, profit 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
   1) There are no non-consolidated subsidiaries or affiliates to which the equity method is applied.

   2) The non-consolidated subsidiaries that are not accounted for by the equity method (DTS SOFTWARE VIETNAM CO., LTD. and others) and an affiliate (Nelito Systems Limited) 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 profit 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
   1) Balance sheet dates of consolidated subsidiaries are as follows.
      December 31: 3 companies
      March 31: 7 companies
      From the fiscal year under review, MIRUCA CORPORATION, a consolidated subsidiary, has changed its fiscal year-end date from December 31 to March 31. Due to this change in the fiscal year-end date, its accounts for 15 months from January 1, 2016 to March 31, 2017 were consolidated in the fiscal year under review. However, this has immaterial effect on profit or loss.

   2) 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
   1) Valuation bases and methods of significant assets
      i) Securities
         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.)
             In addition, among available-for-sale securities with readily determinable fair value, items for which the nature of disparity in the amount between “acquisition cost” and “bond value” is recognized as being an adjustment in interest rates are calculated using the amortized cost method.
         (b) Securities without readily determinable fair value
             Stated at cost determined by the moving-average method.

      ii) Inventories
         (a) 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).
         (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) 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).
         (d) Supplies
             Stated using the last cost method.

   2) Depreciation and amortization method for significant depreciable assets
      i) 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 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.
         The main useful lives are as follows:

Buildings and structures:	3-47 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.

      ii) 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 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).

3) Significant allowances and provisions
   i) 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.

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

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

   iv) 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.

   v) Provision for loss on liquidation of subsidiaries and associates
      To prepare for losses on the liquidation of subsidiaries and associates, the estimated amount of such losses is recorded.

4) Accounting for retirement benefits
   i) 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.

   ii) 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 to 15 years) set within the average remaining service period of employees as occurred, starting in the respective fiscal years following each occurrence.

   iii) 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.

5) Recognition of significant revenues and expenses
   Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts
   i) 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)

   ii) Other construction activities
      Completed-contract method

6) 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 non-controlling interests under net assets.

7) 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).

8) 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.

9) 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 Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This has immaterial effect on profit or loss.

(Changes in presentation)

(Consolidated statements of income)

“Foreign exchange gains” which was included in “Other” under “Non-operating income” in the previous fiscal year, is presented separately under non-operating income for the fiscal year under review because the amount became greater than 10% of non-operating income. 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 ¥35,744 thousand shown as “Other” under “Non-operating income” in the consolidated statement of income of the previous fiscal year has been reclassified as “Foreign exchange gains” of ¥6,752 thousand and “Other” of ¥28,991 thousand under non-operating income.

(Significant subsequent events)

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).

6. Non-consolidated Financial Statements and Significant Notes Thereto

(1) Non-consolidated balance sheets

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	23,675,470	23,592,603
Notes receivable - trade	14,776	68,494
Accounts receivable - trade	8,341,118	9,601,803
Merchandise	30,643	22,326
Work in process	333,489	417,219
Supplies	5,788	7,414
Advance payments - trade	77,946	82,022
Prepaid expenses	233,389	226,386
Deferred tax assets	1,309,142	963,554
Short-term loans receivable from subsidiaries and associates	1,028,735	1,129,733
Other	137,132	108,331
Allowance for doubtful accounts	(1,922)	(2,066)
Total current assets	35,185,712	36,217,824
Non-current assets		
Property, plant and equipment		
Buildings	879,056	827,361
Tools, furniture and fixtures	85,599	71,886
Land	1,965,696	1,965,696
Other	–	16,259
Total property, plant and equipment	2,930,352	2,881,203
Intangible assets		
Software	513,694	358,545
Other	489	359
Total intangible assets	514,183	358,904
Investments and other assets		
Investment securities	1,732,521	2,933,031
Shares of subsidiaries and associates	6,543,891	6,546,758
Investments in capital of subsidiaries and associates	327,143	327,143
Long-term loans receivable from subsidiaries and associates	20,800	–
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	30,778
Long-term prepaid expenses	46,743	12,421
Deferred tax assets	–	16,407
Other	575,357	916,169
Allowance for doubtful accounts	(2)	(28,334)
Total investments and other assets	9,246,455	10,754,376
Total non-current assets	12,690,991	13,994,484
Total assets	47,876,703	50,212,308

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	2,609,485	2,828,537
Accounts payable - other	785,422	749,447
Accrued expenses	340,543	357,861
Income taxes payable	1,365,515	1,500,902
Advances received	105,109	113,382
Deposits received	100,688	105,363
Provision for bonuses	2,265,360	2,355,829
Provision for directors’ bonuses	52,700	57,400
Provision for loss on order received	24,280	–
Provision for loss on liquidation of subsidiaries and associates	–	29,585
Allowance for loss on employees’ pension fund withdrawal	1,231,962	–
Other	700,359	646,082
Total current liabilities	9,581,426	8,744,392
Non-current liabilities		
Deferred tax liabilities	68,793	–
Provision for retirement benefits	–	226,034
Asset retirement obligations	6,701	6,855
Long-term accounts payable - other	73,081	42,601
Other	468	–
Total non-current liabilities	149,044	275,492
Total liabilities	9,730,470	9,019,884
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	16,624,267	20,058,869
Total retained earnings	28,206,175	31,640,778
Treasury shares	(2,649,308)	(3,199,657)
Total shareholders’ equity	37,860,784	40,745,038
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	285,448	447,386
Total valuation and translation adjustments	285,448	447,386
Total net assets	38,146,233	41,192,424
Total liabilities and net assets	47,876,703	50,212,308

(2) Non-consolidated statements of income

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	56,076,076	56,199,970
Cost of sales	45,849,519	45,073,523
Gross profit	10,226,557	11,126,446
Selling, general and administrative expenses	3,977,844	4,243,864
Operating profit	6,248,712	6,882,582
Non-operating income		
Interest income	12,601	5,254
Interest on securities	3,309	4,473
Dividend income	87,349	207,974
Real estate rent	13,316	16,825
Other	21,876	36,207
Total non-operating income	138,452	270,735
Non-operating expenses		
Interest expenses	1,023	1,944
Loss on investments in partnership	–	12,090
Loss on insurance cancellation	–	2,530
Commission for purchase of treasury shares	192	1,099
Foreign exchange losses	6,007	2,147
Other	927	2,890
Total non-operating expenses	8,150	22,703
Ordinary profit	6,379,013	7,130,613
Extraordinary income		
Gain on sales of non-current assets	1,160,924	–
Other	23,710	–
Total extraordinary income	1,184,635	–
Extraordinary losses		
Loss on sales of non-current assets	557,946	–
Loss on retirement of non-current assets	8,643	927
Provision for loss on liquidation of subsidiaries and associates	–	29,585
Provision of allowance for doubtful accounts for subsidiaries and associates	–	28,334
Loss on revision of retirement benefit plan	–	156,249
Provision for loss on employees' pension fund withdrawal	1,231,962	–
Other	8,133	17,551
Total extraordinary losses	1,806,686	232,648
Profit before income taxes	5,756,962	6,897,964
Income taxes - current	2,194,135	1,786,770
Income taxes - deferred	(249,067)	173,217
Total income taxes	1,945,068	1,959,988
Profit	3,811,893	4,937,976

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Thousand yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning 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
Changes of items during period									
Dividends of surplus						(1,287,863)	(1,287,863)		(1,287,863)
Profit						3,811,893	3,811,893		3,811,893
Purchase of treasury shares								(726,387)	(726,387)
Decrease by corporate division						(364,438)	(364,438)		(364,438)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	2,159,591	2,159,591	(726,387)	1,433,204
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	16,624,267	28,206,175	(2,649,308)	37,860,784

	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	408,498	408,498	36,836,079
Changes of items during period			
Dividends of surplus			(1,287,863)
Profit			3,811,893
Purchase of treasury shares			(726,387)
Decrease by corporate division			(364,438)
Net changes of items other than shareholders' equity	(123,050)	(123,050)	(123,050)
Total changes of items during period	(123,050)	(123,050)	1,310,153
Balance at end of current period	285,448	285,448	38,146,233

Fiscal year ended March 31, 2017

(Thousand yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total share-holders' equity
Balance at beginning of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	16,624,267	28,206,175	(2,649,308)	37,860,784
Changes of items during period									
Dividends of surplus						(1,503,373)	(1,503,373)		(1,503,373)
Profit						4,937,976	4,937,976		4,937,976
Purchase of treasury shares								(550,349)	(550,349)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	–	3,434,602	3,434,602	(550,349)	2,884,253
Balance at end of current period	6,113,000	6,190,917	6,190,917	411,908	11,170,000	20,058,869	31,640,778	(3,199,657)	40,745,038

	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	285,448	285,448	38,146,233
Changes of items during period			
Dividends of surplus			(1,503,373)
Profit			4,937,976
Purchase of treasury shares			(550,349)
Net changes of items other than shareholders' equity	161,937	161,937	161,937
Total changes of items during period	161,937	161,937	3,046,191
Balance at end of current period	447,386	447,386	41,192,424

(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
   1) Stocks of subsidiaries and affiliates
      Stated at cost determined by the moving-average method.

   2) 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)
         In addition, among available-for-sale securities with readily determinable fair value, items for which the nature of disparity in the amount between "acquisition cost" and "bond value" is recognized as being an adjustment in interest rates are calculated using the amortized cost method.

      ii) Securities without readily determinable fair value
         Stated at cost determined by the moving-average method.

2. Valuation bases and methods of inventories
   1) 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).

   2) 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).

   3) Supplies
      Stated using the last cost method.

3. Depreciation and amortization method for non-current assets
   1) 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 and accompanying facilities and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.
      The main useful lives are as follows:

Buildings:	3-47 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.

   2) 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 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).

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

4. Allowances and provisions
1) 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.

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

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

4) Provision for loss on liquidation of subsidiaries and associates
To prepare for losses on the liquidation of subsidiaries and associates, the estimated amount of such losses is recorded.

5) Provision for retirement benefits
To prepare for the payment of retirement benefits to employees, an amount based on the projected retirement benefit obligations and plan assets at the fiscal year-end, is provided.
i. 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 until this fiscal year-end.
ii. Actuarial differences
Unrecognized actuarial gains and losses are amortized by the straight-line method in equally allocated amounts over a fixed number of years (15 years) set within the average remaining service period of employees as occurred, starting in the respective fiscal years following each occurrence.
Unrecognized actuarial gains and losses are handled differently on the balance sheets than on the consolidated balance sheets.

5. Recognition of revenues and expenses
Recognition of net sales of completed construction contracts and cost of sales of completed construction contracts
1) 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)

2) 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.

(Changes in accounting policies)

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This has immaterial effect on profit or loss.

(Significant subsequent events)

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.

For details, please refer to '(Significant subsequent events) in (5) Notes to consolidated financial statements under 5. Consolidated Financial Statements and Significant Notes Thereto.'

7. Others

(1) Changes in directors and auditors (scheduled for June 22, 2017)

1) Change in representative directors
No items to report.

2) Other changes
- Candidates for new auditors

Full-time auditor — Kenichiro Akamatsu
(Currently, Executive Officer, the Company)

(2) Production, orders and sales

1) Production

Production in the fiscal year under review is as follows.

Segment	Production (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	29,232,652	–
Corporate, Communications and Solutions	20,200,131	–
Operation BPO	12,183,904	–
Regional, Overseas, Etc.	18,241,770	–
Total	79,858,459	–

Notes:

1. The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.
2. Effective from the fiscal year under review, the Group has reclassified its reportable segments due to the reorganization of the Group. The previous two reportable segments, "Information Service" and "Human Resource Service" have been reclassified as four reportable segments, "Finance and Public Sector," "Corporate, Communications and Solutions," "Operation BPO," and "Regional, Overseas, Etc."

   Year-on-year change in production for the reportable segments has been omitted due to practical difficulties in preparing adjusted figures for the previous fiscal year based on the new classifications.
3. Production based on the previous reportable segment classification is shown below. As the scope of aggregation for production has changed along with the changes in the reportable segments, the total production below does not match the total based on the reportable segment classification for the fiscal year under review.

Segment and services		Production (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	58,670,466	(1.0)
	Operation Engineering Services	14,237,223	5.3
Total		72,907,690	0.2

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	Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	30,772,622	–	14,174,063	–
Corporate, Communications and Solutions	21,664,094	–	6,772,036	–
Operation BPO	12,712,168	–	9,795,179	–
Regional, Overseas, Etc.	18,343,735	–	3,285,655	–
Total	83,492,620	–	34,026,935	–

Notes:

1. The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.
2. Effective from the fiscal year under review, the Group has reclassified its reportable segments due to the reorganization of the Group. The previous two reportable segments, “Information Service” and “Human Resource Service” have been reclassified as four reportable segments, “Finance and Public Sector,” “Corporate, Communications and Solutions,” “Operation BPO,” and “Regional, Overseas, Etc.”

   Year-on-year changes in order volume and order backlog for the reportable segments have been omitted due to practical difficulties in preparing adjusted figures for the previous fiscal year based on the new classifications.
3. Orders based on the previous reportable segment classification are shown below. As the scope of aggregation for order volume and order backlog have changed along with the changes in the reportable segments, the total order volume and order backlog below do not match the total based on the reportable segment classification for the fiscal year under review.

Segment and services		Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	62,171,126	3.8	23,421,654	17.6
	Operation Engineering Services	14,089,793	1.5	9,491,313	(1.5)
Total		76,260,919	3.4	32,912,967	11.3

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	Sales (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	29,232,652	–
Corporate, Communications and Solutions	20,200,131	–
Operation BPO	12,183,904	–
Regional, Overseas, Etc.	18,241,770	–
Total	79,858,459	–

Notes:

1. The amounts presented above are selling prices, and do not include consumption taxes. Inter-segment transactions have been eliminated.
2. Effective from the fiscal year under review, the Group has reclassified its reportable segments due to the reorganization of the Group. The previous two reportable segments, "Information Service" and "Human Resource Service" have been reclassified as four reportable segments, "Finance and Public Sector," "Corporate, Communications and Solutions," "Operation BPO," and "Regional, Overseas, Etc."

   Year-on-year change in sales for the reportable segments has been omitted due to practical difficulties in preparing adjusted figures for the previous fiscal year based on the new classifications.
3. Sales based on the previous reportable segment classification are shown below.

Segment and services		Sales (Thousand yen)	Year-on-year change (%)
Information Service	System Engineering Services	58,670,466	(1.0)
	Operation Engineering Services	14,237,223	5.3
	Product Services and Others	5,830,959	(11.8)
	Subtotal	78,738,649	(0.8)
Human Resource Service	Staffing Services and Others	1,119,809	(64.7)
	Subtotal	1,119,809	(64.7)
Total		79,858,459	(3.2)

Notes:

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

Transaction partner	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Amount (Thousand yen)	Ratio (%)	Amount (Thousand yen)	Ratio (%)
Mizuho Information & Research Institute, Inc.	13,904,905	16.9	12,744,179	16.0