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November 2, 2017

Consolidated Financial Results for the First Six 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: November 8, 2017
Scheduled date to commence dividend payments: November 27, 2017
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2018 (from April 1, 2017 to September 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	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2017	40,831	6.9	3,854	8.9	3,845	6.5	2,557	5.1
September 30, 2016	38,206	(4.9)	3,539	(6.2)	3,609	(5.2)	2,432	(12.6)

Note: Comprehensive income
Six months ended September 30, 2017: ¥2,925 million [12.4%]
Six months ended September 30, 2016: ¥2,602 million [(4.0)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2017	110.86	–
September 30, 2016	105.48	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
September 30, 2017	56,914	44,440	78.1
March 31, 2017	57,141	43,660	73.7

Reference: Equity
As of September 30, 2017: ¥44,440 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	–	35.00			
Fiscal year ending March 31, 2018 (Forecasts)			–	40.00	75.00

Notes: 1. Revisions to the forecasts of dividends most recently announced: None
2. The second quarter-end dividend 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	225.72

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

* Notes

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

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

Note: For the details, please refer to '(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 12 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 12 of the attached materials.

(4) Number of issued shares (common stock)

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

As of September 30, 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 September 30, 2017	1,778,470 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)

Six months ended September 30, 2017	23,073,807 shares
Six months ended September 30, 2016	23,064,185 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 Six Months,' on page 5 of the attached materials.

Attached Materials

Contents

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

(1) Information regarding consolidated operating results

In the six months under review, the Japanese economy recovered at a 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 caused by geopolitical risks as well as the impact of 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 RPA, FinTech, IoT and AI.

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 aims 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.

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 further expand its business by establishing a team dedicated to proposing total SI 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.

In the overseas business, targeting the selection and concentration of Group management resources, the operations of DTS IT Solutions (Thailand) Co., Ltd. were terminated as of the end of October 2017. Going forward, the Group will work to rebuild the overseas business platform and focus on core businesses, including strengthening the business coordination between DTS America Corporation and Nelito Systems Limited (India) and expanding business in Vietnam and China.

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 bolstering proposals for projects to boost business efficiency, including receiving orders for projects concerning its introduction for the manufacturing industry and local governments.

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.

In October 2017, on the occasion of the 45th anniversary of the Company's founding, the Company relocated its headquarters to Chuo-ku in Tokyo in order to improve operational efficiency and enhance links between organizations. Positioning this move as its "second founding," the Company will continue to steadily reform work styles, and transform into a value-generating company. Also, the Company will pay a 45th anniversary commemorative dividend of ¥5 to make the total second quarter-end dividend to ¥35. The Company will continue to work on raising its corporate value and focus on shareholders returns, including purchase of treasury shares.

As a result of the above, the Group reported net sales of ¥40,831 million for the six months under review, an increase of 6.9% year on year. The increase in sales mainly reflected the acquisition of new customers in industries such as wholesale and retail, the expansion of existing projects, and the product business of group companies remaining strong.

Gross profit rose by 5.0% year on year to ¥7,845 million. This increase resulted from growth in sales outweighing a one-off increase in costs related to unprofitable projects.

Selling, general and administrative expenses increased by 1.4% year on year to ¥3,990 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 ¥3,854 million, up 8.9% year on year, and ordinary profit was ¥3,845 million, up 6.5% year on year. Profit attributable to owners of parent was ¥2,557 million, up 5.1% year on year, as the increase in operating profit covered the impact from 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	40,831	6.9	27,867	2.9
Operating profit	3,854	8.9	3,414	5.0
Ordinary profit	3,845	6.5	3,679	6.9
Profit attributable to owners of parent	2,557	5.1	–	–
Profit (Non-consolidated)	–	–	2,589	4.8

<Breakdown of net sales>

(Million yen)

	Consolidated	Year-on-year change (%)
Finance and Public Sector	13,584	(4.6)
Corporate, Communications and Solutions	11,123	19.2
Operation BPO	6,026	0.2
Regional, Overseas, Etc.	10,097	17.2
Total	40,831	6.9

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

Finance and Public Sector Segment
Although there was steady progress on development projects for megabanks and insurance companies, there was a decrease in integration projects, etc. As a result, sales in this segment totaled ¥13,584 million, down 4.6% year on year.

Corporate, Communications and Solutions Segment
New customers were acquired in a wide range of industries, including manufacturing, wholesale, retail and information and telecommunications; and existing projects expanded. As a result, sales in this segment totaled ¥11,123 million, up 19.2% year on year.

Operation BPO Segment
System operation and maintenance services were firm in government agencies and industries such as information and telecommunications. As a result, sales in this segment totaled ¥6,026 million, up 0.2% year on year.

Regional, Overseas, Etc. Segment
Product business and regional business remained strong. As a result, sales in this segment totaled ¥10,097 million, up 17.2% year on year.

(2) Information regarding consolidated financial position

Total assets as of September 30, 2017 were ¥56,914 million, a decrease of ¥227 million from the previous fiscal year-end. The main factors for this were increases of ¥965 million in investment securities and ¥619 million in work in process on one hand, and decreases of ¥976 million in notes and accounts receivable - trade and ¥969 million in cash and deposits on the other hand.

Liabilities were ¥12,474 million, a decrease of ¥1,006 million from the previous fiscal year-end. The main factors for this were an increase of ¥162 million in accounts payable - other included in other under current liabilities on one hand, and decreases of ¥893 million in accounts payable - trade and ¥314 million in provision for bonuses on the other hand.

Net assets were ¥44,440 million, an increase of ¥779 million from the previous fiscal year-end. Although there was a decrease of ¥1,569 million in non-controlling interests, this was more than offset by an increase in retained earnings (¥2,557 million from profit attributable to owners of parent outweighed ¥1,033 million used by dividends of surplus), an increase of ¥356 million in valuation difference on available-for-sale securities, and a decrease of ¥417 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 September 30, 2017
Assets		
Current assets		
Cash and deposits	30,629,556	29,660,556
Notes and accounts receivable - trade	14,452,515	13,475,635
Merchandise and finished goods	201,860	221,447
Work in process	625,719	1,245,616
Raw materials and supplies	32,768	24,652
Other	2,048,849	2,082,811
Allowance for doubtful accounts	(7,687)	(6,818)
Total current assets	47,983,582	46,703,900
Non-current assets		
Property, plant and equipment	3,217,390	3,385,535
Intangible assets		
Goodwill	514,237	400,455
Other	455,631	404,959
Total intangible assets	969,869	805,415
Investments and other assets		
Other	5,001,079	6,059,162
Allowance for doubtful accounts	(30,002)	(39,723)
Total investments and other assets	4,971,077	6,019,439
Total non-current assets	9,158,336	10,210,389
Total assets	57,141,918	56,914,290

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	4,908,663	4,015,213
Income taxes payable	1,653,297	1,456,539
Provision for bonuses	3,166,452	2,852,339
Provision for directors’ bonuses	66,480	35,096
Provision for loss on order received	–	13,168
Provision for loss on liquidation of subsidiaries and associates	29,585	23,250
Other	2,971,820	3,197,245
Total current liabilities	12,796,298	11,592,853
Non-current liabilities		
Provision for directors’ retirement benefits	69,279	60,881
Net defined benefit liability	541,588	604,982
Other	73,810	215,539
Total non-current liabilities	684,678	881,403
Total liabilities	13,480,977	12,474,257
Net assets		
Shareholders’ equity		
Capital stock	6,113,000	6,113,000
Capital surplus	6,166,259	6,224,023
Retained earnings	32,483,962	34,008,068
Treasury shares	(3,199,657)	(2,782,564)
Total shareholders’ equity	41,563,564	43,562,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	458,894	815,076
Foreign currency translation adjustment	40,315	32,645
Remeasurements of defined benefit plans	28,875	29,783
Total accumulated other comprehensive income	528,085	877,505
Non-controlling interests	1,569,291	–
Total net assets	43,660,941	44,440,033
Total liabilities and net assets	57,141,918	56,914,290

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

Consolidated statements of income (cumulative)

(Thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	38,206,504	40,831,320
Cost of sales	30,733,868	32,985,967
Gross profit	7,472,635	7,845,352
Selling, general and administrative expenses	3,933,515	3,990,421
Operating profit	3,539,119	3,854,931
Non-operating income		
Interest income	4,679	5,051
Dividend income	23,022	28,246
Foreign exchange gains	31,988	3,093
Other	29,501	30,220
Total non-operating income	89,191	66,612
Non-operating expenses		
Interest expenses	1,253	642
Loss on investments in partnership	7,982	4,041
Commission fee	–	40,423
Cancellation fee	–	27,999
Other	9,225	3,414
Total non-operating expenses	18,461	76,520
Ordinary profit	3,609,849	3,845,022
Extraordinary income		
Gain on sales of investment securities	97	24,860
Gain on transfer of business	161,287	–
Reversal of provision for loss on liquidation of subsidiaries and associates	–	6,334
Total extraordinary income	161,385	31,195
Extraordinary losses		
Loss on sales of non-current assets	32	–
Loss on retirement of non-current assets	685	862
Provision of allowance for doubtful accounts for subsidiaries and associates	–	9,720
Loss on valuation of golf club membership	650	–
Loss on revision of retirement benefit plan	–	22,587
Other	86	1,084
Total extraordinary losses	1,454	34,255
Profit before income taxes	3,769,780	3,841,962
Income taxes	1,232,540	1,267,932
Profit	2,537,239	2,574,030
Profit attributable to non-controlling interests	104,361	16,036
Profit attributable to owners of parent	2,432,877	2,557,993

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	2,537,239	2,574,030
Other comprehensive income		
Valuation difference on available-for-sale securities	67,577	358,186
Foreign currency translation adjustment	(59,543)	(7,670)
Remeasurements of defined benefit plans, net of tax	56,765	908
Total other comprehensive income	64,799	351,424
Comprehensive income	2,602,039	2,925,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,498,256	2,907,413
Comprehensive income attributable to non-controlling interests	103,782	18,040

(3) Consolidated statements of cash flows

(Thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	3,769,780	3,841,962
Depreciation	223,596	197,101
Amortization of goodwill	248,041	113,782
Increase (decrease) in provision for bonuses	(396,132)	(313,937)
Increase (decrease) in provision for directors' bonuses	(34,344)	(31,384)
Increase (decrease) in provision for loss on order received	(19,258)	13,168
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	–	(6,334)
Increase (decrease) in allowance for loss on employees' pension fund withdrawal	(1,231,962)	–
Increase (decrease) in provision for directors' retirement benefits	5,984	(8,398)
Increase (decrease) in net defined benefit liability	20,406	64,559
Loss on sales of non-current assets	32	–
Decrease (increase) in notes and accounts receivable - trade	2,202,907	975,344
Decrease (increase) in inventories	(485,177)	(631,356)
Increase (decrease) in notes and accounts payable - trade	(1,165,460)	(893,162)
Other, net	571,292	(70,885)
Subtotal	3,709,706	3,250,459
Interest and dividend income received	26,688	34,946
Interest expenses paid	(25)	(28)
Income taxes paid	(1,650,811)	(1,486,156)
Net cash provided by (used in) operating activities	2,085,557	1,799,222
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,496)	(168,487)
Proceeds from sales of property, plant and equipment	150	–
Purchase of intangible assets	(109,241)	(50,501)
Purchase of investment securities	(75,697)	(475,000)
Proceeds from sales of investment securities	181	44,404
Payments into time deposits	(320,147)	(120,151)
Proceeds from withdrawal of time deposits	320,137	120,149
Purchase of shares of subsidiaries and associates	–	(18,177)
Proceeds from transfer of business	161,287	–
Other, net	(4,000)	5,164
Net cash provided by (used in) investing activities	(93,826)	(662,599)

(Thousand yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Cash dividends paid	(926,728)	(1,031,530)
Dividends paid to non-controlling interests	(29,060)	(34,354)
Purchase of treasury shares	(550,909)	(604,102)
Purchase of treasury shares of subsidiaries	–	(477,045)
Other, net	–	49,998
Net cash provided by (used in) financing activities	(1,506,697)	(2,097,033)
Effect of exchange rate change on cash and cash equivalents	(23,486)	(8,591)
Net increase (decrease) in cash and cash equivalents	461,546	(969,002)
Cash and cash equivalents at beginning of period	30,120,850	30,459,352
Cash and cash equivalents at end of period	30,582,397	29,490,350

(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 second 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 ended June 30, 2017, 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)

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 of 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) Acquisition cost and breakdown of cost by type of consideration

Consideration for acquisition	Common stock of the Company	¥2,241,748 thousand
Acquisition cost		¥2,241,748 thousand

(2) 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.

(3) 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 six months under review is as follows.

Segment	Production (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	13,584,091	(4.6)
Corporate, Communications and Solutions	11,123,569	19.2
Operation BPO	6,026,216	0.2
Regional, Overseas, Etc.	10,097,442	17.2
Total	40,831,320	6.9

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

(2) Orders

Orders in the six months under review are as follows.

Segment	Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	8,881,621	(26.2)	9,471,594	(9.1)
Corporate, Communications and Solutions	10,311,888	13.8	5,960,355	18.3
Operation BPO	1,522,618	(22.5)	5,291,582	1.4
Regional, Overseas, Etc.	10,377,300	22.0	3,565,513	16.2
Total	31,093,429	(1.5)	24,289,045	2.3

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 six months under review are as follows.

Segment	Sales (Thousand yen)	Year-on-year change (%)
Finance and Public Sector	13,584,091	(4.6)
Corporate, Communications and Solutions	11,123,569	19.2
Operation BPO	6,026,216	0.2
Regional, Overseas, Etc.	10,097,442	17.2
Total	40,831,320	6.9

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