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[Document Submitted]	Annual Securities Report ("Yukashoken Hokokusho")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	August 15, 2024
[Fiscal Year]	52nd Fiscal Year (From April 1, 2023 to March 31, 2024)
[Company Name]	Kabushiki Kaisha DTS
[Company Name (in English)]	DTS CORPORATION
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

I. Overview of Company

1. Key financial data and trends

(1) Consolidated financial data

Fiscal year		48th	49th	50th	51st	52nd
Year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	94,618	90,493	94,452	106,132	115,727
Ordinary profit	(Millions of yen)	10,849	11,131	11,403	11,932	12,831
Profit attributable to owners of parent	(Millions of yen)	7,317	7,593	7,853	8,001	7,293
Comprehensive income	(Millions of yen)	6,851	8,036	7,672	8,365	8,493
Net assets	(Millions of yen)	55,089	59,409	62,133	62,376	63,402
Total assets	(Millions of yen)	70,598	75,172	79,116	80,676	84,882
Net assets per share	(Yen)	1,190.71	1,293.61	1,376.05	1,408.81	1,451.61
Basic earnings per share	(Yen)	158.01	165.49	172.78	181.41	168.51
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	78.0	78.8	78.4	76.1	73.4
Return on equity	(%)	13.8	13.3	13.0	13.0	11.8
Price earnings ratio	(Times)	11.90	15.26	15.50	17.75	23.86
Cash flows from operating activities	(Millions of yen)	7,551	9,366	7,589	7,642	10,410
Cash flows from investing activities	(Millions of yen)	(1,360)	(694)	(139)	(931)	(8,516)
Cash flows from financing activities	(Millions of yen)	(3,047)	(3,848)	(5,025)	(9,095)	(7,817)
Cash and cash equivalents at end of the period	(Millions of yen)	38,276	43,327	45,817	43,364	37,557
Number of employees	(Persons)	5,457	5,792	5,604	5,703	6,157

Notes: 1. Diluted earnings per share is not presented since no potential shares exist.

2. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. Net assets per share and basic earnings per share have been calculated as if the stock split had occurred at the beginning of the 48th fiscal year.

3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 50th fiscal year, and key management indicators for the 50th fiscal year onward are those after applying the accounting standard and relevant revised ASBJ regulations.

Fiscal year		48th	49th	50th	51st	52nd
Fiscal year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	67,700	65,430	67,594	80,744	80,744
Ordinary profit	(Millions of yen)	9,228	9,396	9,702	11,355	11,314
Profit	(Millions of yen)	6,495	6,596	6,594	8,138	6,657
Share capital	(Millions of yen)	6,113	6,113	6,113	6,113	6,113
Number of issued shares	(Shares)	50,444,532	50,444,532	49,072,632	46,854,132	46,854,132
Net assets	(Millions of yen)	52,842	55,966	57,306	57,051	55,570
Total assets	(Millions of yen)	63,231	66,662	68,055	71,148	70,064
Net assets per share	(Yen)	1,142.25	1,221.53	1,271.50	1,329.95	1,295.42
Dividends per share [Interim cash dividends included herein]	(Yen) (Yen)	55 [20]	60 [25]	70 [30]	103 [45]	103 [45]
Basic earnings per share	(Yen)	140.27	143.76	145.07	188.04	153.82
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	83.6	84.0	84.2	80.2	79.3
Return on equity	(%)	12.7	12.1	11.6	14.4	12.0
Price earnings ratio	(Times)	13.40	17.57	18.46	21.38	26.13
Payout ratio	(%)	39.21	41.74	48.25	54.78	66.96
Number of employees	(Persons)	2,967	2,971	2,999	3,111	3,111
Total shareholder return [Comparison index: Dividend-included TOPIX]	(%) (%)	94.6 [90.5]	129.1 [128.6]	140.0 [131.2]	216.5 [196.2]	216.5 [196.2]
Highest stock price	(Yen)	2,649 [4,685]	2,697	2,831	4,155	4,155
Lowest stock price	(Yen)	1,568 [3,835]	1,704	2,346	2,979	2,979

Notes:
1. The dividends per share for the 51st fiscal year include commemorative dividends of ¥50 in celebration of the 50th anniversary of the Company’s establishment (¥20 of which are commemorative dividends included in the interim dividends).
2. Diluted earnings per share is not presented since no potential shares exist.
3. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. Net assets per share and basic earnings per share have been calculated as if the stock split had occurred at the beginning of the 48th fiscal year.
4. The highest and lowest stock prices are those quoted on the Tokyo Stock Exchange Prime Market on or after April 4, 2022, and on the Tokyo Stock Exchange 1st Section before April 4, 2022.
5. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. The highest and lowest stock prices for the 48th fiscal year represent stock prices after the stock split. The figures in the parentheses represent the highest and lowest stock prices before the stock split.
6. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 50th fiscal year, and key management indicators for the 50th fiscal year onward are those after applying the accounting standard and relevant revised ASBJ regulations.

2. History

Month/Year	History
Aug. 1972	Company established, began performing software development and computer management operation management operations on commission
Apr. 1982	Began sale of office automation equipment
Sept. 1984	Completed construction of Head Office Building 1 (head office annex) in Shinbashi 5-chome, Minato-ku and moved to new building
Mar. 1987	Began performing transmission line maintenance and management on commission
Apr. 1990	Opened Kyushu branch office (in Fukuoka City)
Feb. 1991	Registered with the Japan Securities Dealers Association as a storefront sales brand
June 1991	Opened Kansai branch office (in Osaka City)
Aug. 1997	Completed construction of Head Office Building 2 (head office building) in Shinbashi 6-chome, Minato-ku and moved to new building
Sept. 1997	Listed on the 2nd Section of the Tokyo Stock Exchange
Sept. 1999	Listed on the 1st Section of the Tokyo Stock Exchange
Oct. 2000	Established KYUSHU DATA TSUSHIN SYSTEM (currently, KYUSHU DTS CORPORATION)
Apr. 2001	Made DATALINKS CORPORATION a subsidiary through acquisition of its shares
Oct. 2003	Renamed as DTS CORPORATION
June 2004	Completed construction of Head Office New Building in Shinbashi 6-chome, Minato-ku and moved to new building
Oct. 2004	Opened a Chukyo branch office (in Nagoya City)
Nov. 2006	Made JAPAN SYSTEMS ENGINEERING CORPORATION a subsidiary through acquisition of its shares
Feb. 2007	Made SOUGOU SYSTEM SERVICE CORPORATION a wholly owned subsidiary through acquisition of its shares
Apr. 2007	Established MIRUCA CORPORATION
Apr. 2007	DATALINKS CORPORATION listed on Jasdaq Securities Exchange
Oct. 2007	Established DTS (Shanghai) CORPORATION
Oct. 2009	Established DIGITAL TECHNOLOGIES CORPORATION
Oct. 2011	Established DTS palette Inc.
Nov. 2011	Established DTS America Corporation
Apr. 2013	Established DTS IT Solutions (Thailand) Co., Ltd.
Apr. 2014	Established DTS WEST CORPORATION
Apr. 2014	Made ART System Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Apr. 2014	Made YOKOGAWA DIGITAL COMPUTER CORPORATION a subsidiary through acquisition of its shares
Apr. 2014	Established DTS SOFTWARE VIETNAM CO., LTD.
Apr. 2015	DTS WEST CORPORATION merged into SOUGOU SYSTEM SERVICE Corporation
Apr. 2015	Renamed SOUGOU SYSTEM SERVICE Corporation as DTS WEST CORPORATION
Apr. 2015	Transferred part of embedded related businesses to ART System Co., Ltd. through absorption-type split
Apr. 2016	DATALINKS CORPORATION transferred some of its personnel dispatching business
Mar. 2017	Capital alliance with India-based Nelito Systems Limited (currently, Nelito Systems Private Limited)
Apr. 2017	Merged YOKOGAWA DIGITAL COMPUTER CORPORATION and ART System Co., Ltd. to form DTS INSIGHT CORPORATION
Aug. 2017	Made DATALINKS CORPORATION a wholly owned subsidiary through a stock swap
Oct. 2017	Relocated headquarters to Hatchobori 2-chome, Chuo-ku
Oct. 2018	Merged DATALINKS CORPORATION into DTS
Mar. 2019	DTS (Shanghai) CORPORATION concluded a capital increase agreement with Dalian SuperElectronics Co., Ltd.
June 2019	Acquired additional shares of Nelito Systems Limited (currently, Nelito Systems Private Limited), making it a subsidiary
June 2021	Made I Net Rely Corporation a wholly owned subsidiary through acquisition of its shares
Apr. 2022	Transitioned to the Tokyo Stock Exchange Prime Market
June 2022	Transitioned to a company with an Audit and Supervisory Committee
Nov. 2022	Made Partners Information Technology, Inc. a subsidiary through acquisition of its shares

Month/Year	History
May 2023	Made Anshin Project Japan Inc. a wholly owned subsidiary through acquisition of its shares
Jan. 2024	Made avanza Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Mar. 2024	Made Tohoku Systems Support Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Apr. 2024	I Net Rely Corporation merged into DIGITAL TECHNOLOGIES CORPORATION

3. Description of business

The corporate group consists of the Company (DTS CORPORATION), seventeen consolidated subsidiaries, and two non-consolidated subsidiaries, and is primarily engaged in the information service business. Taking into account the industries and regions to which customers belong and the nature of solutions and services provided, the Group classifies its reportable segments into "Operation & Solutions," "Technology & Solutions," and "Platform & Services," 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.

[Operation & Solutions]

Offer the following services by adding digital technology to project management capabilities and industry insights, which are some of our strengths, to generate new added values.

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

[Technology & Solutions]

Offer the following services across industries and regions by specializing in digital technology and solutions, in order to use the latest technologies to meet the diverse needs of customers.

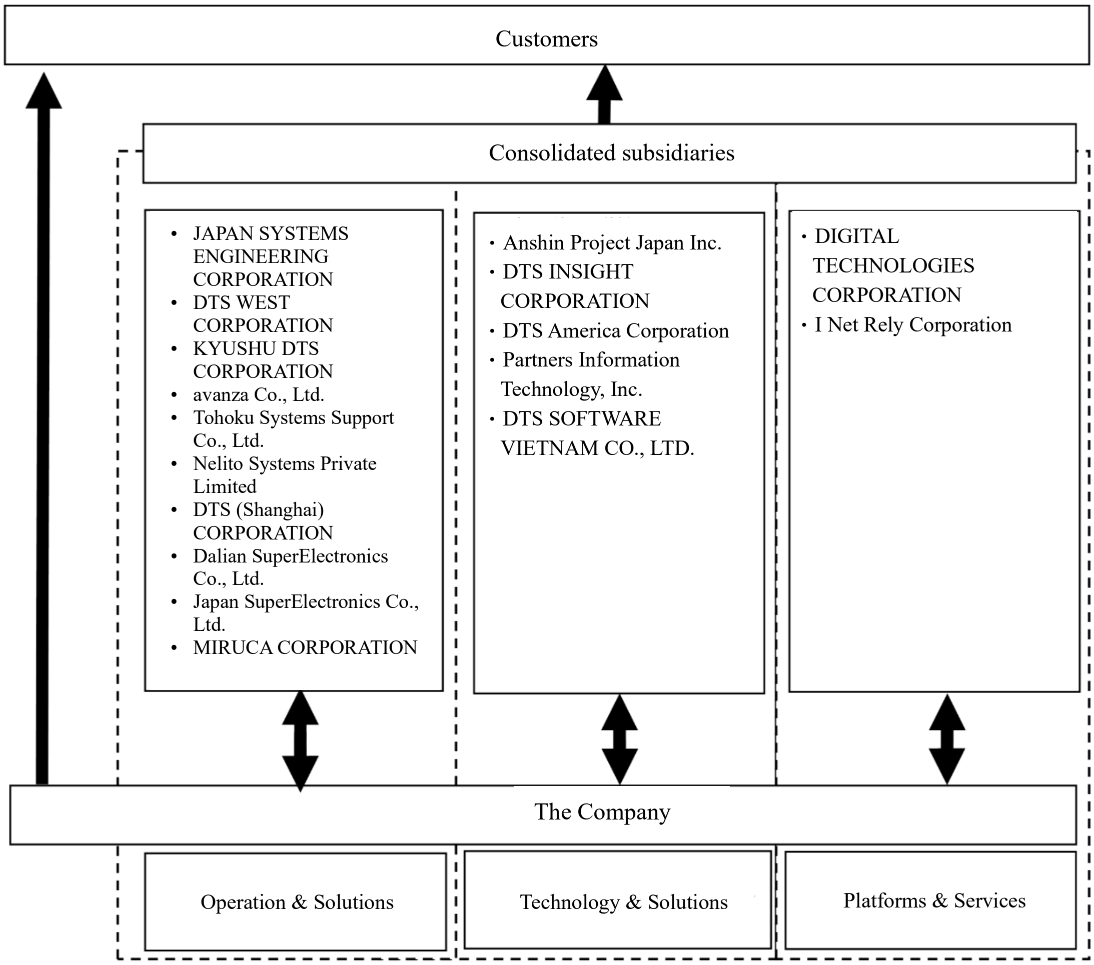
- Consulting in relation to the deployment of systems
- Design, development, operation, maintenance, etc. of systems (including design, construction and embedding of platforms, networks and so on)
- Deployment, operation, maintenance, etc. of (in-house or other companies') solutions

[Platforms & Services]

Offer the following services across industries and regions in order to support IT environments in which customers can feel reassured.

- Introduction of advanced IT equipment and building of IT platforms
- 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 services
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Fee-based businesses, such as subscription and recurring business

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



4. Information on subsidiaries and affiliates

As of March 31, 2024

Name	Address	Share capital (Millions of yen)	Main business lines	Ratio of voting rights held (%)	Relationship with the Company
(Consolidated subsidiaries)					
KYUSHU DTS CORPORATION	Fukuoka City, Fukuoka	100	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
JAPAN SYSTEMS ENGINEERING CORPORATION	Shinjuku-ku, Tokyo	310	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
DTS WEST CORPORATION	Osaka City, Osaka	100	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
MIRUCA CORPORATION	Minato-ku, Tokyo	100	Information Service	100.00	The Company's overall training operations have been outsourced to this company. Number of interlocking officers: 0
DIGITAL TECHNOLOGIES CORPORATION	Arakawa-ku, Tokyo	100	Information Service	100.00	Purchases devices, etc. used in the Company's information service business. Number of interlocking officers: 0
DTS (Shanghai) CORPORATION	Shanghai, China	CNY 14 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
DTS America Corporation	New York, U.S.A.	US $0.2 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
DTS INSIGHT CORPORATION	Shibuya-ku, Tokyo	200	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 2
DTS SOFTWARE VIETNAM CO., LTD.	Hanoi, Vietnam	US $1.2 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing

Name	Address	Share capital (Millions of yen)	Main business lines	Ratio of voting rights held (%)	Relationship with the Company
					agreement. Number of interlocking officers: 1
Nelito Systems Private Limited	Navi Mumbai, India	INR 20.6 million	Information Service	98.80	Some of the Company’s information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
Dalian SuperElectronics Co., Ltd. (Note)	Dalian, China	CNY 10.3 million	Information Service	51.00 [51.00]	Some of the Company’s information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
Japan SuperElectronics Co., Ltd. (Note)	Taito-ku, Tokyo	20	Information Service	51.00 [51.00]	Some of the Company’s information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
I Net Rely Corporation	Chuo-ku, Tokyo	76	Information Service	100.00	Some of the Company’s information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
Partners Information Technology, Inc.	California, U.S.A.	US $0.005 million	Information Service	51.00	Number of interlocking officers: 1
Anshin Project Japan Inc.	Fukuoka City, Fukuoka	88	Information Service	100.00	Some of the Company’s information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
avanza Co., Ltd.	Shibuya-ku, Tokyo	60	Information Service	100.00	Number of interlocking officers: 1
Tohoku Systems Support Co., Ltd.	Sendai City, Miyagi	98.8	Information Service	100.00	Number of interlocking officers: 0

Note: The number within the [ ] of the ratio of voting rights held is the ratio of voting rights which are indirectly held.

5. Employees

(1) Consolidated group companies

As of March 31, 2024

Segment name	Number of employees (Persons)
Operation & Solutions	3,179
Technology & Solutions	1,951
Platforms & Services	1,027
Total	6,157

Note: The number of employees of the consolidated group companies excludes those seconded to companies outside the Group, and includes those seconded to the Group from outside.

(2) The Company

As of March 31, 2024

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
3,111	39.8	15.0	6,125

Segment name	Number of employees (Persons)
Operation & Solutions	1,184
Technology & Solutions	1,078
Platforms & Services	849
Total	3,111

Notes: 1. The number of employees of the Company excludes those seconded to other companies, and includes those seconded to the Company from other companies.
2. Average annual salary includes bonuses and extra wages.

(3) Trade union

There are no particular items concerning labor-management relations to be reported.

(4) Percentage of managers that are women, rate of childcare leave use by male employees, and gender wage disparity

(i) The Company

Current fiscal year				
Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
		All employees	Regular employees	Part-time/fixed term employees
4.1	76.9	78.8	4.1	76.9

Notes: 1. Calculated in accordance with the stipulations of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. The short term and long term childcare leave usage rates as described in Article 71-4, item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

(ii) Major consolidated subsidiaries

Current fiscal year					
Name	Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
			All employees	Regular employees	Part-time/fixed term employees
KYUSHU DTS CORPORATION	0.0	100.0	77.6	81.8	39.6
JAPAN SYSTEMS ENGINEERING CORPORATION	6.5	100.0	84.8	84.3	85.0
DTS WEST CORPORATION	5.0	0.0	79.7	76.7	252.4
DIGITAL TECHNOLOGIES CORPORATION	6.3	—	82.3	75.7	262.6
DTS INSIGHT CORPORATION	1.7	83.3	74.2	73.1	143.0
avanza Co., Ltd.	5.0	66.7	79.8	79.4	—
Tohoku Systems Support Co., Ltd.	27.3	0.0	73.0	78.6	53.9

Notes: 1. Calculated in accordance with the stipulations of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. The short term and long term childcare leave usage rates as described in Article 71-4, item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

II. Overview of Business

1. Management policy, management environment, and issues to be tackled, etc.

   The DTS Group's management policy, management environment, and issues to be tackled, etc. are indicated below. Forward-looking statements in the text are based on the judgment of the DTS Group as of the end of the current fiscal year.

(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- to long-term corporate value. Furthermore, the DTS Group's corporate philosophy is to utilize "potential to bring joy to people and affluence to society" 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) Medium- to long-term management strategies and issues to be addressed

The environment surrounding the Group is expected to change drastically.

The Group has formulated Vision2030, aiming to keep abreast of environmental changes in the IT market, technologies, ESG, etc., build a new growth model by proactively investing in digital, solution and service businesses, human resources who realize these businesses in addition to evolution of existing SI business models, and further increase its corporate value through the dual approaches of creation of social value and economic value.

To achieve these objectives, the Group has set "increase sophistication of the value that we propose," "combination of SI x digital," "advance into new fields as well as globally," "strengthen ESG initiatives," and "reform management foundation" as key challenges, and will work on initiatives.

(3) Response to future issues in light of results of investigation by the Special Investigation Committee

As it was recognized that a certain overseas subsidiary of the Company made inappropriate payments to business partners and that those payments may be a violation of local anti-corruption laws and other relevant laws and regulations, the Company established a Special Investigation Committee on May 24, 2024 and began conducting an investigation.

On August 2, 2024, the Company received the Special Investigation Committee's investigation report, which reported that the overseas subsidiary had made inappropriate payments continuously to persons in key positions at multiple customers of specific businesses over a long period of time for the purpose of receiving project orders and that these payments were being made on an organizational basis with the approval of executive management even prior to the Company's acquisition of the overseas subsidiary. Further, the report pointed out that these inappropriate payments may constitute violations of local anti-corruption laws and other various laws and regulations and breaches of contracts with customers.

The Company recognizes as the causes of the aforementioned inappropriate payments and recording of non-existent payments being made over a long period on an organizational basis problems in compliance awareness among the overseas subsidiary's successive top management executives and the fact that its governance, namely the board of directors to supervise those top management executives and internal auditing, had not been functioning, as well as the lack of a department in charge of compliance and inadequacies in responses to the risk of bribery and education of employees at the overseas subsidiary.

In addition, as causes of the failure of the Company, as the parent company, to detect the aforementioned deficiencies, the Company recognizes that, as the Company had insufficient knowledge and systems for the promotion of global strategies, its assessment of and responses to bribery risk before and after its investment in the overseas subsidiary had been inadequate. Also, despite a part-time director of the overseas subsidiary having obtained information about bribery, that information had not been appropriately communicated to the Company. For these reasons, the Company failed to act to remedy risks in a timely manner.

Further, as a cause of the delay in the submission of the Annual Securities Report for the fiscal year ended March 31, 2024, the Company recognizes that, although the part-time director of the overseas subsidiary had obtained information at the early stage of the investigation into this matter of the possibility that the inappropriate payments may be a violation of anti-corruption law and other laws and regulations, the part-time director did not convey that information to the Company in a timely manner due to a low sensitivity to bribery risk.

The Company recognizes the importance of internal control related to financial reporting and of correcting material deficiencies that should be disclosed, and taking the Special Investigation Committee's comments and recommendations into consideration, it will implement the following improvement measures and strive to establish and carry out appropriate internal control.

(Recurrence prevention measures at the Company)

(1) Clarification of global strategy

(2) Strengthening of responses to global compliance risks

i. Raise sensitivity to bribery risks

ii. Evaluate and redefine overseas Group administration operations

iii. Strengthen the administration system

(3) Review of Audit Office's systems and audit items, etc.

i. Strengthen audit systems

ii. Use external auditing organizations for auditing in overseas Group

(4) Multifaceted deliberation and improvement of information sharing in emergency responses

i. Strengthen emergency contact systems

ii. Strengthen and thoroughly implement compliance education

(Recurrence prevention measures at the overseas subsidiary)

(1) Strengthening of governance systems

i. Overhaul executive management setup

ii. Rebuild the auditing committee structure

iii. Review the scope of audit by the audit Committee

iv. Improve monitoring by internal audits

(2) Strengthening of compliance systems

i. Communicate message from top management that compliance is a top priority

ii. Build compliance systems

iii. Review internal rules and conduct education and training

(3) Improvement of global hotline

(4) Improvement of the procurement process and other internal controls

(4) Targeted management indicators

In the Medium-Term Management Plan (April 2022 to March 2025), which is the 1st Stage in Vision2030, the Group set key challenges in terms of both businesses and management foundation, and defines as follows to achieve them.

<Financial goals for the fiscal year ending March 31, 2025>

Operating revenue	Consolidated net sales	¥110.0 billion or more
	EBITDA (*1)	¥13.0 billion or more
	EBITDA margin	Around 12%
Investment	Investment limitation (cumulative total for three years)	¥25.0 billion
Management efficiency	ROE	13% or higher
Shareholder returns	Payout ratio	50% or more
	Total return ratio	70% or more

(*1) Operating profit of ¥12.0 billion or more (reference value)

<Non-financial goals for the fiscal year ending March 31, 2025>

Focus areas	Net sales of focus businesses (*2)	40% or more
ESG	Reduction of CO_2 emissions (relative to FY2013)	50% or more
	SDGs-related net sales (*3)	40% or more
	Ratio of female managers	6% or more
	Ratio of female Directors	10% or more
	Independent Outside Directors	Majority

(*2) Business fields on which the Group will focus, composed of three growth engines: Digital Biz, Solution Biz and Service Biz.

(*3) Net sales of projects adapted to SDGs goals (17 items)

2. Sustainability philosophy and initiatives

The Group's sustainability philosophy and initiatives are as indicated below.

Forward-looking statements in the text are based on the judgment of the DTS Group as of the end of the current fiscal year.

(1) Overall sustainability governance and risk management

As the environment surrounding companies is changing drastically, based on the recognition that it is an important business challenge to balance realization of a sustainable society and sustainable corporate growth, the Group has set up the Sustainability Committee to further strengthen its environmental and social initiatives. The Sustainability Committee is chaired by the Representative Director and President under the supervision of the Board of Directors, and its members mainly comprise Directors and Executive Officers. The Sustainability Committee formulates policies, targets, and action plans for initiatives that address social issues, such as environmental and personnel initiatives. It manages and evaluates efforts to achieve these targets, deliberates regarding individual measures, and regularly reports to and advises the Board of Directors.

In addition, with respect to risks with the potential to affect the Group's operating results and financial position, it has created a Risk Management Committee that defines risk items, appropriately manages the preparation of a system for mitigating those risks, and appropriately manages risk countermeasures, etc. The Risk Management Committee assesses risks and identifies problems, performs monitoring to check if any incidents become manifest, and regularly reports to the Board of Directors.

(2) Important sustainability items

Through the above governance and risk management, the Group has recognized the following important sustainability items.

- Climate change
- Human capital

The Group's sustainability philosophy and initiatives with respect to each of these items are as indicated below.

(i) Climate change

- Governance

The Company's Board of Directors oversees the setting and implementation of targets and plans related to climate change risks and opportunities, and it monitors the progress of our environmental impact reduction targets in each quarter.

In addition, the Sustainability Committee, chaired by the Representative Director and President and composed mainly of Directors and Executive Officers, regularly assesses risks and identifies problems, and discusses major strategies related to climate change, including a roadmap for achieving carbon neutrality and a plan for promoting decarbonization management, with progress reports submitted to the Board of Directors as appropriate.

- Strategies

We analyze actual and latent effects that climate-related risks and opportunities have on the Group's business, strategies, and financial plans and then disclose the severity of and time frames affected by financial effects.

In addition, with an eye to the highly uncertain future that is accompanying the shift to a low-carbon society, we have conducted the scenario analyses recommended by the TCFD for the 1.5°C and 4°C rises in global temperature in order to determine the kind of business issues that might emerge. We realized that, whether in the sustainable 1.5°C world enabled by decarbonization or the 4°C world where greater economic development is expected enabled by reliance on fossil fuels, there will be customer needs in a wide range of industries for new AI technologies, IoT, and DX action that uses the Company's information technologies and that there will be opportunities for business expansion related to climate change. In other words, in the 1.5°C world, we realized from quantitative analysis results that we will steadily expand sales in maintenance and operation services, which are the Company's core businesses, and thereby can reaffirm that achieving the goal of "net zero CO2 emissions in 2030" would be very significant for the Company. Accordingly, this enhanced our recognition that climate-related problems and the transition to a low-carbon society are strongly connected to the Company's development.

- Risk management

In the Company's Risk Management Regulations that define our risk management framework, climate-related risks are categorized as sustainability risks and are appropriately managed as one of the business-related risks by the Risk Management Committee.

The Sustainability Committee identifies climate-related risks and opportunities and evaluates them using three metrics: probability and, if they become prominent, quantitative impact and qualitative impact. Regarding climate-related risks and opportunities that have a significant impact on the Group's strategies, the Committee regularly monitors them.

- Indicators and goals

The Group establishes goals to reduce long-term greenhouse gas emissions to achieve the goal of a less than 1.5°C rise in average global temperatures. Regarding Scope 1, 2, and 3 emission reduction goals, we obtained certification by the Science Based Targets (SBT) in February 2024. Under the long-term Vision2030, the Group aims to achieve net zero CO2 emissions in 2030 for Scopes 1 and 2 and has set ambitious goals for Scope 3, aiming to realize carbon neutrality.

(ii) Human capital

- Human resources strategy

The Group recognizes that securing and training personnel with strong technical capabilities and specializations is an indispensable factor for sustainable growth and has established the following basic policies.

Basic policies

We establish and operate various human resource systems based on the policy of "establishing ranks in line with the scale of the roles required of each person, providing appropriate compensation in line with roles and accomplishments, and realizing a transformation of organizations and people." In addition, we have upgraded to an open and fair evaluation system and provide diverse learning opportunities.

- Ranking system: The rankings clarify the targets being striven for
- Evaluation system: There are clear and fair evaluations for actions and results based on roles
- Remuneration system: Salary and bonuses are awarded for actions and results in accordance with roles

- Promotion of women's participation and advancement

In October 2019, the Company and the DTS Group acquired second-stage Eruboshi certification, which is promoted by the Ministry of Health, Labour and Welfare, in recognition of its excellent track record related to the advancement of women. Of the five evaluation items of the Eruboshi certification, we were evaluated on the following four: 1) Hiring, 2) Continuous employment, 3) Working hours and other work-styles, and 5) Diverse career course.

In the medium-term management plan, we set targets to be achieved in the fiscal year ending March 31, 2025 (FY2024) for the ratio of female Directors and managers. In action plans based on the Act on Promotion of Women's Participation and Advancement, we set milestones for improving the overall ratio of female employees and have been promoting the advancement of women in management, working to develop the skills of female manager candidates and incumbent managers. Furthermore, the ratio of female Directors reached 18.2% as of March 31, 2024, surpassing our FY2024 target of 10.0% or higher. The ratio of female managers as of March 31, 2024 was 4.1% compared with our FY2024 target of 6.0% or higher.

- Support for childbirth, child-raising, nursing care, etc.

In recognition of its exceptional efforts to balance childcare and work, such as its improvements in childcare-related systems to make them easier to use and its support for rapidly returning to work and career development while providing childcare, the Company acquired Kurumin Certification, which is promoted by the Ministry of Health, Labour and Welfare, in November 2022.

In the fiscal year ended March 31, 2024, we have supported the balance between childcare and work to eliminate gender inequality in childcare leave usage rates, such as by implementing initiatives to promote the use of childcare leave by male employees and sharing examples of male employees taking childcare leave, including testimonials not only from the employees who took leave but also from their supervisors. We have also conducted diversity and inclusion (D&I) training for all employees, and we are fostering an environment where employees gain a deeper understanding of the Company's D&I initiatives and the D&I awareness and behavior expected of our employees, both those directly involved in issues and those around them, while mutually respecting, supporting, and inspiring each other.

- Promotion of health management

"Respect for human rights and creation of workplaces with fulfillment through work" is one of the phrases in the Code of Conduct. Based on this, the DTS Group aims for individuals and the Company to continue growing by enabling all employees to maintain mental and physical health, work with motivation, and leverage their capabilities.

The Company publicly announced its "Health Company Declaration" in November 2018 and launched initiatives to encourage health promotion activities. As a result, we received certification as Company of Health Excellence Certification/Gold Certification in September 2020, and have maintained it for four consecutive years since then. In addition, in March 2024, we were selected as the"2024 Health & Productivity Stocks" for the second time and acquired certification as "Health & Productivity Management Outstanding Organization (White 500) 2024" for the third consecutive year.

- Creation of a diverse workforce taking on the challenges

To evolve our existing SI business model into a total SI one and expand our business area by creating new solutions and services, we will need personnel who can take bold risks and take on new challenges. Creating a culture in which personnel always embrace change will be a key challenge. We have upgraded the work environment to one that enables active personnel to take on challenges related to solutions and new technologies aimed at future growth with no fear of failure. Our evaluation system emphasizes taking on challenges, such as the degree of difficulty of work and newness.

- Employee engagement

We conduct employee engagement surveys to motivate employees and make our organization even stronger. The results of the surveys are utilized as important management data for promoting management strategies and human resources strategy. The results are also shared with employees via an internal intranet to promote improvement activities based on the challenges faced by each organization. To foster a greater sense of unity within the company, along with a sense of company ownership among employees, we have introduced a system for granting restricted shares to employees, and we are working to further improve employee engagement.

3. 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, 2024.

(1) Changes of business environment

In the information services industry, the Group expects strong IT investment from all industries due to the expansion of digital business, etc. However, if there arises a change in the trends of IT investment from customers caused by the changes of social and economic conditions, then it may affect the results of the Group.

(2) 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.

In particular, the Company expects more intense competition with regard to prices as a result of new entrants from other industries, entry into Japan by overseas companies and the expanded selection of software packages.

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.

(3) Business overseas

As a part of the Group's overseas business strategy, the Group will promote expansion of overseas businesses, such as by expanding overseas dealings and promoting establishment and capital tie-ups of overseas subsidiaries, and will also strengthen governance.

In our overseas operations, the results of the DTS Group may be affected by various litigation risks and liability for damages. 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 establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management.

(4) Business models and technological innovation

The environment surrounding the Group is expected to change drastically. If the adaptation of the Group to any rapid change of customer needs, or to technological innovation is behind schedule, then it may affect the results of the Group.

(5) M&A investments

The Group invests in domestic and international companies that enable us to complement our business strategy by acquiring new technologies, solutions, and development resources, as well as by expanding into new business areas. These investments are made when there is an expectation of creating synergies and generating future returns. In such investments, if we allocate an unrecoverable amount of capital, if unforeseen problems arise after the investment, or if proper control is not maintained, making smooth business operations difficult, this may affect the results of the Group.

(6) Legal regulation

The Group promotes businesses with the highest priority on compliance with laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act and the Personal Information Protection Act. However, if a serious compliance violation or an event that conflicts with laws and regulations occurs, then that may deteriorate the social credibility of the Group and affect the results of the Group.

(7) Litigation, etc.

The Group is not currently subject to any lawsuits that could affect its financial position or operating results, etc. However, the Group could become the subject of litigation including claims for compensation for damages with regard to faults, defects, or delivery delays in the services provided by the Group, infringement of the rights of third parties, customer information leaks including personal information, defamation, inappropriate personnel and labor management, or other matters. Depending on the details and results of such litigation, etc., they could affect the results of the Group.

(8) Intellectual property right, etc.

The Group, in its business activities, always makes sure not to infringe on any intellectual property rights owned by third parties, including patent rights, trademarks, and copyrights. However, there is a possibility that the Group's business may receive a claim for infringement on the intellectual property right of another company, and there is a possibility that a third party may infringe on the intellectual property right of the Group, if either case arose, that may affect the business, the results, etc. of the Group.

(9) Human resources, etc.

One of essential factors for sustainable growth of the Group is the securing and development of employees having high technical skills and expertise. However, if the securing of employees is not as successful as expected, or if an exodus of employees or the decrease of productivity caused by the deterioration of working environments occurs, then it may affect the results or the business development of the Group.

(10) 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. The results of the DTS Group may be affected if projects with a negative impact on profitability occur due to unforeseen circumstances.

(11) 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. However, 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.

(12) Business continuity

Many bases including the corporate headquarters are concentrated in greater metropolitan areas, and therefore, if an unexpected event occurs, then it may affect the results of the Group because of service provision delayed by restoration.

4. Management's analysis of financial position, operating results and cash flows

(1) Overview of the operating results, etc.

The following is a summary of the financial position, operating results, and cash flows (hereinafter "operating results, etc.") of the Company and its consolidated subsidiaries for the current fiscal year.

(i) Financial position and operating results

Forward-looking statements in the text are based on the judgment of the DTS Group as of the end of the current fiscal year.

In the fiscal year under review, the Japanese economy gradually recovered. However, looking ahead, there is a risk that a downturn in overseas economic conditions, due to worldwide monetary tightening and concerns about the future of the Chinese economy, could dampen business sentiment in Japan. Recently, there have also been signs of stagnation. Furthermore, we must be fully aware of the impacts of rising prices, the situation surrounding the Middle East, and fluctuations in the financial and capital markets.

Amid these conditions, the Group has formulated "Vision2030" as its management vision heading toward 2030.

The DTS Group aims to keep abreast of environmental changes in the IT market, technologies, ESG, etc., build a new growth model by proactively investing in digital, solution and service businesses, as well as human resources to realize these businesses, in addition to evolution of existing SI business models, and further increase its corporate value through the dual approaches of creation of social value and economic value.

To achieve these objectives, the Group has set "increase sophistication of the value that we propose," "combination of SI x digital," "advance into new fields as well as globally," "strengthen ESG initiatives," and "reform management foundation" as key challenges, and has been working on initiatives.

Net sales for the fiscal year under review were ¥115,727 million (+9.0% year on year), the operating profit was ¥12,508 million (+7.0% year on year), which showed growth for the 14th consecutive year and is a record high for the tenth consecutive year, and EBITDA was ¥13,587 million (+9.3% year on year), achieving the targets of our medium-term management plan one year ahead of schedule.

■ "Increase sophistication of the value that we propose" and "combination of SI x digital"

We are enhancing our initiatives in "focus businesses" (Note 1) as the Group's target areas to achieve rapid growth. In our medium-term management plan, we are promoting our target of net sales of focus businesses making up 40% of total net sales by the fiscal year ending March 31, 2025. In the fiscal year under review, net sales of focus businesses made up 48.0% of total net sales, showing steady progress toward our goal.

In May 2023, we acquired all shares of Anshin Project Japan Inc. We are committed to enhancing our proposal value in the housing solution business by combining our development know-how in the "Walk in home" housing space proposal system that uses 3D CAD developed by the Company, with the sales know-how, sales base, and operations and maintenance know-how accumulated by Anshin Project Japan Inc. over many years of selling "Walk in home."

(Note 1) Focus businesses

Business fields on which the Group will focus, composed of three growth engines: Digital Biz, Solution Biz and Service Biz.

■ “Strengthen ESG initiatives”

We issued stock in August 2023 based on the newly established system for granting restricted shares to employees. The plan helps employees build their wealth in addition to providing incentive to employees of the Company to sustainably increase the corporate value of the Company and promote further sharing among employees of value with the Company’s shareholders.

We actively promote social contribution activities, believing it important that individual employees increase their awareness of social contribution and put it into action.

The Group has conducted volunteer activities supporting the recovery from the Great East Japan Earthquake at the vineyards of Tomioka Wine Domaine which aims to develop a new community with wine at its core. During the fiscal year under review, approximately 50 Group employees participated in the project, helping to maintain covers to protect wine grape seedlings and weeding, etc.

In June 2023, MIRUCA CORPORATION, education and training services provider in the IT field, became the first Group company to appoint a woman to serve as Representative Director and President.

In August 2023, we were selected for the second consecutive year as a constituent brand for the JPX-Nikkei Index 400 (Note 1) for fiscal 2023 (August 31, 2023 to August 29, 2024).

Furthermore, in recognition of success in our health management initiatives, we were named as one of the 2024 Health & Productivity Stocks by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange, while we also received certification from the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi as “Health & Productivity Management Outstanding Organization (White 500)” for the third consecutive year. Moreover, we received certification as “Company of Health Excellence Certification/Gold Certification” for the fourth consecutive year.

In our ESG efforts related to corporate governance, we strengthened our governance system through measures such as disclosure of metrics for officers’ remuneration.

In our environmental efforts, we earned a Leadership-level score of “A-” in the assessment of climate change 2023 reporting by CDP, an international non-profit organization that operates an environmental disclosure platform.

In recognition of the efforts described above, we received an “A” in the MSCI ESG Rating. The rating is conducted by the US-based Morgan Stanley Capital International Inc. (MSCI Inc.) to evaluate companies around the world in terms of ESG efforts and disclosure.

(Note 1) JPX-Nikkei Index 400

A stock index comprised of “companies that have high investment appeal for investors” and satisfy the requirements of global investment standards, such as efficient use of capital and initiatives to strengthen corporate governance.

■ “Reform management foundation”

As we entered the second year of Vision2030 and the medium-term management plan, in order to steadily implement growth strategies for each business segment, the Company transitioned to a segment-centric business management system. Specifically, from the standpoint of clarifying the mission, increasing agility, flexibly allocating resources, enhancing collaboration within the group, etc., the Company established a control organization that oversees the unit that each segment belongs to, as well as a promotion department that is in charge of formulating and implementing medium- to long-term plans.

Furthermore, aiming to further strengthen and expand the system infrastructure-related business, effectively utilize management resources, and increase the efficiency of business operations, DIGITAL TECHNOLOGIES CORPORATION and I Net Rely Corporation, wholly-owned subsidiaries of the Company, merged on April 1, 2024.

We also acquired all shares of avanza Co., Ltd. and of Tohoku Systems Support Co., Ltd. to make them subsidiaries, with the aim of strengthening our systems development framework in Japan, improving our response capabilities in customers’ digital areas, and gaining new customers.

■ “Shareholder returns”

Based on a comprehensive consideration of opportunities for growth investment and capital conditions, to improve capital efficiency and to further improve returns for our shareholders, we acquired approximately 1.6 billion treasury shares from May to October 2023 and cancelled them in November 2023. Furthermore, we acquired approximately 1.0 billion treasury shares from February to March 2024 and cancelled them in March 2024.

As a result of the above, the Group reported net sales of ¥115,727 million for the fiscal year under review (+9.0% year on year).

Gross profit was ¥24,876 million (+19.7% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥12,367 million (+36.0% year on year). With the increase in gross profit, operating profit came to ¥12,508 million (+7.0% year on year), and ordinary profit came to ¥12,831 million (+7.5% year on year). Profit attributable to owners of parent was ¥7,293 million (-8.8% year on year), mainly due to the increase in impairment losses.

(Millions of yen)

	Consolidated	
		Year-on-year change
Net sales	115,727	9.0%
Operating profit	12,508	7.0%
Ordinary profit	12,831	7.5%
Profit attributable to owners of parent	7,293	(8.8)%

<Breakdown of net sales>

(Millions of yen)

	Consolidated	
		Year-on-year change
Operation & Solutions	43,663	7.5%
Technology & Solutions	42,214	22.7%
Platforms & Services	29,849	(4.0)%
Total	115,727	9.0%

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

Operation & Solutions Segment

Net sales came to ¥43,663 million (+7.5% year on year), due to steady growth in system development for the banking industry and the government sector.

In initiatives for our “focus businesses,” we are striving to “strengthen application development capability based on cloud architecture,” “strengthen capabilities for agile/low code development,” and “expand and further create industry-specific solution services,” among others.

We began offering AMLion anti-money laundering measure system complaint with the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in Credit Card Companies” by the METI to the credit card industry. We have been providing our AMLion anti-money laundering measure system compliant with international standards, as an industry-specific solution and service, to securities firms and others.

Moreover, we have started providing Solutions related to the Criminal Accounts Damage Recovery Act, developed by leveraging our prior experience in bank systems development and our successful record in the field of combatting financial crimes.

We have furthermore entered into a strategic partnership with Mastercard to deliver cybersecurity solutions that enhance digital fraud detection capabilities. In December 2023, we began offering RiskRecon, an assessment solution for cybersecurity risks for companies that have websites and social media, etc., under our strategic partnership.

Going forward, we will contribute to increasing the level and efficiency of financial crime prevention operations.

Moreover, at DTS WEST CORPORATION, the “kotosora” (Note 2), AI-based FAQ solution, was adopted for the business for providing AI chatbot services in the LGWAN (Note 1) environments by Japan Agency for Local Authority Information Systems (J-LIS).

(Note 1) LGWAN

LGWAN stands for Local Government Wide Area Network. It refers to a communications network exclusively for government use connecting the intranets of local public entities while maintaining high levels of security.

(Note 2) kotosora

The kotosora service operates within a web browser and employs artificial intelligence (AI) to enable natural language processing, thereby providing responses to frequently asked questions (FAQs) in the form of chat-based dialogue.

Technology & Solutions Segment

Net sales came to ¥42,214 million (+22.7% year on year), due to strong progress in packaged solutions such as production management systems and new consolidation.

In our initiatives for focus businesses, we are striving to enhance our cloud business technologies and reform our business models, enhance functions for the expansion of package sales and strengthen ERP business expansion, and establish the technologies for edge AI and cyber security, among others.

We have positioned ServiceNow® as one of our key areas of focus in seeking to extend our business domain by creating new solutions and services that prompt evolution from existing SI business models centered on applications development. We will accordingly establish employee training programs for enabling development in the short-term of digital professionals and value-generating talent sought after by the market.

In November 2023, in the business of “HOUSING CORE,” a core system for the housing construction industry which enables centralized management and improved efficiency of a variety of systems for housing construction operations, we have launched “HOUSING CORE Ver.3” with expansion of the mobile app for construction management and builder support functions, etc.

We have also launched “Walk in home 2023,” with enhanced design functions, including the automatic generation of building envelope calculations (Note 1), etc., and improved estimate accuracy.

Furthermore, Anshin Project Japan Inc., a company of the Group, has begun offering “My Room tour,” an app that allows prospective home buyers to check how well the room layout flows beforehand in a virtual game-like experience.

In addition, we began utilizing the automatic analysis functions of the AI installed in “Geminiot,” a business intelligence solution, and “Pasteriot.mi,” a manufacturing industry data utilization solution, to support IBM i (Note 2). “Autonomous improvement” of operations is enabled by automatic detection of operational problems from “IBM i” data and feedback on these problems.

Moreover, we received SAP® Human Experience Management Award of SAP AWARD OF

EXCELLENCE 2024 from SAP Japan Co., Ltd. in the field of human resource management solutions. We are rated highly for our system introduction that meets various customer demands by leveraging the know-how that we have cultivated through a large number of system introduction projects.

(Note 1) Building envelope calculations

Calculations to build a house with higher thermal insulation properties and stable indoor conditions by calculating the heat loss from the components that separate the indoors from the outdoors, such as the building's exterior walls, windows, floors, roof, and ceilings.

(Note 2) IBM i

An operating system for platforms, used in the core systems of many companies.

Platforms & Services Segment

Despite the expansion of operational and infrastructure construction projects, net sales came to ¥29,849 million (-4.0% year on year) due to the reversal of a temporary increase in hardware sales in the previous fiscal year.

In our initiatives for focus businesses, we are striving to expand operational service menu centered on ReSM/ReSM plus, enhance and promote the sales of Hybrid Cloud, Data Management, etc., and promote network integration business, among others.

In April 2023, "DTS eKYC Service" that combines the Company's Business Process Outsourcing (BPO) services with an identity verification system that can be completed online (electronic Know Your Customer: eKYC (Note 1)) became available.

In addition, in order to support the efficiency and sophistication of enterprise IT service management, we have started offering consulting and utilization support services for the introduction of the Atlassian products, centered on Jira Service Management provided by Atlassian Pty Ltd, utilizing our extensive know-how in system operation.

In October 2023, we introduced Jira Service Management and other Atlassian products to Cloud Ace Co., Ltd., a system integrator specializing in Google Cloud, thereby constructing an IT service management system at the company.

(Note 1) eKYC

A service that allows customers to complete identity verification required when opening an account or starting to use a service online. By using AI (e.g., facial recognition), the eKYC system eliminates time and effort including document exchange, and achieves identity verification in a short period of time. Furthermore, by transforming the process of identification verification required online, this also achieves simplification of administrative processes on the company's side.

Total assets as of March 31, 2024 were ¥84,882 million. Despite a ¥4,692 million decrease in cash and deposits, total assets increased by ¥4,205 million compared to the end of the previous fiscal year, due mainly to a ¥4,262 million increase in goodwill, a ¥1,311 million increase in notes and accounts receivable - trade, and contract assets, a ¥1,280 million increase in investment securities, a ¥423 million increase in long-term prepaid expenses, an account included in other under investments and other assets, a ¥402 million increase in buildings and structures, net, and a ¥349 million increase in leasehold and guarantee deposits, another account included in other under investments and other assets.

Liabilities were ¥21,479 million. Liabilities increased by ¥3,180 million compared to the end of the previous fiscal year due mainly to a ¥691 million increase in provision for bonuses, a ¥682 million increase in accounts payable - other, a ¥439 million increase in deposits received included in other under current liabilities, a ¥351 million increase in income taxes payable, a ¥301 million increase in long-term accounts payable - other included in other under non-current liabilities, and a ¥299 million increase in long-term borrowings included in other under non-current liabilities.

Net assets were ¥63,402 million. Despite the payment of dividends of surplus of ¥5,000 million and the purchase of treasury shares of ¥2,600 million, net assets increased by ¥1,025 million compared to the end of the previous fiscal year due mainly to a ¥7,293 million increase in profit attributable to owners of parent, a ¥637 million increase in valuation difference on available-for-sale securities, a ¥228 million increase in remeasurements of defined benefit plans, a ¥175 million increase in non-controlling interests, and a ¥158 million increase in foreign currency translation adjustment. Due to cancellation of treasury shares, treasury shares and retained earnings decreased by ¥1,533 million and ¥1,474 million, respectively.

(ii) Cash flows

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2024 were ¥37,557 million, a decrease of ¥5,806 million from ¥43,364 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 ¥10,410 million. There was an increase in cash provided of ¥2,767 million compared with the previous fiscal year. This mainly reflected a ¥2,648 million increase in revenue due to a decrease in accounts receivable - trade, and contract assets.

Net cash used in investing activities was ¥8,516 million. There was an increase in cash used of ¥7,585 million compared with the previous fiscal year. This mainly reflected factors such as a ¥4,949 million increase in purchase of shares of subsidiaries resulting in change in scope of consolidation, a ¥1,067 million increase in payments into time deposits, and a ¥500 million decrease in proceeds from redemption of securities.

Net cash used in financing activities was ¥7,817 million. There was a decrease in cash used of ¥1,278 million compared with the previous fiscal year. This mainly reflected factors such as a ¥2,401 million decrease in purchase of treasury shares and a ¥1,021 million increase of dividends paid.

(iii) Results of production, orders and sales

DTS America Corporation and DTS SOFTWARE VIETNAM CO., LTD., which were previously classified in “Operation & Solutions,” have been reclassified into “Technology & Solutions” from the fiscal year under review. For the year-on-year percentage change below, we use figures from the same period of the previous fiscal year prepared based on the classification method following the change.

a. Production

Production in the fiscal year under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	43,663	7.5
Technology & Solutions	42,214	22.7
Platforms & Services	29,849	(4.0)
Total	115,727	9.0

Note: Inter-segment transactions have been eliminated.

b. Orders

Orders in the fiscal year under review are as follows.

Segment	Order volume (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Operation & Solutions	45,040	9.1	12,432	14.0
Technology & Solutions	40,788	15.9	10,445	(14.4)
Platforms & Services	28,642	(13.9)	9,038	(18.7)
Total	114,471	4.3	31,916	(6.8)

Note: Inter-segment transactions have been eliminated.

c. Sales

Sales in the fiscal year under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	43,663	7.5
Technology & Solutions	42,214	22.7
Platforms & Services	29,849	(4.0)
Total	115,727	9.0

Notes: 1. Inter-segment transactions have been eliminated.

2. Sales results by major customer and the ratio of such sales results to total sales results for the two most recent fiscal years are as follows. Sales results by major customer and the ratio of such sales results to total sales results for the fiscal year under review is omitted because the ratio is less than 10 percent.

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
NTT DATA Corporation	11,092	10.5	—	—

(2) Analysis and discussions of the Group's operating results, etc. from the viewpoint of management

The following is a description of the recognition, analysis, and discussion of the operating results, etc. of the Company and its consolidated subsidiaries from the management's viewpoint.

Forward-looking statements in the text are based on the judgment of the DTS Group as of the end of the current fiscal year.

(i) Recognition of operating results, etc. for the current fiscal year and contents of analysis and deliberations

Net sales for the fiscal year under review were ¥115,727 million (+9.0% year on year), the operating profit was ¥12,508 million (+7.0% year on year), which showed growth for the 14th consecutive year and is a record high for the tenth consecutive year, and EBITDA was ¥13,587 million (+9.3% year on year).

(ii) Risk mitigation measures related to factors that may have a significant impact on operating results

a. Changes of business environment

Since the Group has been providing IT services according to the needs of customers in a wide range of industries and types of business on the basis of quality that relies on business expertise and information technology, its businesses employ a structure that is unlikely to be affected by trends of investment in specific industries. We will continue to keep a close eye on changes in the business environment.

b. Price competition

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 and train DX employees, as well as providing high-value added services that use new technology.

c. Business overseas

The 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 establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices and contracts. The Group is aware of such risks and is strengthening risk management by putting a business division in charge of handling risks.

d. Business models and technological innovation

The Group has formulated Vision2030, aiming to keep abreast of environmental changes in the IT market, technologies, ESG, etc., build a new growth model by proactively investing in digital, solution and service businesses, human resources who realize these businesses in addition to evolution of existing SI business models, and further increase its corporate value through the dual approaches of creation of social value and economic value.

To achieve these objectives, the Group has set "increase sophistication of the value that we propose," "combination of SI x digital," "advance into new fields as well as globally," "strengthen ESG initiatives," and "reform management foundation" as key challenges, and will work on initiatives.

e. M&A investments

M&A investments are determined by evaluation criteria such as an assessment of returns on investment, and the results of third-party valuations using the DCF method and the comparable multiple valuation method.

Additionally, we require due diligence by outside experts such as financial advisors, certified public accountants, and attorneys. Each risk identified is deliberated at the Management Council, taking into account ways to counteract such risks, etc., before investments are ultimately resolved and approved by the Board of Directors. Furthermore, we strive to reduce risks by preparing a post-merger integration (PMI) plan and working on integration processes from an early stage to maximize M&A benefits.

f. Legal regulation

Not only has the Group created the Group's compliance basic principles, code of conduct, etc., but also it has been providing compliance training and awareness programs to the Group corporate officers and employees as well as partner company employees, and it is continuing to comply with laws and regulations.

g. Litigation, etc.

The Group recognizes the strengthening and enhancement of corporate governance as an important management priority. It has established essential systems for compliance, information security, and quality management, etc. The Group is not currently subject to any lawsuits that could affect its financial position or operating results, etc.

h. Intellectual property right, etc.

The Group, in its business activities, always makes sure not to infringe on any intellectual property rights owned by third parties, including patent rights, trademarks, and copyrights. It has also tried to improve employees' awareness regarding intellectual property rights through training, etc. The Group files applications for patents and trademarks to be registered for the technologies and business models that it needs.

i. Human resources, etc.

Respecting diversity, the Group will establish an environment to promote active involvement of such human resources, and encourage regular implementation of employee engagement survey as well as analysis and responses to the survey.

In addition, regarding securing of employees, the Group hires new graduates from a medium- to long-term perspective and career employees with excellent expertise, and also focuses on the development of employees, including learning of new techniques in the DX area, support for acquiring professional qualifications, etc.

j. Management of software development projects

The Group is striving to disseminate its own development standards within the company. Moreover, we are engaged in the prevention of unprofitable projects by ascertaining the status of projects through the establishment of the Project Promotion Committee, which aims to deliberate on whether or not to accept projects with an order value exceeding a certain level or deemed necessary, and to periodically monitor the status of project progress. At the current time, there are no unprofitable projects which risk posing a significant impact on the Group.

k. Security

The Company has developed internal rules on the handling and management of information. It has also examined whether internal networks and major systems are free from security vulnerabilities and considered and implemented enhanced measures as necessary, including zero trust security.

The Company 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. The DTS Group has formulated a Compliance Guide to be followed by the entire DTS Group, including group companies in Japan and overseas, and is working to develop internal rules at each group company and raise employees’ awareness regarding the handling of security information.

l. Business continuity

The Group has been working on business continuity while utilizing working systems including telework and staggered working hours, prioritizing the safety and security of employees, and figuring out customers’ intentions.

(iii) Capital resources and liquidity of funds

The Group’s main capital resource is its operating cash flow, backed by strong business results. The Group has secured sufficient fund liquidity for appropriately conducting business activities as of the end of the current fiscal year.

The Group’s policy is to use its capital for investment in human resources, investment in research and development, capital expenditures, and M&As with the aim of achieving future business expansion.

(iv) Significant accounting estimates and assumptions used in making such estimates

The consolidated financial statements of the Group are prepared in accordance with accounting standards generally accepted as fair and valid in Japan. For information regarding accounting estimates of particular importance used in the creation of consolidated financial statements, and their underlying assumptions, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Significant accounting estimates).

(v) Objective indices, etc. used to determine management policies, management strategies and management achievement status

We have formulated Vision2030, aiming to further increase our corporate value through the dual approaches of creation of social value and economic value. In the medium-term management plan (April 2022 to March 2025), which is the 1st Stage in Vision2030, the Group has set key challenges in terms of both businesses and management foundation. Our results for the second fiscal year of this medium-term management plan are as indicated below.

<Financial goals and results>

Item		Goals for the fiscal year ending March 31, 2025	Results for the fiscal year ended March 31, 2024
Operating revenue	Consolidated net sales	¥110.0 billion or more	¥115.7 billion
	EBITDA (*1)	¥13.0 billion or more	¥13.5 billion
	EBITDA margin	Around 12%	11.7%
Investment	Investment limitation (cumulative total for three years)	¥25.0 billion	¥19.5 billion
Management efficiency	ROE	13% or more	11.8%
Shareholder returns	Payout ratio	50% or more	61.1%
	Total return ratio	70% or more	96.5%

(*1) Operating profit of ¥12.0 billion or more (reference value)

<Non-financial goals and results>

Item		Goals for the fiscal year ending March 31, 2025	Results for the fiscal year ended March 31, 2024
Focus areas	Net sales of focus businesses (*2)	40% or more	48.0%
ESG	Reduction of CO2 emissions (relative to FY2013)	50% or more	49.6%
	SDGs-related net sales (*3)	40% or more	41.7%
	Ratio of female managers	6% or more	4.1%
	Ratio of female Directors	10% or more	18.2%
	Independent Outside Directors	Majority	54.5%

(*2) Business fields on which the Group will focus, composed of three growth engines: Digital Biz, Solution Biz and Service Biz.
(*3) Net sales of projects adapted to SDGs goals (17 items)

(i) Recognition of operating results for each segment and contents of analysis and deliberations

Operation & Solutions Segment

Net sales came to ¥43,663 million (+7.5% year on year and 4.0% above our forecast), due to steady growth in system development for the banking industry and the government sector.

Technology & Solutions Segment

Net sales came to ¥42,214 million (+22.7% year on year and 2.0% above our forecast), due to strong progress in packaged solutions such as production management systems and new consolidation.

Platforms & Services Segment

Despite the expansion of operational and infrastructure construction projects, net sales came to ¥29,849 million (-4.0% year on year and 5.5% below our forecast) due to the reversal of a temporary increase in hardware sales in the previous fiscal year.

5. Important business contracts

(1) The Company resolved to acquire shares of avanza Co., Ltd. at the Board of Directors meeting held on December 22, 2023 and concluded share transfer agreement on December 27, 2023. Based on this share transfer agreement, the Company acquired 100% of avanza's shares on January 22, 2024. For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Business combinations).

(2) The Company resolved to acquire shares of Tohoku Systems Support Co., Ltd. at the Board of Directors meeting held on February 1, 2024 and concluded share transfer agreement. Based on this share transfer agreement, the Company acquired 100% of Tohoku Systems Support's shares on March 1, 2024. For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Business combinations).

6. Research and development activities

The total amount of research and development expenses for the fiscal year under review was ¥184 million. The main research and development activities conducted in each segment were as indicated below.

(1) Operation & Solutions (research and development expenses: ¥44 million)

Production management package development

Based on our know-how in production and sales management, we are developing a production management package aimed at customers whose scale or speed requirements are not met by existing packages. This package allows for an easy small start and scaling up.

(2) Technology & Solutions (research and development expenses: ¥139 million)

(i) Technical verification for new zero-trust security business

With the increasing importance of security in the context of cloud adoption and workstyle reforms, the market for "zero-trust security," which applies even more rigorous security measures, is experiencing high growth rates. We are conducting technical verification and others to build a business model that offers a total security solution combining the zero-trust security and related solutions, provided through a one-stop service.

(ii) Development of IoT platform for the construction industry

Targeting the construction industry, where demand for DX is increasing due to workstyle reforms, we are developing a prototype IoT platform to reduce the management burden on construction sites and achieve "knowing without being there." This platform synchronizes images from cameras installed on-site, various data, and time, enabling centralized management through a dashboard.

(iii) Master integrated monitoring system (SDI-over-IP) support

Within broadcasting stations that handle terrestrial and satellite broadcasting, there are master systems responsible for sending various data, in addition to video and audio, to transmission stations according to the program. The replacement of these sending systems (HD-SDI signal portion) with IP networks is under consideration. The Group develops and sells master integrated monitoring system products that meet signal quality monitoring and recording period requirements in compliance with the Broadcasting Act. We are developing hardware and software to adapt such products to IP networks.

III. Information about Facilities

1. Overview of capital expenditures

   Capital investment during the fiscal year under review amounted to ¥816 million.

   This mainly comprised ¥287 million for the purchase of tools, furniture and fixtures such as office equipment and network equipment, ¥187 million for the development and purchase of software for internal use, and ¥230 million for the development of software for market sale.

   Descriptions by segment are omitted due to the difficulty in providing such information.

   There was no retirement or sale of important equipment during the fiscal year under review.

2. Major equipment and facilities

   (1) The Company

As of March 31, 2024

Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
			Buildings	Land (m^2)	Other	Total	
Head Office (Chuo-ku, Tokyo)	Operation & Solutions Technology & Solutions Platforms & Services	Head office and production equipment	102	–	111	213	2,224
Development Center, etc. (Shinjuku-ku, Tokyo, etc.)	Operation & Solutions Technology & Solutions Platforms & Services	Production equipment	278	–	90	368	887
Employee housing (Setagaya-ku, Tokyo, etc.)	Operation & Solutions Technology & Solutions Platforms & Services	Welfare facilities	612	1,965 [3,205]	0	2,578	–

Notes: 1. The "Other" amount within the carrying amount consists of "tools, furniture, and fixtures."

2. In addition to the above, the Company also owns ¥646 million in software.

3. In addition to the above, the main leased equipment is as indicated below.

Facilities (Location)	Segment	Description	Leased area (m^2)	Annual leasing expenses (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Operation & Solutions Technology & Solutions Platforms & Services	Head office building	4,279	431

(2) Domestic subsidiaries

As of March 31, 2024

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m^2)	Other	Total	
KYUSHU DTS CORPORATION	Head Office (Fukuoka City, Fukuoka)	Operation & Solutions	Head office and production equipment	27	—	42	69	152
JAPAN SYSTEMS ENGINEERING CORPORATION	Head Office, etc. (Shinjuku-ku, Tokyo, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	17	79 [2,593]	13	110	462
DTS WEST CORPORATION	Head Office, etc. (Osaka City, Osaka, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	21	0 [16]	58	80	269
MIRUCA CORPORATION	Head Office (Minato-ku, Tokyo)	Operation & Solutions	Head office and training facilities	4	—	3	7	11
DIGITAL TECHNOLOGIES CORPORATION	Head Office, etc. (Arakawa-ku, Tokyo, etc.)	Platforms & Services	Head office and sales operation equipment	21	—	35	56	99
DTS INSIGHT CORPORATION	Head Office, etc. (Shibuya-ku, Tokyo, etc.)	Technology & Solutions	Head office and production equipment	81	—	81	163	362
Japan SuperElectronics Co., Ltd.	Head Office (Taito-ku, Tokyo)	Operation & Solutions	Head office and production equipment	—	—	—	—	20
I Net Rely Corporation	Head Office, etc. (Chuo-ku, Tokyo, etc.)	Platforms & Services	Head office, production equipment and welfare facilities	6	0 [1]	8	14	79
Anshin Project Japan Inc.	Head Office, etc. (Fukuoka City, Fukuoka, etc.)	Technology & Solutions	Head office and sales operation equipment	12	—	2	14	46
avanza Co., Ltd.	Head Office, etc. (Shibuya-ku, Tokyo, etc.)	Operation & Solutions	Head office and production equipment	4	—	6	10	205
Tohoku Systems Support Co., Ltd.	Head Office, etc. (Sendai City, Miyagi, etc.)	Operation & Solutions	Head office and production equipment	251	239 [11,446]	20	511	219

Notes:
1. The "Other" amount within the carrying amount consists of "tools, furniture, and fixtures."
2. Some land and buildings are rented.
3. In addition to the above, domestic subsidiaries also own ¥105 million in software.

(3) Foreign subsidiaries

As of March 31, 2024

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m^2)	Other	Total	
DTS (Shanghai) CORPORATION	Head Office (Shanghai, China)	Operation & Solutions	Head office and production equipment	—	—	2	2	16
DTS America Corporation	Head Office, etc. (New York, U.S.A., etc.)	Technology & Solutions	Head office and production equipment	—	—	6	6	11
Nelito Systems Private Limited	Head Office, etc. (Navi Mumbai, India)	Operation & Solutions	Head office and production equipment	—	—	—	—	576
DTS SOFTWARE VIETNAM CO., LTD.	Head Office (Hanoi, Vietnam)	Technology & Solutions	Head office and production equipment	—	—	10	10	180
Dalian SuperElectronics Co., Ltd.	Head Office (Dalian, China)	Operation & Solutions	Head office and production equipment	—	—	43	43	65
Partners Information Technology, Inc.	Head Office, etc. (California, U.S.A.)	Technology & Solutions	Head office and production equipment	0	—	93	93	274

Notes: 1. The “Other” amount within the carrying amount consists of “tools, furniture, and fixtures” and right-of-use assets.
2. Some land and buildings are rented.
3. In addition to the above, foreign subsidiaries also own ¥12 million in software.

3. Plans for new additions or disposals

No items to report.

IV. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

(i) Number of shares

Class of shares	Total number of authorized shares
Common stock	100,000,000
Total	100,000,000

(ii) Issued shares

Class of shares	Number of shares issued as of the end of the fiscal year (Shares) (March 31, 2024)	Number of shares issued as of the submission date (Shares) (August 15, 2024)	Name of listed financial instruments exchange or registered or licensed financial instruments firms association	Description
Common stock	46,854,132	44,154,132	Tokyo Stock Exchange Prime Section	The number of shares constituting a standard unit 100 shares
Total	46,854,132	44,154,132	–	–

(Note) The total number of outstanding shares decreased to 44,154,132 shares due to the cancellation of 2,700,000 treasury shares on May 15, 2024 in accordance with the resolution of the Board of Directors meeting held on April 26, 2024.

(2) Status of the share acquisition rights

(i) Stock option plans

No items to report.

(ii) Rights plans

No items to report.

(iii) Other share acquisition rights, etc.

No items to report.

(3) Exercise status of bonds with share acquisition rights containing a clause for exercise price adjustment

No items to report.

(4) Changes in the number of shares issued and the amount of share capital and other

Date	Changes in the number of shares issued (Shares)	Balance of the number of shares issued (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
July 1, 2019 (Note 1)	25,222,266	50,444,532	–	6,113	–	6,190
March 31, 2022 (Note 2)	(1,371,900)	49,072,632	–	6,113	–	6,190
October 17, 2022 (Note 3)	(1,481,800)	47,590,832	–	6,113	–	6,190
November 10, 2023 (Note 4)	(479,700)	47,111,132	–	6,113	–	6,190
March 27, 2024 (Note 5)	(257,000)	46,854,132	–	6,113	–	6,190

Notes: 1 Due to the Company carrying out a two-for-one split of its common stock with an effective date of July 1, 2019.

2. Decrease due to cancellation of treasury shares.
3. Decrease due to cancellation of treasury shares.
4. Decrease due to cancellation of treasury shares.
5. Decrease due to cancellation of treasury shares.
6. In accordance with the resolution of the Board of Directors on April 26, 2024, the Company cancelled treasury shares on May 15, 2024, reducing the total number of shares outstanding by 2,700,000 shares.

(5) Details of shareholders

As of March 31, 2024

Category	Status of shares (1 unit = 100 shares)								Stocks of less than a standard unit (Shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders, etc.		Individuals and other	Total	
					Other than individuals	Individual			
Number of shareholders (Persons)	–	25	23	33	230	7	4,186	4,504	—
Number of shares held (Units)	–	108,153	7,464	29,269	175,100	48	148,202	468,236	30,532
Shareholding Ratio (%)	–	23.1	1.59	6.25	37.4	0.01	31.65	100.00	—

Notes: 1. Treasury shares of 3,956,824 shares includes 39,568 units in "Individuals and other" and 24 shares in "Stocks of less than a standard unit."

2. The "Other corporations" column includes 268 units in the name of Japan Securities Depository Center.

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (Thousands of shares)	Number of shares (excluding treasury shares) held as a percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	6,095	14.21
DTS Group Employee Shareholding Association	Empire Building, 2-23-1 Hatchobori, Chuo-ku, Tokyo	3,069	7.16
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	100 King Street West, Suite 3500, PO BOX 23 Toronto, Ontario M5X 1A9 Canada (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	2,306	5.38
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,252	5.25
NTC Corporation	28F, Sunshine 60 Bldg.,3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo	1,171	2.73
Kumiko Akiyama	Meguro-ku, Tokyo	1,116	2.60
Ichigo Trust Pte. Ltd. (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	1 North Bridge Road, 06-08 High Street Centre, Singapore 179094 (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	1,051	2.45
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, United States (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	1,051	2.45
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	One Congress Street, Suite 1, Boston, Massachusetts (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	807	1.88
Chitomu Kosaki	Urayasu City, Chiba	803	1.87
Total	—	19,724	45.97

Notes: 1. According to its Large Shareholding Report (Change Report) issued for public inspection dated December 22, 2020, Mizuho Bank, Ltd. and its joint holders owned a stake in the Company as of December 15, 2020 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2024, and the Company has not included Mizuho Bank, Ltd. in the list of major shareholders detailed above.

For reference, the content of the Large Shareholding Report (Change Report) is as follows:

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	621	1.23
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	1,298	2.57

2. According to its Large Shareholding Report (Change Report) issued for public inspection dated August 5, 2021, Acadian Asset Management LLC owned a stake in the Company as of July 30, 2021 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2024, and the Company has not included Acadian Asset Management LLC in the list of major shareholders detailed above.

   For reference, the content of the Large Shareholding Report (Change Report) is as follows:

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Acadian Asset Management LLC	20F, 260 Franklin Street, Boston, Massachusetts, United States	1,749	3.47

3. According to its Large Shareholding Report (Change Report) issued for public inspection dated November 7, 2022, Sumitomo Mitsui Trust Bank, Limited and its joint holders owned a stake in the Company as of October 31, 2022 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2024, and the Company has not included Sumitomo Mitsui Trust Bank, Limited in the list of major shareholders detailed above.

   For reference, the content of the Large Shareholding Report is as follows:

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	531	1.12
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	1,387	2.92
Nikko Asset management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	640	1.35

4. According to its Large Shareholding Report (Change Report) issued for public inspection dated February 22, 2024, Asset Value Investors Limited owned a stake in the Company as of February 19, 2024 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2024, and the Company has not included Asset Value Investors Limited in the list of major shareholders detailed above.

   For reference, the content of the Large Shareholding Report (Change Report) is as follows:

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Asset Value Investors Limited	2 Cavendish Square London, United Kingdom	3,175	6.74

(7) Status of voting rights

(i) Issued shares

As of March 31, 2024

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 3,956,800	—	—
Shares with full voting rights (Others)	Common stock 42,866,800	428,668	—
Stocks of less than a standard unit	Common stock 30,532	—	Stocks of less than a standard unit (100 shares)
Total number of issued shares	46,854,132	—	—
Total voting rights held by all shareholders	—	428,668	—

Note: Number of shares and number of voting rights in the "Shares with full voting rights (Others)" section include 26,800 shares and 268 voting rights in the name of Japan Securities Depository Center.

(ii) Treasury shares, etc.

As of March 31, 2024

Name or designation of owner	Addresses of owner	Number of shares held under own name (Shares)	Number of shares held under the name of a third party (Shares)	Total number of shares held (Shares)	Ratio of shares held to the total number of shares issued (%)
DTS CORPORATION	2-23-1 Hatchobori, Chuo-ku, Tokyo	3,956,800	—	3,956,800	8.44
Total	—	3,956,800	—	3,956,800	8.44

2. Acquisition of treasury shares, etc.

[Type of shares, etc.] Acquisition of common shares that falls under Article 155, Item (iii) of the Companies Act, acquisition of common shares that falls under Article 155, Item (vii) of the Companies Act, and acquisition of common shares that falls under Article 155, Item (xiii) of the Companies Act

(1) Acquisition of treasury shares based on a resolution approved at the General Meeting of Shareholders

No items to report.

(2) Acquisition of treasury shares based on a resolution approved at the Board of Directors

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (April 28, 2023) (Acquisition period: May 1, 2023 to October 31, 2023)	505,000	1,600
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	479,700	1,599
Total number and total value of residual shares	25,300	0
Unexercised ratio at the end of the current fiscal year (%)	5.0	0.0
Treasury shares acquired during the current period	—	—
Unexercised ratio as of the date of filing (%)	5.0	0.0

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (February 1, 2024) (Acquisition period: February 2, 2024 to March 15, 2024)	336,000	1,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	257,000	1,000
Total number and total value of residual shares	79,000	0
Unexercised ratio at the end of the current fiscal year (%)	23.5	0.0
Treasury shares acquired during the current period	—	—
Unexercised ratio as of the date of filing (%)	23.5	0.0

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (April 26, 2024) (Acquisition period: April 30, 2024 to December 10, 2024)	2,000,000	6,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	—	—
Total number and total value of residual shares	—	—
Unexercised ratio at the end of the current fiscal year (%)	—	—
Treasury shares acquired during the current period	454,500	1,899
Unexercised ratio as of the date of filing (%)	77.3	68.4

Note: Treasury shares acquired during the current period does not include the number of treasury shares acquired during the period from August 1, 2024 to the date of filing this Annual Securities Report.

(3) Acquisition of treasury shares not based on a resolution approved at the General Meeting of Shareholders or on a resolution approved by the Board of Directors

Category	Number of shares (Shares)	Total value (Millions of yen)
Treasury shares acquired during the current fiscal year	853	1
Treasury shares acquired during the current period	634	0

Note: Treasury shares acquired during the current period does not include the number of treasury shares of less than a standard unit purchased during the period from August 1, 2024 to the date of filing this Annual Securities Report.

(4) Current status of the disposition and holding of acquired treasury shares

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposition amount (Millions of yen)	Number of shares (Shares)	Total disposition amount (Millions of yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that was disposed of	736,700	1,533	2,700,000	5,937
Acquired treasury shares for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	—	—	—	—
Other (disposal of treasury shares through restricted share compensation)	9,932	19	7,179	18
Other (disposal of treasury shares for granting restricted shares to the employee shareholding association)	27,573	54	49,988	131
Number of treasury shares held	3,956,824	—	1,654,791	—

Note: Number of treasury shares held during the current period does not include the number of treasury shares acquired based on a resolution approved at the Board of Directors and the number of treasury shares of less than a standard unit purchased during the period from August 1, 2024 to the date of filing this Annual Securities Report.

3. Dividend policy

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 to long term, after making a comprehensive consideration of results trends, its financial position and other factors as well as cash reserves needed for business expansion.

Furthermore, during the period of the Medium-Term Management Plan, we will implement shareholder returns in the form of a payout ratio of at least 50% and a total return ratio of at least 70%.

The Company intends to make use of cash 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.

Because operating profit reached a record high, surpassing our original performance forecasts, the year-end dividend will be ¥58 per share, increased by ¥8 yen from the forecast. As a result, the annual dividend will be ¥103 per share, including the interim dividend of ¥45 per share already paid.

The Company pays dividends of surplus twice a year, an interim dividend and a year-end dividend, and the decision-making bodies for these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

The Company's Articles of Incorporation stipulates that the Company may, by resolution of the Board of Directors, pay interim dividends with a record date of September 30 of each year.

Dividends from surplus for the current fiscal year are as follows.

Date of resolution	Total amount of dividend (Millions of yen)	Dividend per share (Yen)
October 30, 2023 Resolution of the Board of Directors	1,948	45
June 25, 2024 Resolutions by Annual General Meetings of Shareholders	2,488	58

4. Corporate governance

(1) Status of corporate governance

(i) Basic views on corporate governance

The Company recognizes corporate governance as one of the most important management issues. The Company has established the following basic policy and is working aggressively to develop corporate governance and internal control systems in order to ensure fair and efficient shareholder-oriented management, establish highly transparent management, continuously improve corporate value, and build relationships of trust with our stakeholders.

(ii) Summary of the Company's corporate governance system and the reason for adopting this system

The Company has adopted the system of a company with Audit and Supervisory Committee in order to facilitate quick decision-making, strengthen discussion at Board of Directors meetings, as well as to enhance supervisory functions of the Board of Directors and further improve corporate governance by including Audit and Supervisory Committee Members responsible for audits, etc. of business execution by Directors in the Board of Directors.

<Board of Directors>

The Company's Board of Directors currently consists of ten Directors, of whom six are Outside Directors and two are female. The names of the members of the Board of Directors are stated in "4. Corporate governance, (2) Directors (and other officers), (i) Corporate officers," and the Representative Director and President serves as Chairman of the Board.

The Outside Directors play key roles particularly in relation to strengthening our management function based on the knowledge and experience acquired in their respective fields and strengthening the supervisory function of the Board's business execution. The Outside Directors who are members of the Nomination and Compensation Committee are also appropriately involved in determining director compensation and nominating candidates for Director, engaging in deliberation and reporting as members of the Nomination and Compensation Committee.

The Company appoints Directors, including Outside Directors, who are familiar with the industry to which the Company belongs, business content and corporate functions, and who possess a reasonable level of management-related knowledge, experience, and capabilities. The Company believes that all our Directors currently have the right background to generate the expected response to major management issues and make prompt and decisive decisions. We also believe that the composition of the Board is suitably balanced in view of the Company's size and type of business.

With regards to appointment policies, the Company appoints Directors based on a comprehensive examination of candidates' respective knowledge, ability to conduct accurate decision-making and supervision, and expected ability to help improve our corporate value over the medium to long term.

The Board of Directors, based on internal rules, makes decisions on basic policies concerning the management of the Company, important matters concerning management and business execution, matters authorized by resolution of the General Meeting of Shareholders, and other matters stipulated by laws and regulations and the Articles of Incorporation, and receives reports on matters stipulated by laws and regulations and the status of important business execution, etc.

<Audit and Supervisory Committee>

The Audit and Supervisory Committee has four members, including three Outside Directors, one of whom is female. The names of the members of the Audit and Supervisory Committee are stated in "4. Corporate governance, (2) Directors (and other officers), (i) Corporate officers," and the Committee is chaired by an Outside Director.

Outside Directors each play an important role in establishing an objective and fair audit system. The Company seeks to strengthen management accountability and improve management transparency by appointing Outside Directors. The Company believes that it has an appropriate system in place for securing the trust of shareholders, investors, and other stakeholders.

The Audit and Supervisory Committee, based on the audit policy and audit plan, audits the execution of duties by Directors through regular exchanges of opinions with the Representative Directors, attendance at important meetings of the Board of Directors and various committees, cooperation with the Accounting Auditor and the Audit Office, and investigations into the status of operations and assets.

<Nomination and Compensation Committee>

The Nomination and Compensation Committee consists of four members: the Representative Director and President and three Outside Directors, and is chaired by an Outside Director.

The Nomination and Compensation Committee is consulted by the Board of Directors before appropriately deliberating mainly by Outside Directors on compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) and the nomination of candidates for Director, and reports back to the Board.

The Board of Directors pays maximum heed to those reports when making final decisions on compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) and the nomination of candidates for Director.

<Executive Officer System and Management Council>

There are 15 Executive Officers (two of them serve concurrently as Directors). This system enables us to separate the supervisory functions of Board of Directors' decision-making and business execution from the Company's business execution functions and to establish a management system that facilitates prompt and appropriate business execution. In addition, the Company has established a Management Council, chaired by the Representative Director and President and composed mainly of Directors and Executive Officers, to serve as an organization for the Representative Director and President to discuss policies and plans for business execution and other important matters.

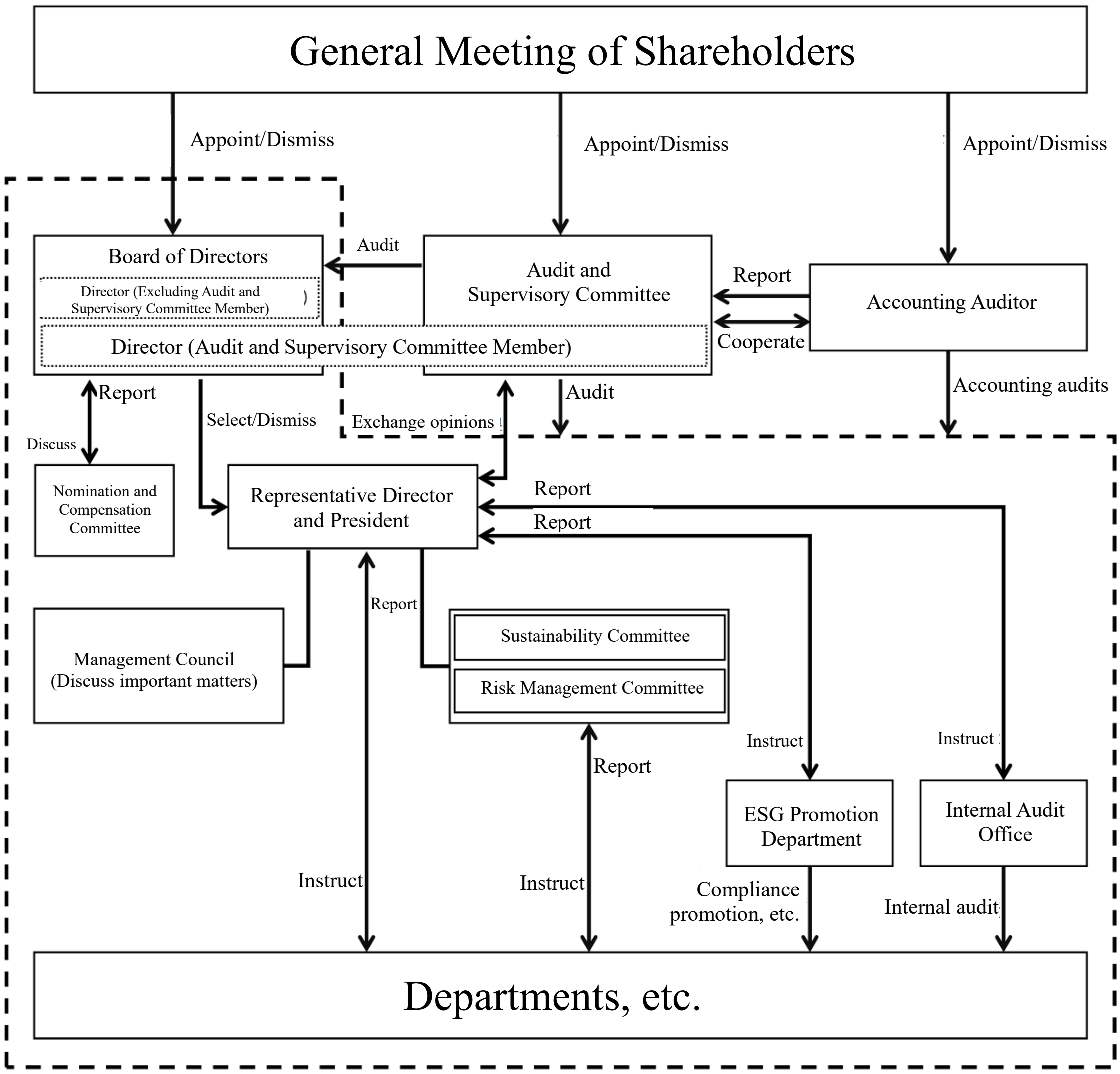
<Risk Management Committee>

The Company has also established a Risk Management Committee, chaired by the Representative Director and President and composed mainly of Directors and Executive Officers, to appropriately manage various risks. The Committee regularly assesses risks and strives to identify and grasp problems, formulates and promotes risk response planning, and monitors the organization for risks.

<Sustainability Committee>

The Sustainability Committee is chaired by the Representative Director and President under the supervision of the Board of Directors, and its members mainly comprise Directors and Executive Officers. The Sustainability Committee formulates policies, targets, and action plans for addressing social issues such as the environment and human resources, manages and evaluates the promotion of these targets, and deliberates on individual measures, and regularly reports and offers advice to the Board of Directors.

<Corporate Governance Structure (Diagram)>



(iii) Other matters concerning corporate governance

- Status of internal control system

When establishing internal control systems, the Company seeks to formulate and appropriately operate frameworks relating to the building of an internal control system based on the concept explained below, strive to continuously improve those frameworks in response to changes in the environment to ensure that its internal control systems comply with laws and regulations and the Company's Articles of Incorporation, and ensure the appropriateness of business operations and the reliability of financial reporting.

a. The Board of Directors shall decide on policies and plans for the development of internal control systems and receive regular progress reports.

b. The Company shall seek to maintain and further improve the supervisory function of Directors in the execution of their duties by continuously appointing Outside Directors.

c. The Representative Director and President shall establish, operate, and improve the internal control system as the chief executive officer for business execution.

d. The Company shall establish an Internal Control Promotion Department to build, operate, and improve internal control systems.

e. The Company shall establish the Internal Audit Office as a department that conducts internal audits from a standpoint that is independent from business activities. The Internal Audit Office shall monitor the effective building of frameworks to help establish an internal control system and to point out any necessary improvements.

f. The Company shall implement appropriate initiatives designed to ensure the reliability of internal controls related to financial reporting based on the Financial Instruments and Exchange Act.

- Individual frameworks relating to the internal control system

The following is a summary of the Company's individual internal control systems.

a. A framework for ensuring that the execution of duties by Directors and employees of the Company complies with laws and regulations and the Articles of Incorporation

(a) The Company shall create a department to plan and manage compliance, and shall establish a compliance system.

(b) The Company shall determine the DTS Compliance Guide and continue to instruct officers and employees through training, among other ways, to view compliance from their respective standpoints as their own immediate issue and to conduct business operations accordingly.

(c) Based on the DTS Group Code of Conduct, the Company shall firmly eliminate ties to antisocial forces that pose a threat to the order and safety of civil society.

(d) The Company shall establish a helpline as a way for its employees and other related persons to consult and report any activities that they suspect may be in violation of laws and regulations.

(e) The Internal Audit Office shall create annual audit plans and conduct internal audits from a standpoint that is independent from Company business activities.

(f) The Company shall establish the necessary rules and systems to ensure reliable financial reporting.

b. A framework for storing and managing information pertaining to the execution of duties by Directors of the Company

(a) The Company shall stipulate in the Rules on the Management of Information Assets how documents related to the execution of duties by Directors (this includes electromagnetic records here and in all references below) and other important information should be handled, and establishes a system based on those rules to store those documents in an easily searchable format and enable them to be viewed when required by relevant parties.

(b) The Company shall establish an internal information system for the storage, management, and effective use of necessary information for the execution of duties by its officers and employees.

(c) With regard to information management, the Company shall establish a department to plan and manage information security and a system for information security. In addition, the Company shall establish basic policies and guidelines for protecting personal information.

c. Regulations and other frameworks for managing the risk of incurring losses at the Company

(a) The Board of Directors shall determine the Risk Management Rules and the Crisis Management Rules, and ensure that the Representative Director and President and other Directors in charge of business execution execute business in accordance with those rules.

(b) The Company shall establish the Sustainability Committee that is chaired by the person responsible for overseeing sustainability efforts, who is appointed by the Representative Director and President following consultation of the Management Council. The Committee shall work to identify risks and opportunities for sustainability issues, and make a plan and assessment of the efforts.

(c) The Company shall establish the Risk Management Committee that is chaired by the person responsible for risk management, who is appointed by the Representative Director and President after consulting with the Management Council. The Committee shall manage the company-wide risk management framework and operational risks. The Company shall also conduct consistent monitoring to ascertain whether any risks have occurred.

(d) The Company shall establish emergency responses to deal with large-scale disasters, etc., and puts in place rules and systems to ensure business continuity.

(e) The Company shall establish the Project Promotion Committee that is chaired by the person responsible for project development, who is appointed by the Representative Director and President after consulting with the Management Council. The Committee shall seek to eliminate or reduce any factors that impede efficiency and increase the likelihood of achieving targets by deliberating on the advantages and disadvantages of accepting orders and determining service launch for projects that meet the prescribed criteria.

d. A framework to ensure that the execution of duties performed by Directors of the Company is carried out efficiently

(a) The Board of Directors shall determine the Rules Regarding the Authority to Execute Duties and ensure that the Representative Director and President and other Directors in charge of business execution execute business in accordance with those rules.

(b) Regarding the pursuit of business throughout the Company, specific measures that need to be implemented and efficient business operations shall be conducted according to business execution authority and decision-making rules under internal regulations.

(c) The Company shall set company-wide targets for both our executives and employees which it seeks to instill, and the Company shall also formulate medium-term management plans that cover a period of three business years and focus on those targets. Based on this medium-term management plan, the Company shall then set business targets and budgets in the form of short-term plans for individual business divisions for each year.

(d) The Company shall establish the Management Council as an organization designed to debate business execution policies, plans, and other important matters. The Company shall also provide monthly business corporate performance reports to the Management Council to help manage actual performance against the performance targets.

e. A framework for ensuring the appropriateness of operations in the Group, which comprises the Company and its subsidiary companies

(a) The Company shall establish the Subsidiary Companies' Management Department in order to ensure the appropriateness of business operations across the corporate group. The department shall offer guidance and advice to ensure that subsidiary companies develop appropriate internal control systems.

(b) Persons assigned as part-time officers of subsidiary companies shall provide guidance and advice in cooperation with the Subsidiary Companies' Management Department to ensure that subsidiary companies comply with laws and regulations and conduct appropriate business operations.

(c) The Company shall hold group-wide meetings to facilitate information sharing across the Group and to ensure the appropriateness of business operations.

f. A framework for reporting matters pertaining to the execution of duties performed by Directors, etc. of subsidiary companies to the Company

(a) The Company shall determine the Rules Relating to the Management of Affiliated Companies with regards to subsidiary companies, which require those subsidiary companies to seek the Company's approval or to submit a report regarding specific matters prior to resolution by the Board of Directors. Any matters that fall under the prescribed standards will be placed on the agenda for discussion by the Board of Directors.

g. Regulations and other systems for managing the risk of incurring losses at subsidiary companies

   (a) The Company's Risk Management Committee shall seek to gain a clear grasp of issues and planned responses by subsidiary companies, and shall receive periodic progress reports on those plans. The Committee shall also consistently monitor subsidiary companies for risks.

   (b) Regarding projects at subsidiary companies that fall under the prescribed standards, the Company shall seek to eliminate or reduce any factors that impede efficiency and increase the likelihood of achieving targets by deliberating on the advantages and disadvantages of accepting orders and determining service launch in Project Promotion Committee meetings.

h. A framework for ensuring that the execution of duties performed by Directors of subsidiary companies is carried out efficiently

   (a) The pursuit of business operations at subsidiary companies shall be in accordance with the rules on business execution authority and decision-making that are based on each companies' internal regulations. However, some specific matters shall be executed in accordance with the Company's Rules Relating to the Management of Affiliated Companies.

   (b) The Company shall set targets which it seeks to instill across all employees of the Company and its subsidiary companies. The subsidiary companies shall formulate a medium-term management plan that covers a period of three business years and focuses on these targets. Based on the medium-term management plan, the subsidiary companies shall also set operational targets and budgets in the form of short-term plan, and shall submit regular progress reports to the Company.

i. A framework for ensuring that the execution of duties by Directors, etc. and employees of subsidiary companies complies with laws and regulations and the Articles of Incorporation

   (a) The Company shall disseminate a DTS Compliance Guide across its subsidiary companies. The Company shall also give guidance and advice to its subsidiary companies.

   (b) The Company shall establish a Group Helpline as a way for employees of subsidiary companies to consult and report any activities that they suspect may be in violation of laws and regulations.

j. Matters concerning employees who are required to assist with the duties of the Company's Audit and Supervisory Committee

   (a) The Audit and Supervisory Committee may give instructions or directions to employees who assist with their duties with regards to items required for the execution of audits.

k. Matters concerning the independence of the employees referred to in item j. above from the Directors who are not Audit and Supervisory Committee Members

   (a) The Directors shall respect the opinions of the Audit and Supervisory Committee regarding personnel changes or performance evaluations, etc. of employees who are required to assist with the duties of the Audit and Supervisory Committee.

l. Matters relating to ensuring the effectiveness of the Audit and Supervisory Committee's instructions to employees assisting the Audit and Supervisory Committee

   (a) Employees who have been given an instruction or direction by the Audit and Supervisory Committee when conducting audits cannot receive any instructions or directions from Directors who are not Audit and Supervisory Committee Members while they are executing those Audit and Supervisory Committee's duties.

m. A framework for Directors who are not Audit and Supervisory Committee Members and employees to report to the Audit and Supervisory Committee, and other frameworks relating to reporting to the Audit and Supervisory Committee

(a) Audit and Supervisory Committee Members appointed by the Audit and Supervisory Committee (hereinafter referred to as "Appointed Audit and Supervisory Committee Members") may attend important meetings, such as Board of Directors,' Management Council, and Risk Management Committee meetings in order to fully grasp important decision-making processes and the status of business execution.

(b) Appointed Audit and Supervisory Committee Members may view important documents circulated for approval as well as other documentation and may request explanations from Directors who are not Audit and Supervisory Committee Members and employees when necessary.

(c) Directors who are not Audit and Supervisory Committee Members shall report the following matters to the Audit and Supervisory Committee as soon as they are discovered:

a) Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company

b) Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations

c) Important compliance-related matters

d) Other matters that pertain to a) to c) above

(d) Employees may report directly to the Audit and Supervisory Committee when they discover any serious facts relating to a) to d) in the preceding paragraph.

n. A framework for ensuring that Directors or employees, etc. of subsidiary companies, or any people who receive reports from those Directors, employees, etc., convey those reports to the Company's Audit and Supervisory Committee

(a) Appointed Audit and Supervisory Committee Members of the Company may attend business planning hearings, etc. with subsidiary companies.

(b) Appointed Audit and Supervisory Committee Members of the Company may view subsidiary companies' documents and request explanations from Directors, etc. of subsidiary companies if necessary.

(c) Directors or employees, etc. of subsidiary companies who have discovered any of the following matters or any persons who have received reports from those Directors or employees may report the matter directly to the Company's Audit and Supervisory Committee:

a) Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company

b) Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations

c) Important compliance-related matters

d) Other matters that pertain to a) to c) above

o. A framework for ensuring that a person who conveyed a report to the Audit and Supervisory Committee is not treated disadvantageously for having conveyed the report

(a) The Company shall establish the Rules Relating to the Operation of the Whistleblowing System, which clearly stipulate the obligation to protect and confidentiality of whistleblowers. The Company shall also create the necessary environment to ensure all employees can access and read these rules.

p. Procedures for prepayment or reimbursement of expenses arising from the execution of duties by Audit and Supervisory Committee Members (limited to those related to the execution of duties of the Audit and Supervisory Committee) and other items regarding policies pertaining to the processing of expenses or obligations arising from the execution of said duties

(a) Any expenses expected to be incurred in the audit plan determined by the Audit and Supervisory Committee are budgeted for in advance. Any expenses required to respond to a sudden event may either be paid in advance or reimbursed.

q. Other frameworks for ensuring that audits by the Audit and Supervisory Committee are conducted effectively

(a) The Audit and Supervisory Committee may hold meetings to exchange opinions with the Representative Directors or the Accounting Auditor whenever necessary.

(b) The Audit and Supervisory Committee may communicate and exchange information with the Directors and Corporate Auditors of subsidiary companies in order to perform their duties appropriately.

(c) The Audit and Supervisory Committee may receive advice on auditing operations from external experts, such as lawyers and certified public accountants, when necessary and at their own discretion.

- Overview of operational progress of framework for ensuring appropriate business operations

The following is an outline of the operational progress made on the framework for ensuring the appropriateness of business operations for the current fiscal year.

a. Framework on compliance with laws and regulations and the Articles of Incorporation

The Company and its subsidiary companies conduct compliance education and training for executives, employees, and partner company employees and take measures to raise compliance awareness. In addition, the Company has set up a common whistleblowing hotline for the Group and ensures that the hotline is operated appropriately.

Regarding the management of information deemed necessary for the execution of duties by officers and employees, the Company has established frameworks for information security and protecting personal information and has managed those systems appropriately in accordance with our Rules on the Management of Information Assets.

b. Risk management framework

With the aim of maintaining and improving corporate value, the Company has established the Risk Management Committee to appropriately manage various internal and external risks related to our business and to formulate company-wide risk management policies. The Committee deliberates on the company-wide risk management framework and company-wide risk management measures, and approves risk management reports from each division and department. The Committee also receives reports on the risk management status of the Group and, when necessary, provides guidance to Group companies on measures.

Under the Risk Management Committee, we have established a risk management department and a risk supervisory department. The departments are responsible for monitoring risk-related internal control systems and operations, and providing necessary support, advice, and oversight for each category classified based on the nature of risks.

c. The execution of duties by Directors

In fiscal 2023, the Company held 13 meetings of the Board of Directors to determine matters stipulated by laws and regulations, etc., as well as important management-related issues, and to supervise business execution from the perspective of compliance with laws and regulations, and the Company's Articles of Incorporation, and the appropriateness of business operations. We have determined the Rules Relating to the Management of Affiliated Companies and response appropriately to all matters relating to Group companies. The Company has introduced an executive officer system to separate the supervisory functions of Board of Directors' decision-making and business execution from the business execution functions, and to secure a management framework that facilitates prompt and appropriate business execution. The Company also held 33 meetings of the Management Council to discuss business execution policies and plans and other important matters when the Representative Director and President execute duties based on the management policy determined by the Board of Directors.

d. The execution of duties by Audit and Supervisory Committee

Audit and Supervisory Committee Members, including Outside Directors, conduct audits based on audit plans determined in the Audit and Supervisory Committee and attend important meetings such as the Board of Directors' and various committee meetings to obtain a clear grasp of the Directors' decision-making processes and the status of business execution. In fiscal 2023, the Audit and Supervisory Committee convened 11 times.

The Audit and Supervisory Committee held meetings twice with the Representative Director and Chairman and three times with the Representative Director and President, five times in total, to exchange views on important audit-related issues. Audit and Supervisory Committee Members also regularly exchange opinions with Auditors and other members of Group companies and conduct audits of Group companies in cooperation with local auditing staff.

The Company became aware of the possibility that kickbacks and other illicit payments may have been made to the management, etc. of an overseas subsidiary of the Company by business partners. As a result, the Company established a Special Investigation Committee on May 24, 2024 and began conducting an investigation.

The Company received the investigation report from the Special Investigation Committee on August 2, 2024, which reported that inappropriate payments to customer-related parties and others had been ongoing at the overseas subsidiary.

As stated in the "Internal Control Report for the 52nd Fiscal Year" submitted on August 15, 2024, the Company will implement measures to prevent recurrence, taking the Special Investigation Committee's comments and recommendations into consideration, to ensure the proper establishment and operation of internal controls.

(iv) Outline of Limited Liability Agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company enters into agreements with Directors (excluding Directors who are also Executive Officers) and Corporate Auditors to limit their liability stipulated in Article 423, paragraph (1) of the Companies Act. Under the agreement, their liability is limited to one (1) million yen or the amount stipulated in Article 425, paragraph (1) of the Companies Act, whichever is greater.

(v) Outline of Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract with an insurance company under which all the Directors, Auditors, and Executive Officers of the Company are the insured parties, stipulated in Article 430-3, paragraph (1) of the Companies Act. The insurance covers any damages that may arise when the Directors, etc. assume liability for the performance of their duties as well as litigation expenses. The term of the insurance contract is one year, and renewal is planned by resolution of the Board of Directors prior to the expiration of this term. The insurance premiums are fully borne by the Company. As a measure to ensure the appropriate execution of duties, the insurance contract does not cover causes subject to certain exemptions.

(vi) Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors who are not Audit and Supervisory Committee Members shall not exceed seventeen (17) and the number of Directors who are Audit and Supervisory Committee Members shall not exceed five (5).

(vii) Requirements for resolutions for the election of Directors

The Company's Articles of Incorporation stipulate that the resolution for the election of Directors shall be adopted by a majority of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present, and that such resolution shall not be by cumulative voting.

(viii) Organization for determining dividends of surplus

The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends with a record date of September 30 of each year, in order to flexibly return profits to shareholders.

(ix) Organization for determining the acquisition of treasury shares

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc. by a resolution of the Board of Directors, pursuant to the provisions of Article 165, paragraph (2) of the Companies Act, in order to implement a flexible capital policy in response to changes in the business environment.

(x) Requirements for special resolution of General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that the special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph (2) of the Companies Act shall be adopted by two thirds (2/3) or more of the voting rights of the shareholders present at the Shareholders' Meeting where the shareholders holding in aggregate one third (1/3) or more of the voting rights of shareholders entitled to exercise their voting rights are present. The purpose of this measure is to facilitate the flexible implementation of special resolutions at the General Meeting of Shareholders.

(xi) Matters concerning class shares

No items to report.

(xii) Matters concerning conflict of interest transactions

No items to report.

(xiii) Board of Directors' activity status

In fiscal 2023, the Company held 13 meetings of the Board of Directors to determine matters stipulated by laws, regulations, and other rules, as well as important management-related issues. In addition, the Board supervised business execution from the perspective of compliance with laws, regulations, and the Company's Articles of Incorporation, and ensuring the appropriateness of business operations.

In addition to "Proposals to be resolved" and "Matters to be reported," the Company includes "Discussion items" in an agenda item at meetings of the Board of Directors, and topics such as response to climate change, information disclosure based on the TCFD recommendations, and risk management were discussed at the meetings last year.

(xiv) Nomination and Compensation Committee's activity status

In fiscal 2023, the Company held nine meetings of the Nomination and Compensation Committee and reported to the Board of Directors regarding the nomination and compensation of officers. The main activities of the Nomination and Compensation Committee are as follows.

Month	Main activities
April 2023	Discussed performance evaluations for officers' compensation in the 51st fiscal year (year ended March 31, 2023) Regarding revision to the amounts of compensation for Directors
March 2024	Discussed Directors for the 53rd fiscal year (after the Annual General Meeting of Shareholders in June 2024) Discussed the Nomination and Compensation Committee structure for the 53rd fiscal year (after the Annual General Meeting of Shareholders in June 2024)

In addition, the Committee also considered other issues related to the operation of the Nomination and Compensation Committee and corporate governance.

Membership of the Board of Directors, the attendance and tenure of their members, and the membership of the Nomination and Compensation Committee (for the fiscal year ended March 31, 2024)

◎: Chair, ○: Member

Official title or position			Name	Attendance at Board of Directors meetings (Attendance rate)	Attendance at Nomination and Compensation Committee meetings (Attendance rate)		Tenure
Chairperson and Representative Director			Koichi Nishida	13/13 (100%)	○	9/9 (100%)	14 years
Representative Director and President			Tomoaki Kitamura	13/13 (100%)	○	9/9 (100%)	3 years
Director and Senior Managing Executive Officer			Minoru Takeuchi	13/13 (100%)	—	—	13 years
Director and Managing Executive Officer			Isao Asami	13/13 (100%)	—	—	4 years
Director	Independent	Outside	Shinya Shishido	13/13 (100%)	◎	Director	Independent
Director	Independent	Outside	Shinichi Yamada	13/13 (100%)	○	Director	Independent
Director	Independent	Outside	Yumiko Masuda	13/13 (100%)	○	Director	Independent
Director and Full-time Audit and Supervisory Committee Member			Takao Sakamoto	13/13 (100%)	—	—	1 year
Director and Audit and Supervisory Committee Member	Independent	Outside	Taeko Ishii	12/13 (92%)	—	Director and Audit and Supervisory Committee Member	Independent
Director and Audit and Supervisory Committee Member	Independent	Outside	Yutaka Takei	13/13 (100%)	○	Director and Audit and Supervisory Committee Member	Independent
Director and Audit and Supervisory Committee Member	Independent	Outside	Nobuyasu Iimuro	11/11 *1 (100%)	—	Director and Audit and Supervisory Committee Member	Independent

*1 As Mr. Nobuyasu Iimuro assumed office of Director on June 22, 2023, attendance at the meetings held after his assumption of office (11 Board of Directors meetings) and the attendance rate are indicated.

*2 As Mr. Yutaka Takei assumed office of Nomination and Compensation Committee Member on June 22, 2023, attendance at the meetings held after his assumption of office (8 Nomination and Compensation Committee meetings) and the attendance rate are indicated.

(2) Directors (and other officers)

(i) Corporate officers

8 males, 2 females (female ratio of 20.0%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Representative Director and President	Tomoaki Kitamura	September 24, 1964	July 2003 July 2009 July 2012 June 2015 June 2018 June 2018 June 2020 Apr. 2021 Apr. 2021	Head, Business Development Sector, NTT DATA Corporation Head, Data Center Business Unit, Business Solution Sector, NTT DATA Corporation Head, Data Center Business Unit, Fundamental System Platforms Sector, NTT DATA Corporation President and CEO, NTT DATA TOKAI Corporation Senior Vice President and Head, Business Solution Sector, NTT DATA Corporation Director, NTT DATA BUSINESS SYSTEMS CORPORATION Director and Executive Vice President, the Company Representative Director and President (current position) Head, Digital Solution Sector	(Note 1)	8
Director and Senior Managing Executive Officer	Minoru Takeuchi	June 21, 1961	Apr. 1985 Oct. 2007 June 2010 Apr. 2016 July 2017 Apr. 2018 Sept. 2019 Apr. 2022 Nov. 2022 Apr. 2023 Apr. 2024	Joined the Company Executive Officer Director and Executive Officer Executive Managing Director and Executive Officer Chairman, DTS SOFTWARE VIETNAM CO., LTD. (current position) Chairman, DTS America Corporation (current position) Chairman, Nelito Systems Private Limited (current position) Director and Senior Managing Executive Officer, the Company (current position) Chairman, Partners Information Technology, Inc. (current position) Head of Operations and Solutions Segment and Head of Technology and Solutions Segment, the Company Head of Operations and Solutions Segment (current position)	(Note 1)	19
Director and Managing Executive Officer	Isao Asami	October 20, 1964	Apr. 1987 Apr. 2010 Apr. 2012 Apr. 2013 Apr. 2017 June 2019 Apr. 2020 Apr. 2022 Mar. 2024 June 2024	Joined the Company General Manager, Corporate Planning Department Executive Officer General Manager, Embedded Systems Business Department, iCT Sector Representative Director and President, DTS INSIGHT CORPORATION (current position) Director and Executive Officer, the Company Director and Senior Executive Officer Director and Managing Executive Officer (current position) General Manager, Accounting Department (current position) General Manager, Global Business Promotion Department	(Note 1)	20

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Shinya Shishido	September 29, 1948	Apr. 1998	General Manager, Systems Department, Japan Housing Finance Agency	(Note 1)	—
			May 2001	General Manager, Osaka Branch, Japan Housing Finance Agency		
			June 2003	Director, Japan Housing Finance Agency (retired in March 2007)		
			Apr. 2007	Managing Director, HGS Co., Ltd. (retired in March 2011)		
			June 2007	Representative Director and President, JLS. LTD. (retired in March 2011)		
			Apr. 2011	Chairman, Incorporated Administrative Agency Japan Housing Finance Agency (retired in March 2015)		
			Apr. 2015	Councilor, TOHOKU GAKUIN(retired in March 2019)		
			May 2016	Director, Escrow Agent Japan, Inc. (retired in May 2019)		
			June 2019	Director, the Company (current position)		
			June 2020	Director, Takamatsu Corporation Co., Ltd. (retired in June 2024)		
			June 2024	Advisor, Takamatsu Corporation Co., Ltd. (current position)		
Director	Shinichi Yamada	February 25, 1952	June 2003	Director and Deputy Head, Business Development Sector, NTT DATA Corporation	(Note 1)	—
			May 2004	Director and Head, Business Development Sector, NTT DATA Corporation		
			June 2005	Senior Vice President and Head, Fundamental System Platforms Sector, NTT DATA Corporation		
			June 2007	President and CEO, NTT DATA INTELLILINK Corporation (retired in June 2011)		
			June 2007	Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation		
			June 2009	Representative Director and Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation		
			July 2009	Representative Director and Executive Vice President; Head, S&T Company; Head, SI Competency Sector, and Head, Technology Development Sector, NTT DATA Corporation (retired in June 2011)		
			June 2011	President and CEO, NTT Software Corporation (retired in March 2017)		
			Apr. 2017	Director, NTT TechnoCross Corporation (retired in June 2017)		
			June 2017	Special Advisor, NTT TechnoCross Corporation (retired in June 2018)		
			June 2020	Director, the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Yumiko Masuda	October 20, 1955	May 1990 Sept. 1996 Jan. 2003 July 2006 June 2009 June 2018 June 2022 June 2024	Banking Group Manager, Bellsystem24, Inc. (retired in June 1996) Solutions Sales, IBM Japan Financial Strategy Consulting Cluster Partner, GS Consulting Department, IBM Japan (retired in June 2006) Director, Strategic Industry Sales Division, Field Service Control Division, SAP Japan Co., Ltd. (retired in May 2009) Representative Director, Consumer Voice Research Institute, Limited (current position) Outside Director, PC Depot Corporation (retired in June 2024) Director, the Company (current position) Outside Director, NITTAN Corporation (current position)	(Note 1)	—
Director (Full-Time Audit and Supervisory Committee Member)	Takao Sakamoto	January 4, 1961	Apr. 1987 Apr. 2004 Apr. 2007 June 2009 Apr. 2013 Mar. 2014 Apr. 2016 Apr. 2019 Mar. 2020 June 2020 June 2022 June 2022 Jan. 2024	Joined the Company General Manager, Planning Department, Corporate Staff Division Executive Officer Director and Executive Officer General Manager, Human Resources Department Representative Director and President, MIRUCA CORPORATION Executive Managing Director and Executive Officer, the Company Director and Managing Executive Officer, the Company Director, DTS palette Inc. Director, JAPAN SYSTEMS ENGINEERING CORPORATION Corporate Auditor, DTS INSIGHT CORPORATION Director (Full-Time Audit and Supervisory Committee Member), the Company (current position) Corporate Auditor, avanza Co., Ltd. (current position)	(Note 2)	19
Director (Audit and Supervisory Committee Member)	Taeko Ishii	May 7, 1956	Apr. 1986 Mar. 1992 Apr. 1998 Apr. 2003 Apr. 2004 Nov. 2007 June 2018 June 2018 June 2018 June 2021 June 2022	Registered as an attorney (Member of Dai-Ichi Tokyo Bar Association) Deputy Director, Ota Ishii Law Office (current position) Civil Conciliation Commissioner, Tokyo District Court (current position) Member of Study Group for Case Law on Public Employees, Human resources and Pension Bureau, Ministry of Internal Affairs and Communications (currently Study Group for Case Law on Public Employees, Cabinet Human Resources Bureau, Cabinet Secretariat) (current position) Outside Corporate Auditor, Furusato Service Co., Ltd. (current position) Special Committee Member, Central Construction Work Disputes Committee, Ministry of Land, Infrastructure, Transport and Tourism (current position) Corporate Auditor, the Company Corporate Auditor, the Company Outside Audit and Supervisory Board Member, NEC Corporation (retired in June 2022) Outside Director, Sumitomo Metal Mining Co., Ltd. (current position) Outside Corporate Auditor, Dai Nippon Printing Co., Ltd. (current position) Director (Audit and Supervisory Committee Member), the Company (current position)	(Note 2)	—

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director (Audit and Supervisory Committee Member)	Nobuyasu Iimuro	April 21, 1962	Sept. 1991 Aug. 1995 Apr. 2000 Sept. 2006 July 2012 July 2014 July 2017 July 2022 June 2023 Nov. 2023	Joined Aoyama Audit Corporation Registered as Certified Public Accountant Audit unit, ChuoAoyama PricewaterhouseCoopers (retired in August 2006) PricewaterhouseCoopers Aarata (retired in July 2012) Chief Examiner, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (retired in June 2014) Director, Audit unit, PricewaterhouseCoopers Aarata Partner, Audit unit, PricewaterhouseCoopers Aarata LLC (retired in June 2022) President, Nobuyasu Iimuro Certified Public Accountant Office (current position) Director (Audit and Supervisory Committee Member), the Company (current position) Auditor, Meiji Pharmaceutical University (current position)	(Note 3)	—
Director (Audit and Supervisory Committee Member)	Hiroshi Ohno	April 26, 1961	May 2007 Oct. 2008 June 2010 Jan. 2012 Apr. 2012 Apr. 2014 July 2014 Oct. 2014 Apr. 2023 Apr. 2024 June 2024	General Manager, Oita Branch, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Financial Institutions Department, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Shibuya Branch, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Corporate Business Department 5, Tokyo, The Chuo Mitsui Trust and Banking Company, Limited Executive Officer and General Manager, Corporate Business Department 5, Tokyo, Sumitomo Mitsui Trust Bank, Limited Executive Manager, Sumitomo Mitsui Trust Bank, Limited (retired in June 2014) Counselor, Construction Business Headquarters, HAZAMA ANDO CORPORATION Executive Officer, HAZAMA ANDO CORPORATION Counselor in charge of Sales Headquarters, HAZAMA ANDO CORPORATION (retired in March 2024) Counselor, The Developer Sanshin Co., Ltd. (retired in June 2024) Director (Audit and Supervisory Committee Member), the Company (current position)	(Note 2)	—
Total						67

Notes:
1. One year from the adjournment of the 52nd Annual General Meeting of Shareholders held on June 25, 2024 (at the close of deliberations on June 25, 2024).
2. Two years from the adjournment of the 52nd Annual General Meeting of Shareholders held on June 25, 2024 (at the close of deliberations on June 25, 2024).
3. Two years from the conclusion of the 51st Annual General Meeting of Shareholders held on June 22, 2023.
4. Shinya Shishido, Shinichi Yamada, Yumiko Masuda, Taeko Ishii, Nobuyasu Iimuro, and Hiroshi Ohno are Outside Directors.

5. The Company has introduced an executive officer system to facilitate quick decision-making and clarify management responsibility. There are 15 Executive Officers members, including the abovementioned Directors who also serve as Executive Officers and the following 13 Executive Officers.

Managing Executive Officer	Hirotoshi Kobayashi	Head, Platform and Services Segment Director, Digital Technologies Corporation
Senior Executive Officer	Makoto Kondo	Deputy Head of Operations and Solutions Segment and Head, Public Systems and Social Infrastructure Sector Chairman, Dalian Super Electronics Co., Ltd. Representative Director and Chairman, Japan Super Electronics Co., Ltd. Chairman, DTS (Shanghai) CORPORATION Director, Tohoku Systems Support Co., Ltd.
Senior Executive Officer	Hiroyuki Norikane	Head of Technology and Solutions Segment and Head, Digital Solution Sector
Senior Executive Officer	Kazumasa Taninaka	Head of New Business Group and General Manager, Global Business Promotion Department
Executive Officer	Shigeo Okubo	Representative Director and President, JAPAN SYSTEMS ENGINEERING Corporation
Executive Officer	Yutaka Nakamura	General Manager, Business Development Department Representative Director and Chairman, avanza Co., Ltd.
Executive Officer	Hiroyuki Mabuchi	President, DTS America Corporation Director and Vice President, Partners Information Technology, Inc.
Executive Officer	Tetsuji Kamata	General Manager, General Affairs Department Representative Director and President, DTS palette Inc.
Executive Officer	Hiroshi Tani	Head, IT Platform Service Sector
Executive Officer	Masanori Tamura	Head, Financial Sector Director, Nelito Systems Private Limited
Executive Officer	Masakazu Takada	Deputy Head of Technology and Solutions Segment; Head, Enterprise and Solution Sector; General Manager, Sales Department; and Head, Housing Solution Division Representative Director and President, Anshin Project Japan Inc.
Executive Officer	Naoki Minase	General Manager, ESG Promotion Department
Executive Officer	Nobuhisa Abe	Deputy Head of Operations and Solutions Segment Director, Nelito Systems Private Limited

(ii) Outside officers

The Company has three Outside Directors who are not Audit and Supervisory Committee Members and three Outside Directors who are Audit and Supervisory Committee Members.

Shinya Shishido has abundant experience and a high level of insight as a manager in the housing loan industry and the real estate industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. Therefore, the Company appointed him as an Outside Director. In addition, Mr. Shishido satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Shishido, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Shinya Shishido previously served as an executive officer of Incorporated Administrative Agency Japan Housing Finance Agency, Escrow Agent Japan, Inc., and Takamatsu Corporation Co., Ltd. However, the Group has no business relationship with these companies.

Shinichi Yamada has abundant experience and a high level of insight regarding the industry trends and corporate management in the IT industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. Therefore, the Company appointed him as an Outside Director. In addition, Mr. Yamada satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Yamada, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Shinichi Yamada previously served as an executive officer of NTT DATA Corporation, which is one of our business partners. However, as it has already been thirteen years since he resigned from said company, and he has not been involved in execution of business of the company after his resignation, the Company has determined that his former position does not have any influence on his independence. NTT DATA Corporation and the Group had business transactions totaling less than ¥10.6 billion per year and less than 10% of net sales (the amount of business transactions including not only sales but also purchasing, etc. as a percentage of gross net sales; hereinafter the same applies.) (consolidated results for the fiscal year ended March 31, 2024). Furthermore, Mr. Shinichi Yamada previously served as an executive officer of NTT TechnoCross Corporation (NTT Software Corporation and NTT-IT Corporation were merged into NTT TechnoCross Corporation), which is one of our business partners. However, as it has already been seven years since he resigned from said company, and he has not been involved in execution of business of the company after his resignation, the Company has determined that his former position does not have any influence on his independence. The company and the Group had business transactions totaling less than ¥100 million per year and less than 0.1% of net sales (consolidated results for the fiscal year ended March 31, 2024).

Yumiko Masuda has experience of management at many major foreign-owned IT firms. The Company believes that she will utilize her expertise on consumer/customer-oriented management and responses to customers, as well as extensive experience and advanced insight of diversity & inclusion, in its management decisions. The Company also expects that she will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective, and therefore appointed her as an Outside Director. In addition, Ms. Masuda satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Ms. Masuda, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, her independence is deemed to be ensured. Ms. Yumiko Masuda serves as an executive officer of Consumer Voice Research Institute, Limited. However, the Group has no business relationship with said company.

Taeko Ishii is an attorney who we appointed as an Outside Director who is an Audit and Supervisory Committee Member so that the Company auditing structure could benefit from her extensive experience in and professional knowledge on legal and labor affairs, in the expectation of her contribution to enhancement of the supervisory functions of business execution as well as provision of advice from a broader perspective. In addition, Ms. Ishii satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Ms. Ishii, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, her independence is deemed to be ensured. Ms. Taeko Ishii serves as an executive officer of Ota Ishii Law Office. However, the Group has no business relationship with said office.

Nobuyasu Iimuro is certified as a certified public accountant, and has abundant experience and expertise regarding finance and accounting. The Company expects that he will utilize this experience and expertise in the audit structure of the Company, and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. Therefore, the Company appoints him as an Outside Director who is an Audit and Supervisory Committee Member. Mr. Nobuyasu Iimuro satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Iimuro, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, the Company has determined that his independence has been secured. Mr. Nobuyasu Iimuro serves as an executive officer of Nobuyasu Iimuro Certified Public Accountant Office. However, the Group has no business relationship with the said office.

Hiroshi Ohno has an abundance of experience and a high level of insight as a manager of a trust bank and a construction company that we wanted to apply to the Company audit structure so we appointed him as an Outside Director who is an Audit and Supervisory Committee Member, in the expectation of his contribution to enhancement of the supervisory functions of business execution as well as provision of advice from a broader perspective. In addition, Mr. Ohno satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Ohno, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Hiroshi Ohno served as an executive officer of HAZAMA ANDO CORPORATION. However, the Group has no business relationship with said company.

(iii) Supervision or auditing and internal audits by Outside Directors who are not Audit and Supervisory Committee Members or Outside Directors who are Audit and Supervisory Committee Members and Cooperation between Audit and Supervisory Committee audits and accounting audits, and the relationship with the Internal Control Department

Outside Directors who are not Audit and Supervisory Committee Members receive reports from the Audit and Supervisory Committee and the Audit Office on audit plans and audit results, and supervises business operations by mutually cooperating with the Audit and Supervisory Committee and the Audit Office by commenting when necessary.

Outside Directors who are Audit and Supervisory Committee Members mutually cooperate as described in “(3) Status of audits (i) Audits by the Audit and Supervisory Committee.”

(3) Status of audits

(i) Audits by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee is composed of four Audit and Supervisory Committee Members, including three Outside Audit and Supervisory Committee Members. Each of three Outside Audit and Supervisory Committee Members is an expert of accounting, legal affairs, and corporate management and has experience thereof, and has significant knowledge on respective fields.

Audit and Supervisory Committee Members attend Board of Directors meetings and other important meetings. They also grasp the status of internal audit and compliance and confirm status of business execution in light of the audit policy of the Audit and Supervisory Committee and the division of work, etc. in an audit implementation plan. With regard to individual business execution, Audit and Supervisory Committee Members ask responsible Directors and division managers to report as necessary, and investigate and confirm its contents, etc. Through such activities, they appropriately audit business execution of Directors. Audit and Supervisory Committee Members exchanged opinions and information with the Accounting Auditor as necessary, receiving reports and explanations on status of its business execution and contents of audit, etc.

During the fiscal year under review, the Company held 11 meetings of the Audit and Supervisory Committee, and the attendance of individual Audit and Supervisory Committee Members was as follows.

(Attendees and status of attendance at Audit and Supervisory Committee Meetings)

Official title or position	Name	Status of attendance (Attendance rate)
Full-Time Audit and Supervisory Committee Member	Takao Sakamoto	11/11 (100%)
Audit and Supervisory Committee Member	Kenji Yukimoto	2/3 (66.7%)
Audit and Supervisory Committee Member	Taeko Ishii	11/11 (100%)
Audit and Supervisory Committee Member	Yutaka Takei	11/11 (100%)
Audit and Supervisory Committee Member	Nobuyasu Iimuro	8/8 (100%)

Note: As Mr. Kenji Yukimoto resigned as Audit and Supervisory Committee Member at the conclusion of the 51st Annual General Meeting of Shareholders held on June 22, 2023, attendance at the meetings held before his resignation (3 Audit and Supervisory Committee meetings) and the attendance rate are indicated. As Mr. Nobuyasu Iimuro assumed office of Audit and Supervisory Committee Member at the 51st Annual General Meeting of Shareholders held on June 22, 2023, attendance at the meetings held after his assumption of office (8 Audit and Supervisory Committee meetings) and the attendance rate are indicated.

The main agenda of the Audit and Supervisory Committee includes preparing audit reports, selecting and dismissing full-time Audit and Supervisory Committee Members, and deciding on audit policies, ways to investigate into the status of operations and financial position, and other matters related to the execution of duties by Audit and Supervisory Committee Members. In addition, the Audit and Supervisory Committee examines matters subject to a resolution of the Audit and Supervisory Committee, such as selection and dismissal or refusal of reappointment of the Accounting Auditor and approval of compensation for the Accounting Auditor. The Audit and Supervisory Committee receives detailed explanations from the Corporate Planning and Accounting Departments and the Accounting Auditor regarding Group Companies' consolidated financial results and the status of accounting audits throughout the year, including each quarter.

Full-time Audit and Supervisory Committee Members attend important meetings such as the Board of Directors,' Management Council, Risk Management Committee, and Sustainability Committee meetings, and view important internal documents for approval and minutes of meetings, etc. In addition, full-time Audit and Supervisory Committee Members confirm the status of business execution by the Company and Group Companies and conduct on-site examinations. In addition, full-time Audit and Supervisory Committee Members regularly exchange opinions and discuss general management issues with Representative Directors and Directors to grasp the status of execution of duties by Directors and to express their opinions. Full-time Audit and Supervisory Committee Members also receive explanations from Directors, etc. and employees as to the status of their execution of duties with regard to specific management issues and themes when necessary, and express opinions. Full-time Audit and Supervisory Committee Members inspect documents relating to Group Companies, request explanations from Group Company Directors, etc. as necessary, and exchange information with Group Company auditors on a regular basis. Full-time Audit and Supervisory Committee Members closely coordinate with the Internal Audit Office regarding internal audits, and strive to share perception with the department through measures such as exchanging information and opinions on the policy, plan and results, etc. of internal audit as well as attending interviews with responsible division managers of audited divisions. Furthermore, full-time Audit and Supervisory Committee Members receive reports and explanations from Directors, etc. and employees regarding the status of building and operating an internal control system as well as matters related to compliance and risk management, and express opinions when necessary.

(ii) Status of internal audits

With regard to internal audits, the Internal Audit Office, which is under the direct supervision of the Representative Director and President, conducts regular audits of the Company and Group Companies based on an annual audit plan to evaluate the appropriateness and effectiveness of internal controls, and also conducts periodic audits when necessary. The Internal Audit Office reports audit results to the Representative Director and President and reports the audit plan for the current fiscal year once a year to the Board of Directors. In addition, the Internal Audit Office exchanges information with Audit and Supervisory Committee Members and the Accounting Auditor when necessary in order to promote the smooth execution of the Audit and Supervisory Committee audits and Accounting Auditor audits and improve their effectiveness and efficiency. The composition of internal audits is as follows:

- Composition of internal audits: 9 members from the Internal Audit Office

(iii) Status of accounting audits

a. Accounting auditor:

Ernst & Young ShinNihon LLC

b. Audit period:

From March 2021 onward

c. CPA who executed the audit:

Shigeru Sekiguchi

Saori Nakata

d. Composition of auxiliary auditing persons:

12 CPAs, 7 people with accountancy qualifications, and 13 others

e. Policy and reasons for appointing the Accounting Auditor

With respect to the selection of the Accounting Auditor, the Audit and Supervisory Committee makes decisions on reappointment or non-reappointment of the Accounting Auditor after considering their competence, audit systems and audit standards, etc.

Regarding dismissal and non-reappointment, if any of the causes listed in Article 340, paragraph (1) of the Companies Act is applicable to the Accounting Auditor, the Audit and Supervisory Committee will dismiss the Accounting Auditor with the consent of all Audit and Supervisory Committee Members. In this event, an Audit and Supervisory Committee Member selected by the Audit and Supervisory Committee will report on the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Shareholders' Meeting held after the dismissal.

The Audit and Supervisory Committee may also decide, by resolution, on the content of proposals concerning the dismissal or non-reappointment of the Accounting Auditor where deemed necessary in other cases, based on factors such as the independence of the Accounting Auditor or the status of its execution of duties. Based on this decision, the Board of Directors will submit this proposal to the General Shareholders' Meeting.

f. Evaluation of the Accounting Auditor by the Audit and Supervisory Committee

The Company's evaluation of the Accounting Auditor is conducted from the following perspectives.

- Competence, independence, and internal control status as an Accounting Auditor (corporate or individual)
- Accounting system including the number of accountants in charge, as well as their years of experience and qualifications, etc.
- Status of audit implementations and audit standards
- Timely and appropriate reporting, etc., and status of cooperation with the Audit and Supervisory Committee and the Company

In addition to receiving timely explanations from the Accounting Auditor regarding the "Matters to be Notified in Accordance with Article 131 of the Regulations on Corporate Accounting," the Audit and Supervisory Committee also evaluated the Accounting Auditor in accordance with the above perspective while receiving quarterly audit reports, etc. and requesting explanations as necessary.

(iv) Content of the audit fee

a. Content of the compensation to the certified public accountants

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)
The Company	54	15	The Company	54
Consolidated subsidiaries	—	—	Consolidated subsidiaries	—
Total	54	15	Total	54

Non-audit services apart from those prescribed under Article 2, paragraph (1) of the Certified Public Accountants Act, for which the Company pays compensation to certified public accountants, include advisory services concerning the enhancement of internal controls at overseas subsidiaries.

b. Content of the compensation to organizations belonging to the same network, of which the Accounting Auditor is a group member (excluding the amount presented in a. above)

Category	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)
The Company	—	33	The Company	—
Consolidated subsidiaries	—	—	Consolidated subsidiaries	—
Total	—	33	Total	—

Non-audit services for which the Company pays compensation to organizations belonging to the same network, of which the Accounting Auditor is a group member, are support for the development of a risk management framework.

c. Details of compensation based on other significant auditing and attestation services

No items to report.

d. Policy on determining the audit fee

No items to report. However, audit fees for the Company's Accounting Auditors, etc. are determined in consideration of the size, characteristics and number of audit days, etc.

e. Reasons why the Audit and Supervisory Committee has consented to compensation, etc. for the Accounting Auditor

The Company's Audit and Supervisory Committee has checked trends in the time taken and audit fees for each audit item, as well as the audit plan and its implementation results in the previous fiscal year, and examined the appropriateness of the estimated audit times and fees for the fiscal year under review, based on the Practical Guidelines for Cooperation with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association. As a result, it has given its consent to compensation for the Accounting Auditor as prescribed in Article 399, paragraph (1) of the Companies Act.

(4) Compensation, etc. for officers

(i) Matters related to determining the amounts and the calculation methods of compensation, etc. for officers

a. Policy for determining individual compensation, etc. for Directors

At the Board of Directors meeting held on June 22, 2023, the Company resolved on the policy to determine the details of compensation for individual Directors who are not Audit and Supervisory Committee Members (hereinafter referred to as the “Decision Policy”).

The method used to calculate the amount of compensation, etc. for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) shall be determined upon the comprehensive consideration of past payment records and the Company’s performance. Compensation, etc. shall consist of fixed compensation, performance-linked compensation and non-monetary compensation. Compensation for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) shall consist of fixed compensation only.

Performance-linked compensation shall be paid as a bonus, and shall be calculated by establishing an amount of consolidated ordinary profit as a standard, comparing it against the consolidated ordinary profit in the fiscal year in which the bonus is to be paid, and multiplying the growth rate by the amount of the performance-linked standard and adjusting the result by the degree of achievement of performance forecasts and the degree of achievement of the medium-term management plan (financial and non-financial KPIs). However, in the event that business performance deteriorated significantly, the bonus may not be paid.

Non-monetary compensation shall be paid as stock-based compensation, in the form of restricted shares, and shall be calculated based on a standard amount predetermined in accordance with position in order to appropriately function as an incentive to sustainably enhance the corporate value of the Company. The standard amount shall be determined annually, based on an assessment of corporate value (Company’s TSR compared with TOPIX growth rate), the degree of achievement of performance forecasts, and the degree of achievement of the medium-term management plan.

When determining the payment ratios of fixed compensation, performance-linked compensation and non-monetary compensation, the ratio of basic compensation (fixed compensation) shall decrease the higher the position, and the ratios of bonus (performance-linked compensation) and stock-based compensation (non-monetary compensation) shall increase the higher the position. In the case of standard performance, the composition of compensation for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) is generally as follows: base compensation 62-71%, bonuses 30-23%, and stock compensation 8-6%.

The timing for payment of compensation, etc. for Directors who are not Audit and Supervisory Committee Members shall be monthly for basic compensation and once a year for bonuses and stock-based compensation (for Directors who are not Outside Directors).

Performance indicators for bonus

The indicators for performance-linked compensation comprise consolidated ordinary profit, as an indicator that ensures a healthy medium-term earnings structure across the entire Group, as well as the publicly announced performance forecasts (consolidated net sales, profit attributable to owners of parent, EBITDA, and ROE), as indicators associated with short-term business growth and the enhancement of corporate value. Moreover, the Company uses the targets of the medium-term management plan (consolidated net sales, EBITDA, growth investment, ROE) as financial indicators associated with medium-term enhancement of corporate value and non-financial indicators (reduction of CO_2 emissions, ratio of female managers) as sustainability indicators. The Company has established internal rules on how to determine the amount of performance-linked compensation.

Performance indicators as the basis for calculation of the amount of bonus

(calculated by comparing the standard amount against the consolidated ordinary profit in the fiscal year in which the bonus is to be paid, multiplying the growth rate by the amount of the performance-linked standard)

Financial/non-financial	Performance indicator	Standard amount	Result
Financial indicator	Consolidated ordinary profit	10.0 billion yen	12.83 billion yen

Indicators associated with short-term enhancement of corporate value

(assessed each year and reflected in bonuses)

Financial/non-financial	Performance indicators	Weight	Targets	Results
Financial indicator	Consolidated net sales	40%	115.0 billion yen	115.72 billion yen
	Profit attributable to owners of parent	15%	8.10 billion yen	7.29 billion yen
	EBITDA	15%	13.00 billion yen	13.58 billion yen
	ROE	30%	13.1%	11.8%

In order to provide an incentive to Directors who are not Audit and Supervisory Committee Members of the Company (excluding Outside Directors) to sustainably enhance the Company's corporate value and further promote the sharing of value with shareholders, the Company has introduced a restricted stock compensation plan as non-monetary compensation. An overview of the plan is shown below.

[Recipients]
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors)

[Transfer restriction period]
30 years from the payment date (transfer restrictions removed upon retirement)

[Total amount of monetary compensation receivables]
Within 45 million yen per annum

[Maximum number of shares of common stock to be issued or disposed of]
Within 26,000 shares per annum

The standard amount used to calculate non-monetary compensation is predetermined based on position, but is revised annually based on factors such as corporate value (share price) and the degree of achievement of medium-term plans.

A similar restricted stock compensation plan has been introduced for Executive Officers of the Company.

Indicators associated with medium-term enhancement of corporate value

(assessed after the final year of the medium-term management plan and reflected in stock compensation)

Financial/non-financial	Performance indicators	Weight	Targets
Financial indicators	Consolidated net sales	20%	110.0 billion yen or higher
	EBITDA	20%	13.0 billion yen or higher
	Growth investment (cumulative total for three years)	10%	25.0 billion yen
	ROE	10%	13% or higher
Non-financial indicators	Reduction of CO2 emissions (compared with FY2013 figures)	20%	50% or higher
	Ratio of female managers	20%	6% or higher

Indicators associated with long-term enhancement of corporate value

(assessed every year and reflected in stock compensation)

Performance indicator	Results (FY2023)		Assessment coefficient (Company's TSR compared with TOPIX growth rate including dividends)
	The Company's TSR	TOPIX growth rate including dividends	
The Company's TSR (compared with TOPIX growth rate)	128.0%	141.3%	90.6%

Note: The Company's TSR and TOPIX growth rate including dividends used for performance evaluation are calculated using the TSR and growth rate for the one-year period starting from the end of the previous fiscal year.

The Board of Directors refers the Decision Policy to the Nomination and Compensation Committee (the majority of whose members are Outside Directors) for deliberation, and determines it after receiving the report of the Nomination and Compensation Committee.

When determining the amounts of compensation for individual Directors who are not Audit and Supervisory Committee Members, the Nomination and Compensation Committee (the majority of whose members are Outside Directors) considers the matter from a variety of perspectives, including compatibility with the Decision Policy. The Representative Director and President, delegated authority by the Board of Directors, calculates these amounts in accordance with the results of deliberation reported by the Nomination and Compensation Committee (the majority of whose members are Outside Directors), and the Company therefore considers that they conform to the Decision Policy.

Fixed compensation (base compensation) for individual Directors who are Audit and Supervisory Committee Members is determined through discussion between Directors who are Audit and Supervisory Committee Members and performance-linked compensation (bonuses) and non-monetary compensation (stock compensation) are not paid to them.

b. Total amounts of compensation, etc. for Directors and Auditors by category for the fiscal year under review

The date of the resolution of the shareholders' meeting concerning compensation, etc. for Directors who are not Audit and Supervisory Committee Members of the Company was June 23, 2022. The resolution established a maximum amount of compensation for Directors who are not Audit and Supervisory Committee Members of 300 million yen per annum (including a maximum amount of 40 million yen per annum for Outside Directors). Nine Directors (including four Outside Directors) are subject to this rule. The amount of compensation, etc. for Directors who are not Audit and Supervisory Committee Members does not include compensation received in the capacity of an employee, for Directors who serve concurrently as employees.

The date of the resolution of the shareholders' meeting concerning compensation for Directors who are Audit and Supervisory Committee Members of the Company was June 23, 2022. The resolution established a maximum amount of compensation for Directors who are Audit and Supervisory Committee Members of 60 million yen per annum. Four Directors who are Audit and Supervisory Committee Members are subject to this rule.

The date of the resolution of the shareholders' meeting concerning the payment of compensation for the allotment of restricted shares was June 23, 2022. The shareholders' meeting resolved to pay monetary compensation receivables for the allotment of restricted shares to the Company's Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) in an amount not exceeding 45 million yen per annum, separate from the compensation limit for Directors who are not Audit and Supervisory Committee Members of 300 million yen per annum. Under this resolution, the maximum total number of common shares to be issued or disposed of is 26 thousand shares per annum. Five Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) are subject to this rule. Restricted shares are also allotted to Executive Officers of the Company.

When determining the amounts of compensation for Directors who are not Audit and Supervisory Committee Members, the Company, at the meeting of the Board of Directors held after the Annual Shareholders' Meeting, delegates the determination of the amounts of compensation, bonuses, and stock compensation for individual Directors for the relevant fiscal year to the Representative Director and President Tomoaki Kitamura, within the annual compensation limits approved at the shareholders' meeting.

The reason for delegating this authority to the Representative Director and President is because he has the most thorough understanding of aspects such as the Company's business environment and condition, and is able to determine the amounts of compensation for individual Directors from a comprehensive perspective. Furthermore, the Company considers that this delegation of authority contributes to the flexible and agile determination of compensation amounts.

Measures are in place to ensure that the individual amounts of compensation are not determined arbitrarily, and this authority is appropriately exercised, with the Representative Director and President determining these amounts in accordance with the results of deliberation reported by the Nomination and Compensation Committee (the majority of whose members are Outside Directors).

The activities of the Board of Directors in the process of determining the amount of compensation, etc. for the Company's officers during the fiscal year under review were resolved as follows.

June 2023: Decided compensation and bonuses for Directors
Change in policy for determining individual compensation, etc. for each Director
Granted restricted stock compensation

The Nomination and Compensation Committee engages in the following discussions and the results of each discussion are reported to the Board of Directors.

April 2023: Discussed performance evaluations for officers' compensation in the 51st fiscal year (year ended March 31, 2023)
Regarding revision to the amounts of compensation for Directors

March 2024: Discussed Directors for the 53rd fiscal year (after the Annual General Meeting of Shareholders in June 2024)
Discussed the Nomination and Compensation Committee structure for the 53rd fiscal year (after the Annual General Meeting of Shareholders in June 2024)

(ii) Total amount of compensation, etc., amount of compensation, etc. by type, and number of eligible officers by officer category

Category	Total amount of compensation, etc. (Millions of yen)	Amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc. (Restricted stock compensation)	
Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors)	210	127	66	16	5
Audit and Supervisory Committee Members (excluding those who are Outside Directors)	20	20	—	—	1
Outside officers	41	41	—	—	8

Notes: 1. The amount of compensation, etc. for Directors does not include compensation received in the capacity of an employee, for Directors who serve concurrently as employees.

2. The above amount of non-monetary compensation, etc. is the expense recorded for restricted stock compensation for five Directors (excluding Outside Directors) during the fiscal year under review.

3. The above includes two Directors and one Director (an Audit and Supervisory Committee Member) who resigned at the conclusion of the 51st Annual General Meeting of Shareholders held on June 22, 2023.

(5) Status of shares held

(i) Criteria and concept on investment shares

The Company classifies shares held for strategic business purposes, such as maintaining and strengthening relationships with business partners, as cross-shareholdings, and shares held for other asset management purposes are classified as pure investments.

(ii) Investment shares held for purposes other than pure investment

a. Holding policy and the method to verify the suitability of the holding, as well as details of such verification by the Board of Directors or any other bodies concerning the appropriateness of the holding of the respective stocks

<Holding policies>

The Company holds shares in its customers' and business partners' firms for the purpose of maintaining and developing medium to long-term business relationships and also for the purpose of collecting information in anticipation of future business alliances.

<Methods to verify the holding effects>

To verify the suitability of holding these cross-shareholdings, the Company comprehensively assesses the proportion of the total amount of cross-shareholdings to net assets, whether the benefits and risks associated with each shareholding align with the capital costs, and whether the holding purpose is consistent. After deliberation by the Board of Directors, we verify the validity of holding all cross-shareholdings that the Company possesses.

If any circumstances change in the future which lead us to determine that a cross-shareholding is no longer appropriate, we will review and reduce it.

b. Number of stocks and total of the amounts recorded in the balance sheet

	Number of stocks (Issue name)	Total of the amounts recorded in the balance sheet (Millions of yen)
Unlisted shares	2	253
Shares other than unlisted shares	7	3,374

(Stocks of which the number increased during the current fiscal year)

	Number of stocks (Issue name)	Total amount of purchase price relating to increase in the number of stocks (Millions of yen)	Reason for the increase
Unlisted shares	—	—	—
Shares other than unlisted shares	—	—	—

(Stocks of which the number decreased during the current fiscal year)

	Number of stocks (Issue name)	Total amount of sale price relating to decrease in the number of stocks (Millions of yen)
Unlisted shares	—	—
Shares other than unlisted shares	—	—

c. Information regarding the number of stocks, amounts recorded in the balance sheet, etc., by each stock for specific stocks for investment

Issue name	Fiscal year ended March 31, 2024 Number of shares (Shares) Amount recorded in the balance sheet (Millions of yen)	Fiscal year ended March 31, 2023 Number of shares (Shares) Amount recorded in the balance sheet (Millions of yen)	Holding purpose, outline of business alliances, etc., quantitative holding effects, and reason for the increased number of shares	Holding of the Company's shares
EXEO Group, Inc.	1,008,000	504,000	Shares are held to build relationships for future business. Mutually complementary resources, etc. are being explored. The number of shares has increased due to a stock split.	Yes
	1,631	1,208		
Hibiya Engineering, Ltd.	284,000	284,000	Shares are held to build relationships for future business. Business collaboration is being considered for new solutions.	Yes
	844	614		
Sumitomo Mitsui Trust Holdings, Inc.	111,000	55,500	Shares are held to maintain relationships and expand transactions with customers and end-users. The number of shares has increased due to a stock split.	Yes
	367	252		
NTT DATA INTRAMART CORPORATION	127,000	127,000	Shares are held in order to build good relationships with companies that possess solutions necessary for our business.	No
	237	223		
Mitsubishi UFJ Financial Group, Inc.	104,000	104,000	Shares are held to maintain and expand business relationships with customers.	No
	161	88		
Mizuho Financial Group, Inc.	23,009	23,009	Shares are held to maintain and expand business relationships with customers.	Yes
	70	43		
NTT DATA Group Corporation	25,000	25,000	Shares are held to maintain and expand business relationships with customers. Shares are held in order to build good relationships with companies that possess solutions necessary for our business.	Yes
	60	43		

Note: The suitability of holdings was verified by the Board of Directors on May 17, 2024 due to the difficulty of stating the effect of quantitative holdings.

(iii) Investment shares held for pure investment purposes

No items to report.

(iv) Investment shares whose holding purpose changed from pure investment to a purpose other than pure investment during the fiscal year under review

No items to report.

(v) Investment shares whose holding purpose changed from a purpose other than pure investment to pure investment during the fiscal year under review

No items to report.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements
    (1) The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 "Regulations on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (hereinafter the "Regulations for Consolidated Financial Statements").

    (2) The non-consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Order No. 59, 1963 "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (hereinafter the "Regulations for Non-consolidated Financial Statements").

        As the Company falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulations for Non-consolidated Financial Statements.

2. Auditing and attestation

    The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024) were audited by Ernst & Young ShinNihon LLC, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements

    The Company makes particular efforts to secure the appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF), participates in seminars hosted by organizations with specialized knowledge and skills and subscribes to an accounting journal, in order to appropriately grasp the content of accounting standards, etc., and to develop a system that enables it to respond appropriately to changes in accounting standards, etc.

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Assets				
Current assets				
Cash and deposits		43,531		38,838
Notes and accounts receivable - trade, and contract assets	*1	21,023	*1	22,334
Securities		799		562
Merchandise and finished goods		660		548
Work in process		239		277
Raw materials and supplies		46		67
Other		1,299		1,423
Allowance for doubtful accounts		(8)		(32)
Total current assets		67,591		64,019
Non-current assets				
Property, plant and equipment				
Buildings and structures		2,684		3,470
Accumulated depreciation		(1,645)		(2,028)
Buildings and structures, net		1,039		1,441
Land		2,045		2,285
Other		2,092		2,563
Accumulated depreciation		(1,609)		(1,932)
Other, net		483		631
Total property, plant and equipment		3,567		4,358
Intangible assets				
Goodwill		1,277		5,540
Software		725		763
Other		7		10
Total intangible assets		2,010		6,315
Investments and other assets				
Investment securities	*2	4,427	*2	5,707
Retirement benefit asset		—		396
Deferred tax assets		1,549		1,603
Other		1,534		2,488
Allowance for doubtful accounts		(5)		(6)
Total investments and other assets		7,505		10,189
Total non-current assets		13,084		20,862
Total assets		80,676		84,882

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade		6,842		6,697
Accounts payable - other		1,386		2,068
Income taxes payable		2,583		2,934
Provision for bonuses		2,964		3,656
Provision for bonuses for directors (and other officers)		80		98
Provision for loss on orders received		19		84
Other	*3	3,769	*3	4,658
Total current liabilities		17,646		20,199
Non-current liabilities				
Retirement benefit liability		511		288
Other		141		991
Total non-current liabilities		652		1,280
Total liabilities		18,299		21,479
Net assets				
Shareholders' equity				
Share capital		6,113		6,113
Capital surplus		4,992		4,992
Retained earnings		56,577		57,396
Treasury shares		(7,534)		(8,527)
Total shareholders' equity		60,148		59,973
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		926		1,563
Foreign currency translation adjustment		(87)		70
Remeasurements of defined benefit plans		433		662
Total accumulated other comprehensive income		1,272		2,296
Non-controlling interests		956		1,132
Total net assets		62,376		63,402
Total liabilities and net assets		80,676		84,882

(ii) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	106,132	*1	115,727
Cost of sales	*2	85,346	*2	90,851
Gross profit		20,786		24,876
Selling, general and administrative expenses				
Salaries and allowances		3,148		4,013
Provision for bonuses		436		1,046
Amortization of goodwill		134		458
Commission expenses		1,204		2,011
Other	*3	4,167	*3	4,836
Total selling, general and administrative expenses		9,091		12,367
Operating profit		11,694		12,508
Non-operating income				
Interest income		41		78
Dividend income		96		103
Surrender value of insurance policies		1		112
Gain on cancellation of lease obligation		42		—
Other		112		126
Total non-operating income		294		420
Non-operating expenses				
Interest expenses		28		19
Loss on investments in investment partnerships		17		20
Commission for purchase of treasury shares		6		5
Foreign exchange losses		0		36
Commission expenses		—		11
Other		2		5
Total non-operating expenses		56		98
Ordinary profit		11,932		12,831
Extraordinary income				
Gain on sale of non-current assets	*4	0	*4	0
Total extraordinary income		0		0
Extraordinary losses				
Impairment losses		—	*6	1,237
Loss on retirement of non-current assets	*5	39	*5	1
Loss on valuation of investment securities		255		—
Total extraordinary losses		295		1,238
Profit before income taxes		11,637		11,592
Income taxes - current		3,996		4,532
Income taxes - deferred		(363)		(346)
Total income taxes		3,632		4,186
Profit		8,005		7,406
Profit attributable to non-controlling interests		4		113
Profit attributable to owners of parent		8,001		7,293

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	8,005	7,406
Other comprehensive income		
Valuation difference on available-for-sale securities	316	637
Foreign currency translation adjustment	(217)	220
Remeasurements of defined benefit plans, net of tax	260	228
Total other comprehensive income	* 359	* 1,087
Comprehensive income	8,365	8,493
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,436	8,318
Comprehensive income attributable to non-controlling interests	(71)	175

(iii) Consolidated statements of changes in equity

Previous fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113	4,992	55,418	(5,342)	61,181
Changes during period					
Dividends of surplus			(4,062)		(4,062)
Profit attributable to owners of parent			8,001		8,001
Purchase of treasury shares				(5,000)	(5,000)
Disposal of treasury shares		14		14	28
Cancellation of treasury shares		(2,794)		2,794	–
Transfer from retained earnings to capital surplus		2,780	(2,780)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,158	(2,191)	(1,033)
Balance at end of period	6,113	4,992	56,577	(7,534)	60,148

	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 period	609	54	172	836	115	62,133
Changes during period						
Dividends of surplus						(4,062)
Profit attributable to owners of parent						8,001
Purchase of treasury shares						(5,000)
Disposal of treasury shares						28
Cancellation of treasury shares						–
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	316	(142)	260	435	841	1,276
Total changes during period	316	(142)	260	435	841	242
Balance at end of period	926	(87)	433	1,272	956	62,376

Fiscal year under review (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113	4,992	56,577	(7,534)	60,148
Changes during period					
Dividends of surplus			(5,000)		(5,000)
Profit attributable to owners of parent			7,293		7,293
Purchase of treasury shares				(2,600)	(2,600)
Disposal of treasury shares		59		73	132
Cancellation of treasury shares		(1,533)		1,533	—
Transfer from retained earnings to capital surplus		1,474	(1,474)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	818	(993)	(174)
Balance at end of period	6,113	4,992	57,396	(8,527)	59,973

	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 period	926	(87)	433	1,272	956	62,376
Changes during period						
Dividends of surplus						(5,000)
Profit attributable to owners of parent						7,293
Purchase of treasury shares						(2,600)
Disposal of treasury shares						132
Cancellation of treasury shares						—
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	637	158	228	1,024	175	1,200
Total changes during period	637	158	228	1,024	175	1,025
Balance at end of period	1,563	70	662	2,296	1,132	63,402

(iv) Consolidated statements of cash flows

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Cash flows from operating activities				
Profit before income taxes		11,637		11,592
Depreciation		608		628
Impairment losses		—		1,237
Amortization of goodwill		134		458
Increase (decrease) in provision for bonuses		212		547
Increase (decrease) in provision for bonuses for directors (and other officers)		3		6
Increase (decrease) in provision for loss on orders received		(57)		64
Increase (decrease) in retirement benefit liability		60		(97)
Loss (gain) on valuation of investment securities		255		—
Decrease (increase) in accounts receivable - trade, and contract assets		(2,903)		(254)
Decrease (increase) in inventories		512		356
Increase (decrease) in trade payables		549		(480)
Increase (decrease) in accounts payable - other		(268)		342
Other, net		623		89
Subtotal		11,367		14,492
Interest and dividends received		141		141
Interest paid		(11)		(19)
Income taxes paid		(3,854)		(4,203)
Net cash provided by (used in) operating activities		7,642		10,410
Cash flows from investing activities				
Purchase of securities		—		(154)
Proceeds from redemption of securities		1,300		800
Purchase of property, plant and equipment		(304)		(285)
Purchase of intangible assets		(345)		(420)
Purchase of investment securities		(550)		(800)
Payments into time deposits		(154)		(1,221)
Proceeds from withdrawal of time deposits		300		108
Net decrease (increase) in short-term loans receivable		6		(0)
Proceeds from distributions from investment partnerships		18		21
Purchase of long-term prepaid expenses		—		(426)
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(1,192)	*2	(6,141)
Other, net		(9)		5
Net cash provided by (used in) investing activities		(931)		(8,516)
Cash flows from financing activities				
Purchase of treasury shares		(5,007)		(2,606)
Dividends paid		(3,971)		(4,993)
Dividends paid to non-controlling interests		(155)		(0)
Other, net		39		(218)
Net cash provided by (used in) financing activities		(9,095)		(7,817)
Effect of exchange rate change on cash and cash equivalents		(68)		117
Net increase (decrease) in cash and cash equivalents		(2,452)		(5,806)
Cash and cash equivalents at beginning of period		45,817		43,364
Cash and cash equivalents at end of period	*1	43,364	*1	37,557

Notes to consolidated financial statements

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 17

Names of main consolidated subsidiaries

DIGITAL TECHNOLOGIES CORPORATION

DTS INSIGHT CORPORATION

Partners Information Technology, Inc.

JAPAN SYSTEMS ENGINEERING CORPORATION

DTS WEST CORPORATION

KYUSHU DTS CORPORATION

During the fiscal year under review, the Company acquired the shares of Anshin Project Japan Inc., avanza Co., Ltd., and Tohoku Systems Support Co., Ltd., and they became consolidated subsidiaries of the Company from the fiscal year under review.

(2) Names of main non-consolidated subsidiaries

Names of main non-consolidated subsidiaries

DTS palette Inc.

Tohoku Advisor Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are small in scale, and do not have a material impact on the consolidated financial statements in terms of factors including their combined total assets, net sales, profit (the amount corresponding to the Company's equity interest), or retained earnings (the amount corresponding to the Company's equity interest).

2. Application of the equity method

(1) The equity method has not been applied for any non-consolidated subsidiaries or affiliates.

(2) The non-consolidated subsidiaries for which the equity method has not been applied (DTS palette Inc. and Tohoku Advisor Co., Ltd.) have been excluded from the scope of application of the equity method because this exclusion does not have a material impact on the consolidated financial statements in terms of factors including profit (the amount corresponding to the Company's equity interest) or retained earnings (the amount corresponding to the Company's equity interest), and is not material overall.

3. Matters concerning the fiscal year, etc. of consolidated subsidiaries

(1) The dates on which the fiscal year ends for the Company's consolidated subsidiaries are as follows.

December 31: 7 consolidated subsidiaries

January 31: 1 consolidated subsidiary

March 31: 9 consolidated subsidiaries

(2) For consolidated subsidiaries with fiscal years ending on December 31 or January 31, the financial statements as of that date are used in the preparation of the consolidated financial statements. However, the necessary consolidation adjustments are made for significant transactions that have occurred after that date and before the end of the consolidated fiscal year.

4. Matters concerning accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Available-for-sale securities

(i) Securities apart from shares, etc. without market prices

Stated at fair value (valuation differences are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method).

However, the amortized cost method is used where the difference between acquisition price and the nominal value is deemed to be attributable to interest adjustments.

(ii) Shares, etc. without market prices

Stated at cost using the moving average method.

2) Inventory

(i) Merchandise and finished goods

Mainly stated at cost using the moving average method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).

(ii) Work in process

Stated at cost using the identified cost method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).

(iii) Raw materials

Stated at cost using the moving average method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).

(iv) Supplies

Stated at cost using the most recent purchase method.

(2) Depreciation or amortization method for important depreciable or amortizable assets

1) Property, plant and equipment (excluding leased assets and right-of-use assets)

Depreciated using the straight-line method.

The useful lives of the main components of property, plant and equipment are as follows:

Buildings and structures 3 years to 47 years

Tools, furniture and fixtures 2 years to 20 years

Assets with an acquisition price not less than ¥100 thousand and less than ¥200 thousand are generally depreciated using the straight-line method over three years.

2) Intangible assets (excluding leased assets and right-of-use assets)

Amortized using the straight-line method.

However, software for market sale is generally amortized beginning from the time when sales commence, based on the forecast number of units to be sold and the forecast profits from sale within the subsequent three years. If the amount of this amortization falls below the amount allocated using the straight-line method based on the remaining effective period, then the amount allocated using the straight-line method is used.

Software for internal use is amortized using the straight-line method over the period during which fees are paid (10 years) based on the relevant contract for software provided as a service (software under a designated customer license agreement), or is amortized using the straight-line method over the forecast period of internal use (no more than 5 years) for software with other cost reduction effects.

3) Right-of-use assets

Amortized using the straight-line method over the asset's useful life or the period of the lease, whichever is shorter.

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the estimated historical default rate for general claims. For claims with a possibility of default and other designated accounts, the recoverable amount is estimated, and an allowance is provided equal to the unrecoverable amount.

2) Provision for bonuses

Provision for bonuses is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to employees.

3) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to directors (and other officers).

4) Provision for loss on orders received

Provision for loss on orders received is recorded equal to the amount of expected losses associated with contractual orders received as of the end of the fiscal year, in order to provide for future losses associated with orders received.

(4) Accounting treatment of retirement benefits

1) Method used to attribute the estimated benefit obligation to accounting periods

When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis.

2) Method used to amortize actuarial gains and losses and prior service costs

Prior service costs are amortized using the straight-line method over a designated period (10 years) within the average remaining service years for employees at the time when the costs were incurred.

Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (from 10 to 12 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

(5) Standards for the recognition of significant revenue and expenses

The main performance obligations and the usual timing of revenue recognition in the main businesses of the Company and its consolidated subsidiaries are as follows.

1) Systems development

For systems development, the Company considers that performance obligations are satisfied as the project progresses, and recognizes revenue using the cost-to-cost method.

2) Systems engineering services

For systems engineering services, the Company considers that performance obligations are satisfied as services are provided, and recognizes revenue in accordance with the contract and the results of services provided.

3) Maintenance and other services

For maintenance and other services, the Company considers that performance obligations are satisfied with the passing of time, and recognizes the amount promised under the contract with the customer as revenue progressively over the period during which services are provided.

4) Products and merchandise

The Company considers that performance obligations for the sale of products and merchandise are satisfied at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time. However, for some domestic sales transactions, because there is a normal period of time between the shipment of the product or merchandise and the transfer of control to the customer, the Company applies the alternative treatment prescribed in paragraph (98) of the Revenue Recognition Guidance, and recognizes revenue at the time of shipment.

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary claims and obligations in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment under net assets.

(7) Goodwill amortization method and amortization period

Goodwill is amortized using the straight-line method over the period of its effect (from 5 to 20 years), based on the cause of the goodwill.

(8) Scope of funds in consolidated statement of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of purchase that can easily be converted to cash and are subject to little risk of change in value.

(Significant accounting estimates)

1. Revenue recognized in cases where performance obligations are satisfied over time

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	106,132	115,727
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	10,907	13,130

(2) Information on significant accounting estimates for identified items

1) Calculation method

For certain contracts under which the Group is obligated to deliver the results of made-to-order software development, etc., the Group considers the performance obligations satisfied over time. The Group applies a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. The degree of progress is calculated based on the ratio of actual costs incurred, as of the end of the fiscal year, to the total cost of the project.

2) Main assumptions

The total cost of the project is reasonably estimated, as a rule, by multiplying the content of the work and man-hours for each contract by the number of staff required.

The Company has established a Project Promotion Committee to deliberate on the viability of projects that are expected to produce a certain amount of total revenue or are otherwise considered necessary, and to engage in regular monitoring of the progress of projects. The Project Promotion Committee reviews the total cost for projects that meet to the prescribed criteria by monitoring the progress of actual results against the project plan.

3) Impact on the consolidated financial statements for the subsequent fiscal year

The Group considers the total cost of construction for contracts, reviewed based on the latest information including a comparison between costs incurred and estimated costs and the degree of project progress at the time, as appropriate. However, where actual results differ from estimates due to future changes in conditions, this may affect the amount of revenue recognized by the Group.

2. Estimation of the provision for loss on orders received for contracts

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Provision for loss on orders received	19	84

(2) Information on significant accounting estimates for identified items

1) Calculation method

The Group records provision for loss on orders received equal to the amount of expected losses associated with contractual orders received as of the end of the fiscal year, in order to provide for future losses associated with orders received.

For projects where the Group receives orders through individual contracts, where is highly possible that the total cost will exceed total revenue and the amount of expected losses can be reasonably estimated, provision for loss on orders received is calculated as the expected amount of future losses.

2) Main assumptions

The total cost of the project is reasonably estimated, as a rule, by multiplying the content of the work and man-hours for each contract by the number of staff required.

The Company has established a Project Promotion Committee to deliberate on the viability of projects that are expected to produce a certain amount of total revenue or are otherwise considered necessary, and to engage in regular monitoring of the progress of projects. The Project Promotion Committee reviews the total cost for projects that meet to the prescribed criteria by monitoring the progress of actual results against the project plan.

3) Impact on the consolidated financial statements for the subsequent fiscal year

The Group considers the expected amount of future losses, estimated based on the latest information including a comparison between costs incurred and estimated costs and the degree of project progress at the time, as appropriate. However, where actual results differ from estimates due to future changes in conditions, this may affect the amount of profit or loss recognized by the Group.

3. Evaluation of goodwill

(1) Amount recorded on the consolidated financial statements for the fiscal year under review

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Goodwill	1,277	5,540

(2) Information on significant accounting estimates for identified items

1) Calculation method

Goodwill of the Group represents future excess earnings power expected at the time of acquisition. If performance does not progress as per the future business plans at the time of acquisition, when losses or negative cash flows from operating activities persist, or when we determine that the management environment has significantly deteriorated, we consider there to be signs of impairment in the asset group, including goodwill. We then estimate future cash flows and determine whether to recognize an impairment loss. If it is determined that an impairment loss should be recognized, we reduce the carrying amount to the recoverable amount and record the decrease as an impairment loss.

In addition, as stated in V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Consolidated balance sheets) *6 Impairment losses, impairment losses of ¥1,007 million were recorded for goodwill in the fiscal year under review.

2) Main assumptions

The estimation of future cash flows is based on the future business plan, and its main assumption is net sales and net sales growth rate based on expected orders.

3) Impact on the consolidated financial statements for the subsequent fiscal year

Since the main assumptions involve estimation uncertainty, if any significant changes occur due to future changes in the corporate environment, they may necessitate the recognition of impairment losses, potentially having a material impact on the consolidated financial statements for the subsequent fiscal year.

(Unapplied accounting standards, etc.)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- “Accounting Standard for Presentation of Comprehensive Income” ASBJ Statement No. 25, October 28, 2022, ASBJ)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1)Overview

In February 2018, ASBJ issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc. (hereinafter, “ASBJ Statement No. 28, etc.”), and the transfer of the Practical Guidelines on Tax Effect Accounting from JICPA to ASBJ was completed. However, in the course of the deliberation process, the following two issues were to be reviewed again after the release of ASBJ Statement No. 28, etc. Subsequently, they were deliberated and released.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on sales of shares of subsidiaries (shares of subsidiaries or affiliates) in the case where the group tax sharing system is applied.

(2)Scheduled date of application

The Company has applied the accounting standards and other relevant ASBJ regulations from the beginning of the fiscal year ending March 31, 2025.

(3)Impact from the application of the accounting standards and other relevant ASBJ regulations

The application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations has no impact on the consolidated financial statements.

(Changes in presentation)

(Consolidated statements of income)

"Surrender value of insurance policies," which was included in "Other" under "Non-operating income" in the previous fiscal year, has been separately presented from the fiscal year under review because it has exceeded 10% of the total amount of non-operating income. "Subsidy income" under "Non-operating income," which was separately presented, has been included in "Other" in the fiscal year under review because it has become less quantitatively important. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥15 million shown as "Subsidy income" and ¥99 million as "Other" both under "Non-operating income" in the consolidated statements of income for the previous fiscal year are reclassified as "Surrender value of insurance policies" of ¥1 million and "Other" of ¥112 million.

(Changes in accounting estimates)

(Changes in amortization periods for actuarial gains and losses as well as past service cost in accounting treatment of retirement benefits)

In the accounting treatment of retirement benefits, the amortization periods for actuarial gains and losses as well as past service cost have been set as designated periods within the average remaining service years for employees. Previously, the amortization period for actuarial gains and losses was 12 to 15 years, and that for past service cost was 12 years. However, since the average remaining service years have fallen below these durations, from the fiscal year under review, we have changed the amortization periods to 10 to 12 years for actuarial gains and losses and 10 years for past service cost.

These changes do not have a material impact on the profit or loss for the fiscal year under review.

(Consolidated balance sheets)

*1 Of notes and accounts receivable - trade, and contract assets, receivables arising from contracts with customers are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	261	174
Accounts receivable - trade	19,086	19,957

For the amount of contract assets, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Revenue recognition); 3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the fiscal year under review.

*2 Amounts related to non-consolidated subsidiaries and affiliates are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Investments and other assets		
Investment securities (shares)	30	34

*3 Contract liabilities are included in "Other" under "Current liabilities." For the amount of contract liabilities, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Revenue recognition); 3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the fiscal year under review.

4 Contingent liabilities
As it has been recognized that, at a certain overseas subsidiary of the Company, inappropriate payments were made to individuals deemed to be public servants and others and that those payments may be a violation of

local anti-corruption laws and other relevant laws and regulations, there is a possibility that this could lead to an investigation or prosecution by the local authorities in the future. However, the situation is uncertain at present. In addition, it is difficult for the Company to make any reasonable estimate of a specific future loss to be incurred because there are many uncertainties involved in the estimation of any fines or penalties that would be imposed by the authorities.

(Consolidated Statements of Income)

*1 Revenue arising from contracts with customers
Net sales are not separately presented as revenue arising from contracts with customers and other revenues. For the amount of revenue arising from contracts with customers, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Revenue recognition); 1. Breakdown of revenue arising from contracts with customers.

*2 The amount of provision for loss on orders received included in cost of sales is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
The amount of provision for loss on orders received included in cost of sales	19	84

*3 The amount of research and development expenses included in general and administrative expenses is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
The amount of research and development expenses included in general and administrative expenses	294	184

*4 Detail of gain on sales of non-current assets is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Property, plant and equipment		
Other (tools, furniture and fixtures)	0	0

*5 Detail of loss on retirement of non-current assets is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Property, plant and equipment		
Buildings and structures	0	1
Other (tools, furniture and fixtures)	37	0
Intangible assets		
Other (software and others)	1	0
Total	39	1

*6 Impairment losses

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

No items to report.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

In the current fiscal year, the Group recorded impairment losses on the asset groups below.

Location	Purpose	Type	Impairment loss (Millions of yen)
Nelito Systems Private Limited (Navi Mumbai, India)	Business assets and shared assets	Buildings	28
		Furniture and fixtures	26
		Other property, plant, and equipment	5
		Software	169
Partners Information Technology, Inc. (California, U.S.A.)	-	Goodwill	1,007

In principle, the Group groups its assets using each company as the basic unit of an asset group.
The financial results of Nelito Systems Private Limited, a consolidated subsidiary of the Company, were lower than the business plan that had been prepared, and therefore, the business plan was revised to a more conservative one. As a result, the Company decided to reduce the carrying amounts of the subsidiary's property, plant and equipment, and software to their recoverable amounts. The recoverable amount of an asset is measured at value in use. The recoverable amount of an asset that is not expected to generate cash flows in the future is valued at zero.
When the Company acquired the shares of Partners Information Technology, Inc., a consolidated subsidiary of the Company, the Company recorded goodwill on the basis of the subsidiary's excess earnings power. However, the financial results of the subsidiary were lower than the business plan that had been prepared, and therefore, the business plan was revised to a more conservative one. As a result, the Company decided to charge ¥1,007 million of the unamortized balance of the goodwill, and recorded it as an impairment loss under extraordinary losses for the fiscal year under review. The carrying amount has been reduced to the recoverable amount, which is measured at value in use. Value in use has been calculated by discounting future cash flows by 10.0%.

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Valuation difference on available-for-sale securities:		
Amount arising during the period	200	918
Reclassification adjustment	255	—
Before tax-effect adjustment	456	918
Amount of tax effects	(139)	(281)
Valuation difference on available-for-sale securities	316	637
Foreign currency translation adjustment:		
Amount arising during the period	(217)	220
Reclassification adjustment	—	—
Before tax-effect adjustment	(217)	220
Amount of tax effects	—	—
Foreign currency translation adjustment	(217)	220
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the period	400	392
Reclassification adjustment	(19)	(57)
Before tax-effect adjustment	381	334
Amount of tax effects	(120)	(105)
Remeasurements of defined benefit plans, net of tax	260	228
Total other comprehensive income	359	1,087

(Consolidated statements of changes in equity)

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Matters concerning the class and total number of issued shares, and the class and number of treasury shares

(shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review
Issued shares				
Common shares (Note 1)	49,072,632	—	1,481,800	47,590,832
Total	49,072,632	—	1,481,800	47,590,832
Treasury shares				
Common shares (Note 2, Note 3)	4,002,622	1,482,029	1,491,175	3,993,476
Total	4,002,622	1,482,029	1,491,175	3,993,476

(Notes) 1. The decrease of 1,481,800 in the number of issued common shares consisted of a decrease of 1,481,800 shares due to the cancellation of treasury shares.

2. The increase of 1,482,029 in the number of common treasury shares consisted of an increase of 1,481,800 shares due to the purchase of treasury shares based on the resolution of the Board of Directors and an increase of 229 shares due to the purchase of fractional shares.

3. The decrease of 1,491,175 in the number of common treasury shares consisted of a decrease of 1,481,800 shares due to the cancellation of treasury shares and a decrease of 9,375 shares due to the disposal of treasury shares as restricted stock compensation.

2. Matters concerning dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common shares	1,802	40	March 31, 2022	June 24, 2022
October 31, 2022 Board of Directors	Common shares	2,179	50	September 30, 2022	November 22, 2022

(Note) The dividend of ¥50 per share resolved by the Board of Directors on October 31, 2022, includes a commemorative dividend of ¥20 for the 50th anniversary of the Company’s foundation.

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 22, 2023 Annual General Meeting of Shareholders	Common shares	3,051	Retained earnings	70	March 31, 2023	June 23, 2023

(Note) The dividend of ¥70 per share resolved at the Annual General Meeting of Shareholders on June 22, 2023, includes a commemorative dividend of ¥30 for the 50th anniversary of the Company’s foundation.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Matters concerning the class and total number of issued shares, and the class and number of treasury shares

(shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review
Issued shares				
Common shares (Note 1)	47,590,832	—	736,700	46,854,132
Total	47,590,832	—	736,700	46,854,132
Treasury shares				
Common shares (Note 2, Note 3)	3,993,476	737,553	774,205	3,956,824
Total	3,993,476	737,553	774,205	3,956,824

(Notes) 1. The decrease of 736,700 in the number of issued common shares consisted of a decrease of 736,700 shares due to the cancellation of treasury shares.

2. The increase of 737,553 in the number of common treasury shares consisted of an increase of 736,700 shares due to the purchase of treasury shares based on the resolution of the Board of Directors, an increase of 486 shares due to the free acquisition of restricted shares, and an increase of 367 shares due to the purchase of fractional shares.

3. The decrease of 774,205 in the number of common treasury shares consisted of a decrease of 736,700 shares due to the cancellation of treasury shares, a decrease of 9,932 shares due to the disposal of treasury shares as restricted stock compensation, and a decrease of 27,573 shares due to the disposal of treasury shares as restricted stock grants for the employee shareholding association.

2. Matters concerning dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 22, 2023 Annual General Meeting of Shareholders	Common shares	3,051	70	March 31, 2023	June 23, 2023
October 30, 2023 Board of Directors	Common shares	1,948	45	September 30, 2023	November 21, 2023

(Note) The dividend of ¥70 per share resolved at the Annual General Meeting of Shareholders on June 22, 2023, includes a commemorative dividend of ¥30 for the 50th anniversary of the Company’s foundation.

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 25, 2024 Annual General Meeting of Shareholders	Common shares	2,488	Retained earnings	58	March 31, 2024	June 26, 2024

(Consolidated statements of cash flows)

*1 Reconciliation of closing balance of cash and cash equivalents and the related account on the consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash and deposits	43,531	38,838
Time deposits with a maturity over 3 months	(166)	(1,280)
Cash and cash equivalents	43,364	37,557

*2 Major components of assets and liabilities of the companies newly consolidated during the fiscal year under review

Major assets and liabilities of Anshin Project Japan Inc., avanza Co., Ltd., and Tohoku Systems Support Co., Ltd., newly consolidated during the fiscal year under review, at the time of their consolidation are presented under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Business combinations).

(Lease transactions)

Operating lease transactions

Future lease payments to be received under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Within 1 year	459	709
Over 1 year	658	425
Total	1,117	1,134

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

The Group makes it a principle to manage funds by investing in highly stable financial assets. When financing is necessary, it mainly borrows from banks.

(2) Details and risks of financial instruments

Notes and accounts receivable - trade, which are trade receivables, are subject to customer credit risk.

Securities and investment securities mainly comprise shares of companies with which the Group has a business relationship and corporate bonds purchased for the purpose of surplus funds management. These are subject to the risk of market price movements.

Almost all accounts payable - trade, which are trade payables, fall due within one year.

(3) Risk management framework for financial instruments

1) Management of credit risk (the risk of contractual counterparty default, etc.)

The due dates and outstanding balances of trade receivables are managed for each trading partner in accordance with the Credit Control Regulations, and their financial status is ascertained through credit investigations and other means, in order to mitigate credit risk.

2) Management of market risk (the risk of market price movements, etc.)

The fair value and financial status of the issuer is regularly ascertained for securities and investment securities, and holdings of these securities are continuously reviewed in light of the Group's relationships with trading partners.

3) Management of liquidity risk associated with financing (the risk that the Group will be unable to pay by the due date)

Cash flow plans are prepared and updated in a timely manner, and cash is managed to ensure that the necessary cash on hand for business activities is maintained.

(4) Supplementary explanation of fair value, etc. of financial instruments

No items to report.

2. Matters concerning the fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheet, fair values and the differences between them are as follows.

Previous fiscal year (March 31, 2023)

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (Note 2)	4,849	4,849	—
Total assets	4,849	4,849	—

(Notes) 1. "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Accounts payable - trade," "Accounts payable - other," and "Income taxes payable" have been omitted, as these are cash-based and settled in a short period of time, and the carrying amounts therefore approximates fair value.

2. Shares, etc. without market prices are not included in "Securities and investment securities." The carrying amount of these financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	80

Notes are omitted for investments in partnerships and similar businesses carried at the net amount equivalent to the equity interest on the consolidated balance sheet. The amount of such investments carried on the consolidated balance sheet is 297 million yen.

Fiscal year under review (March 31, 2024)

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (Note 2)	5,930	5,930	—
Total assets	5,930	5,930	—

(Notes) 1. "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Accounts payable - trade," "Accounts payable - other," and "Income taxes payable" have been omitted, as these are cash-based and settled in a short period of time, and the carrying amounts therefore approximates fair value, while "Short-term borrowings," "Long-term borrowings (including current portion of long-term borrowings)" and "Bonds (liabilities)" have been omitted as they are immaterial.

2. Shares, etc. without market prices are not included in "Securities and investment securities." The carrying amount of these financial instruments on the consolidated balance sheet are as follows.

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	86

Notes are omitted for investments in partnerships and similar businesses carried at the net amount equivalent to the equity interest on the consolidated balance sheet. The amount of such investments carried on the consolidated balance sheet is 253 million yen.

3. Expected redemption amounts of monetary claims and securities with a maturity after the consolidated balance sheet date

Previous fiscal year (March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	43,531	–	–	–
Notes receivable - trade	261	–	–	–
Accounts receivable - trade	19,068	18	–	–
Securities and investment securities				
Available-for-sale securities with a maturity				
Debentures (bonds)	800	1,600	–	–
Total	63,660	1,618	–	–

Fiscal year under review (March 31, 2024)

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	38,838	–	–	–
Notes receivable - trade	174	–	–	–
Accounts receivable - trade	19,953	4	–	–
Securities and investment securities				
Available-for-sale securities with a maturity				
Debentures (bonds)	400	2,000	–	–
Total	59,366	2,004	–	–

4. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value calculated using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value calculated using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(1) Financial instruments carried on the consolidated balance sheet at fair value

Previous fiscal year (March 31, 2023)

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Listed shares	2,472	—	—	2,472
Bonds	—	2,377	—	2,377
Total assets	2,472	2,377	—	4,849

Fiscal year under review (March 31, 2024)

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Listed shares	3,374	—	—	3,374
Bonds	—	2,394	—	2,394
Investment trusts	—	161	—	161
Total assets	3,374	2,555	—	5,930

(2) Financial instruments apart from those carried on the consolidated balance sheet at fair value

No items to report.

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Securities and investment securities

Listed shares and bonds are valued using market prices. Because listed shares are traded in active markets, their fair value is classified as Level 1. However, because the markets for the bonds held by the Company are not regarded as active markets due to the low frequency of transactions, their fair value is classified as Level 2.

Although investment trusts do not have transaction prices in the market, their net asset value is used as fair value and classified as Level 2 because there are no material restrictions regarding cancellation or repurchase requests that may lead market participants to demand compensation for risk.

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2023)

(Millions of yen)

	Class of shares	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	2,472	1,164	1,307
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	2,472	1,164	1,307
Securities whose amount recorded on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	—	—	—
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	2,377	2,401	(24)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	2,377	2,401	(24)
Total		4,849	3,566	1,282

(Note) Unlisted shares, etc. (amount recorded on the consolidated balance sheets: ¥50 million) and investment limited partnerships (amount recorded on the consolidated balance sheets: ¥297 million) are not included in the table above since they fall under shares, etc. without market prices.

Fiscal year under review (March 31, 2024)

(Millions of yen)

	Class of shares	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	3,374	1,164	2,209
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	803	800	3
	(iii) Other	—	—	—
	(3) Other	161	160	1
	Subtotal	4,338	2,125	2,213
Securities whose amount recorded on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	0	0	(0)
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	1,591	1,600	(8)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	1,591	1,600	(8)
Total		5,930	3,725	2,204

(Note) Unlisted shares, etc. (amount recorded on the consolidated balance sheets: ¥52 million) and investment limited partnerships (amount recorded on the consolidated balance sheets: ¥253 million) are not included in the table above since they fall under shares, etc. without market prices.

2. Impairment loss for securities

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

For the previous fiscal year, impairment loss of ¥255 million was recorded for investment securities.

With regard to shares with market prices, if their fair value declines by more than 50% from the acquisition cost at the end of the fiscal year, the Company records an impairment loss, and if their fair value declines by 30% to 50%, the Company records an impairment loss of the amount deemed necessary in consideration of the recoverability.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

No items to report.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

The Company and some of its consolidated subsidiaries have defined benefit type plans, such as defined benefit corporate pension plans and corporate pension fund plans, as well as defined contribution type plans, such as defined contribution pension plans and prepaid retirement allowance plans. In addition, some consolidated subsidiaries have defined lump-sum retirement benefit plans as a defined benefit type plan.

Corporate pension funds are accounted for in the same manner as the defined contribution plan because they fall under a multi-employer plan, established by several employers in the same sector or same region, and the amount of plan assets corresponding to the contributions made by some consolidated subsidiaries cannot be calculated in a reasonable manner.

2. Defined benefit plans

(1) Adjustments between beginning and ending balances of retirement benefit obligation

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of retirement benefit obligation at beginning of period	2,255	2,121
Service cost	366	299
Interest cost	24	33
Actuarial gains and losses accrued	(443)	(224)
Retirement benefits paid	(81)	(119)
Foreign currency translation differences	0	5
Increase due to new consolidation	—	371
Balance of retirement benefit obligation at end of period	2,121	2,489

(Note) This include plans to which the simplified method is applied.

(2) Adjustments between the beginning and ending balances of plan assets

(Millions of yen)

	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Balance of plan assets at beginning of period	1,422	1,610
Expected return on plan assets	37	33
Actuarial gains and losses accrued	(48)	157
Contribution from employers	242	290
Retirement benefits paid	(43)	(60)
Foreign currency translation differences	0	4
Increase due to new consolidation	—	560
Balance of plan assets at end of period	1,610	2,596

(Note) This include plans to which the simplified method is applied.

(3) Adjustments between ending balances of retirement benefit obligation and plan assets, and liability and assets for retirement benefits recorded on the consolidated balance sheets

(Millions of yen)

	Previous fiscal year (March 31, 2023)	Fiscal year under review (March 31, 2024)
Retirement benefit obligation of funded plans	1,857	2,206
Plan assets	(1,610)	(2,596)
	246	(390)
Retirement benefit obligation of unfunded plans	264	282
Net amount of liabilities and assets recorded in the consolidated balance sheets	511	(107)
Retirement benefit liability	511	288
Retirement benefit asset	—	(396)
Net amount of liabilities and assets recorded in the consolidated balance sheets	511	(107)

(Note) This include plans to which the simplified method is applied.

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Service cost	366	299
Interest cost	24	33
Expected return on plan assets	(37)	(33)
Amortization of actuarial gains and losses	(6)	(36)
Amortization of past service cost	(7)	(12)
Other	(1)	(2)
Retirement benefit expenses for defined benefit plans	339	249

(Notes) 1. "Other" includes the amount of retirement benefit accrued to the company to which the employees are transferred, etc.

2. This include plans to which the simplified method is applied.

(5) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of tax effects) are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Past service cost	(7)	(12)
Actuarial gains and losses	389	346
Total	381	334

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before deduction of tax effects) are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Unrecognized past service cost	(39)	(27)
Unrecognized actuarial gains and losses	(596)	(942)
Total	(635)	(970)

(7) Matters concerning plan assets

1) Major components of plan assets

The ratio of each major category to total plan assets is as follows.

	As of March 31, 2023	As of March 31, 2024
Debentures	54%	52%
Shares	23%	27%
Alternative investments	14%	14%
Cash and deposits	7%	5%
Other	2%	2%
Total	100%	100%

(Note) Alternative investments are primarily in hedge funds and REITs.

2) Method for setting the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Company takes into account current and expected allocation of plan assets, and current and expected long-term return rate on various types of assets constituting plan assets.

(8) Actuarial assumptions

Main actuarial assumptions (expressed as a weighted average)

	As of March 31, 2023	As of March 31, 2024
Discount rate	0.3-1.7%	0.7-1.7%
Long-term expected rate of return	2.5%	2.0%
Expected rate of salary increase	1.0%	1.0%

(Note) The information on overseas consolidated subsidiaries is omitted as it is immaterial.

3. Defined contribution plan

Required contributions to the defined contribution plan of the Company and some consolidated subsidiaries were ¥567 million for the fiscal year ended March 31, 2023 and ¥568 million for the fiscal year ended March 31, 2024.

4. Multi-employer plan

Required contributions to the corporate pension fund plan based on the multi-employer plan, which is accounted for in the same manner as the defined contribution plan by some consolidated subsidiaries, were ¥25 million for the fiscal year ended March 31, 2023 and ¥24 million for the fiscal year ended March 31, 2024.

(1) Most recent status of funding of the multi-employer plan

Nihon IT Software Pension Fund

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Plan assets	56,574	55,007
Sum of the amount of the actuarial liability and the amount of the minimum liability reserve in terms of pension financing	54,852	53,285
Balance	1,721	1,721

(2) Proportion of the Group's contribution to the contributions of the multi-employer plan

Fiscal year ended March 31, 2022

Nihon IT Software Pension Fund 1.20% (as of March 31, 2022)

Fiscal year ended March 31, 2023

Nihon IT Software Pension Fund 1.11% (as of March 31, 2023)

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Accrued bonuses and provision for bonuses	920	1,155
Accrued enterprise tax	171	188
Accrued expenses (social insurance premiums)	147	185
Commission for purchase of shares	118	177
Retirement benefit liability	149	83
Other	606	847
Subtotal of deferred tax assets	2,115	2,637
Valuation allowance	(133)	(150)
Total of deferred tax assets	1,981	2,486
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(389)	(653)
Retirement benefit asset	—	(129)
Asset retirement expenses for asset retirement obligations	(22)	(68)
Other	(20)	(31)
Total of deferred tax liabilities	(432)	(883)
Net deferred tax assets	1,549	1,603

2. Main components of the difference between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

	As of March 31, 2023	As of March 31, 2024
Statutory effective tax rate	—%	30.6%
(Adjustment)		
Entertainment and other expenses that are never tax deductible	—%	0.3%
Proportional resident tax	—%	0.2%
Amortization of goodwill	—%	1.2%
Impairment loss of goodwill	—%	2.7%
Valuation allowance	—%	0.6%
Other	—%	0.5%
Effective income tax rate after application of tax effect accounting	—%	36.1%

(Note) In the previous fiscal year, notes are omitted because the difference between the statutory tax rate and the effective income tax rate is 5% or less of the statutory tax rate.

(Business combinations)

1. Accounting treatment of contingent consideration related to business combinations

Regarding the Company's acquisition of Partners Information Technology, Inc. in November 2022, as of the end of the first quarter of the fiscal year under review, the payment of contingent consideration related to the fiscal year ended December 31, 2022 was finalized. Consequently, we treated the consideration paid as part of the acquisition cost as if it had been incurred at the time of acquisition and additionally recognized goodwill.

(1) Acquisition cost additionally recognized (amount of goodwill recognized):	¥289 million
(2) Amortization of goodwill additionally recognized:	¥26 million
(3) Method and period of amortization:	Straight-line method over five years

Details of contingent consideration provided for in the business combination contract and the accounting policy for the relevant fiscal year and thereafter are as follows.

1) Details of contingent consideration

The Company will pay additional contingent consideration according to the performance achievement level of the acquired enterprise in a certain period (until the fiscal year ending December 31, 2024).

2) Accounting policy for the relevant fiscal year and thereafter

In the event of change in the acquisition cost, the acquisition cost will be modified, assuming that the change occurred upon acquisition, and the amount of goodwill and the amount of amortization of goodwill will be modified.

2. Business combination by acquisition (Anshin Project Japan Inc.)

Based on a share transfer agreement, the Company acquired 100% of Anshin Project Japan Inc.'s shares on May 31, 2023.

(1) Outline of business combination

1)Name of acquired company and its business content

Name of acquired company: Anshin Project Japan Inc.

Business content: Support for use of housing space proposal system (operation of sales agency for

Walk in home)

2)Main reason for business combination

The Company will develop new customers, expand existing customers, and create new business models through mutual utilization of sales channels and technologies of both companies by adding human resources, technology, and know-how in the domain of housing space proposal systems. In doing so, the Company aims to further strengthen and develop the housing solution business, enabling it to provide finely tuned responses to customer needs and grasp the essential issues in housing proposals.

3)Date of business combination

April 30, 2023 (deemed acquisition date)

May 31, 2023 (share acquisition date)

4)Legal form of business combination

Share acquisition in consideration for cash

5)Name of company after combination

There is no change in the name of company after combination.

6)Percentage of voting rights after acquisition

100%

7)Main reason for deciding the acquiring enterprise

The Company is the acquiring enterprise as it acquired the shares in consideration for cash.

(2) Period of performance of the acquired enterprise included in the consolidated financial statements

The acquired enterprise's fiscal year ends on January 31, which is different from the consolidated fiscal year-end. However, because the difference in the fiscal year-end dates does not exceed three months, consolidated financial statements are prepared using the financial statements of the said subsidiary. Its performance from May 1, 2023 to January 31, 2024 is included in the consolidated financial statements because the deemed acquisition date is April 30, 2023.

(3) Acquisition cost for the acquired enterprise and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥1,597 million
Acquisition cost		¥1,597 million

(4) Details and amounts of major acquisition-related expenses

Advisory fees and commissions: ¥52 million

(5) Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

1)Amount of goodwill recognized

¥1,271 million

2)Reason for recognition

Excess earnings power expected from future business expansion

3)Method and period of amortization

Straight-line method over nine years

(6) Amounts of assets to be received and liabilities assumed on the date of the business combination and the major components thereof

Current assets	¥376 million
Non-current assets	¥145 million
Total assets	¥521 million
Current liabilities	¥195 million
Non-current liabilities	—
Total liabilities	¥195 million

(7) Approximate amounts of impact of the business combination on the consolidated statement of income for the fiscal year under review, assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

Not stated because of the difficulty of calculating the approximate amounts of impact for the fiscal year under review.

3. Business combination by acquisition (avanza Co., Ltd.)

The Company resolved to acquire shares of avanza Co., Ltd. at the Board of Directors meeting held on December 22, 2023 and concluded share transfer agreement on December 27, 2023. Based on this share transfer agreement, the Company acquired 100% of avanza's shares on January 22, 2024.

(1) Outline of business combination

1) Name of acquired company and its business content

Name of acquired company:	avanza Co., Ltd.
Business content:	Design, development, and consulting of web systems and embedded systems; sales and implementation of various applications, software, and communication devices; and sales of software packages and products

2) Main reason for business combination

The Company aims to strengthen its domestic system development structure, enhance customers' responsiveness in the digital domain, and expand the acquisition of new customers by integrating the human resources, technology, and customer bases of both companies.

3) Date of business combination

December 31, 2023 (deemed acquisition date)

January 22, 2024 (share acquisition date)

4) Legal form of business combination

Share acquisition in consideration for cash

5) Name of company after combination

There is no change in the name of company after combination.

6) Percentage of voting rights after acquisition

100%

7) Main reason for deciding the acquiring enterprise

The Company is the acquiring enterprise as it acquired the shares in consideration for cash.

(2) Period of performance of the acquired enterprise included in the consolidated financial statements

The acquired enterprise's fiscal year ends on December 31, which is different from the consolidated fiscal year-end. However, because the difference in the fiscal year-end dates does not exceed three months, consolidated financial statements are prepared using the financial statements of the said subsidiary. Because the deemed acquisition date is December 31, 2023, only the balance sheet has been consolidated for the fiscal year under review, and the performance of the acquired enterprise is not included in the consolidated statement of income for the fiscal year under review.

(3) Acquisition cost for the acquired enterprise and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥3,342 million
Acquisition cost		¥3,342 million

(4) Details and amounts of major acquisition-related expenses

Advisory fees and commissions: ¥92 million

(5) Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

1) Amount of goodwill recognized

¥2,166 million

2) Reason for recognition

Excess earnings power expected from future business expansion

3) Method and period of amortization

Straight-line method over 15 years

(6) Amounts of assets to be received and liabilities assumed on the date of the business combination and the major components thereof

Current assets	¥1,276 million
Non-current assets	¥230 million
Total assets	¥1,506 million
Current liabilities	¥330 million
Non-current liabilities	—
Total liabilities	¥330 million

(7) Approximate amounts of impact of the business combination on the consolidated statement of income for the fiscal year under review, assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

Not stated because of the difficulty of calculating the approximate amounts of impact for the fiscal year under review.

4. Business combination by acquisition (Tohoku Systems Support Co., Ltd.)

The Company resolved to acquire shares of Tohoku Systems Support Co., Ltd. at the Board of Directors meeting held on February 1, 2024 and concluded share transfer agreement. Based on this share transfer agreement, the Company acquired 100% of Tohoku Systems Support's shares on March 1, 2024.

(1) Outline of business combination

1) Name of acquired company and its business content

Name of acquired company:	Tohoku Systems Support Co., Ltd.
Business content:	Consulting for information systems, general application development contracting, infrastructure construction, maintenance and management, development and sales of package solutions, and construction and sales of equipment of wireless systems (such as barcodes and RFIDs)

2) Main reason for business combination

The Company aims to strengthen its domestic system development structure, enhance and accelerate customers' business through DX, and contribute to the economic development of the Tohoku region by integrating the human resources, technology, and customer bases of both companies.

3) Date of business combination

March 1, 2024 (share acquisition date)

March 31, 2024 (deemed acquisition date)

4) Legal form of business combination

Share acquisition in consideration for cash

5) Name of company after combination

There is no change in the name of company after combination.

6) Percentage of voting rights after acquisition

100%

7) Main reason for deciding the acquiring enterprise

The Company is the acquiring enterprise as it acquired the shares in consideration for cash.

(2) Period of performance of the acquired enterprise included in the consolidated financial statements

Because the deemed acquisition date is March 31, 2024, only the balance sheet has been consolidated for the fiscal year under review, and the performance of the acquired enterprise is not included in the consolidated statement of income for the fiscal year under review.

(3) Acquisition cost for the acquired enterprise and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥2,622 million
Acquisition cost		¥2,622 million

(4) Details and amounts of major acquisition-related expenses

Advisory fees and commissions: ¥93 million

(5) Amount of goodwill recognized, the reason for recognition, and the method and period of amortization

1) Amount of goodwill recognized

¥1,930 million

2) Reason for recognition

Excess earnings power expected from future business expansion

3) Method and period of amortization

Straight-line method over 20 years

(6) Amounts of assets to be received and liabilities assumed on the date of the business combination and the major components thereof

Current assets	¥1,141 million
Non-current assets	¥799 million
Total assets	¥1,941 million
Current liabilities	¥882 million
Non-current liabilities	¥366 million
Total liabilities	¥1,249 million

(7) Approximate amounts of impact of the business combination on the consolidated statement of income for the fiscal year under review, assuming that the business combination was completed at the beginning of the fiscal year, and the calculation method thereof

Not stated because of the difficulty of calculating the approximate amounts of impact for the fiscal year under review.

(Revenue recognition)

1. Breakdown of revenue arising from contracts with customers

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	2,826	11,469	20,950	35,246
SI and development	37,761	22,601	1,568	61,931
Products	41	323	8,589	8,954
Revenue arising from contracts with customers	40,629	34,394	31,108	106,132
Sales to external customers	40,629	34,394	31,108	106,132

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	2,437	13,150	21,911	37,499
SI and development	41,160	28,754	1,312	71,227
Products	65	309	6,626	7,001
Revenue arising from contracts with customers	43,663	42,214	29,849	115,727
Sales to external customers	43,663	42,214	29,849	115,727

(Note) Matters concerning the changes in reportable segments, etc.

Effective from the fiscal year under review, the Company has changed the classification of its reportable segments. For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Segment Information, etc.)

Furthermore, the breakdown of revenue arising from contracts with customers for the previous fiscal year is disclosed based on the segment classification after the change.

2. Information fundamental for an understanding of revenue arising from contracts with customers

The Company and its consolidated subsidiaries are engaged in providing services, SI and development, and the sale of products. Revenue from each is recognized as follows.

1) Services

Transactions in which revenue is sourced from the provision of services include the development and sales of software products, IT outsourcing, cloud-related services, and other transactions where services are provided.

For these transactions, in cases where the Company considers that performance obligations are satisfied as services are provided, it recognizes revenue in accordance with the contract and the results of services provided. In cases where the Company considers that performance obligations are satisfied with the passing of time, it recognizes the amount promised under the contract with the customer as revenue progressively over the period during which services are provided.

2) SI and development

Transactions in which revenue is sourced from SI and development include systems development and the introduction of internally-developed solutions, and software maintenance development.

For these transactions, the Company generally considers that performance obligations are satisfied as the project progresses, and recognizes revenue using the cost-to-cost method.

3) Products

Transactions in which revenue is sourced from the provision of products include the sale and provision of predesignated property and services such as usage rights for specific hardware and software.

For these transactions, the Company generally considers that performance obligations for the sale of products and merchandise are satisfied at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time. However, for some domestic sales transactions, because there is a normal period of time between the shipment of the product or merchandise and the transfer of control to the customer, the Company applies the alternative treatment prescribed in paragraph (98) of the Revenue Recognition Guidance, and recognizes revenue at the time of shipment.

3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized in future fiscal years from contracts existing at the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Fiscal year ended March 31, 2023	
	Balance as of April 1, 2022	Balance as of March 31, 2023
Receivables arising from contracts with customers	15,897	19,348
Contract assets	1,361	1,674
Contract liabilities (advances received)	1,029	1,318

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Fiscal year ended March 31, 2024	
	Balance as of April 1, 2023	Balance as of March 31, 2024
Receivables arising from contracts with customers	19,348	20,132
Contract assets	1,674	2,201
Contract liabilities (advances received)	1,318	1,249

Contract assets mainly relate to the rights held by the Company and its consolidated subsidiaries to receive consideration for property or services under contracts with customers for which performance obligations have been satisfied but not yet invoiced as of the end of the fiscal year. Contract assets are transferred to receivables arising from contracts with customers at the time when the rights held by the Company and its consolidated subsidiaries to receive consideration become unconditional. The consideration for the relevant property or services is invoiced, based on the contract with the customer, at the time when said property or services are accepted, and generally received within one month.

Contract liabilities mainly relate to advances received from customers based on maintenance service contracts, where the associated performance obligations will be satisfied from the next fiscal year onward. Contract liabilities are reversed as revenue is recognized.

Of the revenue recognized in the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, ¥598 million and ¥911 million were included in contract liabilities as of April 1, 2023 and 2024, respectively.

(2) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations, and the expected timing of revenue recognition, is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Within 1 year	32,863	30,586
Over 1 year	1,369	1,329
Total	34,233	31,916

(Segment Information, etc.)

Segment information

1. Overview of reportable segments

   The Group identifies a reportable segment as a component unit that constitutes a business for which discrete financial information is available and is regularly reviewed by the Board of Directors to make decisions on the allocation of management resources to the segments and assess its performance.

   The contents of each segment’s business activities are as follows.

   (1) “Operation & Solutions”

   Offer the following services by adding digital technology to project management capabilities and industry insights, which are some of our strengths, to generate new added values.

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

   (2) “Technology & Solutions”

   Offer the following services across industries and regions by specializing in digital technology and solutions, in order to use the latest technologies to meet the diverse needs of customers.

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

   (3) “Platforms & Services”

   Offer the following services across industries and regions in order to support IT environments in which customers can feel reassured.

   - Introduction of advanced IT equipment and building of IT platforms
   - 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 services
   - System operational diagnosis and optimization services, primarily for IT infrastructure
   - Fee-based businesses, such as subscription and recurring business

   (Matters concerning changes, etc. of reportable segments)

   In the fiscal year under review, we included DTS America Corporation and DTS SOFTWARE VIETNAM CO., LTD., which were previously included in “Operation & Solutions,” in “Technology & Solutions.” This change does not have a material impact.

   Segment information presented for the previous fiscal year has been realigned based on the new segment classifications.

2. Method for calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

   The accounting method used for the business segments reported is the same as the accounting method employed to prepare the consolidated financial statements. Segment profit of the reportable segments are on an operating profit basis and intersegment revenues and transfers are based on general transactions identical to arm’s length transactions.

3. Information about net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	40,629	34,394	31,108	106,132	—	106,132
Intersegment sales or transfers	1,308	80	920	2,308	(2,308)	—
Total	41,938	34,474	32,028	108,441	(2,308)	106,132
Segment profit	4,964	3,486	3,266	11,716	(22)	11,694
Other						
Depreciation	216	319	73	608	(2)	606
Amortization of goodwill	—	106	27	134	—	134

(Notes) 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	43,663	42,214	29,849	115,727	—	115,727
Intersegment sales or transfers	1,480	72	1,356	2,909	(2,909)	—
Total	45,144	42,287	31,206	118,637	(2,909)	115,727
Segment profit	5,331	4,193	2,978	12,503	5	12,508
Other						
Depreciation	201	348	71	621	(2)	619
Impairment loss	229	1,007	—	1,237	—	1,237
Amortization of goodwill	—	430	27	458	—	458

(Notes) 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

Related information

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

   This information is omitted as it is identical to that in segment information.

2. Information by geographical area

   (1) Net sales

   It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customers	Net sales	Name of relevant segments
NTT DATA Corporation	11,092	Operation & Solutions Technology & Solutions Platforms & Services

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

1. Information by product and service

   This information is omitted as it is identical to that in segment information.

2. Information by geographical area

   (1) Net sales

   It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

   (2) Property, plant and equipment

   It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

   Information regarding major customers is omitted since net sales to any single external customer are less than 10% of consolidated net sales.

Information about impairment loss of non-current assets by reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

No items to report.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

This information is omitted as it is identical to that in segment information.

Information about amortization and unamortized balance of goodwill by reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	—	106	27	134
Unamortized balance as of March 31, 2023	—	1,138	139	1,277

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	—	430	27	458
Unamortized balance as of March 31, 2024	4,097	1,331	111	5,540

(Note) The impairment losses of ¥1,007 million was recorded for goodwill attributable to the Technology & Solutions segment.

(Significant changes in amount of goodwill)

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The consolidation of Partners Information Technology, Inc. led to goodwill arising in the Technology & Solutions segment. The increase in goodwill from this event was ¥1,307 million.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

The consolidation of avanza Co., Ltd. and Tohoku Systems Support Co., Ltd. led to goodwill arising in the Operation & Solutions segment. The increase in goodwill from this event was ¥4,097 million.

The consolidation of Anshin Project Japan Inc. led to goodwill arising in the Technology & Solutions segment. The increase in goodwill from this event was ¥1,271 million.

On the other hand, in the Technology & Solutions segment, there was a significant change in the amount of goodwill due to the recording of an impairment loss on goodwill. The amount of decrease in goodwill due to this event was ¥1,007 million.

Information about gain on bargain purchase by reportable segment

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

No items to report.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

No items to report.

Information of related parties

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

No items to report.

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

No items to report.

(Per share information)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share	¥1,408.81	¥1,451.61
Basic earnings per share	¥181.41	¥168.51

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.

2. Calculation basis of net assets per share is as follows.

	As of March 31, 2023	As of March 31, 2024
Total net assets (Millions of yen)	62,376	63,402
Amount subtracted from total net assets (Millions of yen)	956	1,132
(Non-controlling interests (Millions of yen))	956	1,132
Net assets at the end of the period related to common stock (Millions of yen)	61,420	62,270
Number of common stock at the end of the period used for the calculation of net assets per share (Shares)	43,597,356	42,897,308

3. Calculation basis of basic earnings per share is as follows.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent (Millions of yen)	8,001	7,293
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	8,001	7,293
Average number of outstanding shares of common stock during the period (Shares)	44,105,576	43,281,898

(Significant subsequent events)

1. Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on April 26, 2024, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Reasons for acquisition and cancellation of treasury shares

Based on a comprehensive consideration of opportunities for growth investment, capital conditions, and the market environment including the recent stock price, to improve capital efficiency and to further improve returns for our shareholders, we flexibly implement treasury share acquisition and cancellation.

(2) Details of the acquisition of treasury shares resolved by the Board of Directors

1) Class of shares to be acquired

Common stock of the Company

2) Total number of shares to be acquired

2,000,000 shares (maximum)

(Proportion to the total number of issued shares excluding treasury shares: 4.66%)

3) Total acquisition price of shares to be acquired

¥6,000 million (maximum)

4) Acquisition period

From April 30, 2024 to December 10, 2024

5) Method of acquisition

Market purchases on the Tokyo Stock Exchange

(discretionary trading by securities companies, and off-auction own share repurchase trading [ToSTNet-3])

(3) Details of cancellation of treasury shares resolved by the Board of Directors

1) Class of shares to be cancelled

Common stock of the Company

2) Number of shares to be cancelled

The total number of treasury shares acquired in (2) above.

3) Scheduled date of cancellation

December 18, 2024

2. Cancellation of treasury shares

At a meeting of the Board of Directors held on April 26, 2024, the Company resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act, and implemented it as follows.

(1) Class of shares cancelled

Common stock of the Company

(2) Number of shares cancelled

2,700,000 shares

(Proportion to the total number of issued shares including treasury shares: 5.76%)

(3) Date of cancellation

May 15, 2024

(4) Number of issued shares after cancellation

44,154,132 shares

(v) Consolidated supplemental schedules

Schedule of bonds payable

Company	Issue name	Issue date	Balance as of April 1, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Interest rate (%)	Collateral	Maturity
Tohoku Systems Support Co., Ltd.	1st unsecured corporate bond (guaranteed by Mizuho Bank, Ltd. and for qualified institutional investors only)	June 20, 2018	—	48 [10]	0.17	Unsecured bonds (Note 2)	May 31, 2028

(Notes) 1. The figure in the [ ] in the "Balance as of March 31, 2024" column represents the amount scheduled to be redeemed within one year.
2. A mortgage has been established on the land and buildings.
3. The redemption schedule within five years after the consolidated balance sheet date is as follows.

(Millions of yen)

Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
10	10	10	10	5

Schedule of borrowings

Class	Balance as of April 1, 2023 (Millions of yen)	Balance as of March 31, 2024 (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	134	–	–	—
Current portion of long-term borrowings	–	160	0.7	—
Current portion of lease liabilities	20	64	4.0	—
Long-term borrowings (excluding current portion)	–	299	0.8	2026–2029
Lease liabilities (excluding current portion)	43	77	3.8	2025–2027
Total	197	602	—	—

(Notes) 1. Average interest rate represents the weighted average interest rate with respect to the ending balance of borrowings, etc.
2. The repayment schedule of long-term borrowings and lease liabilities (both excluding current portion) within five years after the consolidated balance sheet date is as follows.

(Millions of yen)

	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term borrowings	131	104	61	2
Lease liabilities	21	52	3	–

Schedule of asset retirement obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2024 were 1% or less of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2024, respectively.

(2) Other

Quarterly information for the fiscal year ended March 31, 2024

(Cumulative period)	Three months ended June 30, 2023	Six months ended September 30, 2023	Nine months ended December 31, 2023	Fiscal year ended March 31, 2024
Net sales (Millions of yen)	26,689	56,739	84,671	115,727
Profit before income taxes (Millions of yen)	2,710	6,120	9,784	11,592
Profit attributable to owners of parent (Millions of yen)	1,836	4,139	6,603	7,293
Basic earnings per share (Yen)	42.21	95.28	152.31	168.51

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	42.21	53.09	57.07	16.02

2. Non-consolidated financial statements and other information

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Assets				
Current assets				
Cash and deposits		32,696		25,513
Notes and accounts receivable - trade, and contract assets	*	13,201	*	15,037
Securities		799		401
Merchandise		142		33
Work in process		108		128
Supplies		8		7
Advance payments to suppliers		134		98
Prepaid expenses		320		432
Other	*	527	*	117
Allowance for doubtful accounts		(3)		(3)
Total current assets		47,936		41,766
Non-current assets				
Property, plant and equipment				
Buildings		847		992
Tools, furniture and fixtures		186		205
Land		1,965		1,965
Total property, plant and equipment		2,999		3,164
Intangible assets				
Software		540		705
Other		1		1
Total intangible assets		541		706
Investments and other assets				
Investment securities		4,347		5,621
Shares of subsidiaries and associates		8,679		15,033
Investments in capital of subsidiaries and associates		327		327
Distressed receivables		—		1
Long-term prepaid expenses		105		493
Deferred tax assets		1,170		1,825
Other		1,023		1,131
Allowance for doubtful accounts		(5)		(6)
Total investments and other assets		15,647		24,426
Total non-current assets		19,188		28,297
Total assets		67,125		70,064

(Millions of yen)

		As of March 31, 2023		As of March 31, 2024
Liabilities				
Current liabilities				
Accounts payable - trade	*	3,938	*	4,591
Accounts payable - other	*	853	*	1,367
Accrued expenses		321		411
Income taxes payable		1,757		2,102
Contract liabilities		400		166
Deposits received		106		292
Provision for bonuses		2,025		2,594
Provision for bonuses for directors (and other officers)		65		69
Provision for loss on orders received		9		54
Other		1,156		1,360
Total current liabilities		10,635		13,010
Non-current liabilities				
Provision for retirement benefits		668		600
Provision for loss on guarantees for subsidiaries and associates		—		119
Provision for loss on business of subsidiaries and associates		—		236
Asset retirement obligations		78		224
Other		—		302
Total non-current liabilities		747		1,484
Total liabilities		11,382		14,494
Net assets				
Shareholders’ equity				
Share capital		6,113		6,113
Capital surplus				
Legal capital surplus		6,190		6,190
Total capital surplus		6,190		6,190
Retained earnings				
Legal retained earnings		411		411
Other retained earnings				
General reserve		11,170		11,170
Retained earnings brought forward		38,465		38,648
Total retained earnings		50,047		50,230
Treasury shares		(7,534)		(8,527)
Total shareholders’ equity		54,816		54,006
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		926		1,563
Total valuation and translation adjustments		926		1,563
Total net assets		55,743		55,570
Total liabilities and net assets		67,125		70,064

(ii) Non-consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024
Net sales	*1	74,356	*1	80,744
Cost of sales	*1	59,176	*1	63,396
Gross profit		15,179		17,347
Selling, general and administrative expenses	*1, *2	5,476	*1, *2	6,931
Operating profit		9,702		10,416
Non-operating income				
Interest income	*1	4	*1	4
Interest on securities		17		16
Dividend income	*1	575	*1	868
Other	*1	58	*1	49
Total non-operating income		657		938
Non-operating expenses				
Loss on investments in investment partnerships		17		20
Commission for purchase of treasury shares		6		5
Foreign exchange losses		1		13
Other		0		2
Total non-operating expenses		26		41
Ordinary profit		10,333		11,314
Extraordinary losses				
Loss on retirement of non-current assets	*3	0	*3	0
Loss on valuation of investment securities		255		—
Loss on valuation of shares of subsidiaries and associates		216		1,737
Provision for loss on guarantees for subsidiaries and associates		—		119
Provision for loss on business of subsidiaries and associates		—		236
Total extraordinary losses		472		2,094
Profit before income taxes		9,860		9,220
Income taxes - current		2,955		3,499
Income taxes - deferred		(169)		(936)
Total income taxes		2,785		2,562
Profit		7,075		6,657

Schedule of cost of sales

		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
Class	Notes No.	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I Cost of products manufactured		58,025	98.1	61,753	97.4
II Cost of goods sold					
Beginning goods inventory		16		142	
Cost of purchased goods		1,276		1,533	
Total		1,292		1,676	
Ending goods inventory		142		33	
Cost of goods sold		1,150	1.9	1,643	2.6
Cost of sales		59,176	100.0	63,396	100.0

(Cost accounting method)

The Company conducts the production order cost accounting by project for cost accounting.

(iii) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	6,113	6,190	－	6,190	411	11,170	38,153	49,735
Changes during period								
Dividends of surplus							(3,982)	(3,982)
Profit							7,075	7,075
Purchase of treasury shares								
Disposal of treasury shares			14	14				
Cancellation of treasury shares			(2,794)	(2,794)				
Transfer from retained earnings to capital surplus			2,780	2,780			(2,780)	(2,780)
Net changes in items other than shareholders' equity								
Total changes during period	－	－	－	－	－	－	311	311
Balance at end of period	6,113	6,190	－	6,190	411	11,170	38,465	50,047

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(5,342)	56,697	609	609	57,306
Changes during period					
Dividends of surplus		(3,982)			(3,982)
Profit		7,075			7,075
Purchase of treasury shares	(5,000)	(5,000)			(5,000)
Disposal of treasury shares	14	28			28
Cancellation of treasury shares	2,794	－			－
Transfer from retained earnings to capital surplus		－			－
Net changes in items other than shareholders' equity			316	316	316
Total changes during period	(2,191)	(1,880)	316	316	(1,563)
Balance at end of period	(7,534)	54,816	926	926	55,743

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	6,113	6,190	–	6,190	411	11,170	38,465	50,047
Changes during period								
Dividends of surplus							(5,000)	(5,000)
Profit							6,657	6,657
Purchase of treasury shares								
Disposal of treasury shares			59	59				
Cancellation of treasury shares			(1,533)	(1,533)				
Transfer from retained earnings to capital surplus			1,474	1,474			(1,474)	(1,474)
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	–	–	–	182	182
Balance at end of period	6,113	6,190	–	6,190	411	11,170	38,648	50,230

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(7,534)	54,816	926	926	55,743
Changes during period					
Dividends of surplus		(5,000)			(5,000)
Profit		6,657			6,657
Purchase of treasury shares	(2,600)	(2,600)			(2,600)
Disposal of treasury shares	73	132			132
Cancellation of treasury shares	1,533	–			–
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			637	637	637
Total changes during period	(993)	(810)	637	637	(173)
Balance at end of period	(8,527)	54,006	1,563	1,563	55,570

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Standards and methods for valuation of securities

(1) Shares of subsidiaries…… Stated at cost using the moving average method

(2) Available-for-sale securities

1)	Securities apart from shares, etc. without market prices	………	Stated at fair value (valuation differences are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method). However, the amortized cost method is used where the difference between acquisition price and the nominal value is deemed to be attributable to interest adjustments.
2)	Shares, etc. without market prices	………	Stated at cost using the moving average method.

2. Standards and methods for valuation of inventory

(1) Merchandise.................Stated at cost using the identified cost method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).

(2) Work in process ....Stated at cost using the identified cost method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).

(3) Supplies ....Stated at cost using the most recent purchase method.

3. Depreciation or amortization method for non-current asset

(1) Property, plant and equipment (excluding leased assets)

Amortized using the straight-line method.

The useful lives of the main components of property, plant and equipment are as follows:

Buildings 3 years to 47 years

Tools, furniture and fixtures 2 years to 15 years

Assets with an acquisition price not less than ¥100 thousand and less than ¥200 thousand are depreciated using the straight-line method over three years.

(2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

However, software for market sale is amortized beginning from the time when sales commence, based on the forecast number of units to be sold and the forecast profits from sale within the subsequent three years. If the amount of this amortization falls below the amount allocated using the straight-line method based on the remaining effective period, then the amount allocated using the straight-line method is used.

Software for internal use is amortized using the straight-line method over the period during which fees are paid (10 years) based on the relevant contract for software provided as a service (software under a designated customer license agreement), or is amortized using the straight-line method over the forecast period of internal use (no more than 5 years) for software with other cost reduction effects.

(3) Long-term prepaid expenses

Amortized using the straight-line method.

4. Standards for recording provisions and allowances

(1) Allowance for doubtful accounts..........Allowance for doubtful accounts is provided based on the estimated historical default rate for general claims. For claims with a possibility of default and other designated accounts, the recoverable amount is estimated, and an allowance is provided equal to the unrecoverable amount.

(2) Provision for bonuses ....Provision for bonuses is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to employees.

(3) Provision for bonuses for directors (and other officers).................................Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to directors (and other officers).

(4) Provision for loss on orders received....Provision for loss on orders received is recorded equal to the amount of expected losses associated with contractual orders received as of the end of the fiscal year, in order to provide for future losses associated with orders received.

(5) Provision for retirement benefits ....Provision for retirement benefits is recorded based on the estimated retirement benefit obligation and plan assets at the end of the fiscal year under review, in order to provide for the payment of retirement benefits to employees. However, the treatment of unrecognized actuarial gains and losses on the non-consolidated balance sheet differs from the treatment on the consolidated balance sheet.

1) Method used to attribute the estimated benefit obligation to accounting periods
When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis.

2) Method used to amortize actuarial gains and losses
Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (11 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

(6) Provision for loss on guarantees for subsidiaries and associates…………….. In order to provide for losses on debt guarantees for subsidiaries and associates, an estimated amount of losses to be borne by the Company is recorded, considering the financial position, etc. of the subsidiaries and associates concerned.

(7) Provision for loss on business of subsidiaries and associates.……………. In order to provide for losses on the businesses of subsidiaries and associates, an estimated amount of losses to be borne by the Company is recorded, considering the financial position, etc. of the subsidiaries and associates concerned.

5. Standards for the recognition of revenue and expenses

The main performance obligations and the usual timing of revenue recognition in the main businesses of the Company are as follows.

(1) Systems development

For systems development, the Company considers that performance obligations are satisfied as the project progresses, and recognizes revenue using the cost-to-cost method.

(2) Systems engineering services

For systems engineering services, the Company considers that performance obligations are satisfied as services are provided, and recognizes revenue in accordance with the contract and the results of services provided.

(3) Maintenance and other services

For maintenance and other services, the Company considers that performance obligations are satisfied with the passing of time, and recognizes the amount promised under the contract with the customer as revenue progressively over the period during which services are provided.

(4) Products and merchandise

The Company considers that performance obligations for the sale of products and merchandise are satisfied at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time.

(Significant accounting estimates)

1. Revenue recognized in cases where performance obligations are satisfied over time

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	74,356	80,744
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	9,226	11,699

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant accounting estimates); 1. Revenue recognized in cases where performance obligations are satisfied over time.

2. Estimation of the provision for loss on orders received for contracts

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Provision for loss on orders received	9	54

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant accounting estimates); 2. Estimation of the provision for loss on orders received for contracts.

(Changes in accounting estimates)

(Change in amortization period for actuarial gains and losses in accounting treatment of retirement benefits)

In the accounting treatment of retirement benefits, the amortization period for actuarial gains and losses has been set as a designated period within the average remaining service years for employees. Previously, the amortization period for actuarial gains and losses was 15 years. However, since the average remaining service years have fallen below this duration, from the fiscal year under review, we have changed the amortization period to 11 years.

This change does not have a material impact on the profit or loss for the fiscal year under review.

(Non-consolidated balance sheets)

* Monetary claims and obligations with subsidiaries and associates

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Short-term monetary claims	458	56
Short-term monetary obligations	683	1,398

(Non-consolidated statements of income)

*1 Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Amount of operating transactions		
Net sales	86	289
Outsourcing expenses	2,716	3,435
Other operating transactions	1,929	2,282
Transactions from non-operating transactions	488	765

*2 The approximate percentage of expenses included in selling expenses was 1% in the fiscal year ended March 31, 2023 and 1% in the fiscal year ended March 31, 2024, and the approximate percentage of expenses included in general and administrative expenses was 99% in the fiscal year ended March 31, 2023 and 99% in the fiscal year ended March 31, 2024.

Main items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Salaries and allowances	1,733	2,098
Provision for bonuses	263	830
Provision for bonuses for directors (and other officers)	66	70
Depreciation	78	68
Commission expenses	953	1,534
Provision of allowance for doubtful accounts	1	1

*3 Detail of loss on retirement of non-current assets is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Property, plant and equipment		
Buildings	—	0
Tools, furniture and fixtures	0	0
Intangible assets		
Other	—	0
Total	0	0

(Securities)

Shares of subsidiaries

As of March 31, 2023

Amount of shares, etc. without market prices recorded on the non-consolidated balance sheets

Class	As of March 31, 2023 (Millions of yen)
Shares of subsidiaries	8,679

As of March 31, 2024

Amount of shares, etc. without market prices recorded on the non-consolidated balance sheets

Class	As of March 31, 2024 (Millions of yen)
Shares of subsidiaries	15,033

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets		
Provision for bonuses	620	794
Shares of subsidiaries and associates	246	778
Provision for retirement benefits	204	184
Accrued enterprise tax	124	142
Accrued expenses (social insurance premiums)	98	125
Asset retirement obligations	51	102
Software	93	85
Provision for loss on business of subsidiaries and associates	-	72
Investment securities	72	68
Provision for loss on guarantees for subsidiaries and associates	-	36
Golf club membership	28	28
Restricted stock grants	-	28
Restricted stock compensation	14	23
Other	26	82
Total of deferred tax assets	1,581	2,554
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(389)	(662)
Asset retirement expenses for asset retirement obligations	(21)	(66)
Other	(0)	(0)
Total of deferred tax liabilities	(411)	(729)
Net deferred tax assets	1,170	1,825

(Changes in presentation)

“Restricted stock compensation,” which was included in “Other” under “Deferred tax assets” in the previous fiscal year, has been separately presented from the fiscal year under review, because it has become more quantitatively important.

To reflect this change in method of presentation, the Company has reclassified notes of the non-consolidated financial statements for the previous fiscal year.

As a result, ¥40 million shown as “Other” in the notes of the non-consolidated financial statements for the previous fiscal year is reclassified as “Restricted stock compensation” of ¥14 million and “Other” of ¥26 million.

2. Main components of the difference between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

	As of March 31, 2023	As of March 31, 2024
Statutory effective tax rate	30.6 %	30.6 %
(Adjustments)		
Entertainment and other expenses that are never tax deductible	0.3 %	0.3 %
Proportional resident tax	0.1 %	0.2 %
Dividends and other income that is never taxable	(1.5)%	(2.6)%
Tax credits	(1.2)%	(0.7)%
Other	(0.1)%	(0.0)%
Effective income tax rate after application of tax-effect accounting	28.3 %	27.8 %

(Business combinations)

Notes are omitted as the details are presented under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Business combinations) in the Consolidated Financial Statements.

(Revenue recognition)

Information fundamental for an understanding of revenue arising from contracts with customers

The Company is engaged in providing services, SI and development, and the sale of products. Revenue from each is recognized as follows.

1) Services

Transactions in which revenue is sourced from the provision of services include the development and sales of software products, IT outsourcing, cloud-related services, and other transactions where services are provided.

For these transactions, in cases where the Company considers that performance obligations are satisfied as services are provided, it recognizes revenue in accordance with the contract and the results of services provided. In cases where the Company considers that performance obligations are satisfied with the passing of time, it recognizes the amount promised under the contract with the customer as revenue progressively over the period during which services are provided.

2) SI and development

Transactions in which revenue is sourced from SI and development include systems development and the introduction of internally-developed solutions, and software maintenance development.

For these transactions, the Company generally considers that performance obligations are satisfied as the project progresses, and recognizes revenue using the cost-to-cost method.

3) Products

Transactions in which revenue is sourced from the provision of products include the sale and provision of predesignated property and services such as usage rights for specific hardware and software.

For these transactions, the Company generally considers that performance obligations for the sale of products and merchandise are satisfied at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time.

(Significant subsequent events)

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on April 26, 2024, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant subsequent events).

(iv) Supplemental schedules

Schedule of property, plant and equipment

(Millions of yen)

Class	Type of assets	Balance as of April 1, 2023	Increase in the fiscal year under review	Decrease in the fiscal year under review	Amortization	Balance as of March 31, 2024	Depreciation cumulative amount
Property, plant and equipment	Buildings	2,244	207	1	62	2,449	1,456
	Tools, furniture and fixtures	966	128	7	108	1,086	880
	Land	1,965	—	—	—	1,965	—
	Total	5,176	335	9	170	5,501	2,337
Intangible assets	Software	1,026	358	154	192	1,229	523
	Other	5	0	0	0	5	4
	Total	1,031	358	154	193	1,234	527

(Notes) 1. The balances as of April 1, 2023 and March 31, 2024 are stated based on the acquisition cost.

2. Major components of the increase are as follows.

Buildings	Asset retirement obligations related to a new office	¥144 million
	Equipment such as partitions related to a new office	¥62 million
Tools, furniture and fixtures	Purchase of information equipment such as servers and personal computers	¥78 million
	Purchase of household goods and fixtures, etc.	¥50 million
Software	Acquisition of software for internal use	¥206 million
	Development of software for market sales purposes	¥151 million

3. Major components of the decrease are as follows:

Software	Removal of software for internal use	¥100 million
	Retirement of software for market sales purpose	¥54 million

Schedule of provisions

(Millions of yen)

Account items	Balance as of April 1, 2023	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance as of March 31, 2024
Allowance for doubtful accounts	8	4	3	9
Provision for bonuses	2,025	2,594	2,025	2,594
Provision for bonuses for directors (and other officers)	65	69	65	69
Provision for loss on orders received	9	54	9	54
Provision for loss on guarantees for subsidiaries and associates	—	119	—	119
Provision for loss on business of subsidiaries and associates	—	236	—	236

(2) Details of major assets and liabilities

This information is omitted because the Company prepares the consolidated financial statements.

(3) Other

No items to report.

VI. Overview of Share-related Administration of the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June / September (Adjournment Meeting)
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting a standard unit	100 shares
Repurchase of fractional shares	
Business handling office	(Special account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Offices available for repurchase	―――
Charges for repurchase	An amount separately specified as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of public notice	The method of public notices of the Company shall be electronic public notices; provided, however, that in the event that electronic public notice is unavailable due to an accident or any other unavoidable reason, the public notice shall be given in the manner of the publication in the Nikkei (Nihon Keizai Shimbun) newspaper.
Special benefits to shareholders	No items to report.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

   The Company has no parent company or equivalent as prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

   The Company submitted the following documents in the period from the beginning of the fiscal year under review to the date of submission of the Annual Securities Report.

(1)	Annual Securities Report and its attachments and Confirmation Notes	Fiscal year (51st fiscal year)	From April 1, 2022	to March 31, 2023	June 23, 2023 Submitted to Director-General of the Kanto Local Finance Bureau
(2)	Internal Control Report and its attachments				June 23, 2023 Submitted to Director-General of the Kanto Local Finance Bureau
(3)	Quarterly Securities Reports and Confirmation Notes	(First quarter of the 52nd fiscal year)	From April 1, 2023	to June 30, 2023	August 8, 2023
		(Second quarter of the 52nd fiscal year)	From July 1, 2023	to September 30, 2023	November 8, 2023
		(Third quarter of the 52nd fiscal year)	From October 1, 2023	to December 31, 2023	February 9, 2024 Submitted to Director-General of the Kanto Local Finance Bureau
(4)	Extraordinary Report	Based on the provisions of Article 19, paragraph 2, item 2-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Disposal of Treasury Shares in connection with the Restricted Shares Issuance Plan)			June 25, 2024
		Based on the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of the Exercise of Voting Rights at the General Meeting of Shareholders)			June 28, 2024 Submitted to Director-General of the Kanto Local Finance Bureau
(5)	Amendment Report of Extraordinary Report	Amendment report concerning the extraordinary report submitted on June 25, 2024			July 29, 2024 Submitted to Director-General of the Kanto Local Finance Bureau
(6)	Share Buyback Report	Reporting period	From August 1, 2023	to August 31, 2023	September 14, 2023
			From September 1, 2023	to September 30, 2023	October 13, 2023
			From October 1, 2023	to October 31, 2023	November 14, 2023
			From November 1, 2023	to November 30, 2023	December 14, 2023
			From February 1, 2024	to February 29, 2024	March 14, 2024
			From March 1, 2024	to March 31, 2024	April 12, 2024
			From April 1, 2024	to April 30, 2024	May 14, 2024
			From May 1, 2024	to May 31, 2024	June 14, 2024
			From June 1, 2024	to June 30, 2024	July 12, 2024
			From July 1, 2024	to July 31, 2024	August 14, 2024 Submitted to Director-General of the Kanto Local Finance Bureau

Part II. Information on Guarantors for the Company

No items to report.

Independent Auditors’ Report and Internal Control Audit Report (English Translation)

August 15, 2024

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC

Tokyo office

Shigeru Sekiguchi
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

<Audit of Consolidated Financial Statements>

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, the basis for preparation of consolidated financial statements, other notes and consolidated supplemental schedules of DTS CORPORATION (the “Company”) for the fiscal year from April 1, 2023 through March 31, 2024, as listed in “Financial Information.”

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION and its consolidated subsidiaries as of March 31, 2024, and their operating results and cash flows status for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor’s Responsibility for the Audit of the Consolidated Financial Statements.” We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year under review. These matters were addressed in the process of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Revenue recognized through satisfying performance obligations over a period of time</td></tr>
<tr><td>Description of key audit matters and reasons for determination</td><td>Auditor's responses</td></tr>
<tr><td>As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company and its consolidated subsidiaries is obligated to deliver the results of made-to-order software development, etc., they consider the performance obligations satisfied over time. They apply a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥13,130 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review.
The degree of progress associated with satisfaction of performance obligations is calculated based on the ratio of actual costs incurred, as of the end of the fiscal year, to the total construction cost of the project.
The Company intends to establish a Project Promotion Committee, and review the total construction cost for projects that meet to the prescribed criteria by monitoring the progress of actual results against the project plan. However, estimation of the work process and the workload required to complete the project involves uncertainty and requires management judgment. We therefore defined this issue as a key audit matter.</td><td>In reviewing the adequacy of the estimation of the total construction cost for the project based on the method recognizing revenue through satisfying performance obligations over a period of time, we conducted mainly the following audit procedures.
• We evaluated the effectiveness of internal control concerning the estimation of the total construction cost for the project and the calculation of the degree of progress in satisfying performance obligations therein.
• In order to verify the adequacy of the estimation of the total construction cost and the timing of estimation changes, we inspected the materials of the Project Promotion Committee, and cross-checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects not covered by the Project Promotion Committee, we inspected the project management materials of extracted sample cases, and cross-checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects generating total construction revenue with financial importance, we inspected the progress management materials of extracted sample cases, and made inquiries to the staff in charge.
• In order to verify the accuracy of the estimation of the total construction cost, we analyzed the size of discrepancy between the initial budget and actual cost of completed projects, along with the reason.
• In order to verify the adequacy of the degree of progress in satisfying performance obligations in projects, we compared the contractually scheduled development period and the actually elapsed work period.</td></tr>
</table>

<table>
<tr><td colspan="2">Investigation of the inappropriate payment transactions at an overseas subsidiary</td></tr>
<tr><td>Description of key audit matters and reasons for determination</td><td>Auditor's responses</td></tr>
<tr><td>It was found that a certain overseas subsidiary of the Company made inappropriate payments to individuals deemed to be public servants and others, which may be a violation of local anti-corruption laws and other relevant laws and regulations. Therefore, on May 24, 2024, the Company established a Special Investigation Committee, including independent external experts, and received the investigation report on August 2, 2024.
The investigation conducted by the Special Investigation Committee revealed that inappropriate payments had been continuously made over a long period to persons in key positions at multiple customers of specific businesses, to secure orders and other purposes. It was also found that these inappropriate payments could potentially constitute violations of local anti-corruption laws and other various laws and regulations.
It is necessary to ascertain the amount of these inappropriate payments and the resulting accounting impact. However, this requires investigating the details and causes of the inappropriate payments, the extent to which they were made, and whether similar transactions exist. Furthermore, if these inappropriate payments are deemed to be legal violations,</td><td>To assess the total amount of inappropriate payments and the reasonableness of the estimated fines, we involved fraud investigation experts and conducted the following audit procedures:
(Assessment of inappropriate payment amounts)
• We evaluated the suitability, competence, and objectivity of the established Special Investigation Committee.
• To assess the reliability of the investigation conducted by the Special Investigation Committee, we held discussions with the committee as needed since its establishment and evaluated the scope of the investigation, the procedures carried out, the findings, conclusions, and their basis.
• To comprehensively and accurately ascertain the amount of these inappropriate payments, we reviewed the verification results, digital forensic investigation results, and interview results conducted and prepared under the direction of the Special Investigation Committee.
• We reviewed and discussed the review process and risk assessment results conducted by the Company and verified by the Special Investigation Committee to ascertain the existence of similar transactions.
• Based on the investigation results of the Special</td></tr>
</table>

there is a possibility that local authorities may impose fines, and it is necessary to consider the impact this may have on the consolidated financial statements. In light of the above, determining the total amount of inappropriate payments and evaluating the reasonableness of the estimated fines requires specialized knowledge of fraud investigations and laws, as well as careful judgment. We therefore defined this issue as a key audit matter.	Investigation Committee and the Company, we verified that the necessary adjustments, excluding those of insignificant materiality, were comprehensively and accurately processed. (Review of estimated fines, etc.) Given the recognition that these inappropriate payments could potentially violate local anti-corruption laws and other relevant laws and regulations, we conducted the following audit procedures: • We obtained and reviewed the opinion letter from the expert used by the Company regarding the likelihood and feasibility of estimating fines, etc., that may be imposed if these inappropriate payments are determined to violate related laws and regulations, and we conducted inquiries. • Based on the review of the expert opinions obtained by the Company, for those deemed to have a significant impact on the consolidated financial statements, we obtained re-evaluation results from independent third-party experts and reviewed the Company's judgment on the feasibility of the estimates as well as their impact on the consolidated financial statements and the related notes.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.

Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the auditor's report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the Auditor's Report are reasonably expected to outweigh the public interest.

<Internal Control Audit>

Opinion

We have audited the Internal Control Report of DTS CORPORATION as of March 31, 2024 for the purpose of providing audit certification in accordance with Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the Internal Control Report referred to above, in which DTS CORPORATION indicated that its internal control over financial reporting as of March 31, 2024 was ineffective due to significant deficiencies, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, in accordance with the assessment criteria for internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibility under auditing standards on internal control over financial reporting is stated in the "Auditor's Responsibility for the Audit of Internal Control." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Emphasis of Matter

As described in the Internal Control Report, there are significant deficiencies in the Company's company-wide internal control, however, the Company has reflected in its financial statements and consolidated financial statements all necessary modifications resulting from significant deficiencies, except for those that were immaterial.

This has no effect on the audit of the consolidated financial statements.

Management's and the Audit and Supervisory Committee's Responsibility for Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility for the Audit of Internal Control

Our responsibility is to obtain reasonable assurance about whether the Internal Control Report is free of material misstatement based on the internal control audit performed by us and to express an opinion on the Internal Control Report from an independent standpoint in the Internal Control Audit Report.

We make professional judgment in the audit process in accordance with auditing standards on internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Perform audit procedures to obtain audit evidence relating to the result of the assessment of internal control over financial reporting in the Internal Control Report. Audit procedures for internal control audits are based on our judgment in consideration of the materiality of the effect on the reliability of financial reporting.

- Consider the overall presentation of the Internal Control Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient and appropriate audit evidence regarding the result of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision, and performance of the audit of the Internal Control Report. We are solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, significant deficiencies identified in internal control that should be disclosed, the results of their correction, and other matters required by the standards for internal control audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.

Compensation-related Information

The amount of remuneration based on audit certification services and non-audit services of the Company and its subsidiaries to the accounting auditor and persons belonging to the same network as the accounting auditor is stated in (3) Status of audits of “Corporate governance,” included in “Corporate Information.”

Interest

Our firm and engagement partners have no interests in the Company and its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original of the above Auditor’s Report is kept separately by the Company (the company submitting the Annual Securities Report).
2. The XBRL data is not included in the scope of audit.

Independent Auditors' Report (English Translation)

August 15, 2024

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC

Tokyo office

Shigeru Sekiguchi
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

<Audit of Non-consolidated Financial Statements>

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements, which comprise the balance sheets, the statements of income, the statements of changes in equity, significant accounting policies, other notes and supplemental schedules of DTS CORPORATION ("the Company") for the 52nd fiscal year from April 1, 2023 through March 31, 2024, as listed in "Financial Information."

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION as of March 31, 2024, and their operating results for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current fiscal year. These matters were addressed in the process of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized through satisfying performance obligations over a period of time

As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company is obligated to deliver the results of made-to-order software development, etc., it considers the performance obligations satisfied over time. It applies a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥11,699 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review.

The reason behind the auditors' decision to define this as key audit matter and responses are the same as described regarding the key audit matter stated in the Auditor's Report for the consolidated financial statements (revenue recognized through satisfying performance obligations over a period of time), and thus are omitted.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the non-consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the non-consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the non-consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.
We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.
Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the non-consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the Auditor's Report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the Auditor's Report are reasonably expected to outweigh the public interest.

Compensation-related Information

Compensation-related information is presented in the Auditor's Report for the consolidated financial statements.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original of the above Auditor's Report is kept separately by the Company (the company submitting the Annual Securities Report).
2. The XBRL data is not included in the scope of audit.