

Last update: October 29, 2021

DTS CORPORATION

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Securities Code: 9682

<https://www.dts.co.jp/>

The corporate governance of DTS CORPORATION (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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.

Basic Policy

- (1) Ensuring shareholder rights and equality
 - We provide shareholders with the necessary information to enable them to exercise their rights in a timely and accurate manner, and strive to create an environment for exercising voting rights.
 - When shareholders attempt to exercise their rights, the Company responds in good faith in accordance with laws.
- (2) Cooperating appropriately with stakeholders other than shareholders
 - We commit to fulfilling our obligations and responsibilities to various stakeholders through the practice of our corporate philosophy, credos, code of conduct, and other relevant policies, and to building even stronger relationships of trust with them.
- (3) Ensuring appropriate information disclosure and transparency
 - We strive to enhance trust in the market by proactively disclosing information to shareholders and investors at the right time.
 - We aim to realize transparent management by communicating smoothly with stakeholders through information disclosure.
- (4) Responsibilities of the Board of Directors, etc.
 - We set goals for enhancing long-term corporate value based on our corporate philosophy and determine the direction of the Company that will give concrete shape to the strategies and measures designed to achieve those goals.
 - We continue to appoint Outside Directors to maintain and further improve the supervisory function of Directors in the execution of their duties.

(5) Dialogue with shareholders

- We seek to communicate constructively with shareholders and investors by actively providing them with information relating to the Company's financial conditions, progress on initiatives, and other similar matters not only at the general meeting of shareholders but also at financial results presentation meetings and other IR activities.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Target Code

Based on the Japan's Corporate Governance Code revised in June 2021 in anticipation of the new Prime Market.

Supplementary Principle 2.4.1: Appointing women, non-Japanese and mid-career professionals to middle managerial positions

The Company is working to promote the active participation of women through three target goals: boosting the ratio of women employees, fostering women managerial candidates, and nurturing women managers.

With particular reference to promoting the active participation of women in the workplace, the Company is building environments to facilitate more flexible working hours and locations in order to eliminate the gender gap regarding employment continuity and workplace activities, which are major issues, and to maximize the abilities of each individual. The Company is also seeking to revitalize our whole organization and encourage corporate growth by training managers, creating opportunities for interaction, and developing and promoting women employees based on an analysis of their roles and business assignments. These individual targets and results are disclosed in our integrated report.

(Integrated Report: <https://www.dts.co.jp/ir/library/report/>)

Furthermore, in order to grow the DTS Group, we believe we urgently need to secure human resources with direct experience of business promotion in new fields, such as digital transformation (DX) in particular. The Company always bears in mind the need to ensure diversity and are striving to secure human resources who will help expand and promote our business.

Regarding non-Japanese or mid-career professionals, the Company is not aware of specifically differentiating between candidates appointed as managers with reference to their nationality or when they were originally hired, so the Company has not formulated or disclosed any targets on management appointments in this area at this point in time.

Supplementary Principle 3.1.3: Disclosure Based on the TCFD Recommendations or Similar Frameworks

The Company has established a medium-term management vision in its medium-term management plan and is seeking to create new value (social and economic value) to help realize a sustainable society through ESG initiatives. The Company has determined management policies and priority measures based on this medium-term management vision, the individual contents of which are published on the Company website in the shape of the medium-term management plan.

(Medium-term management plan: <https://www.dts.co.jp/ir/management/middle/>)

Updates on the implementation of each measure are described in the annual financial results presentation materials, and the Company illustrates and publishes its business strategies for creating social value and medium to long-term growth in the Integrated Report, along with corporate activities, including the initiatives to implement those strategies.

(Financial results presentation materials: <https://www.dts.co.jp/ir/finance/presentation/>)

(Integrated Report: <https://www.dts.co.jp/ir/library/report/>)

The Company is currently formulating the long-term vision for 2030 and the next medium-term management plan (April 2022 to March 2025), which will cover the first three years of that long-term vision. We plan to disclose the content and expected amount of investment to support sustainable growth in the next medium-term management plan.

Regarding the impact that climate-change risks and earnings opportunities might have on the business activities and profitability, among other factors, the Company is currently examining relevant information, analysis methods, and other similar things for its business. The Company will announce its future approach and plans in this area in our 2022 integrated report.

Principle 4-11: Preconditions for Ensuring the Effectiveness of the Board of Directors and the Board of Corporate Auditors

The Company believes that its Board of Directors possesses all the knowledge, experience, and ability required to ensure that Directors and Corporate Auditors can effectively fulfill their roles and responsibilities, and that the composition of the Board is balanced from the perspective of the Company's size and business type and is able to facilitate swift decision-making.

While no foreign nationals or women have been elected as Directors of the Company, the Board comprises Directors in a wide age range from 50s to 70s. The Company ensures diversity by having Directors with overseas business experience and women Corporate Auditors participate in the Board meetings.

Furthermore, the Company appoints Corporate Auditors who have the appropriate experience and abilities and the required knowledge of finance, accounting, and legal affairs. The Company pays particular attention to appointing at least one Corporate Auditor with ample knowledge of finance and accounting.

[Disclosure Based on the Principles of the Corporate Governance Code]**Target Code**

Based on the Japan's Corporate Governance Code revised in June 2021 in anticipation of the new Prime Market.

Principle 1.4: Cross-shareholdingsCross-shareholding policy

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.

Verifying the suitability of cross-shareholdings

To verify the suitability of holding these cross-shareholdings, the Board of Directors examines and deliberates on the appropriateness of the purpose of each of the holdings every year. 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.

Criteria for exercising voting rights pertaining to cross-shareholdings

With regard to exercising the voting rights pertaining to the shares it holds, the Company believes that exercising these voting rights appropriately will help improve the medium to long-term value and sustainable growth of the stock issuer. The Company thus strives to comprehensively assess the advantages and disadvantages of the agenda proposals based on the financial and non-financial conditions of the issuing company.

Principle 1.7: Related Party Transactions

The Company's Rules for the Board of Directors stipulate that any transactions between related parties must be approved by the Board of Directors in advance and that a report shall be submitted to the Board of Directors after any transaction has taken place. In addition, each Director is required to report regularly on the concurrent appointment as officer at other companies and any transactions between related parties, among other matters, and to promptly report any changes in those circumstances so that we have a system in place that can constantly manage the latest information.

Principle 2.6: Roles of Corporate Pension Funds as Asset Owners

In recognition of the fact that management of corporate pension affects the stable asset formation of employees and the Company's financial position, the Company works hard to assign and properly train human resources with the necessary qualities to ensure the department in charge is able to appropriately monitor the pension management organization.

The Company also regularly discusses the status of pension management with the financial institutions entrusted to manage the corporate pension assets, monitors management results on a monthly basis, and makes decisions each year on whether to continue the pension management package or not.

Principle 3.1: Full Disclosure

- (i) The Company's management philosophy and strategy are posted on the website. For details, please refer to the website.
(Management philosophy: <https://www.dts.co.jp/corp/dtsway/>)
(Management strategy: <https://www.dts.co.jp/ir/management/middle/>)
- (ii) The Company's basic approach to corporate governance is described in the Basic Views (I.1) section of this report.
- (iii) The compensation of Directors of the Company consists of fixed compensation, performance-linked compensation, and stock-based compensation. Performance-linked compensation is paid in the form of a bonus. When determining the payment ratios, the ratio of fixed compensation (basic compensation) shall decrease the higher the position, and the ratios of performance-linked compensation (bonuses) and non-monetary compensation (stock-based compensation) shall increase the higher the position. The amount of compensation, etc. for officers and the calculation method thereof shall be determined upon the comprehensive consideration of past payment records and the Company's performance.
In addition, performance-linked compensation (bonuses) is 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. However, in the event that business performance deteriorated significantly, the bonus may not be paid.
The role of Outside Directors and Corporate Auditors is to supervise management or fulfill an auditing function from an independent standpoint. For this reason, they do not receive any performance-linked compensation (bonuses) or non-monetary compensation (stock-based compensation).
Director compensation, etc. is described in our Securities Report and can also be viewed on the Company's website. Please refer to the following site:
(Securities Report: <https://www.dts.co.jp/ir/library/securities/>) (Japanese only)
- (iv) Regarding the nomination of candidates for Directors and Corporate Auditors, the Company comprehensively examines and then selects candidates based on the knowledge gained through past experience, accurate decision-making and supervision, and expectations for their contribution to enhancing the Company's medium to long-term corporate value.
In determining Director compensation and nominating Director candidates, the Company has established a voluntary Advisory Committee that conducts appropriate deliberations, including consulting with the Board of Directors and receiving advice from Outside Directors before reporting back to the Board.
- (v) An explanation of the selection, dismissal, and nomination of individual candidates for Director or Corporate Auditor is included in the separate sheet attached hereto entitled: Explanation of the Selection, Dismissal, and Nomination of Individual Candidates for Director or Corporate Auditor, as well as in the Reference Documents for the General Meeting of Shareholders. For details, please refer to the Company's website.
(Shareholders' Meeting Reference Documents: <https://www.dts.co.jp/ir/stock/meeting/>)

Supplementary Principle 4.1.1: The Scope and Content of Matters Delegated to the Management

The Company has established the Board of Directors as a supervisory body delegated by shareholders for decision-making and business execution, and the Management Council as a framework for business execution. The roles of the Board of Directors and the Management Council are stipulated in the Rules for the Board of Directors, the Rules for the Management Council, and the Rules Regarding the Authority to Execute Duties, all of which have been determined by the Board of Directors.

In addition to matters stipulated by laws and regulations and the Company's Articles of Incorporation, the Board of Directors determines the management policies of the Company and the Group, as well as other matters that affect corporate value over the medium to long term.

The Management Council, chaired by the Representative Director and President and composed of members nominated by the Representative Director and President, serves as an organization that deliberates on important matters related to business execution by the Company and the Group, and also organizes and examines matters for discussion by the Board of Directors in advance in order to facilitate active questioning of issues in Board of Directors' meetings.

Principle 4.9: Independence Standards and Qualification for Independent Outside Directors

The Company notifies the Tokyo Stock Exchange of Outside Directors as Independent Outside Directors who meet the requirements for Independent Directors specified by the Tokyo Stock Exchange.

When appointing Independent Outside Directors, we refer to the requirements stipulated under the Companies Act and appoint candidates as Independent Outside Directors who are expected to be able to successfully supervise the decision-making of the Board of Directors, contribute to the sustainable growth of the Company, and help improve our medium to long-term corporate value.

Supplementary principle 4.10.1: Appointing a Majority of Independent Outside Directors to Nomination and Compensation Committees

The Company has established an Advisory Committee under the Board of Directors, which comprises primarily Independent Outside Directors.

The Advisory Committee is consulted by the Board of Directors before appropriately deliberating mainly by Outside Directors on Director compensation and the nomination of candidates for Director and reporting back to the Board.

The Board of Directors pays maximum heed to those reports when making final decisions on director compensation and the nomination of candidates for Director.

The Advisory Committee performs the functions of both the Nomination Committee and the Compensation Committee.

Supplementary Principle 4.11.1: Board of Directors' Approach to Balance, Diversity, and Scale

The Company currently appoints 10 Directors to ensure active deliberations and prompt decision-making. Four of these Directors are Outside Directors tasked with helping improve medium to long-term corporate value, and the Company believes that the size of the Board is appropriate for effectively carrying out its functions.

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.

As described in Principle 3.1.(iv) 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 expected roles of each Director are described in the attachment to this report entitled: Skills Matrix for Directors and Corporate Auditors, and the attachment entitled: Explanation of the Selection and Nomination of Individual Candidates for Director or Corporate Auditor.

Supplementary Principle 4.11.2: Concurrent Positions Held by Officers Including Outside Officers in Other Companies

Directors and Corporate Auditors devote the required time and effort to appropriately fulfilling their assigned roles and responsibilities, and the Company believes that the number of concurrent positions sits within a reasonable range. Details of Company Directors and Corporate Auditors concurrent senior positions in other listed companies are disclosed in the Business Report and the Reference Documents for the General Meeting of Shareholders. For details, please refer to the Company's website.

(Business Report and Reference Documents for the General Meeting of Shareholders:

<https://www.dts.co.jp/ir/stock/meeting/>)

Supplementary Principle 4.11.3: Analysis and Evaluation of Board Effectiveness

The Company conducts an analysis roughly twice a year of the composition of Directors, the status of proposal submissions, the frequency of meetings, the appropriateness of meeting times, and the quality of comments and remarks. Directors and Corporate Auditors actively speak out on the proposals raised, and the Board of Directors meets more frequently than is legally required and makes timely and appropriate decisions.

In addition, the Company has been analyzing and evaluating the effectiveness of the Board of Directors since fiscal 2018 with the aim of improving the functions of the Board and enhancing corporate value. The outline of that analysis is as follows:

(1) Method of implementation

Implementation period: October 2020

Evaluation method: Self-evaluation by all officers (10 Directors, four Corporate Auditors)

(2) Evaluation results

Regarding the evaluation results, the Company has confirmed that firm effectiveness of the Board of Directors is ensured after receiving positive evaluations from all officers, including such comments as “The composition of the Board of Directors is appropriate and it generates valid discussions and very high effectiveness,” and “There is no problem as the Board enjoys a sense of positive tension and active discussion.”

(3) Actions based on evaluation results, etc.

The Company has decided to promote the following initiatives to further improve the effectiveness of the Board of Directors

- Strengthen discussions at the strategy-forming and planning stages to further deepen our medium to long-term strategic approach.
- Strive to provide outside officers with more opportunities to learn about internal activities and relevant information.

Supplementary Principle 4.14.2: Officer Training Policy

The Company regularly explains the legal obligations and responsibilities that Directors and Corporate Auditors must observe as corporate officers. In addition, each Director and Corporate Auditor participates in training and seminars run by external training organizations and industry groups when necessary and strives to acquire any necessary knowledge.

When an outside officer is appointed, the Company creates opportunities to explain in advance the industry to which the Company belongs, the financial and business status of the Company, and its internal control system, among other matters, to help newly appointed candidates fully comprehend the responsibilities of the Company and its officers.

Principle 5.1: Policy for Constructive Dialogue with Shareholders

The Company’s policy on establishing and implementing systems to promote constructive dialogue with shareholders is as follows:

- (1) Dialogues with shareholders are administered by the Corporate Planning Department and the General Administration Department and supervised by the officer in charge.
- (2) The Company holds regular strategic meetings attended by senior management and heads of individual departments to share necessary information on IR activities along with progress reports on the operations and measures implemented by each department and Group company.
- (3) The Company holds quarterly financial results briefings for analysts and institutional investors as a means of promoting further dialogue outside of individual interviews.
- (4) Any opinions or results obtained through these dialogues with shareholders and institutional investors are reported to the Board of Directors and senior management, and the Company also formulates and pursues improvement initiatives when required based on the thoughts and opinions of shareholders and institutional investors.
- (5) In order to appropriately manage insider information, the Company establishes the Rules Relating to the Management of Insider Trading and strives to thoroughly manage all internal information. The Company also observes a quiet period spanning a fixed period of time prior to the announcement of our quarterly financial results until immediately after the announcement, during which the Company does not carry out any active IR activities and only provides information that has already been published.

2. Capital Structure

Foreign Shareholding Ratio	30% or above
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,780,800	12.72
DTS Group Employee Shareholding Association	3,086,648	6.79
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2,294,400	5.05
Custody Bank of Japan, Ltd. (Trust Account)	2,246,200	4.94
AVI GLOBAL TRUST PLC (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,292,000	2.84
Kumiko Akiyama	1,236,800	2.72
NTC Corporation	1,171,060	2.58
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1,160,986	2.55
Chitomu Kosaki	803,328	1.77
NTT DATA Corporation	771,100	1.70

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

Supplementary Explanation

The information on major shareholders is correct as of September 30, 2021.

According to its Large Shareholding Report (Change Report) issued for public inspection dated January 21, 2020, Schroder Investment Management (Japan) Limited and its joint holders owned a stake in the Company as of January 15, 2020 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of September 30, 2021, and the Company has not included Schroder Investment Management (Japan) 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 (number of shares held, percentage of total shares issued)]

Schroder Investment Management (Japan) Limited (2,218,000 shares, 4.40%)

Schroder Investment Management (Hong Kong) Limited (128,000 shares, 0.25%)

(Total 2,346,000 shares, 4.65%)

According to its Large Shareholding Report (Change Report) issued for public inspection dated October 21, 2020, Sumitomo Mitsui Trust Bank, Limited and its joint holders owned a stake in the Company as of October 15, 2020 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of September 30, 2021, 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 (Change Report) is as follows:

[Individual or Company name (number of shares held, percentage of total shares issued)]

Sumitomo Mitsui Trust Bank, Limited (531,000 shares, 1.05%)

Sumitomo Mitsui Trust Asset Management Co., Ltd. (1,323,000 shares, 2.62%)

Nikko Asset management Co., Ltd. (1,274,000 shares, 2.53%)

(Total 3,129,000 shares, 6.20%)

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 September 30, 2021, 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 (number of shares held, percentage of total shares issued)]

Mizuho Bank, Ltd. (621,000 shares, 1.23%)

Asset Management One Co., Ltd. (1,298,000 shares, 2.57%)

(Total: 1,919,000 shares, 3.80%)

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 September 30, 2021, 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 (number of shares held, percentage of total shares issued)]

Acadian Asset Management LLC (1,749,000 shares, 3.47%)

According to its Large Shareholding Report (Change Report) issued for public inspection dated August 13, 2021, Asset Value Investors Limited owned a stake in the Company as of August 3, 2021 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of September 30, 2021, 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 (number of shares held, percentage of total shares issued)]

Asset Value Investors Limited (3,862,000 shares, 7.66%)

3. Corporate Attributes

Listed Stock Market and Market Section	First Section, Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Information and communications business
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000 persons
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Company Chairperson
Number of Directors	10 persons
Appointment of Outside Directors	Appointed
Number of Outside Directors	4 persons
Number of Outside Directors Designated as Independent Officers	4 persons

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tadayuki Hagiwara	From another company								△			
Masayuki Hirata	From another company											
Shinya Shishido	From another company											
Shinichi Yamada	From another company					△			△			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Corporate Auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company Outside Directors/Corporate Auditors are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tadayuki Hagiwara	○	<p>Tadayuki Hagiwara previously served as Managing Executive Officer of Mizuho Bank, Ltd., which is one of our business partners. However, as it has already been ten years since he resigned from the bank, and he has not been involved in execution of business of the bank after his resignation, the Company has determined that his former position does not have any influence on his independence. The bank and the Group had business transactions totaling less than ¥200 million per year and less than 0.2% of net sales (consolidated results for the fiscal year ended March 31, 2021). The Company has no borrowings from financial institutions including the bank. Additionally, Mizuho Research & Technologies, Ltd., which is responsible for Mizuho Bank's system</p>	<p>Tadayuki Hagiwara has experience being in charge of the IT division of a city bank and serving as a manager of a temp staff agency, and abundant experience and knowledge, etc. of the industry and as a manager. The Company expects that he will utilize this experience and knowledge in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. Therefore, the Company appointed him as an Outside Director. In addition, Mr. Hagiwara 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. Hagiwara, it is judged that there is no risk of a conflict of interests with general shareholders.</p>

		development, and the Group had business transactions totaling less than ¥4.3 billion per year and less than 4.8% of net sales (consolidated results for the fiscal year ended March 31, 2021).	Therefore, the Company notified the Exchange of his appointment as an Independent Officer.
Masayuki Hirata	○	-----	Masayuki Hirata has wide-ranging operational experience in the telecommunications industry and abundant experience and a high level of insight regarding corporate management. 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 as an Outside Director. Therefore, the Company appointed him as an Outside Director. In addition, Mr. Hirata 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. Hirata, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, we notified the Exchange of his appointment as an Independent Officer.
Shinya Shishido	○	-----	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

			<p>contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director. 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, the Company notified the Exchange of his appointment as an Independent Officer.</p>
Shinichi Yamada	○	<p>Shinichi Yamada previously served as Representative Director and Executive Vice President of NTT DATA Corporation, which is one of our business partners. However, as it has already been ten 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 ¥8.8 billion per year and less than 10% of net sales (consolidated results for the fiscal year ended March 31, 2021). Furthermore, Mr. Yamada previously served as Director of NTT TechnoCross Corporation (NTT Software</p>	<p>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 as an Outside Director. 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</p>

	<p>Corporation and NTT-IT Corporation were merged into NTT TechnoCross Corporation), which is one of our business partners. However, as it has already been four 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 TechnoCross Corporation and the Group had business transactions totaling less than ¥40 million per year and less than 0.1% of net sales (consolidated results for the fiscal year ended March 31, 2021).</p>	<p>general shareholders. Therefore, the Company notified the Exchange of his appointment as an Independent Officer.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Advisory Committee	Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The voluntary Advisory Committee comprises Directors, the majority of whom are Outside Directors. The Advisory Committee is consulted by the Board of Directors and seeks advice from Outside Directors before appropriately deliberating on Director compensation and the nomination of candidates for Director and reporting back to the Board. The Advisory Committee performs the functions of both a Nomination Committee and a Compensation Committee.

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5 persons
Number of Corporate Auditors	4 persons

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate Auditors exchange opinions with the Accounting Auditor when necessary. Corporate Auditors also coordinate audit plans with the Internal Audit Office, accompany Internal Audit Office employees during internal audits to gain a clear grasp of job performance at departments to be audited, and exchange opinions on the results of internal audits.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3 persons
Number of Outside Corporate Auditors Designated as Independent Officers	3 persons

Outside Corporate Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kenji Yukimoto	CPA													
Taeko Ishii	Lawyer													
Yutaka Takei	From another company													

* Categories for "Relationship with the Company"

- * "○" when the Corporate Auditor presently falls or has recently fallen under the category;
- "△" when the Corporate Auditor fell under the category in the past
- * "●" when a close relative of the Corporate Auditor presently falls or has recently fallen under the category;
- "▲" when a close relative of the Corporate Auditor fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Corporate auditor of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Corporate Auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Corporate Auditor himself/herself only)
- k. Executive of a company, between which and the Company Outside Directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)

m. Others

Outside Corporate Auditor's Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Kenji Yukimoto	○	-----	<p>Kenji Yukimoto is a certified public accountant. The Company appointed him as an Outside Corporate Auditor so that the Company auditing structure could benefit from his knowledge, experience, and insight into the fields of finance and accounting.</p> <p>Mr. Yukimoto 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. Yukimoto, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, the Company notified the Exchange of his appointment as an Independent Officer.</p>
Taeko Ishii	○	-----	<p>Taeko Ishii is an attorney. The Company appointed her as an Outside Corporate Auditor so that the Company auditing structure could benefit from her legal knowledge, experience, and insights.</p> <p>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, the Company notified the Exchange of her appointment as an Independent Officer.</p>
Yutaka Takei	○	-----	<p>Yutaka Takei has an abundance of experience and a high level of insight as a manager of a trust bank, a securities transfer agent, and a retailing company. The Company believes that his</p>

		<p>experience and insight will contribute to the Company auditing structure. Therefore, the Company appointed him as an Outside Corporate Auditor.</p> <p>Mr. Takei 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. Takei, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, the Company notified the Exchange of his appointment as an Independent Officer.</p>
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[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	7 persons
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Matters relating to Independent Directors/Corporate Auditors

The Company notifies the Tokyo Stock Exchange when any Outside Director and Outside Corporate Auditor who meets the Exchange’s requirements for independent officer has been appointed as an Independent Officer.

[Incentives]

Incentive Policies for Directors	Introduction of a performance-linked compensation system/Other
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Supplementary Explanation

The compensation of Executive Directors of the Company consists of fixed compensation, performance-linked compensation, and stock-based compensation. When determining the payment ratios, the ratio of fixed compensation (basic compensation) shall decrease the higher the position, and the ratios of performance-linked compensation (bonuses) and non-monetary compensation (stock-based compensation) shall increase the higher the position.

Performance-linked compensation (bonuses) is 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. However, in the event that business performance deteriorated significantly, the bonus may not be paid.

The indicator for performance-linked compensation is based on consolidated ordinary profit in order for the Company to ensure a healthy earnings structure for the entire Group. The Company has established internal rules on how to determine the amount of performance-linked compensation.

Stock-based compensation (non-monetary compensation) shall be paid as 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.

Recipients of Stock Options	
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Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation

Director compensation, etc. is described in our Securities Report and can also be viewed on the Company's website. Please refer to the following website: (Securities reports: <https://www.dts.co.jp/ir/library/securities/>) (Japanese only)

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

- The policy regarding the determination of the amount of compensation, etc. for officers and the calculation method thereof shall be determined upon the comprehensive consideration of past payment records and the Company's performance.
- 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. However, in the event that business performance deteriorated significantly, the bonus may not be paid.
- Non-monetary compensation shall be paid as 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.
- Compensation for Executive Directors shall consist of fixed compensation, performance-linked compensation and stock-based compensation. When determining the payment ratios, 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.
- The timing for payment of Director compensation shall be monthly for basic compensation and once a year for bonuses.
- Determination of individual compensation, etc. for Directors shall be delegated as follows.
 - (1) Delegated person
Director and Chairman, however, if the position of Director and Chairman is vacant, Director and President
 - (2) Delegated authority
Basic compensation (fixed compensation), bonuses (performance-linked compensation) and stock-based compensation (non-monetary compensation) paid to each Director shall be determined within an annual amount of the compensation limit approved at the General Meeting of Shareholders and within the maximum number of shares of common stock to be granted.
 - (3) Measures for the appropriate exercise of delegated authority

Delegated persons in (1) above shall calculate individual compensation in accordance with rules approved by the Advisory Committee (the majority of whose members are Outside Directors).

[Supporting System for Outside Directors and/or Outside Corporate Auditors]

The General Manager of General Administration Department supports and conveys information to Outside Directors, while the Standing Corporate Auditor and the General Manager of General Administration Department do the same thing for Outside Corporate Auditors.

[Retired Representative Director and Presidents/CEOs Holding Advisory Positions (Corporate Counselors or Advisors, etc.)]

Names of Retired Representative Director and Presidents/CEOs Holding Advisory Positions such as Corporate Counselors or Advisors.

Name	Job title/position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/CEO ended	Term
_____	_____	_____	_____	_____	_____

Number of Retired Representative Director and Presidents/CEOs Holding Advisory Positions (Corporate Counselors, Advisors, etc.)	None
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Others

Although it is possible that the Company could establish a system for advisors, etc., the Company currently has no retired representative director and president who falls under the category.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

The Company’s Board of Directors currently includes 10 Directors, four of whom are Outside Directors. 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 are also appropriately involved in determining director compensation and nominating candidates for Director as members of the voluntary Advisory Committee. Meanwhile, the Board of Corporate Auditors has four members, including three Outside Corporate Auditors. Outside Corporate Auditors 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 and Outside Corporate Auditors. The Company believes that it has an appropriate system in place for securing the trust of shareholders, investors, and other stakeholders.

The Company has also introduced an executive officer system, which is currently supported by 15 officers (five of whom 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 the Management Council to serve as an organization for the

Representative Director and President to discuss policies and plans for business execution and other important matters.

The Company has also established a Risk Management Committee 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.

<Board of Directors' Activity Status>

In fiscal 2020, the Company held 11 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.

<Auditing>

① Status of Corporate Auditor Audits

With regard to Corporate Auditor audits, in addition to attending meetings of the Board of Directors and other important management meetings, the Corporate Auditors verify the content of reports received from Directors, etc., conduct surveys on the state of Company business, etc., and strictly audit the execution of business by Directors. Corporate Auditors also receive reports on the status and results of internal audits and accounting audits, exchange opinions and work together with the Internal Audit Office and the Accounting Auditor.

The Outside Corporate Auditors include a certified public accountant with expertise in finance and accounting, a qualified lawyer, and a member with a high degree of expert knowledge and experience as a corporate manager. These Outside Corporate Auditors have been appointed so that the Company's audit system can benefit from their respective experience and insight. The composition of Corporate Auditor audits is as follows:

- Composition of Corporate Auditor audits: 4 Corporate Auditors (including three Outside Corporate Auditors)

② Status of Internal Audits

With regard to internal audits, the Internal Audit Office, which reports directly to the Representative Director and President, conducts regular audits 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 will also exchange information with the Corporate Auditors and the Accounting Auditor when necessary in order to promote the smooth execution of Corporate Auditor audits and Accounting Auditor audits and improve their effectiveness and efficiency. The composition of internal audits is as follows:

- Composition of internal audits: 7 members from the Internal Audit Office

③ Status of Accounting Audits

- Accounting auditor : Ernst & Young ShinNihon LLC.
- Audit period : From March 2021 onward
- CPA who executed the audit : Shigeru Sekiguchi, Saori Nakata
- Composition of auxiliary auditing persons: 7 CPA, 6 people with accountancy qualifications, and 28 others

<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.

3. Reasons for Adoption of Current Corporate Governance System

The Company seeks to ensure the effectiveness of its corporate governance and has accordingly adopted a system which promotes cooperation between the Board of Directors, whose membership includes four Outside Directors, and the Board of Corporate Auditors, whose membership includes three Outside Corporate

Auditors. 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 to strengthening the supervisory function of the Board's business execution. Outside Corporate Auditors 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 and Outside Corporate Auditors, the Company believes that it has an appropriate system in place for securing the trust of shareholders, investors, and other stakeholders.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholder	In principle, the Company dispatches the notification three business days before the statutory date.
Scheduling General Meeting of Shareholder Avoiding the Peak Day	The Company avoids peak days to enable many shareholders to attend.
Allowing Electronic Exercise of Voting Rights	The Company adopted a voting system that enables shareholders to exercise their votes by electromagnetic means from the 2003 General Meeting of Shareholders.
Participation in Electronic Voting Platform and other initiatives designed to improve the voting environment for institutional investors	It is possible to exercise voting rights using a voting platform designed for institutional investors and operated by ICJ, Inc.
Providing Convocation Notice in English	The Company publishes the Convocation Notice in English on the Company's website. (Shareholders' Meeting Reference Documents: https://www.dts.co.jp/ir/stock/meeting/)
Other	The Company publishes the Convocation Notice on the Company's website. The Company posts the following documents on the Company's website under Internet Disclosure Information on Convocation Notices in accordance with laws and regulations and the provisions of the Company's Articles of Incorporation: Framework for Ensuring Appropriate Business Operations; Overview of Operational Status of Framework for Ensuring Appropriate Business Operations; Consolidated Statement of Changes in Net Assets; Notes to the Consolidated Financial Statements; Non-consolidated Statement of Changes in Net Assets; and Notes to the Non-consolidated Financial Statements. (Shareholders' Meeting Reference Documents: https://www.dts.co.jp/ir/stock/meeting/) (Japanese only)

2. IR Activities

	Supplementary Explanations	Attended by Company representatives
Preparation and Publication of Disclosure Policy	IR Policy URL: https://www.dts.co.jp/ir/library/policy/ (Japanese only)	
Regular Investor Briefings for Analysts and Institutional Investors	We hold quarterly financial results briefings for analysts and institutional investors, and representatives explain year-end financial results and first-half results.	Yes
Regular Investor Briefings for Overseas Investors	From time to time, we explain our business and financial circumstances to institutional investors in Europe, the United States, and other markets.	Yes
Posting of IR Materials on Website	IR Information: https://www.dts.co.jp/ir/	
Establishment of Department and/or Manager in Charge of IR	We have a manager in charge of IR in our Corporate Planning Department.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The matter is set out in the Company's Code of Conduct: (Code of Conduct: https://www.dts.co.jp/sustainability/governance/compliance/) (Japanese only)
Implementation of Environmental Activities, CSR Activities etc.	<p>The DTS Group promotes thorough consideration of the environment in its business activities, and strives to prevent pollution and promote resource-saving efforts in order to help realize a sustainable society that is friendly to both the environment and people and conserves resources and energy. After acquiring ISO 14001 certification for DTS in March 2006, the Group has been gradually expanding the range of certification. In March 2019, we acquired the same ISO 14001 certification for all Group companies in Japan, excluding special subsidiaries, and the Group companies in Japan are all working together to address climate change issues and reduce the environmental impact of our business. In response to climate change issues, the Company offers solutions to reduce environmental impacts in the field of building construction, and strive to help customers reduce the environmental impact of their own businesses.</p> <p>In terms of CSR activities, the Company has set up a department to manage ESG activities and promote ESG management across the Group. In addition to our traditional CSR activities, we intend to continue striving to solve social issues and achieve the SDGs targets through our business by pursuing DTS SDGs initiatives, sustainability initiatives, and other projects.</p> <p>The Company has published details of the above-mentioned environmental protection and CSR activities in the Integrated Report. (Integrated Report: https://www.dts.co.jp/ir/library/report/)</p>
Development of Policies on Information Provision to Stakeholders	The matter is set out in the Company's Code of Conduct: (Code of Conduct: https://www.dts.co.jp/sustainability/governance/compliance/) (Japanese only)

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company has formulated the following basic policy regarding the “development of systems necessary to ensure that the execution of the duties by the Directors complies with the laws and regulations and the articles of incorporation, and other systems necessary to ensure the properness of operations of a company and of operations of a group of entities consisting of the relevant company and its de facto subsidiary companies” in accordance with Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1 and 3 of the Ordinance of Enforcement of the same Act:

Basic Views on Building the Company’s Internal Control System

When establishing internal control systems, the Company shall seek to formulate and appropriately operate frameworks relating to the building of an internal control system based on the concept explained below, and 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.

- (1) The Board of Directors shall decide on policies and plans for the development of internal control systems and receive regular progress reports.
- (2) 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.
- (3) The Representative Director and President shall establish, operate, and improve the internal control system as the chief executive officer for business execution.
- (4) The Company shall establish an Internal Control Promotion Department to build, operate, and improve internal control systems.
- (5) 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.
- (6) 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

1. 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
 - (1) The Company shall create a department to plan and manage compliance, and shall establish a compliance system.
 - (2) 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.
 - (3) 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.
 - (4) 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.
 - (5) The Internal Audit Office shall create annual audit plans and conduct internal audits from a standpoint that is independent from Company business activities.
 - (6) The Company shall establish the necessary rules and systems to ensure reliable financial reporting.
2. A framework for storing and managing information pertaining to the execution of duties by Directors of the Company
 - (1) 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 rule to store those documents in an easily searchable format and enable them to be viewed when required by relevant parties.

- (2) 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.
 - (3) 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.
3. Regulations and other frameworks for managing the risk of incurring losses at the Company
 - (1) 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 work to systemize risks, identify problems, and formulate response plans for relevant departments and specific issues. The Company shall also conduct consistent monitoring to ascertain whether any risks have occurred.
 - (2) The Company shall establish emergency responses to deal with large-scale disasters, etc., and puts in place rules and systems to ensure business continuity.
 - (3) 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 making judgements on shipments for projects that meet the prescribed criteria.
4. A framework to ensure that the execution of duties performed by Directors of the Company is carried out efficiently
 - (1) 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.
 - (2) 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.
 - (3) 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.
 - (4) 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.
5. A framework for ensuring the appropriateness of operations in the Group, which comprises the Company and its subsidiaries
 - (1) The Company shall establish the Affiliated 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.
 - (2) Persons assigned as part-time officers of group companies shall provide guidance and advice in cooperation with the Affiliated Companies' Management Department to ensure that Group companies comply with laws and regulations and conduct appropriate business operations.
 - (3) The Company shall hold group-wide meetings to facilitate information sharing across the Group and to ensure the appropriateness of business operations.
6. A framework for reporting matters pertaining to the execution of duties performed by Directors, etc. of subsidiaries to the Company

- (1) The Company shall determine the Rules Relating to the Management of Affiliated Companies with regards to subsidiaries, which require those subsidiaries 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.
7. Regulations and other systems for managing the risk of incurring losses at subsidiaries of the Company
 - (1) The Company's Risk Management Committee shall seek to gain a clear grasp of issues and planned responses by individual Group companies, and shall receive periodic progress reports on those plans. The Committee shall also consistently monitor individual Group companies for risks.
 - (2) Regarding projects at Group 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 making judgements on shipments in Project Promotion Committee meetings.
 8. A framework for ensuring that the execution of duties performed by Directors of subsidiaries of the Company is carried out efficiently
 - (1) The pursuit of business operations at each Group company 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.
 - (2) The Company shall set group-wide targets which it seeks to instill across all Group employees. The Group 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 Group companies shall also set operational targets and budgets in the form of short-term plan, and shall submit regular progress reports to the Company.
 9. A framework for ensuring that the execution of duties by Directors and employees of subsidiaries of the Company complies with laws and regulations and the Articles of Incorporation
 - (1) The Company shall determine a group-wide Compliance Guide and disseminate it across the Group companies. The Company shall also give guidance and advice to the Group companies.
 - (2) The Company shall establish a Group Helpline as a way for employees of Group companies to consult and report any activities that they suspect may be in violation of laws and regulations.
 10. Matters concerning the requested employees when a Corporate Auditor in a Company with Corporate Auditors asks for employees to be assigned to assist with the Corporate Auditor's duties
 - (1) Corporate Auditor may give instructions or directions to employees who assist with their duties with regards to items required for the execution of audits.
 11. Matters concerning the independence of the employees referred to in item 10 above from the Directors of the Company with Corporate Auditors
 - (1) The Directors shall respect the opinions of Corporate Auditor regarding personnel changes or performance evaluations, etc. of employees who are required to assist with Corporate Auditor's duties.
 12. Matters relating to ensuring the effectiveness of Corporate Auditor's instructions to employees assisting the Corporate Auditor in the Company with Corporate Auditors
 - (1) Employees who have been given an instruction or direction by a Corporate Auditor when conducting audits cannot receive any instructions or directions from Directors while they are executing those Corporate Auditor's duties.

13. A framework for Directors and employees of the Company with Corporate Auditor to report to Corporate Auditors, and other frameworks relating to reporting to Corporate Auditors
 - (1) Corporate Auditors 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.
 - (2) Corporate Auditors may view important documents circulated for approval as well as other documentation and may request explanations from Directors and employees when necessary.
 - (3) Directors shall report the following matters to Corporate Auditors as soon as they are discovered:
 - ① Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company
 - ② Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations
 - ③ Important compliance-related matters
 - ④ Other matters that pertain to ① to ③ above
 - (4) Employees may report directly to Corporate Auditors when they discover any serious facts relating to ① to ④ in the preceding paragraph.
14. A framework for ensuring that Directors or employees, etc. of subsidiaries of the Company, or any people who receive reports from those Directors, employees, etc., convey those reports to the Company's Corporate Auditors
 - (1) Corporate Auditor of the Company may attend business planning hearings, etc. with Group companies.
 - (2) Corporate Auditor of the Company may view Group companies' documents and request explanations from Directors, etc. of Group companies if necessary.
 - (3) Directors or employees, etc. of Group 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 Corporate Auditors:
 - ① Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company.
 - ② Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations
 - ③ Important compliance-related matters
 - ④ Other matters that pertain to ① to ③ above
15. A framework for ensuring that a person who conveyed a report to the corporate auditor of the Company with Corporate Auditors is not treated disadvantageously for having conveyed the report
 - (1) 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.
16. Procedures for prepayment or reimbursement of expenses arising from the execution of duties by Corporate Auditors of the Company with Corporate Auditors and other items regarding policies pertaining to the processing of expenses or obligations arising from the execution of said duties
 - (1) Any expenses expected to be incurred in the audit plan determined by Corporate Auditors are budgeted for in advance. Any expenses required to respond a sudden event may either be paid in advanced or reimbursed.
17. Other frameworks for ensuring that audits by Corporate Auditors in the Company with Corporate Auditors are conducted effectively

- (1) Corporate Auditors may hold meetings to exchange opinions with the Representative Director and President or the Accounting Auditor whenever necessary.
- (2) Corporate Auditors may communicate and exchange information with the Directors and Corporate Auditors of subsidiary companies in order to perform their duties appropriately.
- (3) Corporate Auditors 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:

(1) 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.

(2) Risk Management Framework

The Company has established a Risk Management Committee to appropriately manage various risks. The Committee regularly assesses risk and strives to identify and grasp problems, formulates and promotes risk response planning, and regularly monitors for the emergence of any risks. The Risk Management Committee also confirms the status of risks and the implementation of response plans for important risks at Group companies, and helps Group companies improve their risk management systems.

(3) The Execution of Duties by Directors

In fiscal 2020, the Company held 11 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, 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 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.

(4) The Execution of Duties by Corporate Auditors

Corporate Auditors, including Outside Corporate Auditors, conduct audits based on audits plans determined in the Board of Corporate Auditors 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 2020, the Board of Corporate Auditors convened nine times, and Corporate Auditors met with the Representative Director and President twice to exchange views on important audit-related issues. The Company's Corporate Auditors also exchange opinions with Corporate Auditors and other members of Group companies and conduct audits of Group companies in cooperation with local auditing staff.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic Views on Eliminating Anti-Social Forces

The DTS Group Code of Conduct has established the following basic approach to eliminating antisocial forces:

- (1) The Company is determined to firmly eliminate ties with antisocial forces and organizations (*Sokaiya*, organized crime groups, etc.) that pose a threat to the order and safety of civil society as part of the Company's ethical corporate duty.
- (2) Driven by a basic premise to never give them money, never use them, never fear them, the Company strives to always maintain a crisis-management awareness and never gives antisocial forces and organizations the opportunity to take advantage.
- (3) If any problems with antisocial forces or organizations did arise, the Company refers to its predetermined prompt communication framework to ensure a systematic response in cooperation with the police, lawyers, and any other relevant persons.

2. How We are Striving to Eliminate Antisocial Forces

The Company has established the following system in order to eliminate antisocial forces:

(1) Progress on Establishing a Response Management Department and Person in Charge of Preventing Unreasonable Demands

Our General Administration Department serves as our response management department for the elimination of antisocial forces and our General Manager of General Administration Department is designated as the person in charge of preventing unreasonable demands.

(2) Cooperation with External Specialist Organizations

The Company is working with specialist organizations such as the Metropolitan Police Department, the Tokyo Center for Removal of Criminal Organizations, the Open Intelligence Associate, and the Tokyo Bar Association.

(3) The Collection and Management of Information on Antisocial Forces

The Company collects and stores information by closely exchanging information with external specialist organizations.

(4) Progress on Preparing a Response Manual

The DTS Compliance Guide, which is distributed to all employees, clearly lays out the Company's basic stance and specific responses to the elimination of antisocial forces, and provides guidance and education on the subject.

(5) Training Activities

The Company actively participates in workshops hosted by specialist organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

2. Other Matters Concerning the Corporate Governance System

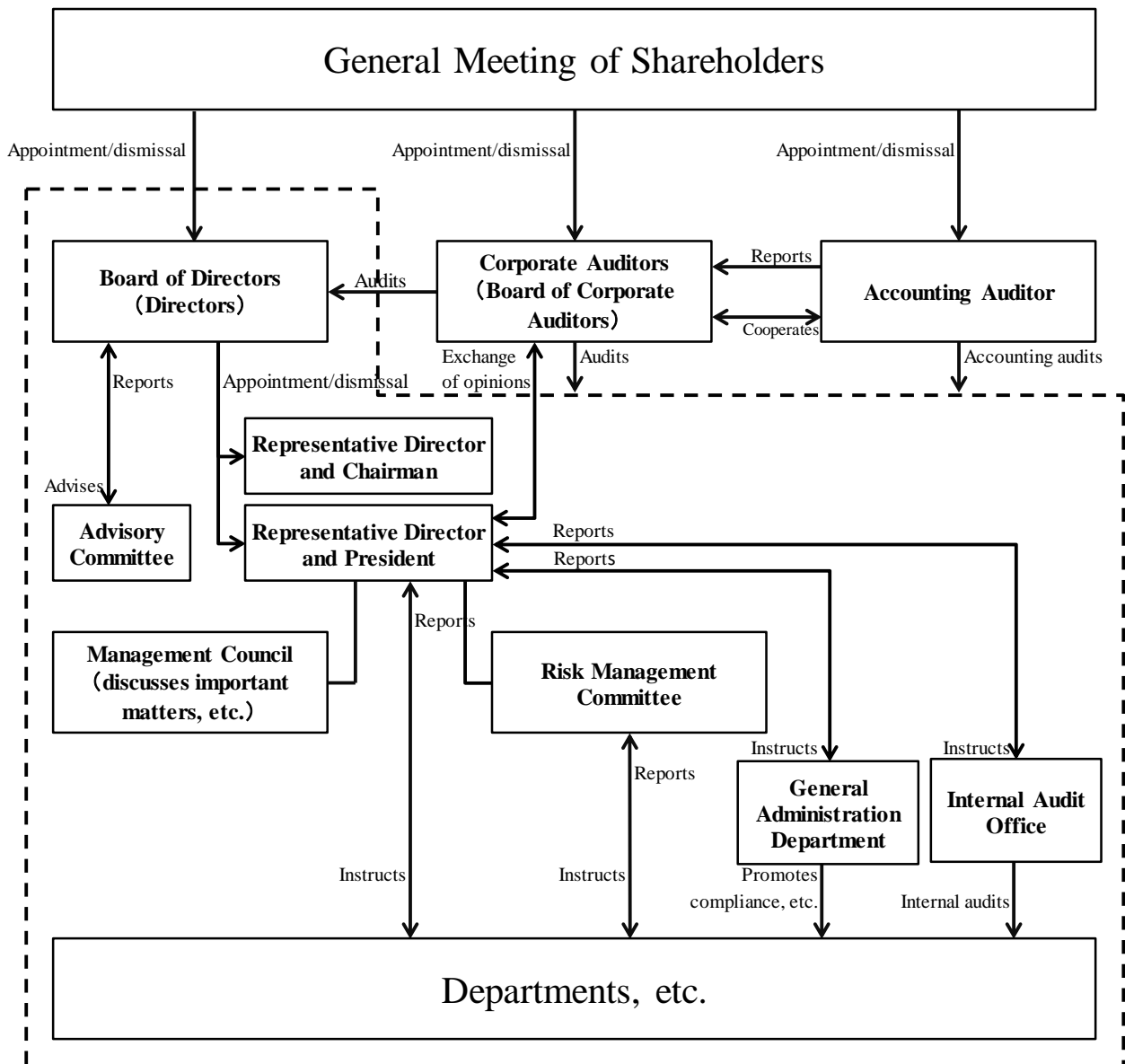
The Company strives to disclose information appropriately and fairly and to qualitatively improve its information disclosure by committing to greater transparency and fuller disclosure materials with regards to corporate information that is required to be disclosed in a timely manner under the Financial Instruments and Exchange Act and the Securities Listing Regulations stipulated by the Tokyo Stock Exchange, Inc. as well as any other company information that could have a significant impact on investment decisions.

The Company has established a system in which the Director in charge of our staffing departments is appointed as the officer in charge of information handling, any important company information is promptly and fully reported to the officer in charge of information handling, and that information is appropriately managed right up to the point of disclosure. The officer in charge of information handling confirms the content of any reported important information, examines the need and potential method for disclosing that information, and promptly reports his/her findings to the Company's Representative Director and President.

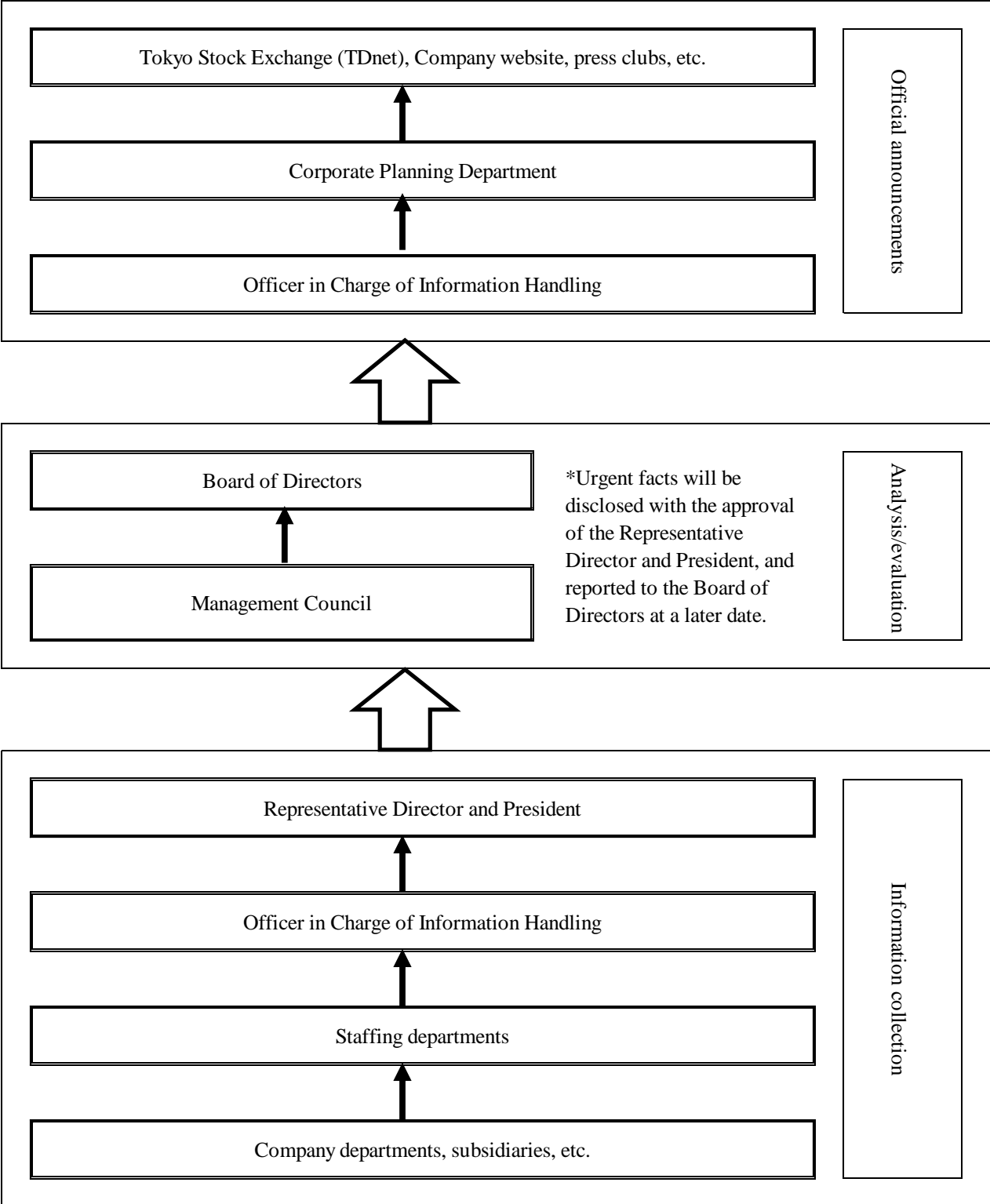
Important information that needs to be disclosed timely will be promptly disclosed following deliberation in the Management Council, which is made up primarily of Executive Officers, and approval by the Board of Directors. When required, the Board of Directors can meet in a timely manner to approve a disclosure. However, if some information or facts emerge that require a more urgent response, the Representative Director and President will approve disclosure and the matter will be reported to the Board of Directors at a later date.

Regarding timely information disclosure, the Corporate Planning Department, under the direction of the officer in charge of information handling, discloses the information on the Tokyo Stock Exchange's TDnet, publishes it on the Company website, and distributes materials to relevant press clubs.

Corporate Governance Framework (schematic diagram)



Overview of Timely Disclosure Framework (schematic diagram)



Explanation of the Selection and Nomination of Individual Candidates for Director or Corporate Auditor

Name	Position	Reason for Selection	Concurrent Positions at other Listed Companies
Koichi Nishida	Representative Director and Chairman	Koichi Nishida has a wealth of experience in corporate management in the financial sector of a major information and telecommunications company. He has been leading the overall management of the Group as Representative Director and President since 2010, and has been working on business expansion and management reform. He was reappointed as a Director because the Company expects he will leverage his abundant experience and achievements and play a role in supervising its business execution for promoting ESG management and creating new corporate value.	
Tomoaki Kitamura	Representative Director and President	Tomoaki Kitamura has a wealth of experience and a high level of insight in corporate management, including achievements in managing a major information and telecommunications company and its group companies. He has been responsible for managing the Group as Director and Executive Vice President since 2020, and as Representative Director and President since 2021. He was reappointed as a Director because the Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution for promoting ESG management and creating new corporate value.	
Takao Sakamoto	Director Managing Executive Officer	With his experience in administrative departments such as company-wide corporate planning and human resources, as well as his experience and track records of managing Group companies, Takao Sakamoto has been responsible for the management of the Company. He was reappointed as a Director because the Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution.	
Minoru Takeuchi	Director Managing Executive Officer	With his experience and track records of organizational management in the financial sector, as well as of managing Group companies outside Japan, Minoru Takeuchi has been responsible for the management of the Company. He was reappointed as a Director because the Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution.	
Hiroto Kobayashi	Director Senior Executive Officer	With his experience in organizational management in the industry and telecommunications sector and in company-wide corporate planning, as well as his experience and track records of managing Group companies, Hiroto Kobayashi has been responsible for the management of the Company. He was reappointed as a Director because the Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution.	
Isao Asami	Director Senior Executive Officer	With his experience in organizational management in the built-in software and telecommunications sector and in company-wide corporate planning, as well as his experience and track records of managing Group companies, Isao Asami has been responsible for the management of the Company. He was reappointed as a Director because the Company expects that he will leverage his experience and achievements to continue promoting the business of the Group and play a role in supervising its business execution.	
Tadayuki Hagiwara	Outside Director Independent Officer	Tadayuki Hagiwara has experience being in charge of the IT division of a city bank and serving as a manager of a temp staff agency, and abundant experience and knowledge, etc. of the industry and as a manager. The Company reappointed him as an Outside Director because we expect he will utilize this experience and knowledge in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective as an Outside Director.	Outside Director, Digital Information Technologies Corporation
Masayuki Hirata	Outside Director Independent Officer	Masayuki Hirata has wide-ranging operational experience in the telecommunications industry and abundant experience and a high level of insight regarding corporate management. The Company reappointed him as an Outside Director because we expect 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 as an Outside Director.	
Shinya Shishido	Outside Director Independent Officer	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 reappointed him as an Outside Director because we expect 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 as an Outside Director.	Director, Takamatsu Corporation Co., Ltd.
Shinichi Yamada	Outside Director Independent Officer	Shinichi Yamada has abundant experience and a high level of insight regarding the industry trends and corporate management in the IT industry. The Company reappointed him as an Outside Director because we expect 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 as an Outside Director.	

Name	Position	Reason for Selection	Concurrent Positions at other Listed Companies
Kenichiro Akamatsu	Corporate Auditor	Kenichiro Akamatsu has experience in financial institutions cultivated over many years, experience in the Company's business execution, and achievements as a Corporate Auditor of the Company. In order to utilize his experience and achievements in the audit structure of the Company, the Company reappointed him as a Corporate	
Kenji Yukimoto	Outside Corporate Auditor Independent Officer	Kenji Yukimoto is a certified public accountant who we appointed as an Outside Corporate Auditor so that the Company audit structure could benefit from his knowledge, experience, and insight into the fields of finance and accounting.	Outside Corporate Auditor, Kyodo Public Relations Co., Ltd.
Taeko Ishii	Outside Corporate Auditor Independent Officer	Taeko Ishii is an attorney who we appointed as an Outside Corporate Auditor so that the Company auditing structure could benefit from her legal knowledge, experience, and insights.	Outside Audit & Supervisory Board Member, NEC Corporation Outside Director, Sumitomo Metal Mining Co., Ltd. Outside Statutory Auditor, Dai Nippon Printing Co., Ltd.
Yutaka Takei	Outside Corporate Auditor Independent Officer	Yutaka Takei has an abundance of experience and a high level of insight as a manager of a trust bank, a securities transfer agent, and a retailing company that we wanted to apply to the Company audit structure so we appointed him as an Outside Corporate Auditor.	