

**MATTERS DISCLOSED ON THE INTERNET  
RE.**

**NOTICE OF THE 50TH ANNUAL GENERAL MEETING OF SHAREHOLDERS  
OF  
DTS CORPORATION**

**System to Ensure Proper Business Execution**

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for Ensuring Appropriate Business Operations**

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**Non-Consolidated Statement of Changes in Equity**

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**(From April 1, 2021 through March 31, 2022)**

Pursuant to the laws and regulations and the provisions of the Articles of Incorporation of the Company, part of the Business Report, the Consolidated Statement of Changes in Net Assets, the Notes to the Consolidated Financial Statements, the Non-consolidated Statement of Changes in Net Assets, and the Notes to the Non-consolidated Financial Statements are disclosed to the shareholders through posting on the Company's website.

## **System to Ensure Proper Business Execution**

At the Board of Directors meeting held on March 22, 2022, the Company engaged in a review of the basic policy on building the internal control system, and resolved on the amended policy, as follows.

### **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) 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) 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 Sustainability Committee that is chaired by the person responsible for overseeing sustainability efforts, who is appointed by the Representative Director and President following consultation of the Management Council. The Committee shall work to identify risks and opportunities for sustainability issues, and make a plan and assessment of the efforts.
- 2) 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 following consultation of 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.
- 3) The Company shall establish emergency responses to deal with large-scale disasters, etc., and puts in place rules and systems to ensure business continuity.
- 4) 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 following consultation of the Management Council. The Committee shall seek to eliminate or reduce any factors that impede efficiency and increase the likelihood of achieving targets by deliberating on the advantages and disadvantages of accepting orders and determining service launch for projects that meet the prescribed criteria.

**(4) 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) 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) 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 the commencement of services in Project Promotion Committee meetings.

**(8) 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) 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 an Auditor in a Company with Auditors asks for employees to be assigned to assist with the Auditor's duties**

- 1) Auditors 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 Auditors**

- 1) The Directors shall respect the opinions of Auditors regarding personnel changes or performance evaluations, etc. of employees who are required to assist with Auditors' duties.

**(12) Matters relating to ensuring the effectiveness of Auditors' instructions to employees assisting Auditors in the Company with Auditors**

- 1) Employees who have been given an instruction or direction by an Auditor when conducting audits cannot receive any instructions or directions from Directors while they are executing those Auditor's duties.

**(13) Framework for Directors and employees of the Company with Auditors to report to Auditors, and other frameworks relating to reporting to Auditors**

- 1) Auditors may attend important meetings, such as meetings of the Board of Directors, Management Council, and Risk Management Committee in order to fully grasp important decision-making processes and the status of business execution.
- 2) 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 Auditors as soon as they are discovered:
  - i. Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company
  - ii. Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations
  - iii. Important compliance-related matters
  - iv. Other matters that pertain to i. to iii. above
- 4) Employees may report directly to Auditors when they discover any serious facts relating to i. to iv. in the preceding paragraph

**(14) 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 Auditors**

- 1) Auditors of the Company may attend business planning hearings, etc. with Group companies.
- 2) Auditors 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 Auditors:
  - i. Matters that cause, or could cause, significant damage to the Company or a significant deterioration in trust in the Company
  - ii. Matters that represent, or could represent, serious violations of laws, regulations, Articles of Incorporation, or internal regulations

- iii. Important compliance-related matters
- iv. Other matters that pertain to i. to iii. above

**(15) Framework for ensuring that a person who conveyed a report to an Auditor of the Company with 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 Auditors of the Company with 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 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 Auditors in the Company with Auditors are conducted effectively**

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

### **(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 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 2021, the Company held 14 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 Auditors**

Auditors, including Outside Auditors, conduct audits based on audits plans determined in the Board of 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 2021, the Board of Auditors convened 10 times, and held meetings twice each with the Representative Director and Chairman and the Representative Director and President, four times in total, to exchange views on important audit-related issues. The Company's Auditors also exchange opinions with Auditors and other members of Group companies and conduct audits of Group companies in cooperation with local auditing staff.

## Consolidated Statement of Changes in Equity

(April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113,000	6,215,781	51,112,873	(5,185,654)	58,256,000
Cumulative effects of changes in accounting policies			11,606		11,606
Restated balance	6,113,000	6,215,781	51,124,480	(5,185,654)	58,267,607
Changes during period					
Dividends of surplus			(2,966,854)		(2,966,854)
Profit attributable to owners of parent			7,853,965		7,853,965
Purchase of treasury shares				(2,000,227)	(2,000,227)
Disposal of treasury shares		14,359		12,665	27,025
Cancellation of treasury shares		(1,831,034)		1,831,034	-
Transfer from retained earnings to capital surplus		592,923	(592,923)		-
Net changes in items other than shareholders' equity					
Total changes in items during period	-	(1,223,751)	4,294,187	(156,527)	2,913,908
Balance at end of period	6,113,000	4,992,029	55,418,668	(5,342,181)	61,181,516

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	960,319	(32,605)	85,818	1,013,533	139,818	59,409,352
Cumulative effects of changes in accounting policies						11,606
Restated balance	960,319	(32,605)	85,818	1,013,533	139,818	59,420,959
Changes during period						
Dividends of surplus						(2,966,854)
Profit attributable to owners of parent						7,853,965
Purchase of treasury shares						(2,000,227)
Disposal of treasury shares						27,025
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	(350,810)	87,447	86,693	(176,669)	(24,406)	(201,075)



Total changes in items during period	(350,810)	87,447	86,693	(176,669)	(24,406)	2,712,832
Balance at end of period	609,509	54,842	172,512	836,864	115,411	62,133,792

# Notes to the Consolidated Financial Statements

## (Notes on the Basis for Preparation of Consolidated Financial Statements)

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of main consolidated subsidiaries

Digital Technologies Corporation

DTS INSIGHT CORPORATION

JAPAN SYSTEMS ENGINEERING Corporation

DTS WEST CORPORATION

KYUSHU DTS CORPORATION

During the fiscal year under review, the Company acquired all the shares of I Net Rely Corporation, and it became a consolidated subsidiary of the Company from the fiscal year under review.

(2) Main non-consolidated subsidiaries

Names of main non-consolidated subsidiaries

DTS palette Inc.

(Reason for exclusion from the scope of consolidation)

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

### 2. Application of the equity method

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

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

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

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

December 31: 5 consolidated subsidiaries

March 31: 8 consolidated subsidiaries

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

#### 4. Matters concerning accounting policies

##### (1) Standards and methods for valuation of important assets

###### 1) Securities

###### Available-for-sale securities

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

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

- (ii) Shares, etc. without market prices ..... Stated at cost using the moving average method

###### 2) Inventory

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

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

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

- (iv) Supplies ..... Stated at cost using the most recent purchase method.

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

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

Depreciated using the straight-line method.

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

Buildings and structures 3 years to 47 years

Tools, furniture and fixtures 2 years to 15 years

Assets with an acquisition price not less than 100 thousand yen and less than 200 thousand yen are generally depreciated using the straight-line method over 3 years.

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

Amortized using the straight-line method.

However, software for market sale is generally amortized beginning from the time when sales commence, based on the forecast number of units to be sold and the forecast profits from sale within the subsequent 3 years. If the amount of this amortization falls below the amount allocated using the straight-line method based on the remaining effective period, then the amount allocated using the straight-line method is used.

Software for internal use is amortized using the straight-line method over the period during which

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

3) Right-of-use assets

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

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

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

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

4) Provision for loss on orders received

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

(4) Accounting treatment of retirement benefits

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

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

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

Prior service costs are amortized using the straight-line method over a designated period (12 years) within the average remaining service years for employees at the time when the costs were incurred.

Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (from 12 to 15 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

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

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021; hereinafter, "Revenue Recognition Guidance") from the fiscal year under review.

The main performance obligations and the usual timing of revenue recognition in the main businesses

of the Company and its consolidated subsidiaries are as follows.

1) Systems development

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

2) Systems engineering services

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

3) Maintenance and other services

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

4) Products and merchandise

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

(6) Goodwill amortization method and amortization period

Goodwill is amortized using the straight-line method over the period of its effect (from 7 to 9 years), based on the cause of the goodwill.

**(Changes in Accounting Policy)**

**1. Application of accounting standard for revenue recognition, etc.**

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the fiscal year under review, net sales increased by 125,999 thousand yen, cost of sales increased by 128,191 thousand yen, while operating profit, ordinary profit and profit before income taxes each decreased by 2,191 thousand yen. In addition, the opening balance of retained earnings

increased by 11,606 thousand yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, “Notes and accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” from the fiscal year under review.

## 2. Application of accounting standard for fair value measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the fiscal year under review, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the consolidated financial statements.

### (Changes in Presentation Method)

#### Consolidated Statement of Income

“Foreign exchange losses,” which were previously included in “Other” under non-operating expenses on the consolidated statement of income, have been presented as a separate item from the fiscal year under review, as they constitutes more than 10% of non-operating expenses.

### (Notes on Accounting Estimates)

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

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

(Thousands of yen)

	Fiscal year under review
Net sales	94,452,795
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	8,519,704

(2) Information on significant accounting estimates for identified items

##### 1) Calculation method

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

##### 2) Main assumptions

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

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

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

The Group considers the total cost of construction for contracts, reviewed based on the latest information including a comparison between costs incurred and estimated costs and the degree of

project progress at the time, as appropriate. However, where actual results differ from estimates due to future changes in conditions, this may affect the amount of revenue recognized by the Group.

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

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

	Fiscal year under review
Provision for loss on orders received	76,733

(2) Information on significant accounting estimates for identified items

1) Calculation method

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

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

2) Main assumptions

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

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

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

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



**(Notes to the Consolidated Balance Sheet)**

**Accumulated depreciation on property, plant and equipment** 3,078,396 thousand yen

**(Notes to the Consolidated Statement of Income)**

**1. Provision for loss on orders received**

The amount of provision for loss on orders received included in cost of sales is 76,067 thousand yen.

**2. Research and development expenses**

The amount of research and development expenses included in general and administrative expenses is 226,569 thousand yen.

**(Notes to the Consolidated Statement of Changes in Equity)**

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

Item	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Total number of issued shares				
Common shares (Note 1)	50,444,532	-	1,371,900	49,072,632
Treasury shares				
Common shares (Note 2, Note 3)	4,627,487	757,299	1,382,164	4,002,622

- (Notes) 1. The decrease of 1,371,900 in the number of issued common shares consisted of a decrease of 1,371,900 shares due to the cancellation of treasury shares.
2. The increase of 757,299 in the number of common treasury shares consisted of an increase of 757,100 shares due to the purchase of treasury shares based on the resolution of the Board of Directors and an increase of 199 shares due to the purchase of fractional shares.
3. The decrease of 1,382,164 in the number of common treasury shares consisted of a decrease of 1,371,900 shares due to the cancellation of treasury shares and a decrease of 10,264 shares due to the disposal of treasury shares as restricted stock compensation.

## 2. Matters concerning dividends

### (1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividend (Thousand yen)	Dividend per share (yen)	Record date	Effective date
June 24, 2021 Annual General Meeting of Shareholders	Common shares	1,603,596	35	March 31, 2021	June 25, 2021
October 28, 2021 Board of Directors	Common shares	1,363,257	30	September 30, 2021	November 22, 2021

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

A resolution is planned as follows.

(Planned resolution)	Class of shares	Total amount of dividend (Thousand yen)	Source of the dividend	Dividend per share (yen)	Record date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common shares	1,802,800	Retained earnings	40	March 31, 2022	June 24, 2022

## (Notes on Financial Instruments)

### 1. Status of financial instruments

#### (1) Policy on financial instruments

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

#### (2) Details and risks of financial instruments

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

Securities and investment securities mainly comprise shares of companies with which the Group has a business relationship and corporate bonds purchased for the purpose of surplus funds management.

These are subject to the risk of market price movements.

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

#### (3) Risk management framework for financial instruments

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

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

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

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

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

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

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

The amounts recorded on the consolidated balance sheet for March 31, 2022, fair values and the differences between them are shown below.

(Thousands of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (Note 2)	5,484,655	5,484,655	-
Total assets	5,484,655	5,484,655	-

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

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

(Thousands of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	80,062

Notes are omitted for investments in partnerships and similar businesses carried at the net amount equivalent to the equity interest on the consolidated balance sheet. The amount of such investments carried on the consolidated balance sheet is 250,077 thousand yen.

### 3. Breakdown of financial instruments by level of fair value

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

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

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

Level 3 fair value: Fair value calculated using unobservable inputs

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

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

Class	Fair value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Listed shares	2,305,681	-	-	2,305,681
Bonds	-	3,178,974	-	3,178,974
Total assets	2,305,681	3,178,974	-	5,484,655

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

None.

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

Securities and investment securities

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

### (Notes on Revenue Recognition)

#### 1. Breakdown of revenue arising from contracts with customers

(Thousands of yen)

	Fiscal year under review
Services	29,867,287
SI and development	57,332,537
Products	7,252,970
Revenue arising from contracts with customers	94,452,795
Net sales to external customers	94,452,795

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

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

##### 1) Services

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

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

## 2) SI and development

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

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

## 3) Products

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

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

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

#### (1) Balance of contract assets and contract liabilities

(Thousands of yen)

	Fiscal year under review	
	Balance as of April 1, 2021	Balance as of March 31, 2022
Receivables arising from contracts with customers	15,974,252	15,897,736
Contract assets	539,510	1,361,988
Contract liabilities (advances received)	827,717	1,029,774

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

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

Of the revenue recognized in the fiscal year under review, 433,098 thousand yen was included in contract liabilities as of April 1, 2021.

(2) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations, and the expected timing of revenue recognition, is as follows.

(Thousands of yen)

	Fiscal year under review
Within 1 year	24,719,458
Over 1 year	1,261,298
Total	25,980,756

**(Notes on Per Share Information)**

Net assets per share	1,376.05 yen
Basic earnings per share	172.78 yen

**(Notes on Significant Subsequent Events)**

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on April 28, 2022, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

1. Reasons for acquisition and cancellation of treasury shares

Based on a comprehensive consideration of opportunities for growth investment, capital conditions, and the market environment including the recent stock price, to improve capital efficiency and to further improve returns for our shareholders, we flexibly implement treasury share acquisition and cancellation.

2. Details of the acquisition of treasury shares resolved by the Board of Directors

(1) Class of shares to be acquired

Common stock of the Company

(2) Total number of shares to be acquired

1,830,000 shares (maximum)

(Proportion to the total number of issued shares excluding treasury shares: 4.06%)

(3) Total acquisition price of shares to be acquired

5,000,000,000 yen (maximum)

(4) Acquisition period

From May 2, 2022 to December 30, 2022

(5) Method of acquisition

Market purchase on the Tokyo Stock Exchange (Discretionary trading by securities company)

3. Details of cancellation of treasury shares resolved by the Board of Directors

(1) Class of shares to be cancelled

Common stock of the Company

(2) Number of shares to be cancelled

The total number of treasury shares acquired in 2. above.

(Proportion to the total number of issued shares before cancellation: 3.73% (maximum))

(3) Scheduled date of cancellation

January 13, 2023

**(Other Notes)**

Amounts shown on the consolidated balance sheet, the consolidated statement of income, and the consolidated statement of changes in equity have been rounded down to the units indicated.

## Non-Consolidated Statement of Changes in Equity

(April 1, 2021 to March 31, 2022)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of period	6,113,000	6,190,917	1,223,751	7,414,669	411,908	11,170,000	35,082,568	46,664,477
Cumulative effects of changes in accounting policies							36,262	36,262
Restated balance	6,113,000	6,190,917	1,223,751	7,414,669	411,908	11,170,000	35,118,831	46,700,739
Changes during period								
Dividends of surplus							(2,966,854)	(2,966,854)
Profit							6,594,362	6,594,362
Purchase of treasury shares								
Disposal of treasury shares			14,359	14,359				
Cancellation of treasury shares			(1,831,034)	(1,831,034)				
Transfer from retained earnings to capital surplus			592,923	592,923			(592,923)	(592,923)
Net changes in items other than shareholders' equity								
Total changes in items during period	-	-	(1,223,751)	(1,223,751)	-	-	3,034,584	3,034,584
Balance at end of period	6,113,000	6,190,917	-	6,190,917	411,908	11,170,000	38,153,415	49,735,324

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(5,185,654)	55,006,492	960,319	960,319	55,966,812
Cumulative effects of changes in accounting policies		36,262			36,262
Restated balance	(5,185,654)	55,042,755	960,319	960,319	56,003,075
Changes during period					
Dividends of surplus		(2,966,854)			(2,966,854)
Profit		6,594,362			6,594,362
Purchase of treasury shares	(2,000,227)	(2,000,227)			(2,000,227)
Disposal of treasury shares	12,665	27,025			27,025
Cancellation of treasury shares	1,831,034	-			-
Transfer from retained earnings to capital surplus		-			-
Net changes in items other than shareholders' equity			(350,810)	(350,810)	(350,810)
Total changes in items during period	(156,527)	1,654,305	(350,810)	(350,810)	1,303,494
Balance at end of period	(5,342,181)	56,697,060	609,509	609,509	57,306,569



## Notes to the Non-Consolidated Financial Statements

### (Notes on Significant Accounting Policies)

#### 1. Standards and methods for valuation of securities

- (1) Shares of subsidiaries ..... Stated at cost using the moving average method
- (2) Available-for-sale securities
  - 1) Securities apart from shares, etc.....Stated at fair value (valuation differences are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method).  
However, the amortized cost method is used where the difference between acquisition price and the nominal value is deemed to be attributable to interest adjustments.
  - 2) Shares, etc. without market prices .....Stated at cost using the moving average method

#### 2. Standards and methods for valuation of inventory

- (1) Merchandise .....Stated at cost using the moving average method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).
- (2) Work in process .....Stated at cost using the identified cost method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability).
- (3) Supplies .....Stated at cost using the most recent purchase method.

#### 3. Depreciation or amortization method for non-current assets

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

Amortized using the straight-line method.

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

Buildings	3 years to 47 years
Tools, furniture and fixtures	2 years to 15 years

Assets with an acquisition price not less than 100 thousand yen and less than 200 thousand yen are depreciated using the straight-line method over 3 years.

- (2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

However, software for market sale is amortized beginning from the time when sales commence, based on the forecast number of units to be sold and the forecast profits from sale within the subsequent 3 years. If the amount of this amortization falls below the amount allocated using the straight-line method based on the remaining effective period, then the amount allocated using the straight-line method is used.

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

- (3) Long-term prepaid expenses

Amortized using the straight-line method.



#### 4. Standards for recording provisions and allowances

- |   |       |   |
|---|-------|---|
| (1) Allowance for doubtful accounts                             | ..... | Allowance for doubtful accounts is provided based on the estimated historical default rate for general claims. For claims with a possibility of default and other designated accounts, the recoverable amount is estimated, and an allowance is provided equal to the unrecoverable amount.   |
| (2) Provision for bonuses                                       | ..... | Provision for bonuses is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to employees.   |
| (3) Provision for bonuses for directors<br>(and other officers) | ..... | Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to directors (and other officers).   |
| (4) Provision for loss on orders<br>received                    | ..... | Provision for loss on orders received is recorded equal to the amount of expected losses associated with contractual orders received as of the end of the fiscal year, in order to provide for future losses associated with orders received.   |
| (5) Provision for retirement benefits                           | ..... | Provision for retirement benefits is recorded based on the estimated retirement benefit obligation and plan assets at the end of the fiscal year under review, in order to provide for the payment of retirement benefits to employees. However, the treatment of unrecognized actuarial gains and losses on the non-consolidated balance sheet differs from the treatment on the consolidated balance sheet.<br>1) Method used to attribute the estimated benefit obligation to accounting periods<br>When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis.<br>2) Method used to amortize actuarial gains and losses<br>Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (15 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year. |

#### 5. Standards for the recognition of revenue and expenses

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Revenue Recognition Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021; hereinafter, “Revenue Recognition Guidance”) from the fiscal year under review.

The main performance obligations and the usual timing of revenue recognition in the main businesses of

the Company are as follows.

(1) Systems development

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

(2) Systems engineering services

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

(3) Maintenance and other services

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

(4) Products and merchandise

The Company considers that performance obligations for the sale of products and merchandise are satisfied at the time of delivery, when the customer gains control over the product or merchandise, and revenue is recognized at this time.

**(Changes in Accounting Policy)**

**1. Application of accounting standard for revenue recognition, etc.**

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the fiscal year under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the fiscal year under review, net sales increased by 108,256 thousand yen and cost of sales increased by 112,564 thousand yen, while operating profit, ordinary profit and profit before income taxes each decreased by 4,307 thousand yen. In addition, the opening balance of retained earnings increased by 36,262 thousand yen.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, “Notes receivable - trade” and “Accounts receivable - trade” under current assets of the non-consolidated balance sheet as of the end of the previous fiscal year have been included in “Notes and accounts receivable - trade, and contract assets” from the fiscal year under review. “Advances received,” which has been presented under current liabilities, was classified into “Contract liabilities” and “Advances received” from the fiscal year under review

**2. Application of accounting standard for fair value measurement, etc.**

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the fiscal year under

review, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the non-consolidated financial statements.

**(Changes in Presentation Method)**

**1. Non-consolidated balance sheet**

“Short-term loans receivable from subsidiaries and associates,” which had been presented separately under current assets in the previous fiscal year, was included in “Other” from the fiscal year under review, due to a lack of quantitative materiality.

**2. Tax effect accounting**

“Accounts payable - other,” which had been included in “Other” in the previous fiscal year, was presented separately from the fiscal year under review, due to an increase in quantitative materiality.

In addition, “Prepaid expenses,” which had been presented separately in the previous fiscal year, was included in “Other” from the fiscal year under review, due to a lack of materiality.

**(Notes on Accounting Estimates)**

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

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review  
(Thousands of yen)

	Fiscal year under review
Net sales	67,594,585
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	7,497,670

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described in “(Notes on Accounting Estimates) 1. Revenue recognized in cases where performance obligations are satisfied over time” in the Notes to the Consolidated Financial Statements.

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

(1) Amount recorded on the non-consolidated financial statements for the fiscal year under review  
(Thousands of yen)

	Fiscal year under review
Provision for loss on orders received	72,070

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described in “(Notes on Accounting Estimates) 2. Estimation of the provision for loss on orders received for contracts” in the Notes to the Consolidated Financial Statements.

**(Notes to the Non-consolidated Balance Sheet)**

**1. Accumulated depreciation on property, plant and equipment** 2,045,617 thousand yen

**2. Monetary claims and obligations with subsidiaries and associates**

Short-term monetary claims 66,874 thousand yen

Short-term monetary obligations 554,631 thousand yen

**(Notes to the Non-consolidated Statement of Income)**

**1. Provision for loss on orders received**

The amount of provision for loss on orders received included in cost of sales is 72,070 thousand yen.

**2. Amounts of transactions with subsidiaries and associates**

Amount of business transactions	
Net sales	105,563 thousand yen
Outsourcing expenses	2,365,800 thousand yen
Other business transactions	1,493,229 thousand yen
Amounts of transactions other than business transactions	425,825 thousand yen

**(Notes to the Non-consolidated Statement of Changes in Equity)**

Matters concerning the class and number of treasury shares

Item	Number of shares at the beginning of the fiscal year under review	Increase	Decrease	Number of shares at the end of the fiscal year under review
Common shares	4,627,487	757,299	1,382,164	4,002,622

- (Notes) 1. The increase of 757,299 in the number of common treasury shares consisted of an increase of 757,100 shares due to the purchase of treasury shares based on the resolution of the Board of Directors and an increase of 199 shares due to the purchase of fractional shares.
2. The decrease of 1,382,164 in the number of common treasury shares consisted of a decrease of 1,371,900 shares due to the cancellation of treasury shares and a decrease of 10,264 shares due to the disposal of treasury shares as restricted stock compensation.

**(Notes on Tax Effect Accounting)**

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

Deferred tax assets	
Provision for bonuses	591,333 thousand yen
Provision for retirement benefits	190,765 thousand yen
Shares of subsidiaries and associates	179,882 thousand yen
Accrued enterprise tax	125,832 thousand yen
Accrued expenses (social insurance premiums)	99,565 thousand yen
Accounts payable - other	53,052 thousand yen
Software	51,118 thousand yen
Asset retirement obligations	45,451 thousand yen
Golf club membership	28,857 thousand yen
Other	63,595 thousand yen
<u>Total deferred tax assets</u>	<u>1,429,455 thousand yen</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(267,193) thousand yen
Asset retirement expenses for asset retirement obligations	(21,904) thousand yen
Other	(43) thousand yen
<u>Total deferred tax liabilities</u>	<u>(289,141) thousand yen</u>
<u>Net deferred tax assets</u>	<u>1,140,314 thousand yen</u>

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

Statutory tax rate	30.6%
(Adjustments)	
Entertainment and other expenses that are never tax deductible	0.3%
Proportional resident tax	0.1%
Dividends and other income that is never taxable	(1.4)%
Tax credits	(0.8)%
Other	(0.1)%
<u>Effective income tax rate after application of tax-effect accounting</u>	<u>28.7%</u>

**(Notes on Per Share Information)**

Net assets per share	1,271.50 yen
Basic earnings per share	145.07 yen

**(Notes on Significant Subsequent Events)**

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on April 28, 2022, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

Details of the acquisition and cancellation of treasury shares are presented under (Notes on Significant



Subsequent Events) in the Notes to the Consolidated Financial Statements.

**(Other Notes)**

Amounts shown on the non-consolidated balance sheet, the non-consolidated statement of income, and the non-consolidated statement of changes in equity have been rounded down to the units indicated.