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[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
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[Fiscal Year]	51st Fiscal Year (From April 1, 2022 to March 31, 2023)
[Company Name]	Kabushiki Kaisha DTS
[Company Name (in English)]	DTS CORPORATION
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I. Company Information

I. Overview of Company

1. Key financial data and trends

(1) Consolidated financial data

Fiscal year		47th	48th	49th	50th	51st
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	86,716	94,618	90,493	94,452	106,132
Ordinary profit	(Millions of yen)	9,929	10,849	11,131	11,403	11,932
Profit attributable to owners of parent	(Millions of yen)	6,817	7,317	7,593	7,853	8,001
Comprehensive income	(Millions of yen)	6,871	6,851	8,036	7,672	8,365
Net assets	(Millions of yen)	51,353	55,089	59,409	62,133	62,376
Total assets	(Millions of yen)	66,982	70,598	75,172	79,116	80,676
Net assets per share	(Yen)	1,101.61	1,190.71	1,293.61	1,376.05	1,408.81
Basic earnings per share	(Yen)	146.10	158.01	165.49	172.78	181.41
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	76.7	78.0	78.8	78.4	76.1
Return on equity	(%)	13.9	13.8	13.3	13.0	13.0
Price earnings ratio	(Times)	14.00	11.90	15.26	15.50	17.75
Cash flows from operating activities	(Millions of yen)	6,947	7,551	9,366	7,589	7,642
Cash flows from investing activities	(Millions of yen)	(1,770)	(1,360)	(694)	(139)	(931)
Cash flows from financing activities	(Millions of yen)	(2,477)	(3,047)	(3,848)	(5,025)	(9,095)
Cash and cash equivalents at end of the period	(Millions of yen)	35,140	38,276	43,327	45,817	43,364
Number of employees	(Persons)	4,369	5,457	5,792	5,604	5,703

Notes:
1. Diluted earnings per share is not presented since no potential shares exist.
2. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. Net assets per share and basic earnings per share have been calculated as if the stock split had occurred at the beginning of the 47th fiscal year.
3. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 50th fiscal year, and key management indicators for the 50th fiscal year onward are those after applying the accounting standard and relevant revised ASBJ regulations.

(2) Non-consolidated financial data

Fiscal year		47th	48th	49th	50th	51st
Fiscal year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	61,473	67,700	65,430	67,594	74,356
Ordinary profit	(Millions of yen)	8,098	9,228	9,396	9,702	10,333
Profit	(Millions of yen)	5,768	6,495	6,596	6,594	7,075
Share capital	(Millions of yen)	6,113	6,113	6,113	6,113	6,113
Number of issued shares	(Shares)	25,222,266	50,444,532	50,444,532	49,072,632	47,590,832
Net assets	(Millions of yen)	49,821	52,842	55,966	57,306	55,743
Total assets	(Millions of yen)	60,863	63,231	66,662	68,055	67,125
Net assets per share	(Yen)	1,068.76	1,142.25	1,221.53	1,271.50	1,278.59
Dividends per share	(Yen)	95	55	60	70	120
[Interim cash dividends included herein]	(Yen)	[35]	[20]	[25]	[30]	[50]
Basic earnings per share	(Yen)	123.62	140.27	143.76	145.07	160.41
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	81.9	83.6	84.0	84.2	83.0
Return on equity	(%)	12.0	12.7	12.1	11.6	12.5
Price earnings ratio	(Times)	16.54	13.40	17.57	18.46	20.07
Payout ratio	(%)	38.43	39.21	41.74	48.25	74.81
Number of employees	(Persons)	3,015	2,967	2,971	2,999	3,071
Total shareholder return	(%)	113.7	107.7	146.1	158.2	194.2
[Comparison index: Dividend-included TOPIX]	(%)	[95.0]	[85.9]	[122.1]	[124.6]	[131.8]
Highest stock price	(Yen)	4,630	2,649 [4,685]	2,697	2,831	3,705
Lowest stock price	(Yen)	3,195	1,568 [3,835]	1,704	2,346	2,644

Notes:
1. The dividends per share for the 51st fiscal year include commemorative dividends of ¥50 in celebration of the 50th anniversary of the Company's establishment (¥20 of which are commemorative dividends included in the interim dividends).
2. Diluted earnings per share is not presented since no potential shares exist.
3. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. Net assets per share and basic earnings per share have been calculated as if the stock split had occurred at the beginning of the 47th fiscal year.
4. The highest and lowest stock prices are those quoted on the Tokyo Stock Exchange Prime Market on or after April 4, 2022, and on the Tokyo Stock Exchange 1st Section before April 4, 2022.
5. The Company executed a 2-for-1 stock split of its common stock on July 1, 2019. The highest and lowest stock prices for the 48th fiscal year represent stock prices after the stock split. The figures in the parentheses represent the highest and lowest stock prices before the stock split.
6. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the 50th fiscal year, and key management

indicators for the 50th fiscal year onward are those after applying the accounting standard and relevant revised ASBJ regulations.

2. History

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

Month/Year	History
Oct. 2017	Relocated headquarters to Hatchobori 2-chome, Chuo-ku
Oct. 2018	Merged DATALINKS CORPORATION into DTS
Mar. 2019	DTS (Shanghai) CORPORATION concluded a capital increase agreement with Dalian SuperElectronics Co., Ltd.
June 2019	Acquired additional shares of Nelito Systems Limited (currently, Nelito Systems Private Limited), making it a subsidiary
June 2021	Made I Net Rely Corporation a wholly owned subsidiary through acquisition of its shares
Apr. 2022	Transitioned to the Tokyo Stock Exchange Prime Market
June 2022	Transitioned to a company with an Audit and Supervisory Committee
Nov. 2022	Made Partners Information Technology, Inc. a subsidiary through acquisition of its shares
May 2023	Made Anshin Project Japan Inc. a wholly owned subsidiary through acquisition of its shares

3. Description of business

During the previous fiscal year under review, the Company’s reportable segments were Finance and Society, Corporate Solutions, Operational Infrastructure BPO, and Regional, Overseas, Etc. However, in order to promote the transformation of our business models, at the April 28, 2022 Board of Directors meeting it was resolved to change the reportable segments to Operation & Solutions, Technology & Solutions, and Platforms & Services starting this fiscal year.

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

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

[Operation & Solutions]

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

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

[Technology & Solutions]

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

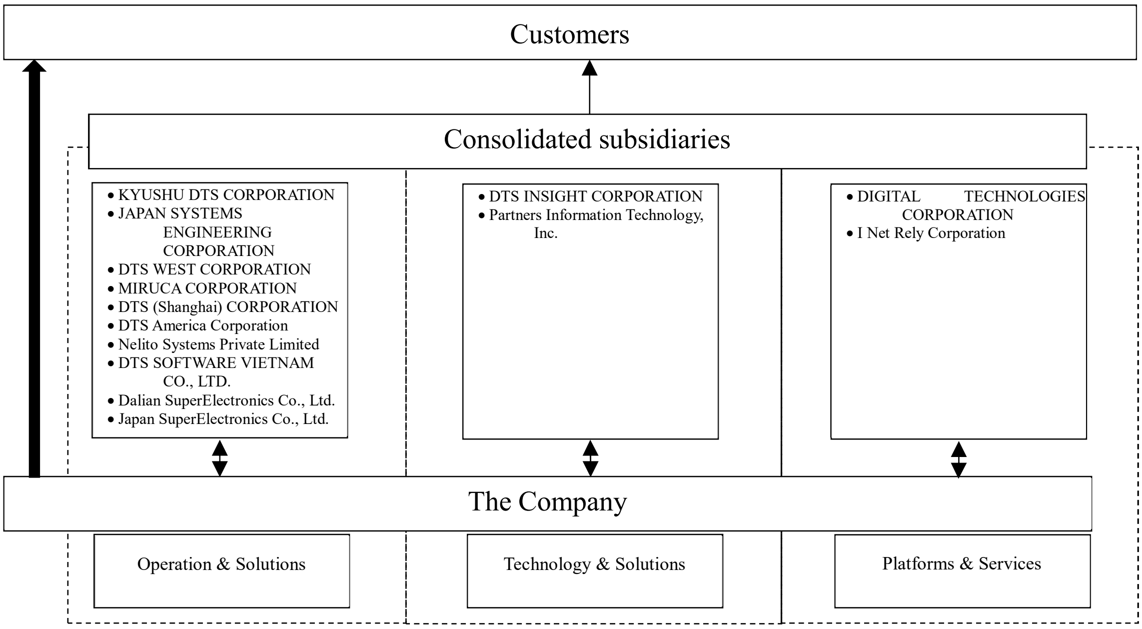
- Consulting in relation to the deployment of systems
- Design, development, operation, maintenance, etc. of systems (including design, construction and embedding of platforms, networks and so on)
- Deployment, operation, maintenance, etc. of (in-house or other companies’) solutions

[Platforms & Services]

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

- Introduction of advanced IT equipment and building of IT platforms
- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring services
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Fee-based businesses, such as subscription and recurring business

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



4. Information on subsidiaries and affiliates

As of March 31, 2023

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

Name	Address	Share capital (Millions of yen)	Main business lines	Ratio of voting rights held (%)	Relationship with the Company
DTS INSIGHT CORPORATION	Shibuya-ku, Tokyo	200	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 2
DTS SOFTWARE VIETNAM CO., LTD.	Hanoi, Vietnam	US $1.2 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
Nelito Systems Private Limited	Navi Mumbai, India	INR 20.6 million	Information Service	98.80	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
Dalian SuperElectronics Co., Ltd. (Note)	Dalian, China	CNY 10.3 million	Information Service	51.00 [51.00]	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
Japan SuperElectronics Co., Ltd. (Note)	Taito-ku, Tokyo	20	Information Service	51.00 [51.00]	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
I Net Rely Corporation	Chuo-ku, Tokyo	76	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
Partners Information Technology, Inc.	California, U.S.A.	US $0.5	Information Service	51.00	Number of interlocking officers: 1

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

5. Employees

(1) Consolidated group companies

As of March 31, 2023

Segment name	Number of employees (Persons)
Operation & Solutions	2,967
Technology & Solutions	1,688
Platforms & Services	1,048
Total	5,703

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

(2) The Company

As of March 31, 2023

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)
3,071	39.6	14.9	6,013

Segment name	Number of employees (Persons)
Operation & Solutions	1,183
Technology & Solutions	1,038
Platforms & Services	850
Total	3,071

Notes: 1. The number of employees of the Company excludes those seconded to other companies, and includes those seconded to the Company from other companies.

2. Average annual salary includes bonuses and extra wages.

(3) Trade union

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

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

(i) The Company

Current fiscal year				
Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
		All employees	Regular employees	Part-time/fixed term employees
3.7	45.8	77.4	77.4	79.8

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

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

(ii) Major consolidated subsidiaries

Current fiscal year					
Name	Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
			All employees	Regular employees	Part-time/fixed term employees
KYUSHU DTS CORPORATION	6.3	100.0	65.7	67.7	49.9
JAPAN SYSTEMS ENGINEERING CORPORATION	4.3	0.0	81.9	81.5	79.0
DTS WEST CORPORATION	5.3	0.0	73.2	72.0	–
DIGITAL TECHNOLOGIES CORPORATION	6.3	–	83.1	76.0	260.5
DTS INSIGHT CORPORATION	1.5	133.3	73.6	73.0	129.2

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

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

II. Overview of Business

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

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

(1) Basic management policies

The DTS Group believes that it is vitally important to strive to strengthen its business performance and secure a certain level of results as a group of enterprises with a long track record in the information services industry, while also returning profits to stakeholders on the basis of that performance and working to increase medium- to long-term corporate value. Furthermore, the DTS Group's corporate philosophy is to utilize "potential to bring joy to people and affluence to society" as one of the "skills" of the Group, and to "utilize its skills to build up the trust of customers, expand corporate value, enhance the lives of employees, and contribute to society." Based on this philosophy, the DTS Group aims to be a group of enterprises that is trusted by all its stakeholders and provides a sense of reassurance, and will work to enhance its presence in the information services industry as a group of independent, comprehensive information service providers that is always at the forefront of the industry. The DTS Group also intends to achieve further development by establishing a sound and strong management foundation.

(2) Medium- to long-term management strategies and issues to be addressed

The environment surrounding the Group is expected to change drastically.

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

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

(3) Targeted management indicators

In the medium-term management plan (April 2022 to March 2025), which is the 1st Stage in Vision2030, the Group set key challenges in terms of both businesses and management foundation, and aims as follows to achieve them.

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

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

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

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

Focus areas	Net sales of focus businesses (*2)	40% or more
ESG	Reduction of CO2 emissions (relative to FY2013)	50% or more
	SDGs-related net sales (*3)	40% or more
	Ratio of female managers	6% or more
	Ratio of female Directors	10% or more
	Independent Outside Directors	Majority

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

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

2. Sustainability philosophy and initiatives

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

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

(1) Overall sustainability governance and risk management

As the environment surrounding companies is changing drastically, based on the recognition that it is an important business challenge to balance realization of a sustainable society and sustainable corporate growth, the Group set up the Sustainability Committee in April 2022 to further strengthen its environmental and social initiatives. The Sustainability Committee is chaired by the Representative Director and President under the supervision of the Board of Directors, and its members mainly comprise Directors and Executive Officers. The Sustainability Committee formulates policies, targets, and action plans for initiatives that address social issues, such as environmental and personnel initiatives. It manages and evaluates efforts to achieve these targets, deliberates regarding individual measures, and regularly reports to and advises the Board of Directors.

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

(2) Important sustainability items

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

- Climate change
- Human capital

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

(i) Climate change

- Governance

The Company's Board of Directors oversees the setting and implementation of targets and plans related to climate change risks and opportunities. Every year, the Board defines risks and opportunities related to climate change; approves the group-wide establishment of priority risks and environmental impact reduction targets as well as each Group company's business plan and risk management plan. In addition, it monitors progress in each quarter. The Board also supervises the formulation and monitoring of annual budgets and main strategies, such as medium- to long-term management plans, discussions of which take into account sustainability- and climate-related factors. If there is a discrepancy between the budget and actual results, countermeasures are studied by the Management Council and Sustainability Committee and, based on guidance from the Board of Directors, are implemented.

- Strategies

We analyze actual and latent effects that climate-related risks and opportunities have on the Group's business, strategies, and financial plans and then disclose the severity of and time frames for said effects. In addition, with an eye to the highly uncertain future that is accompanying the shift to a low-carbon society, we have conducted the scenario analyses recommended by the TCFD for the 2°C and 4°C rises in global temperature in order to determine the kind of business issues that might emerge. We realized that, whether in the sustainable 2°C world enabled by decarbonization or the 4°C world where greater economic development is expected enabled by reliance on fossil fuels, there will be customer needs in a wide range of industries for new AI technologies, IoT, and DX action that uses the Company's information technologies and that the effects of climate change-related opportunities will be extensive. In other words, in the 2°C world, we realized from quantitative analysis results that we will steadily expand sales in maintenance and operation services, which are the Company's core businesses, and thereby can reaffirm that achieving the Company's 2030 net zero goal would be very significant. Accordingly, this enhanced our recognition that climate-related problems and the transition to a low-carbon society are strongly connected to the Company's development.

- Risk management

The DTS Group positions climate-related risks and opportunities as a strategy and connects to sustainable growth by companies taking appropriate action.

a. We identify climate-related risks and opportunities and evaluate them using three metrics: probability and, if they become prominent, quantitative impact and qualitative impact.

b. Regarding climate-related risks and opportunities that have a significant impact on the Group's strategies, we formulate measures to address risks and seize opportunities while the Sustainability Committee monitors progress.

c. To minimize losses and achieve sustainable growth throughout the Group, we designate the Risk Management Committee to appropriately manage crises and risks related to the Group's businesses. The Sustainability Committee uses ERM to integrate climate-related risks, which are reflected in the Group's strategies and dealt with as company-wide risks via the supervisory structure of the Board of Directors.

- Indicators and goals

The Group establishes goals to reduce long-term greenhouse gas emissions to achieve the goal of a less than 2°C rise in average global temperatures. Regarding Scope 1, 2, and 3 emission reduction goals, we aim for certification by the Science Based Targets (SBT) initiative. In line with the long-term Vision2030, the Group aims to achieve net zero CO_2 emissions in 2030 for Scopes 1 and 2 and has set ambitious goals for Scope 3, aiming to realize carbon neutrality.

(ii) Human capital

- Human resources strategy

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

Basic policies

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

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

- Promotion of women’s participation and advancement

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

  In the medium-term management plan, we set targets to be achieved in the fiscal year ending March 31, 2025 (FY2024) for the ratio of female Directors and managers. In action plans based on the Act on Promotion of Women’s Participation and Advancement, we set milestones for improving the overall ratio of female employees and have been promoting the advancement of women in management, working to develop the skills of female manager candidates and incumbent managers. Furthermore, the ratio of female Directors reached 15.4% as of March 31, 2023, surpassing our FY2024 target of 10.0% or higher. On the other hand, the ratio of female managers as of March 31, 2023 was 3.7% compared with our FY2024 target of 6.0% or higher.

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

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

  In the fiscal year ended March 31, 2023, we have provided support to both male and female employees to help them balance childcare and work, such as by implementing initiatives to promote the use of childcare leave by male employees and working to eliminate gender inequality in childcare leave usage rates. We have also conducted diversity and inclusion (D&I) training for all employees, and we are fostering an environment where employees gain a deeper understanding of the Company’s D&I initiatives and the D&I awareness and behavior expected of our employees, both those directly involved in issues and those around them, while mutually respecting, supporting, and inspiring each other.

- Promotion of health management

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

  The Company publicly announced its “Health Company Declaration” in November 2018 and launched initiatives to encourage health promotion activities. As a result, we received certification as Company of Health Excellence Certification/Gold Certification in September 2020, and have maintained it to date. In addition, in March 2022, we were selected as “Health Management Stock” and acquired certification as “Health & Productivity Management Outstanding Organization (White 500) 2022.” Furthermore, in recognition of our initiatives for maintaining and boosting employee health, in February 2023, we received certification as “Sports Yell Company 2023” and in March 2023, acquired certification as “Health & Productivity Management Outstanding Organization (White 500) 2023.”

- Creation of a diverse workforce taking on the challenges

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

- Employee engagement

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

3. Business and other risks

Risks that may have an impact on the operating results and financial position of the DTS Group are as follows.

Forward-looking statements mentioned in this discussion of risks reflect the judgment of the DTS Group (the Company and its consolidated subsidiaries) as of March 31, 2023.

(1) Changes of business environment

In the information services industry, the Group expects strong IT investment from all industries due to the expansion of digital business, etc.

However, if there arises a change in the trends of IT investment from customers caused by the changes of social and economic conditions, then it may affect the results of the Group.

(2) Price competition

In the information services industry, to which the DTS Group belongs, customers are becoming increasingly demanding with regard to investment in information technology. As such, customers constantly compare the relative merits of the DTS Group with those of industry competitors both in terms of price and service quality.

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

The results of the DTS Group may be affected if any external factor causes downward price pressure in excess of that anticipated by the Company.

(3) Business overseas

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

In carrying out overseas operations, the DTS Group anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management.

The results of the DTS Group may be affected if an inability to comply appropriately with local legal regulations, etc. causes it to become liable for compensation for damages.

(4) Business models and technological innovation

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

(5) Legal regulation

The Group promotes businesses with the highest priority on compliance with laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act and the Personal Information Protection Act.

However, if a serious compliance violation or an event that conflicts with laws and regulations occurs, then that may deteriorate the social credibility of the Group and affect the results of the Group.

(6) Litigation, etc.

The Group could become the subject of litigation including claims for compensation for damages with regard to faults, defects, or delivery delays in the services provided by the Group, infringement of the rights of third parties, customer information leaks including personal information, defamation, inappropriate personnel and labor management, or other matters. Depending on the details and results, such litigation, etc., could affect the results of the Group.

(7) Intellectual property right, etc.

There is a possibility that the Group's business may receive a claim for infringement on the intellectual property right of another company, and there is a possibility that a third party may infringe on the intellectual property right of the Group, if either case arose, that may affect the business, the results, etc. of the Group.

(8) Human resources, etc.

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

(9) Management of software development projects

In order to secure competitive advantages for themselves, customers are becoming increasingly demanding with regard to shortening system development turnaround times. As a result, project management and quality management are becoming even more important than before.

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

(10) Security

Companies operating in the information service business, an area of strength for the DTS Group, come into contact with important information of various customers due to the nature of the business. As a consequence, security management is an important operational issue.

The results of the DTS Group may be affected in the unlikely event of a serious leakage of information, as such a leak would expose the Company to the possibility of being held liable for compensation for damages, in addition to other problems such as customer cancellations caused by loss of trust in the Company.

(11) Business continuity

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

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

(1) Overview of the operating results, etc.

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

(i) Financial position and operating results

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

In the fiscal year under review, the Japanese economy showed signs of recovery despite the weakness seen in some areas. Looking ahead, as countries around the world continue with financial tightening, there is a risk that a downturn in overseas economic conditions could dampen business sentiment in Japan. Furthermore, we must be fully aware of the impacts of rising prices, supply side constraints, and fluctuations in the financial and capital markets.

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

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

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

Net sales for the fiscal year under review were ¥106,132 million (+12.4% year on year), the operating profit was ¥11,694 million (+4.4% year on year), which showed growth for the 13th consecutive year and is a record high for the ninth consecutive year, and EBITDA was ¥12,435 million (+5.4% year on year).

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

To increase coordination between the front lines and sales to improve the value that we propose, in April 2022, we transferred the sales promotion functions that had been consolidated in the Sales Sector to the individual business sectors.

In October 2022, we established an organization in charge of promoting the ServiceNow business and launched IT services that provide total support from IT strategy planning to operation and maintenance, including digitalizing workflows and integrating multiple unlinked systems using ServiceNow®.

In March 2023, we agreed to acquire issued shares of Anshin Project Japan Inc. Our aim is to strengthen the housing solution business by combining our development know-how in the "Walk in home" housing space proposal system that uses 3D CAD developed in-house, with the sales know-how, sales base, and operations and maintenance know-how accumulated by Anshin Project Japan Inc. over many years of selling "Walk in home."

As a first solution specializing in data use, in May 2022, we were certified as a SELECT Partner by the U.S.'s Snowflake Inc. and began selling its "Snowflake" products.

As a second solution, in July 2022, we started handling the "mcframe 7 SCM/PCM" (Note 1) production management package. Using the Snowflake cloud platform for data utilization in combination with existing factory IoT solutions, we will integrate and share unlinked data and support solutions to issues in the manufacturing industry.

As a third solution, in November 2022, the Company launched Geminiot, a business intelligence solution for advanced data utilization, and Pasteriot.mi, a manufacturing industry data utilization solution.

Through these data utilization solutions and the business know-how cultivated to date, we will advance to the "DTS DataManagement Solution (DTS DMS)," which will enable customers to solve business issues and create new business opportunities.

We are enhancing our initiatives in "focus businesses" (Note 2) as the Company's target areas to achieve rapid growth. Furthermore, in our medium-term management plan, we are promoting our target of net sales of focus businesses making up 40% of total net sales by the fiscal year ending March 31, 2025. In the fiscal year under review, net sales of focus businesses made up 40.4% of total net sales, showing steady progress toward our goal.

(Note 1) mcframe 7 SCM/PCM

mcframe is a supply chain management (SCM) package for the manufacturing industry that can provide various functions such as production, sales, inventory, and cost management, and handle steps from assembly to process manufacturing and individual production orders. It is a digital solution for the manufacturing industry that has been implemented by over 1,000 companies at more than 2,000 sites in 17 countries worldwide since its launch in 1996.

(Note 2) Focus businesses

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

■ "Advance into new fields as well as globally"

In November 2022, we acquired 51% of the shares of US-based IT services company Partners Information Technology, Inc. in order to build a firmer partnership with the company and strengthen our business in the United States.

Going forward, we will strengthen our solutions business, not only for financial institutions, which are our main customers, but also providing DX and so forth for various industries.

■ "Strengthen ESG initiatives"

To strengthen the oversight function of the Board of Directors by making the Audit and Supervisory Committee Members responsible for auditing the execution of duties by Directors as members of the Board of Directors, and to further enhance corporate governance by further strengthening its monitoring function, the Company transitioned from a company with corporate auditors to a company with an Audit and Supervisory Committee.

Furthermore, following the conclusion of the 50th Annual General Meeting of Shareholders, of the 13 Directors, the seven Independent Outside Directors made up a majority, and there were two female Directors. We will continue to work to improve the independence and diversity of the Board of Directors.

As the environment surrounding companies is changing drastically, based on the recognition that it is an important business challenge to balance realization of a sustainable society and sustainable corporate growth, the Group newly set up the Sustainability Committee to further strengthen its environmental and social initiatives. Furthermore, in addition to further promoting ESG activities, to enhance company-wide cross-sectional activities, we newly established the ESG Promotion Department.

In August 2022, we were selected as a constituent brand for the JPX-Nikkei Index 400 (Note 1) for fiscal 2022 (August 31, 2022 to August 30, 2023).

In December 2022, we converted all electricity used at our head office (Empire Building) to 100% renewable energy.

The procurement of renewable energy electric power is based on Non-fossil Fuel Energy Certificates with Tracking Information (Note 2) procured in cooperation with Tokyo Tatemono Co., Ltd. which operates and manages the Empire Building.

Furthermore, success in our health management initiatives were recognized, and we were able to receive certification as “Company of Health Excellence Certification/Gold Certification” for the third consecutive year. We also received certification from the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi as “Health & Productivity Management Outstanding Organization (White 500)” for the second consecutive year. Moreover, we newly received certification from the Japan Sports Agency as “Sports Yell Company 2023” in the fiscal year under review.

The Company will continue to promote health management to help our employees improve their health and create a healthy work environment for them.

(Note 1) JPX-Nikkei Index 400

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

(Note 2) Non-fossil Fuel Energy Certificates with Tracking Information

The “non-fossil fuel value (environmental value)” of electricity derived from non-fossil fuel power sources is converted into a certificate, and attribute information (tracking information) such as the location of the power plant is assigned.

■ “Reform management foundation”

With the transition to a company with Audit and Supervisory Committee, to accelerate decision-making, we updated the Board of Directors rules with changes to the scope of delegation of the Board of Directors and the organizational rules with authorities related to business execution.

To continue realizing fast management, we are promoting the delegation of authority and structural reforms.

■ “Shareholder returns”

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 acquired 1,481,800 treasury shares from May to September 2022. Then, in October 2022, we cancelled all of the above treasury shares that we acquired.

■ “Introduction of a system for granting restricted shares”

We introduced a system for granting restricted shares to incentivize the enhancement of corporate value over the medium to long term and to foster a sense of ownership among employees.

As a result of the above, the Group reported net sales of ¥106,132 million for the fiscal year under review (+12.4% year on year).

Gross profit was ¥20,786 million (+8.6% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥9,091 million (+14.4% year on year). With the increase in gross profit, operating profit came to ¥11,694 million (+4.4% year on year), and ordinary profit came to ¥11,932 million (+4.6% year on year). Profit attributable to owners of parent was ¥8,001 million (+1.9% year on year), mainly due to the increase in ordinary profit.

(Millions of yen)

	Consolidated	Year-on-year change
Net sales	106,132	12.4%
Operating profit	11,694	4.4%
Ordinary profit	11,932	4.6%
Profit attributable to owners of parent	8,001	1.9%

<Breakdown of net sales>

(Millions of yen)

	Consolidated	Year-on-year change
Operation & Solutions	41,083	11.7%
Technology & Solutions	33,940	13.7%
Platforms & Services	31,108	11.7%
Total	106,132	12.4%

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

Operation & Solutions Segment

Net sales came to ¥41,083 million (+11.7% year on year), due to strong progress in cloud-related projects, mainly in the financial services and information and communications industries.

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

As industry specific solutions and services, we have started providing a financial instrument screening function in our AMLion anti-money laundering measure system compliant with international standards, in addition to the transaction monitoring function.

Furthermore, AMLion has been adopted by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. for economic sanctions list and negative news matching in its operations for countering money laundering and terror financing.

The DAVinCI LABS automated data analysis platform has been adopted by POCKET CARD CO., LTD. as an AutoML tool (Note 1), enabling analytical operations such as credit, marketing, and debt control to be performed with greater efficiency and sophistication.

Going forward, we will contribute to increasing the level and efficiency of compliance checking operations in finance business formats.

(Note 1) AutoML tools

“AutoML” refers to tools that are used to enhance the process of data analysis through automated machine learning. They can be used to automate tasks that would previously have been performed by a data scientist, such as collecting and processing data, and creating, verifying, and optimizing models, and to improve their accuracy.

Technology & Solutions Segment

Net sales came to ¥33,940 million (+13.7% year on year), due to strong progress in packaged solutions such as ERP and new consolidation.

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

In September 2022, we started sales of "Walk in home 2022" with enhanced functionality to enable sales talks online using living space VR, enhanced design, and the ability to flexibly handle changes in settings following law reforms. In addition, we launched "Walk in home CUMOE," which links data with "Walk in home," supports the sales process, construction work, and after-sales management, and reduces the workload of on-site supervisors.

In addition, we started supplying HOUSING CORE, a core system for the housing construction industry which provides a variety of functions for housing-related businesses and enables visualization of information.

We will continue to provide housing solutions going forward, and to contribute to adoption of DX for the housing and construction industries.

Moreover, in order to address security issues in customer cloud environments, we are focusing on providing secure cloud environments, through such measures as obtaining certification under the "AWS Well-Architected Partner Program." (Note 1)

We also provide a zero-trust solution and security management services for the office automation environment and IT platform of Lawson Bank, Inc.

Going forward, our goal is to continue to realize highly secure and reliable cloud environments by offering security solutions that support the business of our customers.

(Note 1) AWS Well-Architected Partner Program

AWS certifies that DTS Corporation is a partner that uses the AWS Well-Architected Framework to build high-quality solutions and check the state of cloud architecture, and has the expertise to support improvements in accordance with customer needs.

Platforms & Services Segment

Net sales came to ¥31,108 million (+11.7% year on year) due to growth in product projects and operational infrastructure design and building projects.

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

We concluded a distributor agreement for "ReSM plus" with SOGO CAREER OPTION Co., Ltd., a company with strengths in DX and operational support for mid-sized companies, in order to help mid-sized companies improve productivity and transform work styles for the entire company through ReSM plus.

Total assets as of March 31, 2023 were ¥80,676 million. Cash and deposits decreased by ¥2,589 million, and merchandise and finished goods decreased by ¥533 million. However, total assets increased by ¥1,559 million compared to the end of the previous fiscal year due to the increase in notes and accounts receivable - trade, and contract assets of ¥3,763 million and the increase in goodwill of ¥1,068 million.

Liabilities were ¥18,299 million. Liabilities increased by ¥1,316 million compared to the end of the previous fiscal year due to a ¥586 million increase in accounts payable - trade, a ¥381 million increase in accrued consumption taxes included in other under current liabilities, and a ¥237 million increase in provision for bonuses.

Net assets were ¥62,376 million. Treasury shares increased by ¥5,000 million due to purchase of treasury shares, retained earnings decreased by ¥4,062 million due to dividends of surplus, and foreign currency translation adjustment decreased by ¥142 million. However, net assets increased by ¥242 million compared to the end of the previous fiscal year according to an increase in retained earnings of ¥8,001 million due to profit attributable to owners of parent, an increase in non-controlling interests of ¥841 million due to new consolidation and other factors, an increase in valuation difference on available-for-sale securities of ¥316 million, and an increase in remeasurements of defined benefit plans of ¥260 million. Due to cancellation of treasury shares, treasury shares and retained earnings decreased by ¥2,794 million and ¥2,780 million, respectively.

(ii) Cash flows

Cash and cash equivalents (hereinafter, "cash") as of March 31, 2023 was ¥43,364 million, a decrease of ¥2,452 million from ¥45,817 million as of the previous fiscal year-end.

The respective cash flow positions in the fiscal year under review and comparisons with the previous fiscal year are as follows.

Net cash provided by operating activities was ¥7,642 million. There was an increase in cash provided of ¥52 million compared with the previous fiscal year. This mainly reflected factors such as a decrease in revenue of ¥2,170 million due to an increase in trade receivables and contract assets, as well as a decrease in expenditures of ¥1,417 million due to a decrease in inventories, which had previously been increasing, and an increase in revenue of ¥527 million due to a decrease in accounts receivable included in other, which had previously been increasing.

Net cash used in investing activities was ¥931 million. There was an increase in cash used of ¥791 million compared with the previous fiscal year. This mainly reflected factors such as an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥867 million.

Net cash used in financing activities was ¥9,095 million. There was an increase in cash used of ¥4,069 million compared with the previous fiscal year. This mainly reflected factors such as an increase of purchase of treasury shares of ¥3,003 million and an increase of dividends paid of ¥1,010 million.

(iii) Results of production, orders and sales

In the fiscal year under review, order backlog in the Technology & Solutions business increased dramatically year on year. This was due to including Partners Information Technology, Inc. in the scope of consolidation beginning in the fiscal year under review.

Furthermore, in the fiscal year under review, we changed the reportable segment classification, and for the year-on-year percentage change below, we use figures from the same period of the previous fiscal year prepared based on the classification method following the change.

For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Segments of an enterprise and related information).

a. Production

Production in the fiscal year under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	41,083	11.7
Technology & Solutions	33,940	13.7
Platforms & Services	31,108	11.7
Total	106,132	12.4

Note: Inter-segment transactions have been eliminated.

b. Orders

Orders in the fiscal year under review are as follows.

Segment	Order volume (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Operation & Solutions	41,695	8.1	10,976	5.9
Technology & Solutions	34,784	15.0	12,134	82.7
Platforms & Services	33,257	14.6	11,121	23.9
Total	109,737	12.2	34,233	31.8

Note: Inter-segment transactions have been eliminated.

c. Sales

Sales in the fiscal year under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	41,083	11.7
Technology & Solutions	33,940	13.7
Platforms & Services	31,108	11.7
Total	106,132	12.4

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

2. Sales results by major customer and the ratio of such sales results to total sales results for the two most recent fiscal years are as follows.

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)
NTT DATA Corporation	10,528	11.2	11,092	10.5

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

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

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

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

Net sales for the fiscal year under review were ¥106,132 million (+12.4% year on year), the operating profit was ¥11,694 million (+4.4% year on year), which showed growth for the 13th consecutive year and is a record high for the ninth consecutive year, and EBITDA was ¥12,435 million (+5.4% year on year).

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

a. Changes of business environment

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

b. Price competition

The Company is endeavoring to minimize the effects of price competition from cost cutting by thoroughly promoting project profit management and working to improve productivity and train DX employees, as well as providing high-value added services that use new technology.

c. Business overseas

The Company anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices and contracts. The Company is aware of such risks and is strengthening risk management by putting a business division in charge of handling risks.

d. Business models and technological innovation

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

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

e. Legal regulation

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

f. Litigation, etc.

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

g. Intellectual property right, etc.

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

h. Human resources, etc.

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

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

i. Management of software development projects

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

j. Security

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

The Company has also obtained the “Privacy Mark” certification as one of its activities for the protection of personal information, and carries out training to enhance awareness about handling information among employees of the Company and employees of business partners. In addition, the Company has obtained certification for its Information Security Management System (ISMS) and is working to strengthen its security management structure further. The DTS Group has formulated a Compliance Guide to be followed by the entire DTS Group, including group companies in Japan and overseas, and is working to develop internal rules at each group company and raise employees’ awareness regarding the handling of security information.

k. Business continuity

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

(iii) Capital resources and liquidity of funds

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

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

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

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

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

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

<Financial goals and results>

Item		Goals for the fiscal year ending March 31, 2025	Results for the fiscal year ended March 31, 2023
Operating revenue	Consolidated net sales	¥110.0 billion or more	¥106.1 billion
	EBITDA (*1)	¥13.0 billion or more	¥12.4 billion
	EBITDA margin	Around 12%	11.7%
Investment	Investment limitation (cumulative total for three years)	¥25.0 billion	¥6.0 billion
Management efficiency	ROE	13% or more	13.0%
Shareholder returns	Payout ratio	50% or more	66.1%
	Total return ratio	70% or more	127.9%

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

<Non-financial goals and results>

Item		Goals for the fiscal year ending March 31, 2025	Results for the fiscal year ended March 31, 2023
Focus areas	Net sales of focus businesses (*2)	40% or more	40.4%
ESG	Reduction of CO_2 emissions (relative to FY2013)	50% or more	44.0%
	SDGs-related net sales (*3)	40% or more	34.6%
	Ratio of female managers	6% or more	3.7%
	Ratio of female Directors	10% or more	15.4%
	Independent Outside Directors	Majority	Majority

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

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

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

Operation & Solutions Segment

Net sales came to ¥41,083 million (+11.7% year on year and 0.7% above our forecast), due to strong progress in cloud-related projects, mainly in the financial services and information and communications industries.

Technology & Solutions Segment

Net sales came to ¥33,940 million (+13.7% year on year and 0.2% below our forecast), due to strong progress in packaged solutions such as ERP and new consolidation.

Platforms & Services Segment

Net sales came to ¥31,108 million (+11.7% year on year and 3.0% above our forecast) due to growth in product projects and operational infrastructure design and building projects.

5. Important business contracts

(1) The Company acquired 51% of the shares of Partners Information Technology, Inc. during the fiscal year under review. For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (For business combinations, etc.).

(2) The Company resolved to acquire shares of Anshin Project Japan Inc. at the Board of Directors meeting held on March 20, 2023 and concluded share transfer agreement on March 27, 2023. Based on this share transfer agreement, the Company acquired 100% of Anshin Project Japan's shares on May 31, 2023. For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated Financial Statements; Notes to consolidated financial statements (Significant subsequent events).

6. Research and development activities

The total amount of research and development expenses for the fiscal year under review was ¥294 million. The main research and development activities conducted in each segment were as indicated below.

(1) Operation & Solutions (research and development expenses: ¥16 million)

Research and development of system for supporting operations involved in complying with the Criminal Accounts Damage Recovery Act

In recent years, communications fraud, including bank transfer fraud, has been on the rise. Dealing with bank customers whose bank accounts have been used in incidents of fraud is placing a heavy administrative burden on banks. We are developing systems which improve efficiency and prevent administrative errors.

(2) Technology & Solutions (research and development expenses: ¥278 million)

(i) Research and development of new BI and IoT

In the BI market, the third generation of BI that uses AI for automatic data analysis has been released and is drawing ever-growing attention. In addition to the ease of use of self-service BI (second generation), we have developed new products that use AI to provide automatic analysis functions (third generation). We are also developing optional products with data collection functions for the manufacturing industry.

(ii) Zero-trust security research and verification testing

In recent years, the rise of cloud services, the widespread use of mobile devices, and the normalization of remote work has created conditions under which information assets cannot be sufficiently protected using traditional methods. This has led to the creation of "zero-trust security," which applies even more rigorous security measures. There is rising demand for zero-trust solutions as key information security solutions.

To evaluate the effectiveness of the products and services that make up zero-trust security solutions, to accrue deployment know-how, and to verify their effectiveness, we are performing verification testing within our internal network environment.

(iii) Development of on-site supervisors' support systems and solutions

For construction industry worksites, reducing the workload of on-site supervisors, communicating with worksites, and simplifying the material procurement process are pressing issues. To tackle these issues, we have developed "Walk in home CUMOE," a cloud-based construction management system for housing construction. This solution leverages our "Walk in home" product and "HOUSING CORE," a core system for the housing construction industry. We started sales of "Walk in home CUMOE" in October 2022.

III. Information about Facilities

1. Overview of capital expenditures

Capital investment during the fiscal year under review amounted to ¥715 million.

This mainly comprised ¥230 million for the purchase of tools, furniture and fixtures such as office equipment and network equipment, ¥120 million for the development and purchase of software for internal use, and ¥229 million for the development of software for market sale.

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

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

2. Major equipment and facilities

(1) The Company

As of March 31, 2023

Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
			Buildings	Land (m^2)	Other	Total	
Head Office (Chuo-ku, Tokyo)	Operation & Solutions Technology & Solutions Platforms & Services	Head office and production equipment	112	–	129	241	2,542
Development Center, etc. (Shinjuku-ku, Tokyo, etc.)	Operation & Solutions Technology & Solutions Platforms & Services	Production equipment	110	–	52	162	529
Employee housing (Setagaya-ku, Tokyo, etc.)	Operation & Solutions Technology & Solutions Platforms & Services	Welfare facilities	625	1,965 [3,205]	0	2,591	–

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

2. In addition to the above, the Company also owns ¥512 million in software.

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

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

(2) Domestic subsidiaries

As of March 31, 2023

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m^2)	Other	Total	
KYUSHU DTS CORPORATION	Head Office (Fukuoka City, Fukuoka)	Operation & Solutions	Head office and production equipment	27	–	35	63	135
JAPAN SYSTEMS ENGINEERING CORPORATION	Head Office, etc. (Shinjuku-ku, Tokyo, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	19	79 [2,593]	11	110	471
DTS WEST CORPORATION	Head Office, etc. (Osaka City, Osaka, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	33	0 [16]	48	81	265
MIRUCA CORPORATION	Head Office (Minato-ku, Tokyo)	Operation & Solutions	Head office and training facilities	5	–	4	9	9
DIGITAL TECHNOLOGIES CORPORATION	Head Office, etc. (Arakawa-ku, Tokyo, etc.)	Platforms & Services	Head office and sales operation equipment	23	–	46	70	106
DTS INSIGHT CORPORATION	Head Office, etc. (Shibuya-ku, Tokyo, etc.)	Technology & Solutions	Head office and production equipment	45	–	36	81	365
Japan SuperElectronics Co., Ltd.	Head Office (Taito-ku, Tokyo)	Operation & Solutions	Head office and production equipment	–	–	0	0	24
I Net Rely Corporation	Head Office, etc. (Chuo-ku, Tokyo, etc.)	Platforms & Services	Head office, production equipment and welfare facilities	7	0 [1]	2	9	92

Notes:
1. The “Other” amount within the carrying amount consists of “tools, furniture, and fixtures.”
2. Some land and buildings are rented.
3. In addition to the above, the Company also owns ¥85 million in software.

(3) Foreign subsidiaries

As of March 31, 2023

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m^2)	Other	Total	
DTS (Shanghai) CORPORATION	Head Office (Shanghai, China)	Operation & Solutions	Head office and production equipment	–	–	6	6	14
DTS America Corporation	Head Office, etc. (New York, U.S.A., etc.)	Operation & Solutions	Head office and production equipment	–	–	1	1	12
Nelito Systems Private Limited	Head Office, etc. (Navi Mumbai, India)	Operation & Solutions	Head office and production equipment	28	–	29	58	647
DTS SOFTWARE VIETNAM CO., LTD.	Head Office (Hanoi, Vietnam)	Operation & Solutions	Head office and production equipment	–	–	18	18	158
Dalian SuperElectronics Co., Ltd.	Head Office (Dalian, China)	Operation & Solutions	Head office and production equipment	–	–	53	53	49
Partners Information Technology, Inc.	Head Office, etc. (California, U.S.A.)	Technology & Solutions	Head office and production equipment	1	–	7	8	285

Notes: 1. The "Other" amount within the carrying amount consists of "tools, furniture, and fixtures" and right-of-use assets.
2. Some land and buildings are rented.
3. In addition to the above, the Company also owns ¥127 million in software.

3. Plans for new additions or disposals

No items to report.

IV. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

(i) Number of shares

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

(ii) Issued shares

Class of shares	Number of shares issued as of the end of the fiscal year (Shares) (March 31, 2023)	Number of shares issued as of the submission date (Shares) (June 23, 2023)	Name of listed financial instruments exchange or registered or licensed financial instruments firms association	Description
Common stock	47,590,832	47,590,832	Tokyo Stock Exchange Prime Section	The number of shares constituting a standard unit 100 shares
Total	47,590,832	47,590,832	–	–

(2) Status of the share acquisition rights

(i) Stock option plans

No items to report.

(ii) Rights plans

No items to report.

(iii) Other share acquisition rights, etc.

No items to report.

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

No items to report.

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

Date	Changes in the number of shares issued (Shares)	Balance of the number of shares issued (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
July 1, 2019 (Note 1)	25,222,266	50,444,532	–	6,113	–	6,190
March 31, 2022 (Note 2)	(1,371,900)	49,072,632	–	6,113	–	6,190
October 17, 2022 (Note 3)	(1,481,800)	47,590,832	–	6,113	–	6,190

Notes:
1. Due to the Company carrying out a two-for-one split of its common stock with an effective date of July 1, 2019.
2. Decrease due to cancellation of treasury shares.
3. Decrease due to cancellation of treasury shares.

(5) Details of shareholders

As of March 31, 2023

Category	Status of shares (1 unit = 100 shares)								Stocks of less than a standard unit (Shares)
	National and local govern-ments	Financial institu-tions	Securities companies	Other corpora-tions	Foreign shareholders, etc.		Individuals and other	Total	
					Other than individuals	Individual			
Number of shareholders (Persons)	–	19	23	36	211	9	4,644	4,942	–
Number of shares held (Units)	–	109,002	9,960	29,293	176,396	63	150,884	475,598	31,032
Shareholding Ratio (%)	–	22.92	2.09	6.16	37.09	0.01	31.73	100.00	–

Notes: 1. Treasury shares of 3,993,476 shares includes 39,934 units in "Individuals and other" and 76 shares in "Stocks of less than a standard unit."

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

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (Thousand shares)	Number of shares (excluding treasury shares) held as a percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	5,916	13.57
DTS Group Employee Shareholding Association	Empire Building, 2-23-1 Hatchobori, Chuo-ku, Tokyo	3,082	7.07
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,564	5.88
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	100 King Street West, Suite 3500, PO BOX 23 Toronto, Ontario M5X 1A9 Canada (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	2,252	5.17
AVI GLOBAL TRUST PLC (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	51 New North Road Exeter Devon EX4 4EP United Kingdom (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	1,251	2.87
NTC Corporation	28F, Sunshine 60 Bldg.,3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo	1,171	2.69
Kumiko Akiyama	Meguro-ku, Tokyo	1,120	2.57
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, United States (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	942	2.16
Chitomu Kosaki	Urayasu City, Chiba	803	1.84
JPMorgan Chase Bank 385632 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	790	1.81
Total	–	19,895	45.63

Notes: 1. According to its Large Shareholding Report (Change Report) issued for public inspection dated December 22, 2020, Mizuho Bank, Ltd. and its joint holders owned a stake in the Company as of December 15, 2020 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2023, and the Company has not included Mizuho Bank, Ltd. in the list of major shareholders detailed above.

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

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

2. According to its Large Shareholding Report (Change Report) issued for public inspection dated August 5, 2021, Acadian Asset Management LLC owned a stake in the Company as of July 30, 2021 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2023, and the Company has not included Acadian Asset Management LLC in the list of major shareholders detailed above.

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

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

3. According to its Large Shareholding Report (Change Report) issued for public inspection dated February 15, 2022, Asset Value Investors Limited owned a stake in the Company as of February 14, 2022 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2023, and the Company has not included Asset Value Investors Limited in the list of major shareholders detailed above.

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

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Asset Value Investors Limited	2 Cavendish Square London, United Kingdom	4,489	8.90

4. According to its Large Shareholding Report (Change Report) issued for public inspection dated November 7, 2022, Sumitomo Mitsui Trust Bank, Limited and its joint holders owned a stake in the Company as of October 31, 2022 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2023, and the Company has not included Sumitomo Mitsui Trust Bank, Limited in the list of major shareholders detailed above.

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

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

(7) Status of voting rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (Shares)		Number of voting rights (Units)	Description
Shares with no voting rights		–	–	–
Shares with restricted voting rights (Treasury shares, etc.)		–	–	–
Shares with restricted voting rights (Others)		–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock	3,993,400	–	–
Shares with full voting rights (Others)	Common stock	43,566,400	435,664	–
Stocks of less than a standard unit	Common stock	31,032	–	Stocks of less than a standard unit (100 shares)
Total number of issued shares		47,590,832	–	–
Total voting rights held by all shareholders		–	435,664	–

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

(ii) Treasury shares, etc.

As of March 31, 2023

Name or designation of owner	Addresses of owner	Number of shares held under own name (Shares)	Number of shares held under the name of a third party (Shares)	Total number of shares held (Shares)	Ratio of shares held to the total number of shares issued (%)
DTS CORPORATION	2-23-1 Hatchobori, Chuo-ku, Tokyo	3,993,400	–	3,993,400	8.39
Total	–	3,993,400	–	3,993,400	8.39

2. Acquisition of treasury shares, etc.

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

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

No items to report.

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

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (April 28, 2022) (Acquisition period: May 2, 2022 to December 30, 2022)	1,830,000	5,000
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	1,481,800	4,999
Total number and total value of residual shares	348,200	0
Unexercised ratio at the end of the current fiscal year (%)	19.0	0.0
Treasury shares acquired during the current period	–	–
Unexercised ratio as of the date of filing (%)	19.0	0.0

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (April 28, 2023) (Acquisition period: May 1, 2023 to October 31, 2023)	505,000	1,600
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	–	–
Total number and total value of residual shares	–	–
Unexercised ratio at the end of the current fiscal year (%)	–	–
Treasury shares acquired during the current period	118,500	401
Unexercised ratio as of the date of filing (%)	76.5	74.9

Note: Treasury shares acquired during the current period does not include the number of treasury shares acquired during the period from June 1, 2023 to the date of filing this Annual Securities Report.

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

Category	Number of shares (Shares)	Total value (Millions of yen)
Treasury shares acquired during the current fiscal year	229	0
Treasury shares acquired during the current period	–	–

Note: Treasury shares acquired during the current period does not include the number of treasury shares of less than a standard unit purchased during the period from June 1, 2023 to the date of filing this Annual Securities Report.

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

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposition amount (Millions of yen)	Number of shares (Shares)	Total disposition amount (Millions of yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that was disposed of	1,481,800	2,794	–	–
Acquired treasury shares for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	–	–	–	–
Other (disposal of treasury shares through restricted share compensation)	9,375	14	–	–
Number of treasury shares held	3,993,476	–	4,111,976	–

Note: Number of treasury shares held during the current period does not include the number of treasury shares acquired based on a resolution approved at the Board of Directors and the number of treasury shares of less than a standard unit purchased during the period from June 1, 2023 to the date of filing this Annual Securities Report.

3. Dividend policy

The Company regards the return of profits to shareholders as one of the priority issues of management, and believes that medium- to long-term growth in corporate value is the largest source of profit return. The Company is working to pay stable dividends on an ongoing basis and implement a flexible capital policy such as purchase of treasury shares, aiming to ensure the return of profits to shareholders in the medium to long term, after making a comprehensive consideration of results trends, its financial position and other factors as well as cash reserves needed for business expansion.

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

The Company intends to make use of cash reserves for forward-looking investment to boost corporate value in the medium to long term, including development investment in new information technology, capital alliances for operational expansion and new business development, investment in employee training, and investment to strengthen managerial functions.

Due to steady performance during the fiscal year under review, the year-end dividend will be paid in line with the original forecast of ¥70 per share (including a commemorative dividend of ¥30). As a result, the annual dividend will be ¥120 per share, including the interim dividend of ¥50 per share already paid (including commemorative dividend of ¥20).

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

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

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

Date of resolution		Total amount of dividends (Millions of yen)	Dividend per share (Yen)
October 31, 2022	Resolution of the Board of Directors	2,179	50
June 22, 2023	Resolutions by Annual General Meetings of Shareholders	3,051	70

4. Corporate governance

(1) Status of corporate governance

(i) Basic views on corporate governance

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

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

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

<Board of Directors>

The Company's Board of Directors currently consists of 11 Directors, of whom six are Outside Directors and two are female. The names of the members of the Board of Directors are stated in "4. Corporate governance, (2) Directors (and other officers), (i) Corporate officers," and the Representative Director and Chairman serves as Chairman of the Board.

The Outside Directors play key roles particularly in relation to strengthening our management function based on the knowledge and experience acquired in their respective fields and strengthening the supervisory function of the Board's business execution. The Outside Directors who are not Audit and Supervisory Committee Members are also appropriately involved in determining director compensation and nominating candidates for Director, engaging in deliberation and reporting as members of the Nomination and Compensation Committee.

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

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

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

<Audit and Supervisory Committee>

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

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

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

<Nomination and Compensation Committee>

The Nomination and Compensation Committee consists of six members: the Representative Director and Chairman, the Representative Director and President, and four Outside Directors who are not Audit and Supervisory Committee Members, and is chaired by an Outside Director.

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

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

<Executive Officer System and Management Council>

There are 16 Executive Officers (two of them serve concurrently as Directors). This system enables us to separate the supervisory functions of Board of Directors' decision-making and business execution from the Company's business execution functions and to establish a management system that facilitates prompt and appropriate business execution. In addition, the Company has established a Management Council, chaired by the Representative Director and President and composed mainly of Directors and Executive Officers, to serve as an organization for the Representative Director and President to discuss policies and plans for business execution and other important matters.

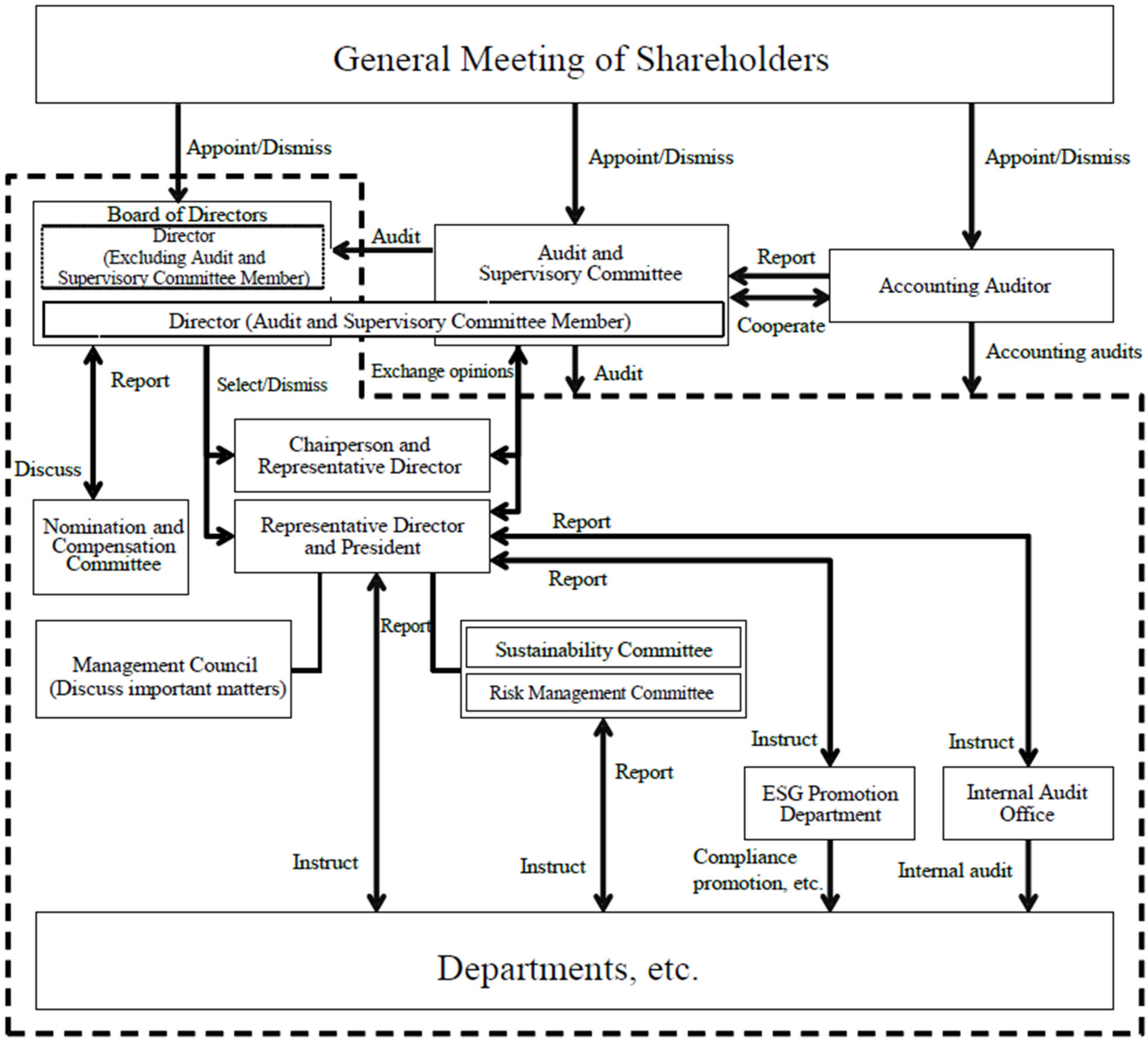
<Risk Management Committee>

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

<Sustainability Committee>

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

<Corporate Governance System (Chart)>



(iii) Other matters concerning corporate governance

- Status of internal control system

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

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

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

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

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

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

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

- Individual frameworks relating to the internal control system

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) The 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.

(b) 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Important compliance-related matters

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

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

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

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

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

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

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

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

c) Important compliance-related matters

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

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

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

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

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

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

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

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

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

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

The following is an outline of the operational progress made on the framework for ensuring the appropriateness of business operations for the current fiscal year. The Company transitioned to a company with an Audit and Supervisory Committee in accordance with the resolution at the 50th Annual General Meeting of Shareholders held on June 23, 2022. Regarding d. Execution of Duties by the Audit and Supervisory Committee below, the overview of the operational progress after the transition is described. Prior to the transition, a similar framework for the Board of Auditors had been in place and was operated.

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

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

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

b. Risk management framework

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.

c. The execution of duties by Directors

In fiscal 2022, the Company held 12 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 32 meetings of the Management Council to discuss business execution policies and plans and other important matters when the Representative Director and President execute duties based on the management policy determined by the Board of Directors.

d. The execution of duties by Audit and Supervisory Committee

Audit and Supervisory Committee Members, including Outside Directors, conduct audits based on audit plans determined in the Audit and Supervisory Committee and attend important meetings such as the Board of Directors' and various committee meetings to obtain a clear grasp of the Directors' decision-making processes and the status of business execution. In fiscal 2022, the Audit and Supervisory Committee convened eight times.

(As the Company transitioned to a company with an Audit and Supervisory Committee in accordance with the resolution at the 50th Annual General Meeting of Shareholders held on June 23, 2022, the Board of Auditors convened four times from April to June 2022 when the Company was a company with a Board of Auditors.)

The Audit and Supervisory Committee 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. Audit and Supervisory Committee Members also exchange opinions with Auditors and other members of Group companies and conduct audits of Group companies in cooperation with local auditing staff.

(iv) Outline of Limited Liability Agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company enters into agreements with Directors (excluding Directors who are also Executive Officers) and Corporate Auditors to limit their liability stipulated in Article 423, paragraph (1) of the Companies

Act. Under the agreement, their liability is limited to one (1) million yen or the amount stipulated in Article 425, paragraph (1) of the Companies Act, whichever is greater.

(v) Outline of Directors and Officers Liability Insurance Contract

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

(vi) Number of Directors

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

(vii) Requirements for resolutions for the election of Directors

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

(viii) Organization for determining dividends of surplus

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

(ix) Organization for determining the acquisition of treasury shares

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

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

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

(xi) Matters concerning class shares

No items to report.

(xii) Matters concerning conflict of interest transactions

No items to report.

(xiii) Board of Directors' activity status

In fiscal 2022, the Company held 12 meetings of the Board of Directors to determine matters stipulated by laws, regulations, and other rules, as well as important management-related issues. In addition, the Board supervised business execution from the perspective of compliance with laws, regulations, and the Company's Articles of Incorporation, and ensuring the appropriateness of business operations.

In addition to "Proposals to be resolved" and "Matters to be reported," the Company includes "Discussion items" in an agenda item at meetings of the Board of Directors and human resource development and human resource strategies were discussed at the meetings last year.

(xiv) Nomination and Compensation Committee's activity status

In fiscal 2022, the Company held nine meetings of the Nomination and Compensation Committee and reported to the Board of Directors regarding the nomination and compensation of officers. The main activities of the Nomination and Compensation Committee are as follows.

Month	Main activities
April 2022	Discussed performance evaluations for officers' compensation in 50th fiscal year (year ended March 31, 2022) Discussed policies for determining compensation for individual Directors Discussed the content of proposals to the General Meeting of Shareholders regarding the compensation framework for Directors Discussed the amount of compensation for Directors who are Audit and Supervisory Committee Members (amount proposed to the Audit and Supervisory Committee)
January 2023	Discussed details of revision of incentives for officers' compensation
February 2023	Discussed policies for determining compensation for individual Directors
March 2023	Discussed Directors for the 52nd fiscal year (after the Annual General Meeting of Shareholders in June 2023) Discussed the advisory committee structure for the 52nd fiscal year (April 2023 and after the Annual General Meeting of Shareholders in June 2023)

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

Membership of the Board of Directors, the attendance and tenure of their members, and the membership of the Nomination and Compensation Committee (for the fiscal year ended March 31, 2023)

◎: Chair, ○: Member

Official title or position			Name	Attendance at Board of Directors meetings (Attendance rate)	Attendance at Nomination and Compensation Committee meetings (Attendance rate)		Tenure
Chairperson and Representative Director			Koichi Nishida	12/12 (100%)	○	9/9 (100%)	13 years
Representative Director and President			Tomoaki Kitamura	12/12 (100%)	○	9/9 (100%)	2 years
Director and Senior Managing Executive Officer			Minoru Takeuchi	12/12 (100%)	–	–	12 years
Director and Managing Executive Officer			Isao Asami	12/12 (100%)	–	–	3 years
Director and Senior Executive Officer			Hirotoshi Kobayashi	12/12 (100%)	–	–	6 years
Director	Inde-pendent	Outside	Masayuki Hirata	12/12 (100%)	○	9/9 (100%)	7 years
Director	Inde-pendent	Outside	Shinya Shishido	12/12 (100%)	◎	9/9 (100%)	3 years
Director	Inde-pendent	Outside	Shinichi Yamada	12/12 (100%)	○	9/9 (100%)	2 years
Director	Inde-pendent	Outside	Yumiko Masuda	10/10 *1 (100%)	○	8/8 *1 (100%)	–
Director and Full-time Audit and Supervisory Committee Member			Takao Sakamoto	12/12 (100%)	–	–	–
Director and Audit and Supervisory Committee Member	Inde-pendent	Outside	Kenji Yukimoto	9/12 (75%)	–	–	–
Director and Audit and Supervisory Committee Member	Inde-pendent	Outside	Taeko Ishii	11/12 (91%)	–	–	–
Director and Audit and Supervisory Committee Member	Inde-pendent	Outside	Yutaka Takei	12/12 (100%)	–	–	–

*1 As Ms. Yumiko Masuda assumed office of Director on June 23, 2022, attendance at the meetings held after her assumption of office (10 Board of Directors meetings and 8 Nomination and Compensation Committee meetings) and the attendance rate are indicated.

(2) Directors (and other officers)

(i) Corporate officers

9 males, 2 females (female ratio of 18.2%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Chairperson and Representative Director	Koichi Nishida	January 24, 1956	June 2001	Head, Planning Department, Financial System Platforms Sector, NTT DATA Corporation	(Note 1)	49
			Nov. 2003	Deputy Head, Financial System Platforms Sector, NTT DATA Corporation		
			May 2004	Deputy Head, Regional Banking System Platforms Sector, NTT DATA Corporation Head, General Banking Business Unit, NTT DATA Corporation		
			June 2005	Senior Vice President, NTT DATA Corporation Head, Regional Banking System Platforms Sector, NTT DATA Corporation		
			June 2009	Director and Executive Vice President, the Company Executive Officer		
			Apr. 2010	Representative Director and President		
			Apr. 2021	Chairperson and Representative Director (current position)		
Representative Director and President	Tomoaki Kitamura	September 24, 1964	July 2003	Head, Business Development Sector, NTT DATA Corporation	(Note 1)	4
			July 2009	Head, Data Center Business Unit, Business Solution Sector, NTT DATA Corporation		
			July 2012	Head, Data Center Business Unit, Fundamental System Platforms Sector, NTT DATA Corporation		
			June 2015	President and CEO, NTT DATA TOKAI Corporation		
			June 2018	Senior Vice President and Head, Business Solution Sector, NTT DATA Corporation Director, NTT DATA INTRAMART CORPORATION Director, NTT DATA BUSINESS SYSTEMS CORPORATION		
			June 2020	Director and Executive Vice President, the Company		
			Apr. 2021	Representative Director and President (current position) Head, Digital Solution Sector		

Official title or position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director and Senior Managing Executive Officer	Minoru Takeuchi	June 21, 1961	Apr. 1985 Joined the Company Apr. 2007 Head, Financial System Sector Oct. 2007 Executive Officer June 2010 Director Apr. 2016 Executive Managing Director Chairman, DTS (Shanghai) CORPORATION (current position) July 2017 Chairman, DTS SOFTWARE VIETNAM CO., LTD. (current position) Apr. 2018 Chairman, DTS America Corporation (current position) Mar. 2019 Chairman, Dalian Super Electronics Co., Ltd. Apr. 2019 Director and Managing Executive Officer, the Company Aug. 2019 Representative Director and Chairman, Japan Super Electronics Co., Ltd. Sept. 2019 Chairman, Nelito Systems Limited (current position) Apr. 2022 Director and Senior Managing Executive Officer, the Company (current position) Nov. 2022 Chairman, Partners Information Technology, Inc. (current position) Apr. 2023 Head of Operations and Solutions Segment and Head of Technology and Solutions Segment, the Company (current position)	(Note 1)	17
Director and Managing Executive Officer	Isao Asami	October 20, 1964	Apr. 1987 Joined the Company Apr. 2010 General Manager, Corporate Planning Department Apr. 2012 Executive Officer Apr. 2013 General Manager, Embedded Systems Business Department, iCT Sector Apr. 2014 Director, YOKOGAWA DIGITAL COMPUTER CORPORATION Director, ART System Co., Ltd. Apr. 2015 Representative Director and President, ART System Co., Ltd. Apr. 2017 Representative Director and President, DTS INSIGHT CORPORATION (current position) June 2019 Director, the Company Apr. 2020 Senior Executive Officer Head, Enterprise and Solution Sector Apr. 2022 Director and Managing Executive Officer (current position)	(Note 1)	18

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Shinya Shishido	September 29, 1948	Apr. 1998	General Manager, Systems Department, Japan Housing Finance Agency	(Note 1)	–
			May 2001	General Manager, Osaka Branch, Japan Housing Finance Agency		
			June 2003	Director, Japan Housing Finance Agency (retired in March 2007)		
			Apr. 2007	Managing Director, HGS Co., Ltd. (retired in March 2011)		
			June 2007	Representative Director and President, JLS. LTD. (retired in March 2011)		
			Apr. 2011	Chairman, Incorporated Administrative Agency Japan Housing Finance Agency (retired in March 2015)		
			Apr. 2015	Councilor, TOHOKU GAKUIN (retired in March 2019)		
			May 2016	Director, Escrow Agent Japan, Inc. (retired in May 2019)		
			June 2019	Director, the Company (current position)		
			June 2020	Director, Takamatsu Corporation Co., Ltd. (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Shinichi Yamada	February 25, 1952	June 2003 May 2004 June 2005 June 2007 June 2009 July 2009 June 2011 Apr. 2017 June 2017 June 2020	Director and Deputy Head, Business Development Sector, NTT DATA Corporation Director and Head, Business Development Sector, NTT DATA Corporation Senior Vice President and Head, Fundamental System Platforms Sector, NTT DATA Corporation President and CEO, NTT DATA INTELLILINK Corporation (retired in June 2011) Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation Representative Director and Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation Representative Director and Executive Vice President; Head, S&T Company; Head, SI Competency Sector, and Head, Technology Development Sector, NTT DATA Corporation (retired in June 2011) President and CEO, NTT Software Corporation (retired in March 2017) Director, NTT TechnoCross Corporation (retired in June 2017) Special Advisor, NTT TechnoCross Corporation (retired in June 2018) Director, the Company (current position)	(Note 1)	–

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	Yumiko Masuda	October 20, 1955	May 1990	Banking Group Manager, Bellsystem24, Inc. (retired in June 1996)	(Note 1)	–
			Sept. 1996	Solutions Sales, IBM Japan		
			Jan. 2003	Financial Strategy Consulting Cluster Partner, GS Consulting Department, IBM Japan (retired in June 2006)		
			July 2006	Director, Strategic Industry Sales Division, Field Service Control Division, SAP Japan Co., Ltd. (retired in May 2009)		
			June 2009	Representative Director, Consumer Voice Research Institute, Limited (current position)		
			June 2018	Outside Director, PC Depot Corporation (current position)		
			June 2022	Director, the Company (current position)		
Director (Full-Time Audit and Supervisory Committee Member)	Takao Sakamoto	January 4, 1961	Apr. 1987	Joined the Company	(Note 2)	19
			Apr. 2004	General Manager, Planning Department, Corporate Staff Division		
			Apr. 2007	Executive Officer		
			June 2009	Director		
			Apr. 2013	General Manager, Human Resources Department		
			Mar. 2014	Representative Director and President, MIRUCA CORPORATION		
			Apr. 2016	Executive Managing Director, the Company		
			Apr. 2019	Director and Managing Executive Officer, the Company		
			Mar. 2020	Director, DTS palette Inc.		
			June 2020	Director, JAPAN SYSTEMS ENGINEERING CORPORATION		
			June 2022	Director (Full-Time Audit and Supervisory Committee Member), the Company (current position) Corporate Auditor, DTS INSIGHT CORPORATION (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director (Audit and Supervisory Committee Member)	Taeko Ishii	May 7, 1956	Apr. 1986 Mar. 1992 Apr. 1998 Apr. 2003 Apr. 2004 Nov. 2007 Apr. 2008 June 2014 June 2018 June 2021 June 2022	Registered as an attorney (Member of Dai-Ichi Tokyo Bar Association) Joined Ryoichi Wada Law Office Established Ota Ishii Law Office as Deputy Director (current position) Civil Conciliation Commissioner, Tokyo District Court (current position) Member of Study Group for Case Law on Public Employees, Human resources and Pension Bureau, Ministry of Internal Affairs and Communications (currently Study Group for Case Law on Public Employees, Cabinet Human Resources Bureau, Cabinet Secretariat) (current position) Outside Corporate Auditor, Furusato Service Co., Ltd. (current position) Special Committee Member, Central Construction Work Disputes Committee, Ministry of Land, Infrastructure, Transport and Tourism (current position) Part-time Lecturer, Waseda Law School, Waseda University Outside Corporate Auditor, DATALINKS CORPORATION Corporate Auditor, the Company Outside Audit and Supervisory Board Member, NEC Corporation (retired in June 2022) Outside Director, Sumitomo Metal Mining Co., Ltd. (current position) Outside Corporate Auditor, Dai Nippon Printing Co., Ltd. (current position) Director (Audit and Supervisory Committee Member), the Company (current position)	(Note 2)	–

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director (Audit and Supervisory Committee Member)	Yutaka Takei	October 23, 1955	Apr. 1999	General Manager, Namba Branch, The Mitsui Trust Banking, Limited	(Note 2)	–
			Apr. 2000	General Manager, Namba Branch, The Chuo Mitsui Trust and Banking Company, Limited		
			Nov. 2000	General Manager, Nihonbashi Sales Sixth Department, The Chuo Mitsui Trust and Banking Company, Limited		
			July 2001	General Manager, Urawa Branch, The Chuo Mitsui Trust and Banking Company, Limited		
			Oct. 2002	General Manager, Sendai Branch, The Chuo Mitsui Trust and Banking Company, Limited		
			Oct. 2003	General Manager, Transfer Agent Department, The Chuo Mitsui Trust and Banking Company, Limited		
			Oct. 2007	Executive Officer and General Manager, Transfer Agent Department, The Chuo Mitsui Trust and Banking Company, Limited (retired in May 2009)		
			June 2009	Director and President, Tokyo Securities Transfer Agent Co., Ltd. (retired in March 2017)		
			Apr. 2017	Advisor, Fujicitio Co, Ltd.		
			May 2017	Director, Fujicitio Co, Ltd.		
			Jan. 2018	Executive Managing Director, Fujicitio Co, Ltd. (retired in May 2019)		
			May 2019	Advisor, Tokyo Securities Transfer Agent Co., Ltd. (retired in October 2020)		
			June 2019	Corporate Auditor, the Company		
			Apr. 2021	Senior Researcher, The Japan Association of Charitable Organizations		
			June 2021	Head of Research Department, The Japan Association of Charitable Organizations (current position)		
			June 2022	Director (Audit and Supervisory Committee Member), the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director (Audit and Supervisory Committee Member)	Nobuyasu Iimuro	April 21, 1962	Sept. 1991	Joined Aoyama Audit Corporation	(Note 3)	–
			Aug. 1995	Registered as Certified Public Accountant		
			Apr. 2000	Audit unit, ChuoAoyama PricewaterhouseCoopers (retired in August 2006)		
			Sept. 2006	PricewaterhouseCoopers Aarata (retired in July 2012)		
			July 2012	Chief Examiner, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (retired in June 2014)		
			July 2014	Director, Audit unit, PricewaterhouseCoopers Aarata		
			July 2017	Partner, Audit unit, PricewaterhouseCoopers Aarata LLC (retired in June 2022)		
			July 2022	President, Nobuyasu Iimuro Certified Public Accountant Office (current position)		
			June 2023	Director (Audit and Supervisory Committee Member), the Company (current position)		
Total						110

Notes:
1. One year from the conclusion of the 51st Annual General Meeting of Shareholders held on June 22, 2023.
2. Two years from the conclusion of the 50th Annual General Meeting of Shareholders held on June 23, 2022.
3. Two years from the conclusion of the 51st Annual General Meeting of Shareholders held on June 22, 2023.
4. Shinya Shishido, Shinichi Yamada, Yumiko Masuda, Taeko Ishii, Yutaka Takei, and Nobuyasu Iimuro are Outside Directors.
5. The Company has introduced an executive officer system to facilitate quick decision-making and clarify management responsibility. There are 16 Executive Officers members, including the abovementioned Directors who also serve as Executive Officers and the following 14 Executive Officers.

Managing Executive Officer	Hirotoshi Kobayashi	Head, Platform and Services Segment President & CEO, Digital Technologies Corporation Director, I Net Rely Corporation
Senior Executive Officer	Makoto Kondo	Deputy Head of Operations and Solutions Segment and Head, Public Systems and Social Infrastructure Sector Director, DTS (Shanghai) CORPORATION Chairman, Dalian Super Electronics Co., Ltd. Representative Director and Chairman, Japan Super Electronics Co., Ltd.
Executive Officer	Shigeo Okubo	Representative Director and President, JAPAN SYSTEMS ENGINEERING Corporation
Executive Officer	Yutaka Nakamura	General Manager, Business Development Department
Executive Officer	Hiroyuki Mabuchi	President, DTS America Corporation Director and Vice President, Partners Information Technology, Inc.
Executive Officer	Kazunori Nagasaki	Representative Director and President, DTS WEST CORPORATION Representative Director and President, KYUSHU DTS CORPORATION
Executive Officer	Tetsuji Kamata	General Manager, General Affairs Department Representative Director and President, DTS palette Inc.
Executive Officer	Hiroshi Tani	Head, IT Platform Service Sector

Executive Officer	Akira Nishimura	General Manager, Human Resources Department Director, MIRUCA CORPORATION
Executive Officer	Masanori Tamura	Head, Financial Sector and General Manager, Sales Department Director, Nelito Systems Private Limited
Executive Officer	Takeo Haruki	General Manager, Accounting and Finance Department
Executive Officer	Hiroyuki Norikane	Deputy Head of Technology and Solutions Segment and Head, Digital Solution Sector
Executive Officer	Masakazu Takada	Head, Enterprise and Solution Sector; General Manager, Sales Department; and Head, Housing Solution Division Representative Director and President, Anshin Project Japan Inc.
Executive Officer	Naoki Minase	General Manager, ESG Promotion Department

(ii) Outside officers

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

Shinya Shishido has abundant experience and a high level of insight as a manager in the housing loan industry and the real estate industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective 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, his independence is deemed to be ensured. Mr. Shinya Shishido previously served as an executive officer of Incorporated Administrative Agency Japan Housing Finance Agency and Escrow Agent Japan, Inc. However, the Company has no business relationship with these companies. Mr. Shinya Shishido serves as an executive officer of Takamatsu Corporation Co., Ltd. However, the Group has no business relationship with said company.

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 general shareholders. Therefore, his independence is deemed to be ensured. Mr. 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 twelve 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 ¥11.2 billion per year and less than 11% of net sales (the amount of business transactions including not only sales but also purchasing, etc. as a percentage of gross net sales; hereinafter the same applies.) (consolidated results for the fiscal year ended March 31, 2023). Furthermore, Mr. Shinichi Yamada previously served as Director of NTT TechnoCross Corporation (NTT Software Corporation and NTT-IT Corporation were merged into NTT TechnoCross Corporation), which is one of our business partners. However, as it has already been six 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 ¥80 million per year and less than 0.1% of net sales (consolidated results for the fiscal year ended March 31, 2023).

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

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

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 Director who is an Audit and Supervisory Committee Member, in the expectation of his contribution to enhancement of the supervisory functions of business execution as well as provision of advice from a broader perspective. In addition, Mr. 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, his independence is deemed to be ensured. Mr. Yutaka Takei previously served as an executive officer of The Chuo Mitsui Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited), which is one of our business partners. However, as it has already been fourteen years since he resigned from the company, and he has not been involved in execution of business of the company after his resignation, the Company has determined that his former position does not have any influence on his independence. The company and the Group had business transactions totaling less than ¥600 million per year and less than 0.6% of net sales (consolidated results for the fiscal year ended March 31, 2023). The Company has no borrowings from financial institutions including the company. Mr. Yutaka Takei previously served as an executive officer of Tokyo Securities Transfer Agent Co., Ltd. and Fujicitio Co, Ltd. However, the Company has no business relationship with these companies.

Nobuyasu Iimuro is certified as a certified public accountant, and has abundant experience and expertise regarding finance and accounting. The Company expects that he will utilize this experience and expertise in the audit structure of the Company, and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. Therefore, the Company appoints him as an Outside Director who is an Audit and Supervisory Committee Member. Although he has never been involved in corporate management in any way other than as an outside officer in the past, for the above reasons, the Company believes that he is capable of appropriately performing his duties as an Outside Director who is an Audit and Supervisory Committee Member. Mr. Nobuyasu Iimuro satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Iimuro, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, the Company has determined that his independence has been secured. Mr. Nobuyasu Iimuro serves as an executive officer of Nobuyasu Iimuro Certified Public Accountant Office. However, the Group has no business relationship with the said office.

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

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

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

(3) Status of audits

(i) Audits by the Audit and Supervisory Committee

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

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

During the fiscal year under review, the Company held four meetings of the Board of Auditors as a company with a Board of Auditors prior to June 22, 2022, when the Company transitioned to a company with an Audit and Supervisory Committee, and the attendance of individual Auditors was as follows.

(Attendees and status of attendance at Board of Auditor meetings)

Official title or position	Name	Status of attendance (Attendance rate)
Full-time Auditor	Kenichiro Akamatsu	4/4 (100%)
Auditor	Kenji Yukimoto	4/4 (100%)
Auditor	Taeko Ishii	4/4 (100%)
Auditor	Yutaka Takei	4/4 (100%)

Subsequently, the Audit and Supervisory Committee held eight meetings up to the end of the fiscal year under review, and the attendance of individual Audit and Supervisory Committee Members was as follows.

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

Official title or position	Name	Status of attendance (Attendance rate)
Full-Time Audit and Supervisory Committee Member	Takao Sakamoto	8/8 (100%)
Audit and Supervisory Committee Member	Kenji Yukimoto	5/8 (62.5%)
Audit and Supervisory Committee Member	Taeko Ishii	8/8 (100%)
Audit and Supervisory Committee Member	Yutaka Takei	8/8 (100%)

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

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

(ii) Status of internal audits

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

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

(iii) Status of accounting audits

a. Accounting auditor:

Ernst & Young ShinNihon LLC.

b. Audit period:

From March 2021 onward

c. CPA who executed the audit:

Shigeru Sekiguchi

Saori Nakata

d. Composition of auxiliary auditing persons:

3 CPAs, 8 people with accountancy qualifications, and 17 others

e. Policy and reasons for appointing the Accounting Auditor

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

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

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

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

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

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

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

(iv) Content of the audit fee

a. Content of the compensation to the certified public accountants

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)
The Company	53	16	54	15
Consolidated subsidiaries	–	–	–	–
Total	53	16	54	15

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

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

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)
The Company	–	71	–	33
Consolidated subsidiaries	–	–	–	–
Total	–	71	–	33

Non-audit services for which the Company pays compensation to organizations belonging to the same network, of which the Accounting Auditor is a group member mainly include consideration of investments in overseas companies.

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

No items to report.

d. Policy on determining the audit fee

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

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

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

(4) Compensation, etc. for officers

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

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

At the Board of Directors meeting held on March 20, 2023, the Company resolved on the policy to determine the details of compensation for individual Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) (hereinafter referred to as the "Decision Policy").

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

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

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

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

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

Performance indicators for compensation

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

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

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

Financial/non-financial	Performance indicator	Standard amount	Result
Financial indicator	Consolidated ordinary profit	10.0 billion yen	11.93 billion yen

Indicators associated with short-term enhancement of corporate value

(assessed each year and reflected in bonuses and stock compensation)

Financial/non-financial	Performance indicators	Weight	Targets	Results
Financial indicator	Consolidated net sales	40%	100.0 billion yen	106.13 billion yen
	Profit attributable to owners of parent	15%	7.95 billion yen	8.00 billion yen
	EBITDA	15%	12.1 billion yen	12.43 billion yen
	ROE	30%	12.9%	13.0%

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

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

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

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

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

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

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

Indicators associated with medium-term enhancement of corporate value

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

Financial/non-financial	Performance indicators	Weight	Targets
Financial indicators	Consolidated net sales	20%	110.0 billion yen or higher
	EBITDA	20%	13.0 billion yen or higher
	Growth investment (cumulative total for three years)	10%	25.0 billion yen
	ROE	10%	13% or higher
Non-financial indicators	Reduction of CO_2 emissions (compared with FY2013 figures)	20%	50.0% or higher
	Ratio of female managers	20%	6.0% or higher

Indicators associated with long-term enhancement of corporate value

(assessed every year and reflected in stock compensation)

Performance indicator	Results (FY2022)		Assessment coefficient (Company's TSR compared with TOPIX growth rate including dividends)
	The Company's TSR	TOPIX growth rate including dividends	
The Company's TSR (compared with TOPIX growth rate)	124.7%	105.8%	117.9%

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

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

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

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

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

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

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

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

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

The reason for delegating this authority to the Chairperson and Representative Director is because he has the most thorough understanding of aspects such as the Company's business environment and condition, and is able to determine the amounts of compensation for individual Directors who are not Audit and Supervisory Committee Members from a comprehensive perspective. Furthermore, the Company considers that this delegation of authority contributes to the flexible and agile determination of compensation amounts.

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

At the meeting of the Board of Directors held in June 2023, the Board of Directors decided on the change to delegate the determination of the amounts of compensation, bonuses, and stock compensation for Directors who are not Audit and Supervisory Committee Members to the Representative Director and President, Tomoaki Kitamura, within the annual compensation limits approved at the shareholders' meeting.

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

June 2022:	Decided amount of compensation and bonuses for Directors
	Change in policy for determining individual compensation, etc. for each Director (discretionary authority granted to the Representative Director and Chairman)
	Granted restricted stock compensation

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

April 2022:	Discussed performance evaluations for officers' compensation in 50th fiscal year (year ended March 31, 2022)
	Discussed policies for determining compensation for individual Directors
	Discussed the content of proposals to the General Meeting of Shareholders regarding the compensation framework for Directors
	Discussed the amount of compensation for Directors who are Audit and Supervisory Committee Members (amount proposed to the Audit and Supervisory Committee)
January 2023:	Discussed details of revision of incentives for officers' compensation
February 2023:	Discussed policies for determining compensation for individual Directors

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

Category	Total amount of compensation, etc. (Millions of yen)	Amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc. (Restricted stock compensation)	
Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors)	228	146	66	15	6
Audit and Supervisory Committee Members (excluding those who are Outside Directors)	15	15	–	–	1
Auditors (excluding those who are Outside Auditors)	4	4	–	–	1
Outside officers	36	36	–	–	8

(5) Status of shares held

(i) Criteria and concept on investment shares

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

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

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

<Holding policies>

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

<Methods to verify the holding effects>

To verify the suitability of holding these cross-shareholdings, the 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.

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

	Number of stocks (Issue name)	Total of the amounts recorded in the balance sheet (Millions of yen)
Unlisted shares	2	297
Shares other than unlisted shares	7	2,472

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

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

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

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

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

Issue name	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Holding purpose, outline of business alliances, etc., quantitative holding effects, and reason for the increased number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Amount recorded in the balance sheet (Millions of yen)	Amount recorded in the balance sheet (Millions of yen)		
EXEO Group, Inc.	504,000	504,000	Shares are held to build relationships for future business. Business collaboration and mutually complementary resources in the DX field are being discussed and explored.	Yes
	1,208	1,139		
Hibiya Engineering, Ltd.	284,000	284,000	Shares are held to build relationships for future business. Business collaboration is being considered for new solutions.	Yes
	614	520		
Sumitomo Mitsui Trust Holdings, Inc.	55,500	55,500	Shares are held to maintain relationships and expand transactions with customers and end-users.	Yes
	252	222		
NTT DATA INTRAMART CORPORATION	127,000	127,000	Shares are held to maintain relationships and expand transactions with customers and end-users. Shares are held in order to build good relationships with companies that possess solutions necessary for our business.	No
	223	247		
Mitsubishi UFJ Financial Group, Inc.	104,000	104,000	Shares are held to maintain relationships and expand transactions with customers and end-users.	No
	88	79		
NTT DATA Corporation	25,000	25,000	Shares are held to maintain relationships and expand transactions with customers and end-users. Shares are held in order to build good relationships with companies that possess solutions necessary for our business.	Yes
	43	60		
Mizuho Financial Group, Inc.	23,009	23,009	Shares are held to maintain relationships and expand transactions with customers and end-users.	Yes
	43	36		

Note: The suitability of holdings was verified by the Board of Directors on May 16, 2023 due to the difficulty of stating the effect of quantitative holdings.

(iii) Investment shares held for pure investment purposes

No items to report.

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

No items to report.

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

No items to report.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

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

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

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

(3) The amounts of account items or other information presented in the consolidated financial statements and the non-consolidated financial statements of the Company were previously presented in a unit of thousand yen. However, commencing from the fiscal year ended March 31, 2023, this unit has changed to million yen. To facilitate comparison with prior periods, the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2022 are presented in a unit of million yen.

2. Auditing and attestation

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023) were audited by Ernst & Young ShinNihon LLC, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		46,120		43,531
Notes and accounts receivable - trade, and contract assets	*1	17,259	*1	21,023
Securities		1,200		799
Merchandise and finished goods		1,193		660
Work in process		209		239
Raw materials and supplies		54		46
Other		1,030		1,299
Allowance for doubtful accounts		(24)		(8)
Total current assets		67,044		67,591
Non-current assets				
Property, plant and equipment				
Buildings and structures		2,628		2,684
Accumulated depreciation		(1,575)		(1,645)
Buildings and structures, net		1,053		1,039
Land		2,045		2,045
Other		2,073		2,092
Accumulated depreciation		(1,503)		(1,609)
Other, net		570		483
Total property, plant and equipment		3,669		3,567
Intangible assets				
Goodwill		209		1,277
Software		659		725
Other		7		7
Total intangible assets		876		2,010
Investments and other assets				
Investment securities	*2	4,614	*2	4,427
Deferred tax assets		1,536		1,549
Other		1,380		1,534
Allowance for doubtful accounts		(5)		(5)
Total investments and other assets		7,526		7,505
Total non-current assets		12,072		13,084
Total assets		79,116		80,676

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	6,256	6,842
Accounts payable - other	1,337	1,386
Income taxes payable	2,392	2,583
Provision for bonuses	2,726	2,964
Provision for bonuses for directors (and other officers)	77	80
Provision for loss on orders received	76	19
Other	*3 3,021	*3 3,769
Total current liabilities	15,888	17,646
Non-current liabilities		
Retirement benefit liability	832	511
Other	261	141
Total non-current liabilities	1,094	652
Total liabilities	16,982	18,299
Net assets		
Shareholders' equity		
Share capital	6,113	6,113
Capital surplus	4,992	4,992
Retained earnings	55,418	56,577
Treasury shares	(5,342)	(7,534)
Total shareholders' equity	61,181	60,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	609	926
Foreign currency translation adjustment	54	(87)
Remeasurements of defined benefit plans	172	433
Total accumulated other comprehensive income	836	1,272
Non-controlling interests	115	956
Total net assets	62,133	62,376
Total liabilities and net assets	79,116	80,676

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

Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	94,452	*1	106,132
Cost of sales	*2	75,310	*2	85,346
Gross profit		19,141		20,786
Selling, general and administrative expenses				
Salaries and allowances		2,824		3,148
Provision for bonuses		360		436
Amortization of goodwill		70		134
Commission expenses		920		1,204
Other	*3	3,769	*3	4,167
Total selling, general and administrative expenses		7,944		9,091
Operating profit		11,196		11,694
Non-operating income				
Interest income		34		41
Dividend income		80		96
Gain on investments in investment partnerships		52		–
Subsidy income		37		15
Gain on cancellation of lease obligation		–		42
Other		65		99
Total non-operating income		270		294
Non-operating expenses				
Interest expenses		31		28
Loss on investments in investment partnerships		–		17
Commission for purchase of treasury shares		3		6
Foreign exchange losses		24		0
Other		4		2
Total non-operating expenses		63		56
Ordinary profit		11,403		11,932
Extraordinary income				
Gain on sale of non-current assets	*4	0	*4	0
Total extraordinary income		0		0
Extraordinary losses				
Loss on retirement of non-current assets	*5	0	*5	39
Loss on valuation of investment securities		–		255
Loss on cancellation of rental contracts		1		–
Compensation for damage		16		–
Total extraordinary losses		19		295
Profit before income taxes		11,384		11,637
Income taxes - current		3,625		3,996
Income taxes - deferred		(78)		(363)
Total income taxes		3,546		3,632
Profit		7,837		8,005
Profit (loss) attributable to non-controlling interests		(16)		4
Profit attributable to owners of parent		7,853		8,001

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	7,837	8,005
Other comprehensive income		
Valuation difference on available-for-sale securities	(350)	316
Foreign currency translation adjustment	98	(217)
Remeasurements of defined benefit plans, net of tax	86	260
Total other comprehensive income	* (165)	* 359
Comprehensive income	7,672	8,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,677	8,436
Comprehensive income attributable to non-controlling interests	(5)	(71)

(iii) Consolidated statements of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113	6,215	51,112	(5,185)	58,256
Cumulative effects of changes in accounting policies			11		11
Restated balance	6,113	6,215	51,124	(5,185)	58,267
Changes during period					
Dividends of surplus			(2,966)		(2,966)
Profit attributable to owners of parent			7,853		7,853
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares		14		12	27
Cancellation of treasury shares		(1,831)		1,831	–
Transfer from retained earnings to capital surplus		592	(592)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(1,223)	4,294	(156)	2,913
Balance at end of period	6,113	4,992	55,418	(5,342)	61,181

	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	(32)	85	1,013	139	59,409
Cumulative effects of changes in accounting policies						11
Restated balance	960	(32)	85	1,013	139	59,420
Changes during period						
Dividends of surplus						(2,966)
Profit attributable to owners of parent						7,853
Purchase of treasury shares						(2,000)
Disposal of treasury shares						27
Cancellation of treasury shares						–
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	(350)	87	86	(176)	(24)	(201)
Total changes during period	(350)	87	86	(176)	(24)	2,712
Balance at end of period	609	54	172	836	115	62,133

Fiscal year under review (From April 1, 2022 to March 31, 2023)

(Millions of yen)

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	609	54	172	836	115	62,133
Cumulative effects of changes in accounting policies						–
Restated balance	609	54	172	836	115	62,133
Changes during period						
Dividends of surplus						(4,062)
Profit attributable to owners of parent						8,001
Purchase of treasury shares						(5,000)
Disposal of treasury shares						28
Cancellation of treasury shares						–
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	316	(142)	260	435	841	1,276
Total changes during period	316	(142)	260	435	841	242
Balance at end of period	926	(87)	433	1,272	956	62,376

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	11,384	11,637
Depreciation	532	608
Amortization of goodwill	70	134
Increase (decrease) in provision for bonuses	(182)	212
Increase (decrease) in provision for bonuses for directors (and other officers)	(27)	3
Increase (decrease) in provision for loss on orders received	24	(57)
Increase (decrease) in retirement benefit liability	90	60
Loss (gain) on valuation of investment securities	–	255
Decrease (increase) in trade receivables and contract assets	(733)	(2,903)
Decrease (increase) in inventories	(905)	512
Increase (decrease) in trade payables	1,000	549
Increase (decrease) in accounts payable - other	178	(268)
Other, net	(373)	623
Subtotal	11,060	11,367
Interest and dividends received	120	141
Interest paid	(20)	(11)
Income taxes paid	(3,571)	(3,854)
Net cash provided by (used in) operating activities	7,589	7,642
Cash flows from investing activities		
Purchase of investment securities	(474)	(550)
Proceeds from redemption of securities	600	1,300
Purchase of property, plant and equipment	(143)	(304)
Purchase of intangible assets	(147)	(345)
Payments into time deposits	(319)	(154)
Proceeds from withdrawal of time deposits	412	300
Net decrease (increase) in short-term loans receivable	185	6
Proceeds from distributions from investment partnerships	78	18
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(325)	(1,192)
Other, net	(5)	(9)
Net cash provided by (used in) investing activities	(139)	(931)
Cash flows from financing activities		
Purchase of treasury shares	(2,004)	(5,007)
Dividends paid	(2,961)	(3,971)
Dividends paid to non-controlling interests	(19)	(155)
Other, net	(40)	39
Net cash provided by (used in) financing activities	(5,025)	(9,095)
Effect of exchange rate change on cash and cash equivalents	65	(68)
Net increase (decrease) in cash and cash equivalents	2,489	(2,452)
Cash and cash equivalents at beginning of period	43,327	45,817
Cash and cash equivalents at end of period	* 45,817	* 43,364

Notes to consolidated financial statements

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

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 the shares of Partners Information Technology, Inc., and it became a consolidated subsidiary of the Company from the fiscal year under review.

(2) Names of main non-consolidated subsidiaries

Names of main non-consolidated subsidiaries

DTS palette Inc.

(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: 6 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. without market prices

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

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

(ii) Shares, etc. without market prices

Stated at cost using the moving average method.

2) Inventory

(i) Merchandise and finished goods

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

(ii) Work in process

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

(iii) Raw materials

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

(iv) Supplies

Stated at cost using the most recent purchase method.

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

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

Depreciated using the straight-line method.

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

Buildings and structures 3 years to 47 years

Tools, furniture and fixtures 2 years to 15 years

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

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

Amortized using the straight-line method.

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

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

3) Right-of-use assets

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

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the estimated historical default rate for general claims. For 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 main performance obligations and the usual timing of revenue recognition in the main businesses of the Company and its consolidated subsidiaries are as follows.

1) Systems development

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

2) Systems engineering services

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

3) Maintenance and other services

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

4) Products and merchandise

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

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

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

(7) Goodwill amortization method and amortization period

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

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

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

(Significant accounting estimates)

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	94,452	106,132
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	8,519	10,907

(2) Information on significant accounting estimates for identified items

1) Calculation method

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

2) Main assumptions

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

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

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

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Provision for loss on orders received	76	19

(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.

(Unapplied accounting standards, etc.)

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

(1) Overview

In February 2018, ASBJ issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc. (hereinafter, “ASBJ Statement No. 28, etc.”), and the transfer of the Practical Guidelines on Tax Effect Accounting from JICPA to ASBJ was completed.

However, in the course of the deliberation process, the following two issues were to be reviewed again after the release of ASBJ Statement No. 28, etc. Subsequently, they were deliberated and released.

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

(2) Scheduled date of application

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

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

The impact from the application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations on the consolidated financial statements is currently under evaluation.

(Changes in presentation)

(Consolidated statements of income)

“Commission for purchase of treasury shares,” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, has been separately presented from the fiscal year under review because it has exceeded 10% of the total amount of non-operating expenses. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥8 million shown as “Other” under “Non-operating expenses” in the consolidated statements of income for the previous fiscal year is reclassified as “commission for purchase of treasury shares” of ¥3 million and “Other” of ¥4 million.

(Consolidated statements of cash flows)

“Dividends paid to non-controlling interests,” which was included in “Other, net” under “Cash flows from financing activities” in the previous fiscal year has been separately presented from the fiscal year under review, because it has become more quantitatively important. To reflect this change in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, negative ¥60 million shown as “Other, net” under “Cash flows from financing activities” in the consolidated statements of cash flows for the previous fiscal year is reclassified as “Dividends paid to non-controlling interests” of negative ¥19 million and “Other, net” of negative ¥40 million.

(Consolidated balance sheets)

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Notes receivable - trade	230	261
Accounts receivable - trade	15,667	19,086

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

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investments and other assets		
Investment securities (shares)	30	30

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

(Consolidated Statements of Income)

*1. Revenue arising from contracts with customers

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
The amount of provision for loss on orders received included in cost of sales	76	19

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
The amount of research and development expenses included in general and administrative expenses	226	294

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Property, plant and equipment		
Other (tools, furniture and fixtures)	0	0

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Property, plant and equipment		
Buildings and structures	0	0
Other (tools, furniture and fixtures)	0	37
Intangible assets		
Other (software)	–	1
Total	0	39

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount arising during the period	(505)	200
Reclassification adjustment	–	255
Before tax-effect adjustment	(505)	456
Amount of tax effects	154	(139)
Valuation difference on available-for-sale securities	(350)	316
Foreign currency translation adjustment:		
Amount arising during the period	98	(217)
Reclassification adjustment	–	–
Before tax-effect adjustment	98	(217)
Amount of tax effects	–	–
Foreign currency translation adjustment	98	(217)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the period	136	400
Reclassification adjustment	(13)	(19)
Before tax-effect adjustment	122	381
Amount of tax effects	(36)	(120)
Remeasurements of defined benefit plans, net of tax	86	260
Total other comprehensive income	(165)	359

(Consolidated statements of changes in equity)

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

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

(shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review
Total number of issued shares				
Common shares (Note 1)	50,444,532	–	1,371,900	49,072,632
Total	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
Total	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 (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 24, 2021 Annual General Meeting of Shareholders	Common shares	1,603	35	March 31, 2021	June 25, 2021
October 28, 2021 Board of Directors	Common shares	1,363	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

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common shares	1,802	Retained earnings	40	March 31, 2022	June 24, 2022

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

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

(shares)

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

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

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

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

2. Matters concerning dividends

(1) Amount of dividends paid

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

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

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

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

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

(Consolidated statements of cash flows)

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits	46,120	43,531
Time deposits with a maturity over 3 months	(303)	(166)
Cash and cash equivalents	45,817	43,364

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

Major assets and liabilities of Partners Information Technology, Inc., newly consolidated during the fiscal year under review, at the time of its consolidation are presented under (Business combinations) in the Notes.

(Lease transactions)

Operating lease transactions

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Within 1 year	216	459
Over 1 year	19	658
Total	236	1,117

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

(2) Details and risks of financial instruments

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

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

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

(3) Risk management framework for financial instruments

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

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

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

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

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

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

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

No items to report.

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

The amounts recorded on the consolidated balance sheet for March 31, 2023, fair values and the differences between them are as follows.

Previous fiscal year (March 31, 2022)

(Millions of yen)

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

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

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

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	80

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

Fiscal year under review (March 31, 2023)

(Millions of yen)

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

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

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

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	80

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

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

Previous fiscal year (March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	46,120	–	–	–
Notes receivable - trade	230	–	–	–
Accounts receivable - trade	15,630	36	–	–
Securities and investment securities				
Available-for-sale securities with a maturity				
Debentures (bonds)	1,200	1,900	100	–
Total	63,181	1,936	100	–

Fiscal year under review (March 31, 2023)

(Millions of yen)

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

4. Breakdown of financial instruments by level of fair value

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

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

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

Level 3 fair value: Fair value calculated using unobservable inputs

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

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

Previous fiscal year (March 31, 2022)

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

Fiscal year under review (March 31, 2023)

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

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

No items to report.

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

Securities and investment securities

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

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2022)

(Millions of yen)

	Class of shares	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	2,058	992	1,065
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	–	–	–
	(ii) Bonds	1,000	1,000	0
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	3,059	1,993	1,065
Securities whose amount recorded on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	247	428	(180)
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	–	–	–
	(ii) Bonds	2,178	2,203	(25)
	(iii) Other	–	–	–
	(3) Other	–	–	–
	Subtotal	2,425	2,631	(206)
Total		5,484	4,624	859

(Note) Unlisted shares, etc. (amount recorded on the consolidated balance sheets: ¥50 million) and investment limited partnerships (amount recorded on the consolidated balance sheets: ¥250 million) are not included in the table above since they fall under shares, etc. without market prices.

Fiscal year under review (March 31, 2023)

(Millions of yen)

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

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

2. Impairment loss for securities

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No items to report.

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

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

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

(Retirement benefits)

1. Overview of retirement benefit plans adopted

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

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

2. Defined benefit plans

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of retirement benefit obligation at April 1, 2022	2,071	2,255
Service cost	384	366
Interest cost	18	24
Actuarial gains and losses accrued	(141)	(443)
Retirement benefits paid	(81)	(81)
Foreign currency translation differences	3	0
Balance of retirement benefit obligation at end of period	2,255	2,121

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Fiscal year under review (From April 1, 2022 to March 31, 2023)
Balance of plan assets at April 1, 2022	1,207	1,422
Expected return on plan assets	31	37
Actuarial gains and losses accrued	(12)	(48)
Contribution from employers	243	242
Retirement benefits paid	(49)	(43)
Foreign currency translation differences	3	0
Balance of plan assets at end of period	1,422	1,610

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

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Fiscal year under review (March 31, 2023)
Retirement benefit obligation of funded plans	1,978	1,857
Plan assets	(1,422)	(1,610)
	555	246
Retirement benefit obligation of unfunded plans	276	264
Net amount of liabilities and assets recorded in the consolidated balance sheets	832	511
Retirement benefit liability	832	511
Net amount of liabilities and assets recorded in the consolidated balance sheets	832	511

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Service cost	384	366
Interest cost	18	24
Expected return on plan assets	(31)	(37)
Amortization of actuarial gains and losses	1	(6)
Amortization of past service cost	(7)	(7)
Other	(1)	(1)
Retirement benefit expenses for defined benefit plans	363	339

(Note) “Other” includes the amount of retirement benefit accrued to the company to which the employees are transferred, etc.

(5) Adjustment of defined benefit plans

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Past service cost	(7)	(7)
Actuarial gains and losses	130	389
Total	122	381

(6) Remeasurements of defined benefit plans

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Unrecognized past service cost	(46)	(39)
Unrecognized actuarial gains and losses	(207)	(596)
Total	(254)	(635)

(7) Matters concerning plan assets

1) Major components of plan assets

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

	As of March 31, 2022	As of March 31, 2023
Debentures	64%	54%
Shares	11%	23%
Alternative investments	14%	14%
Cash and deposits	8%	7%
Other	3%	2%
Total	100%	100%

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

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

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

(8) Actuarial assumptions

Main actuarial assumptions (expressed as a weighted average)

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.2–1.1%	0.3–1.7%
Long-term expected rate of return	2.5%	2.5%
Expected rate of salary increase	1.2%	1.0%

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

3. Defined contribution plan

Required contributions to the defined contribution plan of the Company and some consolidated subsidiaries were ¥500 million for the fiscal year ended March 31, 2022 and ¥567 million for the fiscal year ended March 31, 2023.

4. Multi-employer plan

Required contributions to the corporate pension fund plan based on the multi-employer plan, which is accounted for in the same manner as the defined contribution plan by some consolidated subsidiaries, were ¥26 million for the fiscal year ended March 31, 2022 and ¥25 million for the fiscal year ended March 31, 2023.

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

Nihon IT Software Pension Fund

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Plan assets	54,166	56,574
Sum of the amount of the actuarial liability and the amount of the minimum liability reserve in terms of pension financing	52,445	54,852
Balance	1,721	1,721

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

For the fiscal year ended March 31, 2021

Nihon IT Software Pension Fund 1.23% (as of March 31, 2021)

For the fiscal year ended March 31, 2022

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

(Tax effect accounting)

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Accrued bonuses and provision for bonuses	902	920
Retirement benefit liability	252	149
Accrued enterprise tax	161	171
Accrued expenses (social insurance premiums)	142	147
Commission for purchase of shares	67	118
Other	407	606
Subtotal of deferred tax assets	1,933	2,115
Valuation allowance	(86)	(133)
Total of deferred tax assets	1,846	1,981
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(267)	(389)
Asset retirement expenses for asset retirement obligations	(22)	(22)
Other	(20)	(20)
Total of deferred tax liabilities	(309)	(432)
Net deferred tax assets	1,536	1,549

(Changes in presentation)

"Commission for purchase of shares," which was included in "Other" under "Deferred tax assets" in the previous fiscal year, has been separately presented from the fiscal year under review, because it has become more quantitatively important.

To reflect these changes in method of presentation, the Company has reclassified notes of the consolidated financial statements for the previous fiscal year.

As a result, ¥474 million shown as "Other" in the notes of the consolidated financial statements for the previous fiscal year is reclassified as "commission for purchase of shares" of ¥67 million and "Other" of ¥407 million.

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

As of March 31, 2022	As of March 31, 2023
Notes are not provided because the difference between the statutory tax rate and the effective income tax rate is 5% or less of the statutory tax rate.	Notes are not provided because the difference between the statutory tax rate and the effective income tax rate is 5% or less of the statutory tax rate.

(Business combinations)

Business combination by acquisition

The Company acquired 51% shares of Partners Information Technology, Inc.

1. Outline of business combination

(1) Name of acquired company and its business content

Name of acquired company:	Partners Information Technology, Inc.
Business content:	• IT Staffing • IT Services • IT solutions implementation support (SAP, SharePoint) • Digital transformation support using Cloud services and AI • Development of business applications

(2) Main reason for business combination

The Company aims to strengthen the following fields in the U.S. IT market so as to expand the global business.

- Further strengthening of IT Staffing and IT Services businesses
- Expansion of business for manufacturers and healthcare companies
- Expansion of the geographical coverage of business to the West Coast and South Central region of the U.S.

(3) Date of business combination

September 30, 2022 (deemed acquisition date)

November 7, 2022 (share acquisition date)

(4) Legal form of business combination

Share acquisition in consideration for cash

(5) Name of company after combination

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

(6) Percentage of voting rights after acquisition

51%

(7) Main reason for deciding the acquiring enterprise

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

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

The acquired enterprise's fiscal year ends on December 31, which is different from the consolidated fiscal year-end. However, because the difference in the fiscal year-end dates does not exceed three months, consolidated financial statements are prepared using the financial statements of the said subsidiary. Its performance from October 1, 2022 to December 31, 2022 is included in the consolidated financial statements because the deemed acquisition date is September 30, 2022.

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

Consideration for acquisition	Cash and deposits	¥2,211 million
Acquisition cost		¥2,211 million

4. Details and amounts of major acquisition-related expenses

   Advisory fees and commissions: ¥211 million

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

   (1) Amount of goodwill recognized

   ¥1,307 million

   (2) Reason for recognition

   Excess earnings power expected from future business expansion

   (3) Method and period of amortization

   Straight-line method over five years

6. Amounts of assets received and liabilities assumed on the date of the business combination and the major components thereof

Current assets	¥2,387 million
Non-current assets	¥187 million
Total assets	¥2,575 million
Current liabilities	¥468 million
Non-current liabilities	¥89 million
Total liabilities	¥557 million

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

   (1) Details of contingent consideration

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

   (2) Accounting policy

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

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

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

(Revenue recognition)

1. Breakdown of revenue arising from contracts with customers

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	2,963	7,143	19,761	29,867
SI and development	33,701	22,449	1,181	57,332
Products	111	245	6,895	7,252
Revenue arising from contracts with customers	36,776	29,838	27,838	94,452
Sales to external customers	36,776	29,838	27,838	94,452

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

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	3,265	11,030	20,950	35,246
SI and development	37,775	22,587	1,568	61,931
Products	43	322	8,589	8,954
Revenue arising from contracts with customers	41,083	33,940	31,108	106,132
Sales to external customers	41,083	33,940	31,108	106,132

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

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

1) Services

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

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

2) SI and development

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

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

3) Products

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

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

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

(1) Balance of contract assets and contract liabilities

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Fiscal year ended March 31, 2022	
	Balance as of April 1, 2021	Balance as of March 31, 2022
Receivables arising from contracts with customers	15,974	15,897
Contract assets	539	1,361
Contract liabilities (advances received)	827	1,029

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

(Millions of yen)

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

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

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

Of the revenue recognized in the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2023, ¥433 million and ¥598 million were included in contract liabilities as of April 1, 2022 and 2023, respectively.

(2) Transaction price allocated to remaining performance obligations

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Within 1 year	24,719	32,863
Over 1 year	1,261	1,369
Total	25,980	34,233

(Segment Information, etc.)

Segment information

1. Overview of reportable segments

The Group identifies a reportable segment as a component unit that constitutes a business for which discrete financial information is available and is regularly reviewed by the Board of Directors to make decisions on the allocation of management resources to the segments and assess its performance.

In the fiscal year under review, in order to promote reform of the business model, we changed the reportable segments from the previous Finance and Society, Corporate Solutions, Operational Infrastructure BPO, and Regional, Overseas, Etc., to Operation & Solutions, Technology & Solutions, and Platforms & Service.

Segment information presented for the previous fiscal year has been realigned based on the new segment classifications.

The contents of each segment's business activities are as follows.

(1) "Operation & Solutions"

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

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

(2) "Technology & Solutions"

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

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

(3) "Platforms & Services"

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

- Introduction of advanced IT equipment and building of IT platforms
- Operational design and maintenance of total information systems, including cloud-related services and virtualization systems
- System operation either through permanently station personnel or remote access, monitoring services
- System operational diagnosis and optimization services, primarily for IT infrastructure
- Fee-based businesses, such as subscription and recurring business

2. Method for calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting method used for the business segments reported is the same as the accounting method employed to prepare the consolidated financial statements. Segment profit of the reportable segments are on an operating profit basis and intersegment revenues and transfers are based on general transactions identical to arm's length transactions.

3. Information about net sales, profit (loss), assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	36,776	29,838	27,838	94,452	–	94,452
Intersegment sales or transfers	1,357	57	664	2,079	(2,079)	–
Total	38,133	29,895	28,503	96,532	(2,079)	94,452
Segment profit	4,366	3,746	3,079	11,192	4	11,196
Other						
Depreciation	208	261	64	535	(3)	531
Amortization of goodwill	–	42	27	70	–	70

(Notes) 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

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

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	41,083	33,940	31,108	106,132	–	106,132
Intersegment sales or transfers	1,655	25	920	2,601	(2,601)	–
Total	42,739	33,966	32,028	108,734	(2,601)	106,132
Segment profit	5,000	3,461	3,266	11,728	(34)	11,694
Other						
Depreciation	230	308	73	612	(5)	606
Amortization of goodwill	–	106	27	134	–	134

(Notes) 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the consolidated statements of income.
3. Assets are not allocated to business segments.

Related information

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

This information is omitted as it is identical to that in segment information.

2. Information by geographical area

(1) Net sales

It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customers	Net sales	Name of relevant segments
NTT DATA Corporation	10,528	Operation & Solutions Technology & Solutions Platforms & Services

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

1. Information by product and service

This information is omitted as it is identical to that in segment information.

2. Information by geographical area

(1) Net sales

It is omitted since net sales to external customers in Japan exceeds 90% of net sales on the consolidated statements of income.

(2) Property, plant and equipment

It is omitted since the amount of property, plant and equipment held in Japan exceeds 90% of the amount of property, plant and equipment on the consolidated balance sheets.

3. Information by major customer

(Millions of yen)

Name of customers	Net sales	Name of relevant segments
NTT DATA Corporation	11,092	Operation & Solutions Technology & Solutions Platforms & Services

Information about impairment loss of non-current assets by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No items to report.

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

No items to report.

Information about amortization and unamortized balance of goodwill by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	–	42	27	70
Unamortized balance as of March 31, 2022	–	42	167	209

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

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	–	106	27	134
Unamortized balance as of March 31, 2023	–	1,138	139	1,277

(Significant changes in amount of goodwill)

In the fiscal year under review, the consolidation of Partners Information Technology, Inc. led to goodwill arising in the Technology & Solutions segment. The increase in goodwill from this event was ¥1,307 million.

Information about gain on bargain purchase by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No items to report.

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

No items to report.

Information of related parties

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No items to report.

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

No items to report.

(Per share information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	¥1,376.05	¥1,408.81
Basic earnings per share	¥172.78	¥181.41

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

2. Calculation basis of net assets per share is as follows.

	As of March 31, 2022	As of March 31, 2023
Total net assets (Millions of yen)	62,133	62,376
Amount subtracted from total net assets (Millions of yen)	115	956
(Non-controlling interests (Millions of yen))	115	956
Net assets at the end of the period related to common stock (Millions of yen)	62,018	61,420
Number of common stock at the end of the period used for the calculation of net assets per share (Shares)	45,070,010	43,597,356

3. Calculation basis of basic earnings per share is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (Millions of yen)	7,853	8,001
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common stock (Millions of yen)	7,853	8,001
Average number of outstanding shares of common stock during the period (Shares)	45,456,844	44,105,576

(Significant subsequent events)

1. Acquisition and cancellation of treasury shares

   At a meeting of the Board of Directors held on April 28, 2023, 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

505,000 shares (maximum)

(Proportion to the total number of issued shares excluding treasury shares: 1.16%)

3) Total acquisition price of shares to be acquired

¥1,600 million (maximum)

4) Acquisition period

From May 1, 2023 to October 31, 2023

5) Method of acquisition

Market purchases on the Tokyo Stock Exchange (discretionary trading by securities companies, and off-auction own share repurchase trading [ToSTNet-3])

(3) Details of cancellation of treasury shares resolved by the Board of Directors

1) Class of shares to be cancelled

Common stock of the Company

2) Number of shares to be cancelled

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

(Proportion to the total number of issued shares before cancellation: 1.06% (maximum))

3) Scheduled date of cancellation

November 10, 2023

2. Business combination by acquisition

   The Company resolved to acquire shares of Anshin Project Japan Inc. at the Board of Directors meeting held on March 20, 2023 and concluded share transfer agreement on March 27, 2023. Based on this share transfer agreement, the Company acquired 100% of Anshin Project Japan's shares on May 31, 2023.

(1) Outline of business combination

1) Name of acquired company and its business content

Name of acquired company	Anshin Project Japan Inc.
Business content	Support for use of housing space proposal system (operation of sales agency for Walk in home)

2) Main reason for business combination

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

3) Date of business combination

April 30, 2023 (deemed acquisition date)

May 31, 2023 (share acquisition date)

4) Legal form of business combination

Share acquisition in consideration for cash

5) Name of company after combination

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

6) Percentage of voting rights after acquisition

100%

7) Main reason for deciding the acquiring enterprise

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

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

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

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

Not finalized at the present moment.

(4) Amount of goodwill to be recognized, the reason for recognition, and the method and period of amortization

Not finalized at the present moment.

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

Not finalized at the present moment.

(v) Consolidated supplemental schedules

Schedule of bonds payable

No items to report.

Schedule of borrowings

Class	Balance as of April 1, 2022 (Millions of yen)	Balance as of March 31, 2023 (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	37	134	11.0	–
Current portion of long-term borrowings	–	–	–	–
Current portion of lease liabilities	31	20	5.8	–
Long-term borrowings (excluding current portion)	–	–	–	–
Lease liabilities (excluding current portion)	164	43	5.5	2024–2027
Total	233	197	–	–

(Notes) 1. Average interest rate represents the weighted average interest rate with respect to the ending balance of borrowings, etc.

2. The repayment schedule of lease liabilities (excluding current portion) within five years after the consolidated balance sheet date is as follows.

(Millions of yen)

	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Lease liabilities	15	12	12	3

Schedule of asset retirement obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2023 were 1% or less of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2023, respectively.

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	24,608	49,925	75,535	106,132
Profit before income taxes (Millions of yen)	2,070	4,920	8,036	11,637
Profit attributable to owners of parent (Millions of yen)	1,401	3,314	5,427	8,001
Basic earnings per share (Yen)	31.19	74.29	122.58	181.41

(Fiscal period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	31.19	43.18	48.47	59.05

2. Non-consolidated financial statements and other information

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		37,789		32,696
Notes and accounts receivable - trade, and contract assets	*	11,396	*	13,201
Securities		1,200		799
Merchandise		16		142
Work in process		92		108
Supplies		5		8
Advance payments to suppliers		136		134
Prepaid expenses		192		320
Other	*	110	*	527
Allowance for doubtful accounts		(2)		(3)
Total current assets		50,937		47,936
Non-current assets				
Property, plant and equipment				
Buildings		886		847
Tools, furniture and fixtures		173		186
Land		1,965		1,965
Total property, plant and equipment		3,026		2,999
Intangible assets				
Software		550		540
Other		0		1
Total intangible assets		551		541
Investments and other assets				
Investment securities		4,534		4,347
Shares of subsidiaries and associates		6,472		8,679
Investments in capital of subsidiaries and associates		327		327
Long-term prepaid expenses		29		105
Deferred tax assets		1,140		1,170
Other		1,041		1,023
Allowance for doubtful accounts		(5)		(5)
Total investments and other assets		13,539		15,647
Total non-current assets		17,117		19,188
Total assets		68,055		67,125

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Accounts payable - trade	*	3,499	*	3,938
Accounts payable - other	*	1,070	*	853
Accrued expenses		325		321
Income taxes payable		1,818		1,757
Contract liabilities		166		400
Deposits received		106		106
Provision for bonuses		1,931		2,025
Provision for bonuses for directors (and other officers)		67		65
Provision for loss on orders received		72		9
Other		991		1,156
Total current liabilities		10,048		10,635
Non-current liabilities				
Provision for retirement benefits		623		668
Asset retirement obligations		77		78
Total non-current liabilities		700		747
Total liabilities		10,748		11,382
Net assets				
Shareholders’ equity				
Share capital		6,113		6,113
Capital surplus				
Legal capital surplus		6,190		6,190
Total capital surplus		6,190		6,190
Retained earnings				
Legal retained earnings		411		411
Other retained earnings				
General reserve		11,170		11,170
Retained earnings brought forward		38,153		38,465
Total retained earnings		49,735		50,047
Treasury shares		(5,342)		(7,534)
Total shareholders’ equity		56,697		54,816
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		609		926
Total valuation and translation adjustments		609		926
Total net assets		57,306		55,743
Total liabilities and net assets		68,055		67,125

(ii) Non-consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*1	67,594	*1	74,356
Cost of sales	*1	53,504	*1	59,176
Gross profit		14,090		15,179
Selling, general and administrative expenses	*1, *2	4,988	*1, *2	5,476
Operating profit		9,101		9,702
Non-operating income				
Interest income	*1	6	*1	4
Interest on securities		19		17
Dividend income	*1	486	*1	575
Gain on investments in investment partnerships		52		–
Other	*1	41	*1	58
Total non-operating income		606		657
Non-operating expenses				
Loss on investments in investment partnerships		–		17
Commission for purchase of treasury shares		3		6
Foreign exchange losses		1		1
Other		–		0
Total non-operating expenses		5		26
Ordinary profit		9,702		10,333
Extraordinary losses				
Loss on retirement of non-current assets	*3	0	*3	0
Loss on valuation of investment securities		–		255
Loss on valuation of shares of subsidiaries and associates		448		216
Other		1		–
Total extraordinary losses		451		472
Profit before income taxes		9,251		9,860
Income taxes - current		2,830		2,955
Income taxes - deferred		(173)		(169)
Total income taxes		2,657		2,785
Profit		6,594		7,075

Schedule of cost of sales

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Class	Notes No.	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I Cost of products manufactured		52,593	98.3	58,025	98.1
II Cost of goods sold					
Beginning goods inventory		17		16	
Cost of purchased goods		909		1,276	
Total		926		1,292	
Ending goods inventory		16		142	
Cost of goods sold		910	1.7	1,150	1.9
Cost of sales		53,504	100.0	59,176	100.0

(Cost accounting method)

The Company conducts the production order cost accounting by project for cost accounting.

(iii) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	
						General reserve	Retained earnings brought forward		
Balance at beginning of period	6,113	6,190	1,223	7,414	411	11,170	35,082	46,664	(5,185)
Cumulative effects of changes in accounting policies							36	36	
Restated balance	6,113	6,190	1,223	7,414	411	11,170	35,118	46,700	(5,185)
Changes during period									
Dividends of surplus							(2,966)	(2,966)	
Profit							6,594	6,594	
Purchase of treasury shares									(2,000)
Disposal of treasury shares			14	14					12
Cancellation of treasury shares			(1,831)	(1,831)					1,831
Transfer from retained earnings to capital surplus			592	592			(592)	(592)	
Net changes in items other than shareholders' equity									
Total changes during period	–	–	(1,223)	(1,223)	–	–	3,034	3,034	(156)
Balance at end of period	6,113	6,190	–	6,190	411	11,170	38,153	49,735	(5,342)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	55,006	960	960	55,966
Cumulative effects of changes in accounting policies	36			36
Restated balance	55,042	960	960	56,003
Changes during period				
Dividends of surplus	(2,966)			(2,966)
Profit	6,594			6,594
Purchase of treasury shares	(2,000)			(2,000)
Disposal of treasury shares	27			27
Cancellation of treasury shares	–			–
Transfer from retained earnings to capital surplus	–			–
Net changes in items other than shareholders' equity		(350)	(350)	(350)
Total changes during period	1,654	(350)	(350)	1,303
Balance at end of period	56,697	609	609	57,306

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	
						General reserve	Retained earnings brought forward		
Balance at beginning of period	6,113	6,190	–	6,190	411	11,170	38,153	49,735	(5,342)
Cumulative effects of changes in accounting policies									
Restated balance	6,113	6,190	–	6,190	411	11,170	38,153	49,735	(5,342)
Changes during period									
Dividends of surplus							(3,982)	(3,982)	
Profit							7,075	7,075	
Purchase of treasury shares									(5,000)
Disposal of treasury shares			14	14					14
Cancellation of treasury shares			(2,794)	(2,794)					2,794
Transfer from retained earnings to capital surplus			2,780	2,780			(2,780)	(2,780)	
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	–	311	311	(2,191)
Balance at end of period	6,113	6,190	–	6,190	411	11,170	38,465	50,047	(7,534)

	Shareholders' equity	Valuation and translation adjustments		Total net assets
	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	56,697	609	609	57,306
Cumulative effects of changes in accounting policies	–			–
Restated balance	56,697	609	609	57,306
Changes during period				
Dividends of surplus	(3,982)			(3,982)
Profit	7,075			7,075
Purchase of treasury shares	(5,000)			(5,000)
Disposal of treasury shares	28			28
Cancellation of treasury shares	–			–
Transfer from retained earnings to capital surplus	–			–
Net changes in items other than shareholders' equity		316	316	316
Total changes during period	(1,880)	316	316	(1,563)
Balance at end of period	54,816	926	926	55,743

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Standards and methods for valuation of securities

(1) Shares of subsidiaries…… Stated at cost using the moving average method

(2) Available-for-sale securities

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

2. Standards and methods for valuation of inventory

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

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

(3) Supplies ………………Stated at cost using the most recent purchase method.

3. Depreciation or amortization method for non-current asset

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

Amortized using the straight-line method.

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

Buildings 3 years to 47 years

Tools, furniture and fixtures 2 years to 15 years

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

(2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

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

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

(3) Long-term prepaid expenses

Amortized using the straight-line method.

4. Standards for recording provisions and allowances

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

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

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

(4) Provision for loss on orders received

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

(5) Provision for retirement benefits

Provision for retirement benefits is recorded based on the estimated retirement benefit obligation and plan assets at the end of the fiscal year under review, in order to provide for the payment of retirement benefits to employees. However, the treatment of unrecognized actuarial gains and losses on the non-consolidated balance sheet differs from the treatment on the consolidated balance sheet.

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

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

2) Method used to amortize actuarial gains and losses

Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (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 main performance obligations and the usual timing of revenue recognition in the main businesses of the Company are as follows.

(1) Systems development

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

(2) Systems engineering services

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

(3) Maintenance and other services

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

(4) Products and merchandise

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

(Significant accounting estimates)

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	67,594	74,356
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	7,497	9,226

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) 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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Provision for loss on orders received	72	9

(2) Information on significant accounting estimates for identified items

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

(Non-consolidated balance sheets)

* Monetary claims and obligations with subsidiaries and associates

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Short-term monetary claims	66	458
Short-term monetary obligations	554	683

(Non-consolidated statements of income)

*1 Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Amount of operating transactions		
Net sales	105	86
Outsourcing expenses	2,365	2,716
Other operating transactions	1,493	1,929
Transactions from non-operating transactions	425	488

*2 The approximate percentage of expenses included in selling expenses was 0% in the fiscal year ended March 31, 2022 and 1% in the fiscal year ended March 31, 2023, and the approximate percentage of expenses included in general and administrative expenses was 100% in the fiscal year ended March 31, 2022 and 99% in the fiscal year ended March 31, 2023.

Main items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Salaries and allowances	1,634	1,733
Provision for bonuses	228	263
Provision for bonuses for directors (and other officers)	69	66
Depreciation	66	78
Commission expenses	826	953
Provision of allowance for doubtful accounts	0	1

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Property, plant and equipment		
Buildings	0	–
Tools, furniture and fixtures	0	0
Total	0	0

(Securities)

Shares of subsidiaries

As of March 31, 2022

Amount of shares, etc. without market prices recorded on the consolidated balance sheets

Class	As of March 31, 2022 (Millions of yen)
Shares of subsidiaries	6,472

As of March 31, 2023

Amount of shares, etc. without market prices recorded on the consolidated balance sheets

Class	As of March 31, 2023 (Millions of yen)
Shares of subsidiaries	8,679

(Tax effect accounting)

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	591	620
Shares of subsidiaries and associates	179	246
Provision for retirement benefits	190	204
Accrued enterprise tax	125	124
Accrued expenses (social insurance premiums)	99	98
Software	51	93
Investment securities	8	72
Asset retirement obligations	45	51
Golf club membership	28	28
Other	107	40
Total of deferred tax assets	1,429	1,581
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(267)	(389)
Asset retirement expenses for asset retirement obligations	(21)	(21)
Other	(0)	0
Total of deferred tax liabilities	(289)	(411)
Net deferred tax assets	1,140	1,170

(Changes in presentation)

“Investment securities,” which was included in “Other” under “Deferred tax assets” in the fiscal year ended March 31, 2022, has been separately presented from the fiscal year ended March 31, 2023, because it has become more quantitatively important.

“Accounts payable - other,” which was separately presented in the fiscal year ended March 31, 2022, has been included in “Other” from the fiscal year ended March 31, 2023, because it has become less quantitatively important.

To reflect these changes in method of presentation, the Company has reclassified notes of the consolidated financial statements for the previous fiscal year.

As a result, “Accounts payable - other” of ¥53 million and “Other” of ¥63 million in the notes of the non-consolidated financial statements for the fiscal year ended March 31, 2022 is reclassified as “investment securities” of ¥8 million and “Other” of ¥107 million.

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

	As of March 31, 2022	As of March 31, 2023
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Entertainment and other expenses that are never tax deductible	0.3%	0.3%
Proportional resident tax	0.1%	0.1%
Dividends and other income that is never taxable	(1.4)%	(1.5)%
Tax credits	(0.8)%	(1.2)%
Other	(0.1)%	(0.1)%
Effective income tax rate after application of tax-effect accounting	28.7%	28.3%

(Business combinations)

Business combination by acquisition

Notes are omitted as the details are presented under (Business combinations) in the Notes to the Consolidated Financial Statements.

(Revenue recognition)

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

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

1) Services

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

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

2) SI and development

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

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

3) Products

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

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

(Significant subsequent events)

1. Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on April 28, 2023, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph

(3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant subsequent events).

2. Business combination by acquisition

The Company resolved to acquire shares of Anshin Project Japan Inc. at the Board of Directors meeting held on March 20, 2023 and concluded share transfer agreement on March 27, 2023. Based on this share transfer agreement, the Company acquired 100% of Anshin Project Japan's shares on May 31, 2023.

For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant subsequent events).

(iv) Supplemental schedules

Schedule of property, plant and equipment

(Millions of yen)

Class	Type of assets	Balance as of April 1, 2022	Increase in the fiscal year under review	Decrease in the fiscal year under review	Amortization	Balance as of March 31, 2023	Depreciation Cumulative amount
Property, plant and equipment	Buildings	2,226	17	–	56	2,244	1,396
	Tools, furniture and fixtures	879	115	28	103	966	780
	Land	1,965	–	–	–	1,965	–
	Total	5,071	132	28	159	5,176	2,176
Intangible assets	Software	968	229	171	239	1,026	485
	Other	4	0	–	0	5	4
	Total	972	229	171	239	1,031	489

(Notes) 1. The balances as of April 1, 2022 and March 31, 2023 are stated based on the acquisition cost.

2. Major components of the increase are as follows.

Tools, furniture and fixtures	Purchase of information equipment such as servers and personal computers	¥95 million
	Purchase of household goods and fixtures, etc.	¥20 million
Software	Acquisition of software for internal use	¥86 million
	Development of software for market sales purposes	¥143 million

3. Major components of the decrease are as follows:

Software	Removal of software for internal use	¥69 million
	Retirement of software for market sales purpose	¥101 million

Schedule of provisions

(Millions of yen)

Account items	Balance as of April 1, 2022	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance as of March 31, 2023
Allowance for doubtful accounts	7	3	2	8
Provision for bonuses	1,931	2,025	1,931	2,025
Provision for bonuses for directors (and other officers)	67	65	67	65
Provision for loss on orders received	72	9	72	9

(2) Details of major assets and liabilities

This information is omitted because the Company prepares the consolidated financial statements.

(3) Other

No items to report.

VI. Overview of Share-related Administration of the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting a standard unit	100 shares
Repurchase of fractional shares	
Business handling office	(Special account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Offices available for repurchase	–
Charges for repurchase	An amount separately specified as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of public notice	The method of public notices of the Company shall be electronic public notices; provided, however, that in the event that electronic public notice is unavailable due to an accident or any other unavoidable reason, the public notice shall be given in the manner of the publication in the Nikkei (Nihon Keizai Shimbun) newspaper.
Special benefits to shareholders	No items to report.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

   The Company has no parent company or equivalent as prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

   The Company submitted the following documents in the period from the beginning of the fiscal year under review to the date of submission of the Annual Securities Report.

(1)	Annual Securities Report and its attachments and Confirmation Notes	Fiscal year (50th fiscal year)	From April 1, 2021 to March 31, 2022	June 24, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(2)	Internal Control Report and its attachments			June 24, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(3)	Quarterly Securities Reports and Confirmation Notes	(First quarter of the 51st fiscal year)	From April 1, 2022 to June 30, 2022	August 8, 2022
		(Second quarter of the 51st fiscal year)	From July 1, 2022 to September 30, 2022	November 9, 2022
		(Third quarter of the 51st fiscal year)	From October 1, 2022 to December 31, 2022	February 14, 2023 Submitted to Director-General of the Kanto Local Finance Bureau
(4)	Extraordinary Report	Based on the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of the Exercise of Voting Rights at the General Meeting of Shareholders)		June 28, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(5)	Share Buyback Report	Reporting period	From June 1, 2022 to June 30, 2022	July 14, 2022
			From July 1, 2022 to July 31, 2022	August 12, 2022
			From August 1, 2022 to August 31, 2022	September 14, 2022
			From September 1, 2022 to September 30, 2022	October 14, 2022
			From October 1, 2022 to October 31, 2022	November 14, 2022
			From November 1, 2022 to November 30, 2022	December 14, 2022
			From December 1, 2022 to December 31, 2022	January 13, 2023
			From April 1, 2023 to April 30, 2023	May 12, 2023
			From May 1, 2023 to May 31, 2023	June 14, 2023 Submitted to Director-General of the Kanto Local Finance Bureau

(6)	Amendments to the Share Buyback Report	Report on the amendments to the Share Buyback Report submitted on August 12, 2022	September 12, 2022 Submitted to Director-General of the Kanto Local Finance Bureau
(7)	Securities Registration Statement and its attachments	Disposal of treasury shares associated with the restricted stock compensation plan	June 22, 2023
		Disposal of treasury shares associated with the system for granting restricted shares	June 22, 2023 Submitted to Director-General of the Kanto Local Finance Bureau

Part II. Information on Guarantors for the Company

No items to report.

Independent Auditors’ Report and Internal Control Audit Report
(English Translation)

June 23, 2023

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC

Tokyo office

Shigeru Sekiguchi
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

<Audit of Consolidated Financial Statements>

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, the basis for preparation of consolidated financial statements, other notes and consolidated supplemental schedules of DTS CORPORATION (the “Company”) for the fiscal year from April 1, 2022 through March 31, 2023, as listed in “Financial Information.”

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION and its consolidated subsidiaries as of March 31, 2023, and their operating results and cash flows status for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor’s Responsibility for the Audit of the Consolidated Financial Statements.” We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year under review. These matters were addressed in the process of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized through satisfying performance obligations over a period of time	
Description of key audit matters and reasons for determination	Auditor's responses
As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company and its consolidated subsidiaries is obligated to deliver the results of made-to-order software development, etc., they consider the performance obligations satisfied over time. They apply a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥10,907 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review. The degree of progress associated with satisfaction of performance obligations is calculated based on the ratio of actual costs incurred, as of the end of the fiscal year, to the total construction cost of the project. The Company intends to establish a Project Promotion Committee, and review the total construction cost for projects that meet to the prescribed criteria by monitoring the progress of actual results against the project plan. However, estimation of the work process and the workload required to complete the project involves uncertainty and requires management judgment. We therefore defined this issue as a key audit matter.	In reviewing the adequacy of the estimation of the total construction cost for the project based on the method recognizing revenue through satisfying performance obligations over a period of time, we conducted mainly the following audit procedures. • We evaluated the effectiveness of internal control concerning the estimation of the total construction cost for the project and the calculation of the degree of progress in satisfying performance obligations therein. • In order to verify the adequacy of the estimation of the total construction cost and the timing of estimation changes, we inspected the materials of the Project Promotion Committee, and cross-checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects not covered by the Project Promotion Committee, we inspected the project management materials of extracted sample cases, and cross-checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects generating total construction revenue with financial importance, we inspected the progress management materials of extracted sample cases, and made inquiries to the staff in charge. • In order to verify the accuracy of the estimation of the total construction cost, we analyzed the size of discrepancy between the initial budget and actual cost of completed projects, along with the reason. • In order to verify the adequacy of the degree of progress in satisfying performance obligations in projects, we compared the contractually scheduled development period and the actually elapsed work period.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards if they are imposed in order to delete or mitigate disincentives.

Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the auditor's report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

<Internal Control Audit>

Opinion

We have audited the Internal Control Report of DTS CORPORATION as of March 31, 2023 for the purpose of providing audit certification in accordance with Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the Internal Control Report referred to above, in which DTS CORPORATION indicated that its internal control over financial reporting as of March 31, 2023 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, in accordance with the assessment criteria for internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibility under auditing standards on internal control over financial reporting is stated in the "Auditor's Responsibility for the Audit of Internal Control." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Management's and the Audit and Supervisory Committee's Responsibility for Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.
The Audit and Supervisory Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility for the Audit of Internal Control

Our responsibility is to obtain reasonable assurance about whether the Internal Control Report is free of material misstatement based on the internal control audit performed by us and to express an opinion on the Internal Control Report from an independent standpoint in the Internal Control Audit Report.

We make professional judgment in the audit process in accordance with auditing standards on internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Perform audit procedures to obtain audit evidence relating to the result of the assessment of internal control over financial reporting in the Internal Control Report. Audit procedures for internal control audits are based on our judgment in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of the Internal Control Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient and appropriate audit evidence regarding the result of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision, and performance of the audit of the Internal Control Report. We are solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, significant deficiencies identified in internal control that should be disclosed, the results of their correction, and other matters required by the standards for internal control audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards if they are imposed in order to delete or mitigate disincentives.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan

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Notes: 1. The original of the above Auditor's Report is kept separately by the Company (the company submitting the Annual Securities Report).

2. The XBRL data is not included in the scope of audit.

Independent Auditors' Report
(English Translation)

June 23, 2023

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC

Tokyo office

Shigeru Sekiguchi
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements, which comprise the balance sheets, the statements of income, the statements of changes in equity, significant accounting policies, other notes and supplemental schedules of DTS CORPORATION ("the Company") for the 51st fiscal year from April 1, 2022 through March 31, 2023, as listed in "Financial Information."

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION as of March 31, 2023, and their operating results for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current fiscal year. These matters were addressed in the process of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized through satisfying performance obligations over a period of time

As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company is obligated to deliver the results of made-to-order software development, etc., it considers the performance obligations satisfied over time. It applies a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥9,226 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review.

The reason behind the auditors' decision to define this as key audit matter and responses are the same as described regarding the key audit matter stated in the Auditor's Report for the consolidated financial statements (revenue recognized through satisfying performance obligations over a period of time), and thus are omitted.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the non-consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the non-consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the notes to the non-consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
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We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.
We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards if they are imposed in order to delete or mitigate disincentives.
Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the non-consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the Auditor's Report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the Auditor's Report are reasonably expected to outweigh the public interest.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan

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Notes: 1. The original of the above Auditor's Report is kept separately by the Company (the company submitting the Annual Securities Report).

2. The XBRL data is not included in the scope of audit.