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[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-7, paragraph (1) of the Financial Instruments and Exchange Act
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[Quarterly Accounting Period]	First Quarter of the 52nd Fiscal Year (From April 1, 2023 to June 30, 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)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Part I. Company Information

I. Overview of Company

1. Key financial data and trends

Fiscal year		First three months of 51st	First three months of 52nd	51st
Fiscal period		From April 1, 2022 to June 30, 2022	From April 1, 2023 to June 30, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	24,608	26,689	106,132
Ordinary profit	(Millions of yen)	2,326	2,710	11,932
Profit attributable to owners of parent	(Millions of yen)	1,401	1,836	8,001
Comprehensive income	(Millions of yen)	1,542	2,116	8,365
Net assets	(Millions of yen)	60,574	60,658	62,376
Total assets	(Millions of yen)	74,956	77,880	80,676
Basic earnings per share (Yen)	(Yen)	31.19	42.21	181.41
Diluted earnings per share	(Yen)	–	–	–
Equity ratio	(%)	80.7	76.6	76.1

Notes: 1. Key financial data and trends are not presented since the Company prepares quarterly consolidated financial statements.

2. Diluted earnings per share is not presented since no potential shares exist.

2. Description of business

In the three months under review, there were no significant changes in the description of business operated by the Company and its subsidiaries and associates. In addition, there were no changes in major subsidiaries and associates.

II. Overview of Business

1. Business and other risks

In the three months under review, there were no new business or other risks.

In addition, there were no significant changes in business or other risks presented in the Annual Securities Report for the previous fiscal year.

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

(1) Financial position and operating results

Forward-looking statements in this document are based on our views as of the end of the quarter under review.

In the first three months of the year ending March 31, 2024, the Japanese economy has been recovering moderately, although 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 and fluctuations in the financial and capital markets.

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

The 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.

In the fiscal year under review, we are aiming for net sales of ¥115 billion and EBITDA of ¥13 billion, one year ahead of the goals of our Medium-Term Management Plan.

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

We are enhancing our initiatives in "focus businesses" (Note 1) as the Group's target areas to achieve rapid growth. In our medium-term management plan, we are promoting our target of net sales of focus businesses making up 40% of total net sales by the fiscal year ending March 31, 2025. In the three months under review, net sales of focus businesses made up 48.3% of total net sales, showing steady progress toward our goal.

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

(Note 1) Focus businesses

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

■ "Strengthen ESG initiatives"

The Board of Directors resolved in June 2023 to grant restricted stock in accordance with the restricted stock issuance plan for employees which was newly established in November 2022. The plan helps employees build their wealth in addition to providing incentive to employees of the Company to sustainably increase the corporate value of the Company and promote further sharing among employees of value with the Company's shareholders.

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

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

■“Reform management foundation”

As we entered the second year of Vision 2030 and the Medium-Term Management Plan, in order to steadily implement growth strategies for each business segment, the Company transitioned to a segment-centric business management system. Specifically, from the standpoint of clarifying the mission, increasing agility, flexibly allocating resources, enhancing collaboration within the group, etc., the Company established a control organization that oversees the unit that each segment belongs to, as well as a promotion department that is in charge of formulating and implementing medium- to long-term plans.

■“Shareholder returns, etc.”

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 resolved at the Board of Directors meeting held in April 2023 to acquire and cancel up to ¥1.6 billion in treasury shares from May to October 2023.

As a result of the above, the Group reported net sales of ¥26,689 million for the three months under review (+8.5% year on year).

Gross profit was ¥5,432 million (+24.5% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥2,814 million (+34.7% year on year). With the increase in gross profit, operating profit came to ¥2,618 million (+15.2% year on year), and ordinary profit came to ¥2,710 million (+16.5% year on year). Profit attributable to owners of parent was ¥1,836 million (+31.1% year on year), mainly due to the increase in ordinary profit.

(Millions of yen)

	Consolidated	
		Year-on-year change (%)
Net sales	26,689	8.5%
Operating profit	2,618	15.2%
Ordinary profit	2,710	16.5%
Profit attributable to owners of parent	1,836	31.1%

<Breakdown of net sales>

(Millions of yen)

	Consolidated	Year-on-year change
		(%)
Operation & Solutions	9,988	5.9%
Technology & Solutions	9,804	29.3%
Platforms & Services	6,897	(9.2)%
Total	26,689	8.5%

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

Operation & Solutions Segment

Net sales came to ¥9,988 million (+5.9% year-on-year), due to steady growth in system development for the banking industry and the government sector.

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

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

Going forward, we will contribute to increasing the level and efficiency of anti-money laundering measure operations in finance business formats.

Technology & Solutions Segment

Net sales came to ¥9,804 million (+29.3% year on year), due to strong progress in packaged solutions such impacts as production management systems and new consolidation.

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

Platforms & Services Segment

Despite steady sales of operational and infrastructure construction projects, net sales decreased 9.2% to ¥6,897 million mainly due to the reversal of a temporary increase in product sales year-on-year given delivery delays caused by a shortage of semiconductors, etc.

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

In April 2023, An identity verification system that can be completed online (electronic Know Your Customer: eKYC (Note 1)) and “DTS eKYC Service” that combine DTS Business Process Outsourcing (BPO) services became available.

In addition, in order to support the efficiency and sophistication of enterprise IT service management, we will start offering consulting and utilization support services for the introduction

of the Jira product line, centered on Jira Service Management provided by Atlassian Pty Ltd, utilizing our extensive know-how in system operation.

(Note 1) eKYC

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

Total assets as of June 30, 2023 were ¥77,880 million. Merchandise and finished goods increased by ¥1,609 million, goodwill increased by ¥1,452 million, prepayment of treasury share repurchases included in other under current assets increased by ¥814 million, and work in process increased by ¥437 million. However, total assets decreased by ¥2,795 million compared to the end of the previous fiscal year due to the decrease in cash and deposits of ¥3,852 million, and the decrease of notes and accounts receivable - trade, and contract assets of ¥3,592 million.

Liabilities were ¥17,222 million. Deposits received included in other under current liabilities increased by ¥949 million, accounts payable - other included in other under current liabilities increased by ¥550 million, and accounts payable - trade increased by ¥388 million. However, liabilities decreased by ¥1,077 million compared to the end of the previous fiscal year due to the decrease in income taxes payable of ¥1,582 million and the decrease in provision for bonuses of ¥1,399 million.

Net assets were ¥60,658 million. Net assets decreased by ¥1,718 million compared to the previous fiscal year due to the increase in profit attributable to owners of parent of ¥1,836 million, as well as dividends of surplus of ¥3,051 million and purchase of treasury shares of ¥783 million.

(2) Business and financial issues to be addressed

[Issues to be addressed by the Group]

In the three months under review, there were no new issues nor significant changes in business and financial issues to be addressed by the Group.

(3) Research and development activities

The amount of research and development expenses of the Group for the three months under review was ¥36 million.

In the three months under review, there were no significant changes in research and development activities conducted by the Group.

(4) Results of production, orders and sales

In the three months under review, order backlog in the Technology & Solutions business increased dramatically year on year. This was due to the inclusion of the results of Partners Information Technology, Inc. in the scope of consolidation from the fourth quarter of the previous fiscal year. Order backlog in the Platforms & Services Business increased dramatically year on year. This was mainly due to an increase in large-scale product projects, operational and infrastructure construction projects.

Effective from the first quarter under review, DTS America Corporation and DTS SOFTWARE VIETNAM CO., LTD. which were previously classified in the "Operation & Solutions" segment, have been reclassified into the "Technology & Solutions" segment. 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 IV. Financial Information; 1. Quarterly consolidated financial statements; Notes to quarterly consolidated financial statements (Segment information, etc.).

(i) Production

Production in the three months under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	9,988	5.9
Technology & Solutions	9,804	29.3
Platforms & Services	6,897	(9.2)
Total	26,689	8.5

Note: Inter-segment transactions have been eliminated.

(ii) Orders

Orders in the three months 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	9,567	22.2	10,487	21.2
Technology & Solutions	9,454	24.2	11,215	65.4
Platforms & Services	5,576	(2.2)	9,800	38.4
Total	24,598	16.4	31,503	39.9

Note: Inter-segment transactions have been eliminated.

(iii) Sales

Sales in the three months under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	9,988	5.9
Technology & Solutions	9,804	29.3
Platforms & Services	6,897	(9.2)
Total	26,689	8.5

Note: Inter-segment transactions have been eliminated.

3. Important business contracts

For the first quarter under review, there were no decisions or conclusion of material contracts, etc.

III. 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 first quarter (Shares) (June 30, 2023)	Number of shares issued as of the submission date (Shares) (August 8, 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) 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)
From April 1, 2023 to June 30, 2023	–	47,590,832	–	6,113	–	6,190

(5) Major shareholders

Major shareholders are not presented since this fiscal period is the first quarter of the fiscal year under review.

(6) Status of voting rights

“Status of voting rights” as of June 30, 2023 is based on the shareholders’ register as of the immediately preceding record date (March 31, 2023), since the Company is unable to confirm and present the details of the shareholders’ register.

(i) Issued shares

As of June 30, 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 June 30, 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

Note: At a meeting of the Board of Directors held on April 28, 2023, the Company resolved on 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. Accordingly, the Company acquired 226,800 treasury shares during the period from May 8, 2023 to June 23, 2023. As a result of this acquisition, the total of the number of treasury shares held and the number of shares held were 4,220,276 shares, respectively, including the number of shares acquired through the repurchase of the fractional shares.

2. Directors (and other officers)

No items to report.

IV. Financial Information

1. Basis of preparation of the quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the Cabinet Office Ordinance No. 64, 2007 “Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements.”

2. Auditing and attestation

The quarterly consolidated financial statements for the first quarter of the fiscal year ending March 31, 2024 and for the first three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023) were reviewed by Ernst & Young ShinNihon LLC, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

1. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	43,531	39,678
Notes and accounts receivable - trade, and contract assets	21,023	17,430
Securities	799	500
Merchandise and finished goods	660	2,269
Work in process	239	676
Raw materials and supplies	46	41
Other	1,299	2,187
Allowance for doubtful accounts	(8)	(8)
Total current assets	67,591	62,777
Non-current assets		
Property, plant and equipment	3,567	3,676
Intangible assets		
Goodwill	1,277	2,730
Other	733	785
Total intangible assets	2,010	3,515
Investments and other assets		
Other	7,511	7,916
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	7,505	7,911
Total non-current assets	13,084	15,103
Total assets	80,676	77,880

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	6,842	7,231
Income taxes payable	2,583	1,001
Provision for bonuses	2,964	1,564
Provision for bonuses for directors (and other officers)	80	19
Provision for loss on orders received	19	57
Other	5,156	6,334
Total current liabilities	17,646	16,209
Non-current liabilities		
Retirement benefit liability	511	505
Other	141	507
Total non-current liabilities	652	1,012
Total liabilities	18,299	17,222
Net assets		
Shareholders' equity		
Share capital	6,113	6,113
Capital surplus	4,992	4,992
Retained earnings	56,577	55,362
Treasury shares	(7,534)	(8,317)
Total shareholders' equity	60,148	58,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	926	1,167
Foreign currency translation adjustment	(87)	(80)
Remeasurements of defined benefit plans	433	421
Total accumulated other comprehensive income	1,272	1,508
Non-controlling interests	956	1,000
Total net assets	62,376	60,658
Total liabilities and net assets	80,676	77,880

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	24,608	26,689
Cost of sales	20,246	21,257
Gross profit	4,362	5,432
Selling, general and administrative expenses	2,089	2,814
Operating profit	2,272	2,618
Non-operating income		
Interest income	9	16
Dividend income	50	51
Other	10	31
Total non-operating income	69	100
Non-operating expenses		
Interest expenses	5	3
Commission for purchase of treasury shares	1	1
Foreign exchange losses	7	2
Other	0	0
Total non-operating expenses	15	7
Ordinary profit	2,326	2,710
Extraordinary losses		
Loss on valuation of investment securities	255	–
Total extraordinary losses	255	–
Profit before income taxes	2,070	2,710
Income taxes	674	836
Profit	1,396	1,873
Profit (loss) attributable to non-controlling interests	(5)	36
Profit attributable to owners of parent	1,401	1,836

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	1,396	1,873
Other comprehensive income		
Valuation difference on available-for-sale securities	81	240
Foreign currency translation adjustment	68	13
Remeasurements of defined benefit plans, net of tax	(3)	(11)
Total other comprehensive income	146	243
Comprehensive income	1,542	2,116
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,543	2,072
Comprehensive income attributable to non-controlling interests	(1)	43

Notes to quarterly consolidated financial statements

(Changes in scope of consolidation or scope of application of the equity method)

For the first quarter under review, the Company acquired shares of Anshin Project Japan Inc., and it became a consolidated subsidiary of the Company.

(Changes in accounting estimates)

(Changes in actuarial differences in accounting for retirement benefits and years of amortization for past service cost)

Regarding changes in actuarial differences in accounting for retirement benefits and years of amortization for past service cost, previously, actuarial gains and losses and past service cost were amortized over a certain number of years within the average remaining service period of employees, with actuarial gains and losses being amortized over 12 to 15 years and past service cost being amortized over 12 years, respectively. However, since the average remaining service period is lower than this, the number of years for amortization of actuarial gains and losses and the number of years for amortization of past service costs have been changed to 10 to 12 years and 10 years, respectively, effective from the first quarter under review.

The effect of this change on profit or loss for the three months under review is immaterial.

(Specific accounting applied for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the first quarter under review, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

(Consolidated statements of cash flows)

Consolidated statements of cash flows for the three months under review has not been prepared. Depreciation (including amortization related to intangible assets that exclude goodwill) and amortization of goodwill for the three months under review are as follows:

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Depreciation	136	148
Amortization of goodwill	17	93

(Shareholders' equity)

I For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Amount of dividends paid

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

II For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Amount of dividends paid

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

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.

(Segment information, etc.)

Segment Information

I For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information about net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	9,433	7,580	7,595	24,608	–	24,608
Intersegment sales or transfers	383	33	163	579	(579)	–
Total	9,816	7,613	7,758	25,187	(579)	24,608
Segment profit	965	660	648	2,274	(1)	2,272

Notes: 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

II For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information about net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the quarterly consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	9,988	9,804	6,897	26,689	–	26,689
Intersegment sales or transfers	394	14	98	507	(507)	–
Total	10,382	9,818	6,995	27,196	(507)	26,689
Segment profit	981	966	677	2,625	(7)	2,618

Notes: 1. There were no material segment profit adjustments.
2. Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

2. Matters concerning changes in reportable segments

DTS America Corporation and DTS SOFTWARE VIETNAM CO., LTD. which were previously included in “Operation & Solutions” are included in “Technology & Solutions” from the first quarter under review. The effect of this change is immaterial.

Segment information presented for the three months ended June 30, 2022 has been realigned based on the new segment classifications.

3. Information about impairment loss or goodwill, etc. on non-current assets by reportable segment (Significant changes in amount of goodwill)

In the first quarter under review, goodwill was recognized in the “Technology & Solutions” segment due to the acquisition of Anshin Project Japan Inc. The increase in goodwill from this event was ¥1,271 million.

(Business combinations)

1. Accounting for contingent consideration associated with the business combination

Regarding the acquisition of Partners Information Technology, Inc. by the Company in November 2022, additional goodwill was recognized, assuming that the contingent consideration was incurred upon acquisition as the acquisition cost, since the amount of contingent consideration associated with the fiscal year ended December 31, 2022 was finalized.

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

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

(i) Details of contingent consideration

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

(ii) Future accounting policies

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

2. Business combination by acquisition

The Company acquired all shares of Anshin Project Japan Inc.

(1) Outline of business combination

(i) 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)

(ii) 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.

(iii) Date of business combination

April 30, 2023 (deemed acquisition date)
May 31, 2023 (share acquisition date)

(iv) Legal form of business combination

Share acquisition in consideration for cash

(v) Name of company after combination

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

(vi) Percentage of voting rights after acquisition
100%

(vii) Main basis 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 quarterly consolidated financial statements related to the three months under review

The acquired enterprise's fiscal year ends on January 31, which is different from the consolidated fiscal year-end. However, because the difference in the fiscal year-end dates does not exceed three months, consolidated financial statements are prepared using the financial statements of the said subsidiary. Its balance sheet only is included for the first quarter under review, and its performance related to the three months under review is not included in the consolidated statements of income, because the deemed acquisition date is April 30, 2023.

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

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

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

(i) Amount of goodwill recognized

¥1,271 million

(ii) Reason for recognition

Excess earnings power expected from future business expansion

(iii) Method and period of amortization

Straight-line method over nine years

(Revenue recognition)

Breakdown of revenue arising from contracts with customers

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	719	2,085	4,923	7,727
SI and development	8,706	5,427	332	14,466
Products	7	68	2,339	2,414
Revenue arising from contracts with customers	9,433	7,580	7,595	24,608
Sales to external customers	9,433	7,580	7,595	24,608

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	612	2,691	5,352	8,656
SI and development	9,359	7,041	334	16,734
Products	16	71	1,210	1,298
Revenue arising from contracts with customers	9,988	9,804	6,897	26,689
Sales to external customers	9,988	9,804	6,897	26,689

Note: Matters concerning changes in reportable segments

Effective from the first quarter under review, reportable segments have been reclassified. For details, please refer to IV. Financial Information; 1. Quarterly consolidated financial statements; Notes to quarterly consolidated financial statements (Segment information, etc.).

Breakdown of revenue arising from contracts with customers presented for the three months under review has been realigned based on the new segment classifications.

(Per share information)

Basic earnings per share and calculation basis are as follows.

	Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)
Basic earnings per share	31.19	42.21
<i>(Calculation basis)</i>		
Profit attributable to owners of parent (Millions of yen)	1,401	1,836
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	1,401	1,836
Average number of outstanding shares of common stock during the period (Shares)	44,932,333	43,519,463

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

(Significant subsequent events)

No items to report.

2. Other

No items to report.

Part II. Information on Guarantors for the Company

No items to report.

**Independent Auditors' Report on the Quarterly Review of
the Quarterly Consolidated Financial Statements**
(English Translation)

August 8, 2023

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC.
Tokyo office

Shigeru Sekiguchi
Designated and Engagement Partner
Certified Public Accountant

Saori Nakata
Designated and Engagement Partner
Certified Public Accountant

Conclusion

Pursuant to the provisions in Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, we have conducted the quarterly review on accompanying quarterly consolidated financial statements, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income and notes of DTS CORPORATION (the "Company") for the first quarter of the fiscal year ending March 31, 2024 and for the first three months of the fiscal year ending March 31, 2024 (from April 1, 2023 through June 30, 2023) of the fiscal year from April 1, 2023 through March 31, 2024, as listed in "Financial Information."

In our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the financial positions of DTS CORPORATION and its consolidated subsidiaries as of June 30, 2023, and that their operating results for the first three months ended on such date are not in conformity with preparation standards generally accepted in Japan.

Basis for conclusion

We conducted the quarterly review in accordance with quarterly review standards generally accepted in Japan. Our responsibility under the quarterly review standards is stated in "Auditor's Responsibility for the Quarterly Review of the Quarterly 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 evidence to provide a basis for our conclusion.

Responsibilities of Management and the Audit and Supervisory Committee for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with preparation standards of the quarterly consolidated financial statements generally accepted in Japan. This includes design and operation of internal control as management determines is necessary to enable the preparation and fair presentation of the quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly 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 preparation standards of quarterly consolidated financial statements generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the execution of Directors' duties

related to designing and operating the financial reporting process.

Auditor's Responsibility for the Quarterly Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express our conclusion on these quarterly consolidated financial statements from an independent standpoint in a Report on the Quarterly Review of the Quarterly Consolidated Financial Statements based on our quarterly review.

We make professional judgment in the quarterly review process in accordance with quarterly review standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Mainly make inquiries to management, persons in charge of financial and accounting matters, and other relevant personnel, and perform analytical and other quarterly review procedures. Quarterly review procedures are more limited in scope than an audit of annual financial statements performed in accordance with auditing standards generally accepted in Japan.
- Based on the audit evidence, if we determine that 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, we will conclude on whether nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements are not fairly presented in accordance with preparation standards for quarterly consolidated financial statements generally accepted in Japan. In addition, 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 quarterly consolidated financial statements in the Report on the Quarterly Review of the Quarterly Consolidated Financial Statements, or if the notes to the quarterly consolidated financial statements pertaining to the significant uncertainty are inappropriate, the auditor is required to express a qualified conclusion or an adverse conclusion on the quarterly consolidated financial statements. While the auditor's conclusion is based on the evidence obtained up to the date of the Report on the Quarterly Review of the Quarterly Consolidated Financial Statements, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether nothing has come to our attention that causes us to believe that the presentation of and notes to the quarterly consolidated financial statements are not in accordance with preparation standards generally accepted in Japan, assess whether nothing has come to our attention that causes us to believe that the presentation, structure, and content of the quarterly consolidated financial statements including related notes, and the transactions and accounting events on which the quarterly consolidated financial statements are based are not fairly presented.
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision, and performance of the quarterly review of the quarterly consolidated financial statements. We are solely responsible for our conclusion.

We communicate with the Audit and Supervisory Committee regarding the planned scope, timing and significant findings of the quarterly review.

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 details of whether measures are taken to delete disincentives or whether safeguards are applied in order to mitigate disincentives to an acceptable level.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original of the above Report on the Quarterly Review of the Quarterly Consolidated Financial Statements is kept separately by the Company (the company submitting the Quarterly Securities Report).
2. The XBRL data is not included in the scope of quarterly review.