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[Document Submitted]	Quarterly Securities Report (“Shihanki Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-7, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	February 9, 2024
[Quarterly Accounting Period]	Third Quarter of the 52nd Fiscal Year (From October 1, 2023 to December 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)

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 nine months of 51st	First nine months of 52nd	51st
Fiscal period		From April 1, 2022 to December 31, 2022	From April 1, 2023 to December 31, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	75,535	84,671	106,132
Ordinary profit	(Millions of yen)	8,291	9,784	11,932
Profit attributable to owners of parent	(Millions of yen)	5,427	6,603	8,001
Comprehensive income	(Millions of yen)	5,691	7,461	8,365
Net assets	(Millions of yen)	59,937	63,370	62,376
Total assets	(Millions of yen)	75,689	78,957	80,676
Basic earnings per share	(Yen)	122.58	152.31	181.41
Diluted earnings per share	(Yen)	–	–	–
Equity ratio	(%)	77.6	78.8	76.1

Fiscal year		Third quarter of 51st	Third quarter of 52nd
Fiscal period		From October 1, 2022 to December 31, 2022	From October 1, 2023 to December 31, 2023
Basic earnings per share	(Yen)	48.47	57.07

- 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 nine 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 nine months under review, significant changes in business or other risks presented in the Annual Securities Report for the previous fiscal year are as follows.

Forward-looking statements in this document are based on the DTS Group's views as of the end of the quarter under review.

#### **M&A investments**

The Group invests in Japanese and overseas companies that are expected to generate synergies and future returns on investments on the premise that said companies complement the Group's business strategies through the acquisition of new technologies, solutions, and development resources, and expansion into new business fields, etc.

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

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

## 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 nine months of the year ending March 31, 2024, although the Japanese economy has been recovering moderately, there is a risk that a downturn in overseas economic conditions could dampen business sentiment in Japan looking ahead amid factors that include effects associated with financial tightening worldwide and concerns regarding the Chinese economic outlook; also, some businesses seem to have been at a standstill in Japan lately. Furthermore, we must be fully aware of the impacts of rising prices, the circumstances surrounding the Middle East, and fluctuations in the financial and capital markets.

The Group formulated "Vision 2030" in April 2022 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 the 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 ¥115.0 billion and EBITDA of ¥13.0 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 the 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 nine months under review, net sales of focus businesses made up 47.4% 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, are composed of three growth engines: Digital Biz, Solution Biz and Service Biz.

#### ■ "Strengthen ESG initiatives"

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

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

The Group has conducted volunteer activities supporting the recovery from the Great East Japan Earthquake at the vineyards of Tomioka Wine Domaine which aims to develop a new community with wine at its core. During the fiscal year under review, approximately 50 Group employees

participated in the project, helping to maintain covers to protect wine grape seedlings and weeding, etc.

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

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

In October 2023, the “Company of Health Excellence Certification/Gold Certification,” which is awarded by the Tokyo Promotion Council for Declaration of Healthy Company to companies that have achieved certain results in health and productivity management initiatives, was renewed for the fourth consecutive year.

(Note 1) JPX-Nikkei Index 400

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

#### ■ “Reform management foundation”

As we entered the second year of 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.

Furthermore, aiming to further strengthen and expand the system infrastructure-related business, effectively utilize management resources, and increase the efficiency of business operations, we resolved at the Board of Directors meeting to conduct a merger of DIGITAL TECHNOLOGIES CORPORATION and I Net Rely Corporation, wholly-owned subsidiaries of the Company. The effective date of the merger is scheduled for April 1, 2024.

In December 2023, we resolved to acquire all shares of avanza Co., Ltd. to make it a subsidiary, with the aim of strengthening our systems development framework in Japan, improving our capacity to respond to customers in the digital domain, and attracting more new customers.

#### ■ “Shareholder returns”

Based on a comprehensive consideration of opportunities for growth investment, capital conditions, etc., to improve capital efficiency and to further improve returns for our shareholders, we acquired approximately ¥1.6 billion in treasury shares from May to October 2023 and cancelled the acquired treasury shares in November 2023. Furthermore, we resolved at the Board of Directors meeting held in February 2024 to acquire and cancel up to ¥1.0 billion in treasury shares from February to March 2024.

As a result of the above, the Group reported net sales of ¥84,671 million for the nine months under review (+12.1% year on year).

Gross profit was ¥17,999 million (+23.7% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥8,477 million (+32.6% year on year). With the increase in gross profit, operating profit came to ¥9,521 million (+16.7% year on year), and ordinary profit came to ¥9,784 million (+18.0% year on year). Profit attributable to owners of parent was ¥6,603 million (+21.7% year on year), mainly due to the increase in ordinary profit.

(Millions of yen)

	Consolidated	Year-on-year change
		(%)
Net sales	84,671	12.1
Operating profit	9,521	16.7
Ordinary profit	9,784	18.0
Profit attributable to owners of parent	6,603	21.7

<Breakdown of net sales>

(Millions of yen)

	Consolidated	Year-on-year change
		(%)
Operation & Solutions	31,882	7.6
Technology & Solutions	30,594	26.6
Platforms & Services	22,194	2.1
Total	84,671	12.1

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

### Operation & Solutions Segment

Net sales came to ¥31,882 million (+7.6% 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 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.

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

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

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

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

(Note 1) LGWAN

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

(Note 2) kotosora

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

## Technology & Solutions Segment

Net sales came to ¥30,594 million (+26.6% year on year), due to strong progress in packaged solutions such as production management systems and new consolidation.

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

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

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

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

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

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

(Note 1) Building envelope calculations

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

(Note 2) IBM i

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

## Platforms & Services Segment

Net sales came to ¥22,194 million (+2.1% year on year) due to increases in operational and infrastructure construction projects.

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

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

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

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

(Note 1) eKYC

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

Total assets as of December 31, 2023 were ¥78,957 million. Goodwill increased by ¥1,361 million, investment securities included in other under investments and other assets increased by ¥954 million, merchandise and finished goods increased by ¥603 million, work in process increased by ¥431 million, and long-term prepaid expenses included in other under investments and other assets increased by ¥328 million. However, total assets decreased by ¥1,718 million compared to the end of the previous fiscal year due to the decrease in notes and accounts receivable - trade, and contract assets of ¥3,123 million, and the decrease of cash and deposits of ¥2,612 million.

Liabilities were ¥15,587 million. Accounts payable - other included in other under current liabilities increased by ¥732 million. However, liabilities decreased by ¥2,712 million compared to the end of the previous fiscal year due to the decrease in provision for bonuses of ¥1,378 million, the decrease in income taxes payable of ¥1,200 million, and the decrease in accounts payable - trade of ¥963 million.

Net assets were ¥63,370 million. Net assets increased by ¥993 million compared to the end of the previous fiscal year due to profit attributable to owners of parent of ¥6,603 million, the increase in valuation difference on available-for-sale securities of ¥408 million, the increase in foreign currency translation adjustment of ¥304 million, and the increase in non-controlling interests of ¥185 million, despite dividends of surplus of ¥5,000 million and purchase of treasury shares of ¥1,600 million. Due to cancellation of treasury shares, treasury shares and retained earnings decreased by ¥979 million and ¥920 million, respectively.

(2) Business and financial issues to be addressed

[Issues to be addressed by the Group]

In the nine 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 nine months under review was ¥107 million.

In the nine 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 nine months under review, order backlog in the "Technology & Solutions" 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" decreased dramatically year on year. This was mainly due to a reactionary decline in orders received for large-scale projects in the same period of the previous fiscal year.

Effective from the first quarter of the fiscal year ending March 31, 2024, DTS America Corporation and DTS SOFTWARE VIETNAM CO., LTD. which were previously classified in the "Operation & Solutions," have been reclassified into the "Technology & Solutions." 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 nine months under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	31,882	7.6
Technology & Solutions	30,594	26.6
Platforms & Services	22,194	2.1
Total	84,671	12.1

Note: Inter-segment transactions have been eliminated.

(ii) Orders

Orders in the nine 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	31,462	12.3	10,545	21.9
Technology & Solutions	29,419	25.6	10,853	81.0
Platforms & Services	17,594	(23.7)	6,522	(36.8)
Total	78,476	5.3	27,921	11.9

Note: Inter-segment transactions have been eliminated.

(iii) Sales

Sales in the nine months under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	31,882	7.6
Technology & Solutions	30,594	26.6
Platforms & Services	22,194	2.1
Total	84,671	12.1

Note: Inter-segment transactions have been eliminated.

3. Important business contracts

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

For details, please refer to IV. Financial Information; 1. Quarterly consolidated financial statements; Notes to quarterly consolidated financial statements (Significant subsequent events).

### 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 third quarter (Shares) (December 31, 2023)	Number of shares issued as of the submission date (Shares) (February 9, 2024)	Name of listed financial instruments exchange or registered or licensed financial instruments firms association	Description
Common stock	47,111,132	47,111,132	Tokyo Stock Exchange Prime Section	The number of shares constituting a standard unit 100 shares
Total	47,111,132	47,111,132	–	–

##### (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)
November 10, 2023 (Note)	(479,700)	47,111,132	–	6,113	–	6,190

Note: The decrease is due to cancellation of treasury shares.

##### (5) Major shareholders

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

(6) Status of voting rights

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

(i) Issued shares

As of December 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 4,292,400	–	–
Shares with full voting rights (Others)	Common stock 43,268,300	432,683	–
Stocks of less than a standard unit	Common stock 30,132	–	Stocks of less than a standard unit (100 shares)
Total number of issued shares	47,590,832	–	–
Total voting rights held by all shareholders	–	432,683	–

- Notes:
1. 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.
  2. Based on the resolution at a meeting of the Board of Directors held on April 28, 2023, the Company cancelled 479,700 treasury shares during the third quarter of the fiscal year under review. As a result, the total number of issued shares was 47,111,132 shares as of the end of the third quarter (December 31, 2023).

(ii) Treasury shares, etc.

As of December 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	4,292,400	–	4,292,400	9.01
Total	–	4,292,400	–	4,292,400	9.01

- Note:
- Based on the resolution at a meeting of the Board of Directors held on April 28, 2023, the Company cancelled 479,700 treasury shares during the third quarter of the fiscal year under review. As a result, the number of treasury shares was 3,956,500 shares (ratio of shares held to the total number of shares issued: 8.39%), including the number of shares acquired through requests for repurchase of the fractional shares, as of the end of the third quarter (December 31, 2023).

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 third quarter of the fiscal year ending March 31, 2024 and for the first nine months of the fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 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 December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	43,531	40,918
Notes and accounts receivable - trade, and contract assets	21,023	17,899
Securities	799	619
Merchandise and finished goods	660	1,264
Work in process	239	671
Raw materials and supplies	46	31
Other	1,299	1,447
Allowance for doubtful accounts	(8)	(16)
Total current assets	67,591	62,835
Non-current assets		
Property, plant and equipment	3,567	3,626
Intangible assets		
Goodwill	1,277	2,639
Other	733	892
Total intangible assets	2,010	3,532
Investments and other assets		
Other	7,511	8,970
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	7,505	8,963
Total non-current assets	13,084	16,122
Total assets	80,676	78,957

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	6,842	5,878
Income taxes payable	2,583	1,383
Provision for bonuses	2,964	1,586
Provision for bonuses for directors (and other officers)	80	59
Provision for loss on orders received	19	17
Other	5,156	5,663
Total current liabilities	17,646	14,588
Non-current liabilities		
Retirement benefit liability	511	508
Other	141	490
Total non-current liabilities	652	998
Total liabilities	18,299	15,587
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,113	6,113
Capital surplus	4,992	4,992
Retained earnings	56,577	57,260
Treasury shares	(7,534)	(8,081)
Total shareholders' equity	60,148	60,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	926	1,334
Foreign currency translation adjustment	(87)	217
Remeasurements of defined benefit plans	433	393
Total accumulated other comprehensive income	1,272	1,945
Non-controlling interests	956	1,141
Total net assets	62,376	63,370
<b>Total liabilities and net assets</b>	<b>80,676</b>	<b>78,957</b>

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

## Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	75,535	84,671
Cost of sales	60,980	66,671
Gross profit	14,554	17,999
Selling, general and administrative expenses	6,393	8,477
Operating profit	8,161	9,521
Non-operating income		
Interest income	26	55
Dividend income	96	103
Surrender value of insurance policies	0	69
Other	61	85
Total non-operating income	186	313
Non-operating expenses		
Interest expenses	21	7
Loss on investments in investment partnerships	11	10
Foreign exchange losses	14	26
Other	8	5
Total non-operating expenses	56	50
Ordinary profit	8,291	9,784
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	255	-
Total extraordinary losses	255	0
Profit before income taxes	8,036	9,784
Income taxes	2,632	3,114
Profit	5,403	6,670
Profit (loss) attributable to non-controlling interests	(23)	67
Profit attributable to owners of parent	5,427	6,603

## Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	5,403	6,670
Other comprehensive income		
Valuation difference on available-for-sale securities	202	408
Foreign currency translation adjustment	96	422
Remeasurements of defined benefit plans, net of tax	(10)	(39)
Total other comprehensive income	288	791
Comprehensive income	5,691	7,461
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,707	7,276
Comprehensive income attributable to non-controlling interests	(15)	185



## Notes to quarterly consolidated financial statements

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

For the first quarter of the fiscal year ending March 31, 2024, 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. 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.

The effect of this change on profit or loss for the nine 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 third 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 nine months under review have not been prepared. Depreciation (including amortization related to intangible assets that exclude goodwill) and amortization of goodwill for the nine months under review are as follows:

	(Millions of yen)	
	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Depreciation	451	433
Amortization of goodwill	52	334

(Shareholders' equity)

I For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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
October 31, 2022 Board of Directors	Common stock	2,179	50	September 30, 2022	November 22, 2022	Retained earnings

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.

II For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

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
October 30, 2023 Board of Directors	Common stock	1,948	45	September 30, 2023	November 21, 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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	29,633	24,170	21,732	75,535	–	75,535
Intersegment sales or transfers	996	73	558	1,628	(1,628)	–
Total	30,629	24,243	22,291	77,164	(1,628)	75,535
Segment profit	3,281	2,702	2,180	8,165	(3)	8,161

- 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	31,882	30,594	22,194	84,671	–	84,671
Intersegment sales or transfers	1,111	44	454	1,610	(1,610)	–
Total	32,993	30,639	22,648	86,282	(1,610)	84,671
Segment profit	4,060	3,264	2,184	9,508	13	9,521

- 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. The effect of this change is immaterial.

Segment information presented for the nine months ended December 31, 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, 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.

(Revenue recognition)

Breakdown of revenue arising from contracts with customers

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	2,110	7,333	15,208	24,651
SI and development	27,497	16,604	1,143	45,244
Products	25	232	5,381	5,639
Revenue arising from contracts with customers	29,633	24,170	21,732	75,535
Sales to external customers	29,633	24,170	21,732	75,535

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	1,778	8,921	16,243	26,943
SI and development	30,066	21,446	963	52,476
Products	37	226	4,987	5,251
Revenue arising from contracts with customers	31,882	30,594	22,194	84,671
Sales to external customers	31,882	30,594	22,194	84,671

Note: Matters concerning changes in reportable segments

Effective from the first quarter of the fiscal year ending March 31, 2024, 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 nine months ended December 31, 2022 has been realigned based on the new segment classifications.

(Per share information)

Basic earnings per share and calculation basis are as follows.

	Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)
Basic earnings per share (Yen)	122.58	152.31
<i>(Calculation basis)</i>		
Profit attributable to owners of parent (Millions of yen)	5,427	6,603
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common stock (Millions of yen)	5,427	6,603
Average number of outstanding shares of common stock during the period (Shares)	44,271,902	43,356,221

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

(Significant subsequent events)

1. Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on February 1, 2024, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Reasons for acquisition and cancellation of treasury shares

The Company will flexibly repurchase and cancel its shares to improve capital efficiency and further enhance shareholder returns upon comprehensively taking into account such factors as opportunities for growth investment, capital conditions, and the market environment.

(2) Details of the acquisition of treasury shares resolved by the Board of Directors

1) Class of shares to be acquired

Common shares

2) Total number of shares to be acquired

336,000 shares (maximum)

(Proportion to the total number of issued shares excluding treasury shares: 0.77%)

3) Total acquisition price of shares to be acquired

¥1,000 million (maximum)

4) Acquisition period

From February 2, 2024 to March 15, 2024

5) Method of acquisition

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

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

1) Class of shares to be cancelled

Common shares

2) Number of shares to be cancelled

The All the shares repurchased in (2) above

(Proportion to the total number of issued shares before cancellation: 0.71% (maximum))

3) Scheduled date of cancellation

March 27, 2024

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

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

(1) Outline of business combination

1) Name of acquired company and its business content

Name of acquired company

avanza Co., Ltd.

Business content

Design, development and consulting of web systems and embedded systems; sales and installation of various kinds of applications, software, and communication devices; sales of software packages and products

2) Main reason for business combination

The merger of the human resources, technologies, and customer bases of the two companies will lead to the strengthening of the systems development framework in Japan. The Company aims to strengthen its capacity to respond to customers in the digital domain and attract more new customers.

3) Date of business combination

December 31, 2023 (deemed acquisition date)

January 22, 2024 (share acquisition date)

4) Legal form of business combination

Share acquisition in consideration for cash

5) Name of company after combination

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

6) Percentage of voting rights after acquisition

100%

7) Main basis for determining the acquired enterprise

The acquired enterprise was determined as the Company acquired the shares for cash consideration.

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

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

(3) Details of major expenses related to the acquisition and the amount

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) Amount of assets acquired and liabilities assumed on the date of business combination, and the major breakdown thereof

Not finalized at the present moment.

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

The Company resolved to acquire shares of Tohoku Systems Support Co., Ltd. at the Board of Directors meeting held on February 1, 2024 and concluded the share transfer agreement.

(1) Outline of business combination

1) Name of acquired company and its business content

Name of acquired company

Tohoku Systems Support Co., Ltd.

Business content

Information systems consulting; comprehensive application development services; infrastructure construction, maintenance, and management; development and sale of packaged solutions; wireless system construction and equipment sales (for barcodes, radio-frequency identification [RFID], etc.)

2) Main reason for business combination

Through the integration of human resources, technologies, and customer bases of the two companies, the Company aims to further strengthen the systems development framework in Japan, strengthen and accelerate customers' businesses through DX, as well as contribute to economic development in the Tohoku region.

3) Date of business combination

March 1, 2024 (scheduled)

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%



## 2. Other

At the Board of Directors meeting held on October 30, 2023, the Company resolved the interim dividends for the 52nd fiscal year as follows.

The total amount of interim dividends	¥1,948 million
Dividend per share	¥45
Effective date of the right to claim payment of dividends and the payment commencement date	November 21, 2023

Note: The Company paid dividends to shareholders registered or recorded on the shareholders' register as of September 30, 2023.

## **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)

February 9, 2024

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 third quarter of the fiscal year ending March 31, 2024 and for the first nine months of the fiscal year ending March 31, 2024 (from April 1, 2023 through December 31, 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 December 31, 2023, and that their operating results for the first nine 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 the 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 judgments 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.

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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.