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[Document Submitted]	Annual Securities Report ("Yukashoken Hokokusho")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
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[Fiscal Year]	54th Fiscal Year (From April 1, 2025 to March 31, 2026)
[Company Name]	DTS CORPORATION
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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

(1) Consolidated financial data

Fiscal year		50th	51st	52nd	53rd	54th
Year ended		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Millions of yen)	94,452	106,132	115,727	125,908	135,213
Ordinary profit	(Millions of yen)	11,403	11,932	12,831	15,457	16,940
Profit attributable to owners of parent	(Millions of yen)	7,853	8,001	7,293	10,635	11,644
Comprehensive income	(Millions of yen)	7,672	8,365	8,493	11,295	13,277
Net assets	(Millions of yen)	62,133	62,376	63,402	59,344	64,691
Total assets	(Millions of yen)	79,116	80,676	84,882	80,387	85,248
Net assets per share	(Yen)	344.01	352.20	362.90	360.22	398.60
Basic earnings per share	(Yen)	43.19	45.35	42.13	63.45	72.94
Diluted earnings per share	(Yen)	-	–	–	–	–
Equity ratio	(%)	78.4	76.1	73.4	72.2	74.5
Return on equity	(%)	13.0	13.0	11.8	17.7	19.2
Price earnings ratio	(Times)	15.50	17.75	23.86	15.74	14.08
Cash flows from operating activities	(Millions of yen)	7,589	7,642	10,410	9,181	8,929
Cash flows from investing activities	(Millions of yen)	(139)	(931)	(8,516)	(2,322)	92
Cash flows from financing activities	(Millions of yen)	(5,025)	(9,095)	(7,817)	(16,087)	(8,089)
Cash and cash equivalents at end of period	(Millions of yen)	45,817	43,364	37,557	28,405	29,381
Number of employees	(Persons)	5,604	5,703	6,157	6,188	6,135

Notes:
1. Diluted earnings per share is not presented since no potential shares exist.
2. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025.
   Net assets per share and basic earnings per share have been calculated assuming that the stock split had taken place at the beginning of the 50th fiscal year.

(2) Non-consolidated financial data

Fiscal year		50th	51st	52nd	53rd	54th
Year ended		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Millions of yen)	67,594	74,356	80,744	86,263	88,235
Ordinary profit	(Millions of yen)	9,702	10,333	11,314	13,544	13,681
Profit	(Millions of yen)	6,594	7,075	6,657	9,802	9,937
Share capital	(Millions of yen)	6,113	6,113	6,113	6,113	6,113
Number of issued shares	(Shares)	49,072,632	47,590,832	46,854,132	41,498,032	163,954,928
Net assets	(Millions of yen)	57,306	55,743	55,570	50,181	53,668
Total assets	(Millions of yen)	68,055	67,125	70,064	63,679	66,710
Net assets per share	(Yen)	317.88	319.65	323.86	311.33	336.82
Dividends per share	(Yen)	70	120	103	127	82
[Interim cash dividends included herein]	(Yen)	[30]	[50]	[45]	[50]	[60]
Basic earnings per share	(Yen)	36.27	40.10	38.45	58.48	62.24
Diluted earnings per share	(Yen)	–	–	–	–	–
Equity ratio	(%)	84.2	83.0	79.3	78.8	80.5
Return on equity	(%)	11.6	12.5	12.0	18.5	19.1
Price earnings ratio	(Times)	18.46	20.07	26.13	17.08	16.50
Payout ratio	(%)	48.25	74.81	66.96	54.29	59.44
Number of employees	(Persons)	2,999	3,071	3,111	3,172	3,199
Total shareholder return	(%)	108.8	135.0	170.7	174.8	185.1
[Comparison index: Dividend-included TOPIX]	(%)	[102.0]	[107.9]	[152.5]	[150.2]	[202.2]
Highest stock price	(Yen)	2,831	3,705	4,155	4,445	1,362 [5,380]
Lowest stock price	(Yen)	2,346	2,644	2,979	3,460	991 [3,405]

Notes:
1. The dividends per share for the 51st fiscal year include commemorative dividends of ¥50 in celebration of the 50th anniversary of the Company’s establishment (¥20 of which are commemorative dividends included in the interim dividends).
2. Diluted earnings per share is not presented since no potential shares exist.
3. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. Net assets per share, basic earnings per share, and total shareholder return have been calculated assuming that the stock split had taken place at the beginning of the 50th fiscal year. Dividends per share present the actual dividend amount prior to the stock split. Dividends per share for the 54th fiscal year represents the aggregate of the interim cash dividend ¥60 per share prior to the stock split and the year-end dividend of ¥22 per share after the stock split.
4. The year-end dividend of ¥22 out of the dividends per share of ¥82 per share for the 54th fiscal year is subject to approval at the Annual General Meeting of Shareholders to be held on June 23, 2026.
5. The highest and lowest stock prices are those quoted on the Tokyo Stock Exchange Prime Market on or after April 4, 2022, and on the Tokyo Stock Exchange 1st Section before April 4, 2022.
6. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. For the 54th fiscal year, the highest and lowest stock prices presented are those after the stock split, while the figures in square brackets represent highest and lowest stock prices before the stock split.

2. History

Month/Year	History
Aug. 1972	Company established, began performing software development and computer management operation management operations on commission
Apr. 1982	Began sale of office automation equipment
Sept. 1984	Completed construction of Head Office Building 1 (head office annex) in Shinbashi 5-chome, Minato-ku and moved to new building
Mar. 1987	Began performing transmission line maintenance and management on commission
Apr. 1990	Opened Kyushu branch office (in Fukuoka City)
Feb. 1991	Registered with the Japan Securities Dealers Association as a storefront sales brand
June 1991	Opened Kansai branch office (in Osaka City)
Aug. 1997	Completed construction of Head Office Building 2 (head office building) in Shinbashi 6-chome, Minato-ku and moved to new building
Sept. 1997	Listed on the 2nd Section of the Tokyo Stock Exchange
Sept. 1999	Listed on the 1st Section of the Tokyo Stock Exchange
Oct. 2000	Established KYUSHU DATA TSUSHIN SYSTEM (currently, KYUSHU DTS CORPORATION)
Apr. 2001	Made DATALINKS CORPORATION a subsidiary through acquisition of its shares
Oct. 2003	Renamed as DTS CORPORATION
June 2004	Completed construction of Head Office New Building in Shinbashi 6-chome, Minato-ku and moved to new building
Oct. 2004	Opened a Chukyo branch office (in Nagoya City)
Nov. 2006	Made JAPAN SYSTEMS ENGINEERING CORPORATION a subsidiary through acquisition of its shares
Feb. 2007	Made SOUGOU SYSTEM SERVICE CORPORATION a wholly owned subsidiary through acquisition of its shares
Apr. 2007	Established MIRUCA CORPORATION
Apr. 2007	DATALINKS CORPORATION listed on Jasdaq Securities Exchange
Oct. 2007	Established DTS (Shanghai) CORPORATION
Oct. 2009	Established DIGITAL TECHNOLOGIES CORPORATION
Oct. 2011	Established DTS palette Inc.
Nov. 2011	Established DTS America Corporation
Apr. 2013	Established DTS IT Solutions (Thailand) Co., Ltd.
Apr. 2014	Established DTS WEST CORPORATION
Apr. 2014	Made ART System Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Apr. 2014	Made YOKOGAWA DIGITAL COMPUTER CORPORATION a subsidiary through acquisition of its shares
Apr. 2014	Established DTS SOFTWARE VIETNAM CO., LTD.
Apr. 2015	DTS WEST CORPORATION merged into SOUGOU SYSTEM SERVICE Corporation
Apr. 2015	Renamed SOUGOU SYSTEM SERVICE Corporation as DTS WEST CORPORATION
Apr. 2015	Transferred part of embedded related businesses to ART System Co., Ltd. through absorption-type split
Apr. 2016	DATALINKS CORPORATION transferred some of its personnel dispatching business
Mar. 2017	Capital alliance with India-based Nelito Systems Limited (currently, Nelito Systems Private Limited)
Apr. 2017	Merged YOKOGAWA DIGITAL COMPUTER CORPORATION and ART System Co., Ltd. to form DTS INSIGHT CORPORATION
Aug. 2017	Made DATALINKS CORPORATION a wholly owned subsidiary through a stock swap
Oct. 2017	Relocated headquarters to Hatchobori 2-chome, Chuo-ku
Oct. 2018	Merged DATALINKS CORPORATION into DTS
Mar. 2019	DTS (Shanghai) CORPORATION concluded a capital increase agreement with Dalian SuperElectronics Co., Ltd.
June 2019	Acquired additional shares of Nelito Systems Limited (currently, Nelito Systems Private Limited), making it a subsidiary
June 2021	Made I Net Rely Corporation a wholly owned subsidiary through acquisition of its shares
Apr. 2022	Transitioned to the Tokyo Stock Exchange Prime Market
June 2022	Transitioned to a company with an Audit and Supervisory Committee
Nov. 2022	Made Partners Information Technology, Inc. a subsidiary through acquisition of its shares

Month/Year	History
May 2023	Made Anshin Project Japan Inc. a wholly owned subsidiary through acquisition of its shares
Jan. 2024	Made avanza Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Mar. 2024	Made Tohoku Systems Support Co., Ltd. a wholly owned subsidiary through acquisition of its shares
Apr. 2024	I Net Rely Corporation merged into DIGITAL TECHNOLOGIES CORPORATION
Aug. 2025	DTS (Shanghai) CORPORATION changed its investment ratio in Dalian SuperElectronics Co., Ltd.

3. Description of business

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

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

[Operation & Solutions]

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

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

[Technology & Solutions]

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

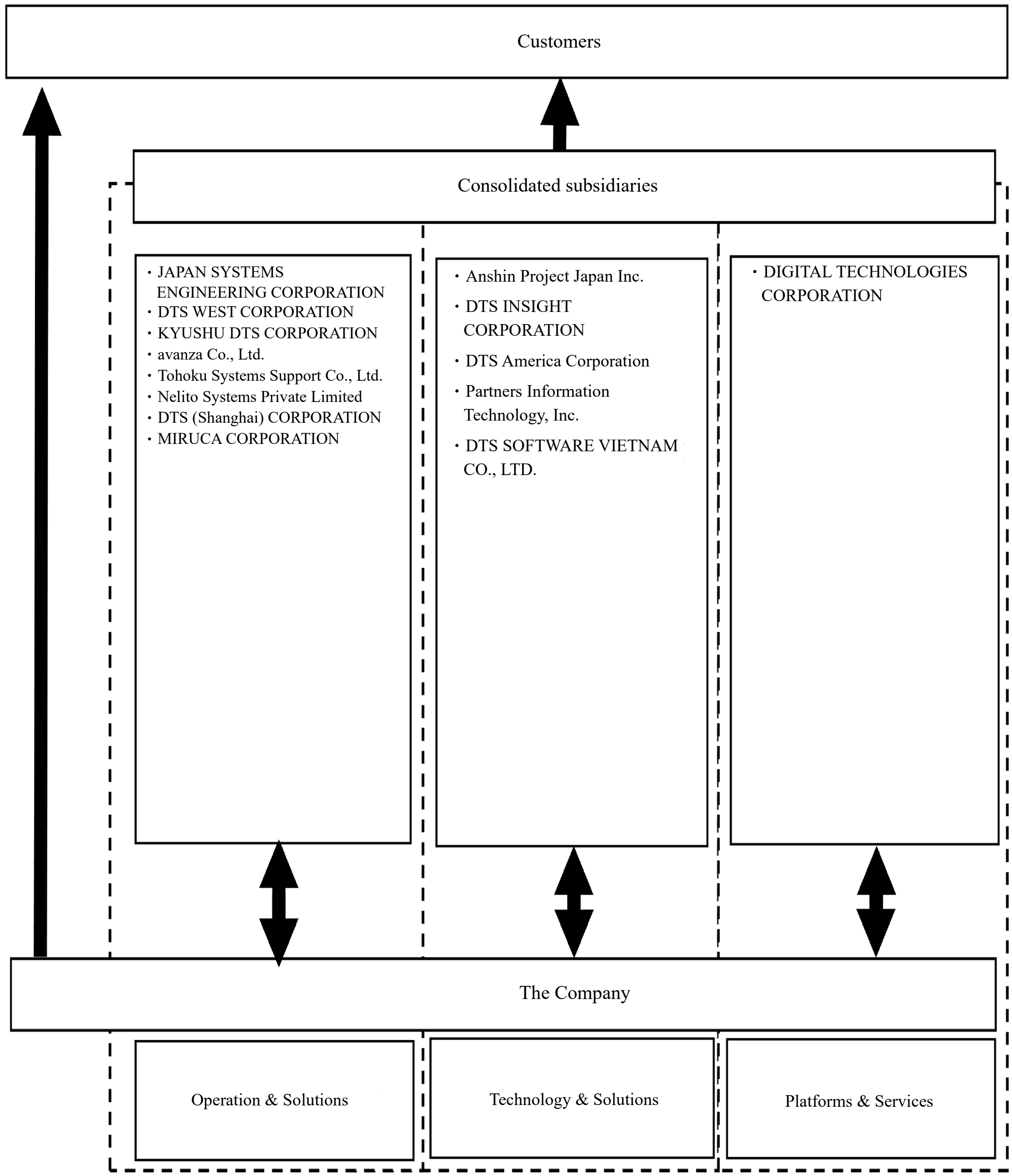
・Consulting in relation to the deployment of systems
・Design, development, operation, maintenance, etc. of systems (including design, construction and embedding of platforms, networks and so on)
・Deployment, operation, maintenance, etc. of (in-house or other companies’) solutions

[Platforms & Services]

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

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

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



4. Information on subsidiaries and affiliates

As of March 31, 2026

Name	Address	Share capital (Millions of yen)	Main business lines	Ratio of voting rights held (%)	Relationship with the Company
(Consolidated subsidiaries)					
KYUSHU DTS CORPORATION	Fukuoka City, Fukuoka	100	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
JAPAN SYSTEMS ENGINEERING CORPORATION	Shinjuku-ku, Tokyo	310	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
DTS WEST CORPORATION	Osaka City, Osaka	100	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
MIRUCA CORPORATION	Minato-ku, Tokyo	100	Information Service	100.00	The Company's overall training operations have been outsourced to this company. Number of interlocking officers: 0
DIGITAL TECHNOLOGIES CORPORATION (Note)	Arakawa-ku, Tokyo	100	Information Service	100.00	Purchases devices, etc. used in the Company's information service business. Number of interlocking officers: 0
DTS (Shanghai) CORPORATION	Shanghai, China	CNY 14 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
DTS America Corporation	New York, U.S.A.	US $0.2 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
DTS INSIGHT CORPORATION	Shibuya-ku, Tokyo	200	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 1
DTS SOFTWARE VIETNAM CO., LTD.	Hanoi, Vietnam	US $1.2 million	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an

Name	Address	Share capital (Millions of yen)	Main business lines	Ratio of voting rights held (%)	Relationship with the Company
					outsourcing agreement. Number of interlocking officers: 0
Nelito Systems Private Limited	Navi Mumbai, India	INR 20.6 million	Information Service	98.80	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
Partners Information Technology, Inc.	California, U.S.A.	US $0.005 million	Information Service	51.00	Number of interlocking officers: 1
Anshin Project Japan Inc.	Fukuoka City, Fukuoka	88	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
avanza Co., Ltd.	Shibuya-ku, Tokyo	60	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0
Tohoku Systems Support Co., Ltd.	Sendai City, Miyagi	98.8	Information Service	100.00	Some of the Company's information service operations have been outsourced to this company in accordance with an outsourcing agreement. Number of interlocking officers: 0

(Note) The company qualifies as a specified subsidiary.

II. Overview of Business

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

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

   (1) Basic management policies

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

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

   With advances in technology, executive agendas are increasingly centered around themes such as strengthening customer relationships and data-driven management. In line with and influenced by these shifts, corporate IT investments are expected to move toward information systems and customer contact services.

   Based on such understanding of the environment, in our medium-term management plan (2025–2027), which is the 2nd Stage in Vision 2030, the Group will focus on three pillars: “evolution of focus businesses and deepening of core businesses,” “execution of strategic alliances,” and “strengthening of the Group’s management foundation,” and will work on initiatives to promote our business growth and expansion as well as enhance stability and reliability.

(3) Targeted management indicators

In the medium-term management plan (2025–2027), which is the 2nd Stage in Vision 2030, the Group has set the following goals.

<Management goals for the fiscal year ending March 31, 2028>

Operating revenue	Consolidated net sales	¥160.0 billion
	Operating profit	¥18.7 billion
	EBITDA	¥20.0 billion
	EBITDA margin	12.5%
	Percentage of focus businesses' (*1) net sales to total	57.0% or more
	Productivity (operating profit per employee in Japan)	¥3.2 million
Management efficiency	ROE	18% or more
Investment	Growth investment (cumulative total for three years)	¥32.5 billion
Shareholder returns	Payout ratio	50% or more
	Total return ratio	70% or more
Cash on hand	Percentage of cash on hand to total assets	33% or less
Non-financial targets (*2)	Engagement score	55 or more
	Ratio of female managers	8.5% or more
	Ratio of female Directors	20% or more
	Ratio of Independent Outside Directors	Majority

(*1) Business fields on which the Group will focus in the future.

(*2) Reduction of CO_2 emissions (compared with FY2021 figures): 60% (reference value)

2. Sustainability philosophy and initiatives

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

Forward-looking statements in the text are based on the judgment of the DTS Group as of March 31, 2026.

(1) Sustainability Management

As the social issues and needs which the companies are required to address have been increasingly complex and diversified, the Group recognized this major change phase as an opportunity for further growth and will implement sustainability management with a long-term perspective.

(i) Governance

The Group considers sustainability as an important management issue. The Sustainability Committee is established and operated under the Representative Director and President, where discussions, strategy formulation, monitoring, etc. regarding sustainability management are conducted.

In addition, the Board of Directors of the Company functions as a supervisory organ for sustainability management, and receives regular reports on its progress.

(ii) Strategies

With consideration to the changes in the external environment surrounding sustainability such as expectations from our stakeholders, we have identified the material issues by referring to the process specified by the GRI Standards, an international guideline.

We identified 52 social issues based on the opinions from business segments, corporate departments, and employees. Based on a Material Issue Matrix which was created by evaluating their impact on the Group's business and on stakeholders, we have identified eight material issues and 16 sub-material issues, and are moving forward with initiatives.

Initiative Policies	Material Issues	Sub-material Issues
Creating shared value Create a rich future through IT	1. Achieve business process reform through DX (digital transformation)	(i) Implement DX leveraging solutions and services as soon as possible (ii) Enhance solutions leveraging AI, IoT, etc. (iii) Reform workstyles by digitalizing business operations (iv) Link public-and private-sector data to merge the real-world and cyberspace
	2. Support society's IT infrastructure	(v) Contribute to safe, secure use of financial services and stable operation of other IT systems in society
	3. Create safe and secure IT environments	(vi) Respond to increasing frequency and severity of cyberattacks
Economy Facilitate corporate growth that supports sustainable society	4. Revitalize local communities by creating employment	(vii) Reduce the gap between urban cities and other regions by revitalizing local economy (viii) Create employment in depopulated regions
Environment Reduce environmental impact from business activities and preserve the earth environment for the future	5. Achieve carbon neutrality in 2030	(ix) Control CO2 emissions by procuring renewable energy (x) Promote energy saving
Society Meet our social responsibilities through fulfilling workplaces and sound governance	6. Ensure working environments where human rights are respected and taken into consideration	(xi) Facilitate employees' personal growth by increasing their satisfaction (xii) Provide working environments in which employees can work energetically and improve employee health

Initiative Policies	Material Issues	Sub-material Issues
		(xiii) Increase work productivity by ensuring employees' psychological safety
	7. Create opportunities for success of diverse human resources	(xiv) Revitalize organizations by realizing diversity (xv) Train professionals and DX employees and create opportunities for them to play active roles
	8. Prevent fraud and corruption	(xvi) Ensure prevention of corruption including bribery

(iii) Risk management

The Group recognizes sustainability-related risks associated with "climate change and sustainability" and "corporate social responsibility" as material business risks and appropriately manages them through the Risk Management Committee.

(iv) Indicators and goals

The Group set the indicators and goals in its medium-term management plan started from fiscal 2025 to monitor progress towards achieving objectives regarding the material issues, driving forward our efforts.

Material Issues	Indicators		Goals (FY2027)	Results (FY2025)
1. Achieve business process reform through DX (digital transformation) 2. Support society's IT infrastructure 3. Create safe and secure IT environments	Net sales of focus businesses	Cloud computing & modernization	25.0 billion yen	26.4 billion yen
		Data utilization	2.5 billion yen	2.5 billion yen
		Security & managed services	10.0 billion yen	7.3 billion yen
		Enterprise Application Services	14.0 billion yen	14.2 billion yen
		IoT & Edge Technology	11.5 billion yen	10.9 billion yen
		AI, generative AI	10.0 billion yen (FY2030)	7.8 billion yen
		Customer experience value (CX)	5.0 billion yen (FY2030)	2.8 billion yen
4. Revitalize local communities by creating employment	Establishment of regional bases		–	KYUSHU DTS opened Nagasaki Development Center and Kitakyushu Development Center
5. Achieve carbon neutrality in 2030	CO_2 emissions (Scope 1 and Scope 2)		60% reduction (compared with FY2021 figures)	46.8% reduction (compared with FY2021figures)
6. Ensure working environments where human rights are respected and taken into consideration	Employee engagement score		55 or more	52.6
	Ensuring workplace safety and supporting the physical and mental well-being of employees		–	Recognized as a Health & Productivity Management Outstanding Organization (White 500)
7. Create opportunities for success of diverse human resources	Ratio of female managers		8.5% or more	5.4%
	Employment rate of persons with disabilities		2.7% or more	2.5%
8. Prevent fraud and corruption	Strengthening and embedding the governance system		–	Strengthening oversight and monitoring of overseas Group companies

(2) Climate change

(i) Governance

The Group has established the environmental management system headed by Head of Corporate Management as its top management. In 2022, the ESG Promotion Department (now, Sustainability Promotion Department) was newly established to promote initiatives regarding the Group-wide response to climate change and reduction of its environmental impact.

The progress toward carbon neutrality as well as response to climate change are regularly reported to the Board of Directors and the Sustainability Committee.

(ii) Strategies

In order to identify the impacts of climate-related risks and opportunities on its business, strategies, and finances, the Group has conducted analysis based on the TCFD Recommendations, using 1.5°C and 4°C scenarios.

Under the 1.5°C scenario, in which the transition to a decarbonized society progresses, we have identified risks such as increased costs associated with the introduction of carbon tax and other regulations, as well as a potential decline in corporate reputation due to delays in climate action and related disclosures.

On the other hand, we expect that appropriate responses will enable us to gain competitive advantages in customers' sustainability procurement, leading to improved business performance as an opportunity.

Under the 4°C scenario, which assumes continued reliance on fossil fuels and further increases in global temperatures, we have recognized risks to business continuity arising from the increasing severity and frequency of natural disasters such as typhoons and heavy rainfall, which may result in damage to business sites and other disruptions. On the other hand, demand for implementing cloud services is expected to increase from a business continuity planning (BCP) perspective, presenting opportunities for growth in related businesses.

Based on the results of this analysis, the Group has formulated a transition plan under its "Vision 2030," aiming to achieve net-zero Scope 1 and 2 emissions and a 50% reduction in Scope 3 emissions by 2030. The Group is promoting initiatives such as the introduction of renewable energy, energy-saving measures, and emissions reductions across the supply chain. At the same time, by expanding the provision of digital services, including cloud solutions, the Group seeks to both mitigate risks and capture business opportunities, thereby achieving sustainable growth.

(iii) Risk management

Based on the TCFD scenario analyses, we evaluate the impacts of climate change-related risks and opportunities on its business, strategy, and financial performance in 2030, to work on responses to climate-rated risks and strive to realize opportunities. The risks and opportunities related to climate change identified by the Group and their financial impact and our responses are as follows.

Relevant scenario	Category	Risks and opportunities (Period of impact*1)	Impact *2	The Company's responses
1.5°C	Risks (Transition / Policy and legal)	Increased costs due to the introduction of carbon tax (Medium to long term)	Small	・Reduce greenhouse gas emissions by procuring renewable energy (switching electricity contracts, utilizing environmental value certificates) ・Power saving in offices through facility renewal
	Risks (Transition / Reputation)	Lower valuation due to failing to meet demands for disclosure of climate change-related information from investors and others (Medium term)	Medium	・Establish a dedicated organization and the Sustainability Committee to proactively response to climate change and disclose information ・Promote dialogue with investors
	Opportunities (Transition / Market)	Advantages in the customers' sustainability procurement and	Small	・Have sufficient dialogue with customers and address their

Relevant scenario	Category	Risks and opportunities (Period of impact*1)	Impact *2	The Company's responses
		increased net sales if the Company successfully and appropriately responds to climate change (Medium term)		demand related to climate change
4°C	Risks (Physical / Acute)	Increased frequency of natural disasters such as massive typhoons and heavy rainfalls and suspension of business operation due to flooding, etc. (Short term)	Medium	・Implement measures and conduct a drill to immediately start working to maintain system environment and take initial actions in case of disasters ・Establish an environment for the employees to work remotely
	Opportunities (Products and services)	Expansion of cloud-related businesses in response to increased demand as measures for increasing and intensifying disasters (Medium term)	Medium	・Address customer needs by enhancing proposal capabilities of service in line with operations which contribute to the BCP ・Invest in human capital to develop engineers in the cloud-related field and talents for the advanced cloud services

*1 Period of impact: Short-term: within 1 year, Medium-term: over 1 year and within 3 years, Long-term: over 3 years

*2 Impact (financial impact in the final year of Vision 2030): Large: 2.0 billion yen or more, Medium: 500 million yen or more and less than 2.0 billion yen, Small: less than 500 million yen

(iv) Indicators and goals

Under Vision 2030, the Group set the goals of achieving net zero Scope 1 and Scope 2 greenhouse gas emissions by 2030 and aims to achieve 50 reduction (compared with the base year of fiscal 2021) of emissions for Scope 3 as well. These goals were validated by the Science Based Targets (SBT) initiative in 2024.

Greenhouse gas emissions	2030 target (SBT-validated)	2050 Target
Scope 1 + Scope 2	Net zero	Net zero
Scope 3	50% reduction (relative to FY2021)	Net zero

(Reference) Final greenhouse gas emissions data (Scope 1–Scope 3) for the fiscal year will be disclosed on our website after obtaining a third-party assurance.

(3) Human capital

(i) Governance

The Group has established a human capital management framework led by the Representative Director and President as the top management executive. Through initiatives related to human capital, including the promotion of the Group-wide human resource strategies, human resource development, enhancement of employee engagement, and promotion of diversity, the Group advances measures aimed at achieving sustainable growth in corporate value.

The progress of human capital initiatives is regularly reported to the Board of Directors and the Management Council.

(ii) Strategies

The Group recognizes that human capital as a key driver of sustainable growth and corporate value improvement in realizing its long-term vision, "Vision 2030." Based on this recognition, the Group promotes human resource strategies aligned with its business strategy and is working to strengthen its organizational foundation to respond to a rapidly changing business environment through the recruitment and development of highly skilled and specialized talent.

(iii) Risk management

The Group recognizes human capital-related risks as one of the key risks that could affect sustainable growth and the improvement of corporate value over the medium to long term. Specifically, the Group identifies the following as major risks: shortages of talent required to execute its business strategy; delays in developing highly specialized professionals; declines in employee engagement; insufficient workplace environments that enable diverse employees to thrive; and issues related to maintaining and promoting employees' physical and mental health.

To address these risks, the Group strives to prevent their occurrence and mitigate their impact through various measures, including recruitment, development, placement, evaluation, and compensation, and workplace environment improvements. In addition, the Group has established a framework under which relevant departments collaborate to identify human capital-related issues and consider and implement appropriate countermeasures.

Material human capital-related matters and the status of responses are managed under the supervision of the Representative Director and President, reported regularly to the Management Council, and, as necessary, reported to the Board of Directors to ensure appropriate oversight and risk management.

(iv) Indicators and goals

The Group has established non-financial targets under its medium-term management plan. The indicators and results for each indicator are as follows.

Indicators	Goals for FY2027	Results for FY2025
Engagement score	55 or more	52.6
Ratio of female managers	8.5% or more	5.4%

In addition, to appropriately monitor the progress of its human capital strategies and drive continuous improvement, the Group evaluates the effectiveness of its human capital initiatives using indicators related to recruitment, human resources development, investment in human capital and employee returns, as well as health management and work-life balance support.

These indicators are reviewed as necessary in light of their alignment with the Group's business strategy. The Group is committed to managing human capital with a focus on visualizing the returns of human capital investments and demonstrating their contribution to improving corporate value. Going forward, the Group will continue to monitor trends in these indicators and further advance its human capital management practices.

3. Business and other risks

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

Forward-looking statements mentioned in this discussion of risks reflect the judgment of the DTS Group (the Company and its consolidated subsidiaries) as of March 31, 2026.

(1) Changes of business environment

In the information services industry, the Group expects strong IT investment from all industries due to the expansion of digital business, etc. However, if there arises a change in the trends of IT investment from customers caused by the changes of social and economic conditions or the rapid evolution of generated AI technologies, then it may affect the results of the Group.

(2) Price competition

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

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

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

(3) Business overseas

As a part of the Group's overseas business strategy, the Group promotes expansion of overseas businesses, such as by expanding overseas dealings and promoting establishment and capital tie-ups of overseas subsidiaries, and along with this, strengthening its governance and business management foundations has become an important operational issue.

In our overseas operations, the results of the DTS Group may be affected by various litigation risks and liability for damages. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management.

(4) Business models and technological innovation

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

(5) M&A investments

The Group invests in domestic and international companies that enable us to complement our business strategy by acquiring new technologies, solutions, and development resources, as well as by expanding into new business areas. These investments are made when there is an expectation of creating synergies and generating future returns. In such investments, if we allocate an unrecoverable amount of capital, if unforeseen problems arise after the investment, or if proper control is not maintained, making smooth business operations difficult, this may affect the results of the Group.

(6) Human resources, etc.

In the information services industry, to which the Group belongs, advances in technology are remarkable, and securing IT human resources to meet shifts in demand structure is required. However, if an exodus of employees caused by the deterioration of working environments occurs, or if the securing of human resources including business partners is not as successful as expected due to changes in supply-demand balance or escalation of competition for the human resources, then it may affect the results or the business development of the Group.

(7) Management of software development projects

In order to secure competitive advantages for themselves, customers are becoming increasingly demanding with regard to shortening system development turnaround times. As a result, project management and quality management are becoming even more important than before. The results of the DTS Group may be affected if projects with a negative impact on profitability occur due to unforeseen circumstances.

(8) Labor-related regulations

The Group promotes businesses with the highest priority on compliance with labor-related regulations and government regulatory requirements. However, the occurrence of any material compliance violations or breaches of applicable laws and regulations could adversely affect the Group’s credibility and financial performance.

(9) Cybersecurity

Since companies operating in the information service business, an area of strength for the DTS Group, come into contact with important information of various customers due to the nature of the business, security management is an important operational issue. In the event of unauthorized access resulting in information leakage or other incidents, the Group’s credibility and financial performance could be adversely affected.

(10) Business continuity

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

(11) Litigation, etc.

The Group is not currently subject to any lawsuits that could affect its financial position or operating results, etc. However, the Group could become the subject of litigation including claims for compensation for damages with regard to faults, defects, or delivery delays in the services provided by the Group, infringement of the rights of third parties, customer information leaks including personal information, defamation, inappropriate personnel and labor management, or other matters. Depending on the details and results of such litigation, etc., they could affect the results of the Group.

(12) Internal fraud, waste, and abuse

The Group is striving to prevent internal fraud, waste, and abuse. However, if such incidents cannot be prevented, they may result in violations of laws and regulations, and the inability to recover losses arising from such misconduct, which could adversely affect the Group’s credibility and financial performance.

(13) Internal control requirements

The Group is engaged in designing and operating internal controls related to accounting and finance. However, if compliance with the internal control framework is not properly established, communicated, or monitored, material weaknesses may arise, which could affect management’s assessments and reporting under applicable regulations in each country.

(14) Financial reporting and disclosure

The Group is striving to ensure appropriateness of financial reporting and disclosure. However, if financial reporting and disclosure processes are inadequate, material misstatements or omissions of material facts may occur in financial reports issued to existing and prospective investors, creditors, and regulatory agencies. This could lead to non-compliance with applicable accounting and reporting standards, affecting the credibility and business performance of the Group.

(15) Data privacy

The Group is committed to proper management of its data and confidential information related to its employees, customers, and business operations. However, if access controls for IT systems and applications are insufficient, such information may be obtained by unauthorized third parties, which could adversely affect the credibility and business performance of the Group.

(16) Corruption

The Group is working to maintain compliance with corporate ethics in business transactions. However, any involvement in corruption may affect the Group’s credibility and business performance due to factors such as payment of substantial fines, loss of credibility, and deterioration of relationships with regulatory authorities and business partners.

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

(1) Overview of the operating results, etc.

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

(i) Financial position and operating results

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

In the fiscal year under review, the Japanese economy has been recovering moderately, although it is necessary to closely monitor the impact of the circumstances in the Middle East. Furthermore, we must be aware of the impact of fluctuations in the financial and capital markets, as well as developments surrounding trade policies in the United States, among others.

The environment surrounding the Group is such that, with advances in technology, executive agendas are increasingly centered around themes such as strengthening customer relationships and data-driven management. In line with and influenced by these shifts, corporate IT investments are expected to move toward information systems and customer contact services.

Against this backdrop, in the medium-term management plan (2025–2027), which is the 2nd Stage in Vision 2030, the Group is focusing on three pillars: "evolution of focus businesses and deepening of core businesses," "execution of strategic alliances," and "strengthening of the Group's management foundation," and working on initiatives to promote our business growth and expansion as well as enhance stability and reliability.

Net sales for the fiscal year under review were ¥135,213 million (+7.4% year on year), operating profit was ¥16,434 million (+13.4% year on year), and EBITDA was ¥17,790 million (+13.9% year on year).

■ Evolution of focus businesses and deepening of core businesses

In the medium-term management plan (2025-2027), we have newly set "concentrated investment areas" (Note 2) and "forward-looking investment areas" (Note 3) within the "focus businesses" (Note 1) that we are strengthening as growth areas for the Group.

We are promoting our target of net sales of focus businesses making up 57% of total net sales by the fiscal year ending March 31, 2028. In the fiscal year under review, the focus business net sales ratio was 62.9%, showing steady progress toward our goal.

In April 2025, we established the Generative AI Business Promotion Office to promote customer support for AI utilization in the field of generative AI, integration into our own solutions, and utilization in our own development processes, as we expand forward-looking investment areas. We aim to achieve ¥10.0 billion in net sales related to AI and generative AI by FY2030 by improving our clients' business value through the use of generative AI and other technologies.

(Note 1) Focus businesses

Business fields on which the Group will focus in the future.

(Note 2) Concentrated investment areas

The five areas that we have redefined to further expand our business scale: i.e., (1) Cloud computing & modernization, (2) Data utilization, (3) Security & managed services, (4) Enterprise Application Services, and (5) IoT & Edge Technology. These are the areas that are expected to grow particularly within our focus businesses.

(Note 3) Forward-looking investment areas

Areas expected to see rapid market expansion and increased customer business value in the future, i.e., AI, generative AI, and customer experience value (CX).

■ Execution of strategic alliances

In September 2025, we began partnering with OpenAI Japan LLC to advance the practical application of generative AI technology. We will strive to increase sophistication of the value that we propose, enhance added value, and improve productivity by combining generative AI technologies with our comprehensive strengths as a total system integrator, including building AI technology into systems, developing our own AI-native solutions, and providing code generation support. In addition, we are utilizing generative AI to improve the efficiency of various operations such as research/analysis and inquiry handling. We will continue to pursue the creation of new value and business growth through the use of generative AI.

Moreover, in collaboration with the Yasuto Nakanishi Lab (Faculty of Environment and Information Studies, Keio University), we launched a joint research project on “Affective AI Agents” aimed at stimulating human creativity. We will facilitate the societal implementation of human-AI intellectual collaboration by positioning AI as a catalyst that attunes to human sensitivities and context and triggers new insights and ideas. This includes developing affective AI agent prototypes and systematizing their behavioral models.

■ Strengthening of the Group’s management foundation”

To strengthen our management foundation, we will invest in human capital, reinforce group governance and system infrastructure, and improve capital efficiency, aiming for sustained, stable enhancement of corporate value.

To improve capital efficiency, implement cash allocation based on the medium-term management plan, and further increase returns to shareholders, we acquired approximately ¥2.5 billion in treasury shares from May to July 2025. All of the acquired treasury shares of approximately ¥2.5 billion acquired during the fiscal year under review have been canceled.

As a result of the above, the Group reported net sales of ¥135,213 million for the fiscal year under review (+7.4% year on year).

Gross profit was ¥29,676 million (+4.6% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥13,241 million (-4.6% year on year). With the increase in gross profit, operating profit came to ¥16,434 million (+13.4% year on year), and ordinary profit came to ¥16,940 million (+9.6% year on year). Profit attributable to owners of parent was ¥11,644 million (+9.5% year on year), mainly due to an increase in ordinary profit.

(Millions of yen)

	Consolidated	
		Year-on-year change
Net sales	135,213	7.4%
Operating profit	16,434	13.4%
Ordinary profit	16,940	9.6%
Profit attributable to owners of parent	11,644	9.5%

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

<Net sales by segment>

(Millions of yen)

Segment	Consolidated	
		Year-on-year change
Operation & Solutions Segment	52,810	(0.7)%
Technology & Solutions Segment	45,998	7.3%
Platforms & Services Segment	36,405	22.1%

Total	135,213	7.4%

■ **Operation & Solutions Segment**

Net sales came to ¥52,810 million yen (-0.7% year on year) as a reaction to the temporary increase in projects for banks in the same period of the previous fiscal year, despite the expansion of fire service system renewal projects for local governments.

In initiatives for our focus businesses, we will combine industry expertise in areas such as the financial and public sectors with digital technology to expand areas of concentrated investment, such as cloud shifting and migration services, and drive business growth.

Tohoku Systems Support Co., Ltd., a group company, has released MR20 (wearable device) and SR160 (handheld device with barcode scanning functions), which are RFID readers designed to improve work efficiency in picking and inspection operations. We will continue to expand RFID solutions and contribute to DX promotion in the logistics, manufacturing, and retail industries.

Furthermore, we have been contracted by the National Institute of Technology and Evaluation (NITE) to redesign their Chemical Substance Control Act liaison system. We have commenced the development aimed at establishing an environment capable of securely managing highly confidential information, based on cloud services compliant with the Japanese government's designated cloud security standard "ISMAP (Information system Security Management and Assessment Program)," while also targeting the prevention of misdelivery, streamlining inquiry and communication operations, and reducing operational maintenance costs. Moving forward, we will continue to contribute to the digital transformation of operations in the public sector through rapid development and operational improvements utilizing low-code/no-code solutions and cloud technology.

In March 2026, KYUSHU DTS CORPORATION opened the Kitakyushu Development Center in Kokurakita-ku, Kitakyushu City. We will contribute to the development of the local economy through local talent utilization and industry-academia collaboration, while strengthening the nearshore development system primarily for projects from the Tokyo metropolitan area.

■ **Technology & Solutions Segment**

Net sales came to ¥45,998 million (+7.3% year on year), due to the steady progress in various projects, including core system renewals for IP businesses, cloud infrastructure renewals and cybersecurity measures for securities firms, housing-related solutions, and embedded system projects.

In our initiatives for focus businesses, we will drive the expansion of the Group's focus businesses by expanding concentrated investment areas such as Enterprise Application Services, as well as forward-looking investment areas such as generative AI.

In May 2025, our first mcframe implementation project won the Take Off Award, part of the mcframe Award 2025 sponsored by Business Engineering Corporation, for our high-quality implementation support and proposal capabilities with a focus on scalability. We will maintain our efforts to promote business innovation and digitalization in the manufacturing industry.

With regard to the 3D home CAD system "Walk in home" housing solution, we have enhanced design expression for stairs and balconies and improved rendering speed. We have also improved the convenience of proposals and information sharing with customers through web browser compatibility for presentation boards and the use of animation in presentations. In addition, we are improving sales effectiveness and promoting the efficiency and standardization of design operations through an AI-powered image generation function for proposals, a 3D markup function, and enhanced integration with "Walk in home 360x." Furthermore, to align with the Building Information Modeling (BIM) drawing review system scheduled for implementation in April 2026, we plan to release the next version this autumn. This update will enable the output of IFC data (Note 1) and a Declaration of Compliance with Input/Output Standards.

In July 2025, we launched "DTS Managed Services for ServiceNow," providing comprehensive support ranging from routine ServiceNow operations to in-house development assistance. We will continue to support our customers' digital transformation by reducing operational burdens, driving continuous operational improvements, and maximizing IT investment returns through advanced initiatives such as operational standardization, automation, AI utilization, and ITSM integration.

In addition, we have been certified under Microsoft's Solutions Partner program in two areas: Infrastructure (Azure) and Security. We will continue to support customers in migrating to the Azure cloud more quickly and effectively, while also promoting the design, construction, and operational support of secure and reliable security environments utilizing Microsoft 365 Security and other solutions.

(Note 1) IFC data

IFC stands for Industry Foundation Classes. It refers to an international standard format designed for data sharing among software applications.

■ **Platforms & Services Segment**

Net sales came to ¥36,405 million (+22.1% year on year), due to strong progress mainly in generative AI infrastructure construction for data centers and areas of operations.

In our initiatives for focus businesses, in addition to expanding our operational service menu centered on ReSM and ReSM plus, we will advance our operational services through the use of AI to shorten failure recovery time and other measures.

In August 2025, we enhanced the capabilities of our in-house help desk outsourcing service, "ReSM plus," and launched a new service integrating generative AI with human operators. By combining automated responses using natural language processing with human support for unresolved inquiries, we will continuously enhance the knowledge base of FAQs and internal documentation while improving response accuracy. This approach will ultimately lead to increased user satisfaction.

In addition, by organizing a joint team, including Digital Technologies Corporation, one of our group companies, we were contracted to build the system for the Quantum-HPC (Note 1) Integrated Platform Supercomputer Project led by RIKEN. We provided support throughout every phase, from equipment sourcing to system development and installation, as well as maintenance and operation. The development of the system was completed by the end of FY2025.

Furthermore, we have achieved the "Service Management Specialization" certification in Atlassian Pty Ltd's Partner Program. Going forward, we will support the implementation, adoption, and continuous improvement of cross-organizational service management based on Jira Service Management, including the utilization of AI features in Atlassian Pty Ltd products. This will contribute to enhancing our customers' business value and advancing their digital transformation.

(Note 1) HPC

High Performance Computing

In terms of financial position, total assets increased by ¥4,860 million from the end of the previous fiscal year to ¥85,248 million. This was mainly due to increases of ¥3,882 million in notes and accounts receivable - trade, and contract assets and ¥1,260 million in investment securities.

Liabilities decreased by ¥485 million from the end of the previous fiscal year to ¥20,556 million. This was mainly due to a decrease of ¥761 million in accounts payable - trade.

Net assets increased by ¥5,346 million from the end of the previous fiscal year to ¥64,691 million. This was mainly due to a decrease of ¥5,493 million in retained earnings due to the payment of dividends from surplus and an increase of ¥2,500 million in treasury shares due to the purchase of treasury shares, despite an increase of ¥11,644 million in retained earnings due to the recording of net income attributable to owners of parent and an increase of ¥1,278 million in valuation difference on available-for-sale securities. Treasury shares decreased by ¥2,055 million due to the cancellation of treasury shares, while retained earnings and capital surplus decreased by ¥2,002 million and ¥53 million, respectively. These changes did not affect total net assets.

(ii) Cash flows

Cash and cash equivalents (hereinafter, “cash”) as of March 31, 2026 were ¥29,381 million, an increase of ¥975 million from ¥28,405 million as of the previous fiscal year-end.

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

Net cash provided by operating activities was ¥8,929 million. There was a decrease in cash provided of ¥251 million compared with the previous fiscal year. This mainly reflected a ¥2,582 million increase in decrease (increase) in accounts receivable - trade, and contract assets, despite an increase in revenue due to a ¥1,753 million increase in profit before income taxes.

Net cash provided by investing activities was ¥92 million. There was a decrease in cash used of ¥2,415 million compared with the previous fiscal year. This mainly reflected factors such as a ¥1,197 million decrease in purchase of investment securities and a ¥1,167 million increase in proceeds from withdrawal of time deposits.

Net cash used in financing activities was ¥8,089 million. There was a decrease in cash used of ¥7,997 million compared with the previous fiscal year. This mainly reflected factors such as a ¥8,512 million decrease in purchase of treasury shares.

(iii) Results of production, orders and sales

a. Production

Production in the fiscal year under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	52,810	(0.7)
Technology & Solutions	45,998	7.3
Platforms & Services	36,405	22.1
Total	135,213	7.4

Note: Inter-segment transactions have been eliminated.

b. Orders

Orders in the fiscal year under review are as follows.

Segment	Order volume (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Operation & Solutions	52,817	(5.3)	15,566	(1.9)
Technology & Solutions	46,229	3.0	12,926	0.8
Platforms & Services	35,102	10.4	9,314	(12.5)
Total	134,149	1.3	37,807	(3.9)

Note: Inter-segment transactions have been eliminated.

c. Sales

Sales in the fiscal year under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	52,810	(0.7)
Technology & Solutions	45,998	7.3
Platforms & Services	36,405	22.1
Total	135,213	7.4

Note: Inter-segment transactions have been eliminated.

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

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

Forward-looking statements in the text are based on the judgment of the DTS Group as of March 31, 2026.

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

Net sales for the fiscal year under review were ¥135,213 million (+7.4% year on year), the operating profit was ¥16,434 million (+13.4% year on year), which showed growth for the 16th consecutive year and is a record high for the 12th consecutive year, and EBITDA was ¥17,790 million (+13.9% year on year).

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

a. Changes of business environment

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

b. Price competition

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

c. Business overseas

The Group anticipates exposure to a wide variety of risks. With respect to overseas business transactions, risks may include problems arising from insufficient understanding or research regarding country and local laws such as export control laws, and trade customs, or differences between such laws and customs, and with respect to establishment, share acquisition and operation of overseas subsidiaries, risks may include an inability to comply properly with local laws, accounting treatments, labor management practices, contracts and project management practice. The Group is aware of such risks and is establishing and strengthening the overseas Group administration system as well as the Group’s administration operations and administration system.

d. Business models and technological innovation

In 2022, the Group formulated Vision 2030, aiming to keep abreast of environmental changes in the IT market, technologies, ESG, etc., build a new growth model by proactively investing in digital, solution and service businesses, human resources who realize these businesses in addition to evolution of existing SI business models, and further increase its corporate value through the dual approaches of creation of social value and economic value.

In our medium-term management plan (2025–2027), the Group will focus on three pillars: “evolution of focus businesses and deepening of core businesses,” “execution of strategic alliances,” and “strengthening of the Group’s management foundation,” and will promote our business growth and expansion as well as enhance stability and reliability.

In “evolution of focus businesses and deepening of core businesses,” which aims to build a new growth model, the Group will newly set “concentrated investment area” and “forward-looking investment area” in focus businesses, seeking to expand business and make profits in our operations including the core businesses and global (overseas) fields.

e. M&A investments

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.

f. Human resources, etc.

The Group invests in human capital to train and secure human resources, as well as seeks to enhance employee engagement. On training, we are working to formulate and operate training programs targeting the prospective growth domains, and boosting training to develop highly skilled professionals. On securing human resources, we are working to recruit new graduates from a mid- to long-term perspective as well as mid-career talents with strong expertise, while striving to increase human resources mobility within DTS by diversifying career paths and revising our internal open recruitment system. As employee returns, we increased base salaries, paid special bonuses, and have started implementing a restricted stock compensation system.

We are striving to strengthen ties with our business partners and enhance our value proposition capabilities to the customers, through events, awards for partners, and other measures as well as regular information exchange regarding technological capabilities and human resources and discussion on future directions.

g. Management of software development projects

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

h. Labor-related regulations

The Group provides compliance training to the Group corporate officers and employees as well as partner company employees, monitors working conditions and issues alerts, and reports to the Management Council to help prevent violations of laws and regulations.

i. Cybersecurity

The Group has established a risk management system that encompasses both cyber and information security, as well as a Risk Management Committee comprising the Representative Director and President and those in charge at relevant divisions.

In addition, for the Group as a whole we have established an internal Information Security Committee as well as a Security Liaison Committee to consider and promote measures for all security issues. In the event of a security-related incident, the Information Security Committee considers long-term solutions and promotes internal prevention measures. The Security Liaison Committee then works to share information with all Group companies.

j. Business continuity

The Company has established a framework for business continuity by formulating a disaster response manual (for normal times) and a business continuity plan implementation manual.

k. Litigation, etc.

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

l. Internal fraud, waste, and abuse

The Company's Board of Directors monitors the corporate officers. Furthermore, we are disseminating the whistleblowing hotline throughout the Company and the Group companies. We also provide compliance training to employees for awareness building.

m. Internal control requirements

The Group designs, operates, and continuously reviews its internal controls in accordance with applicable laws, regulations and relevant standards. In addition, through evaluations and monitoring of internal controls, as well as internal audits, the Group identifies issues and implements corrective and improvement measures.

n. Financial reporting and disclosure

The Group has established a financial reporting and disclosure framework in accordance with applicable laws, regulations, and accounting standards. In addition, the Group designs and operates internal controls, conducts confirmation and review procedures for disclosed information, and evaluates and improves its financial reporting and disclosure processes.

o. Data privacy

In addition to setting system access permissions based on job responsibilities, the Group specifies appropriate access permissions according to appointment, dismissal, and relief of duties as well as organizational restructuring. The Group also reviews access permissions at the end of each fiscal year.

p. Corruption

The Group has established a Compliance Guide outlining the Code of Conduct, provided compliance training, and formulated Anti-Bribery Guidelines.

(iii) Capital resources and liquidity of funds

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

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

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

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

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

In the medium-term management plan (2025–2027), which is the 2nd Stage in Vision 2030, the Group has set the following goals.

<Financial goals and results>

Item		Goals for the fiscal year ending March 31, 2028	Results for the fiscal year ended March 31, 2026
Operating revenue	Consolidated net sales	¥160.0 billion	¥135.2 billion
	Operating profit	¥18.7 billion	¥16.4 billion
	EBITDA	¥20.0 billion	¥17.7 billion
	EBITDA margin	12.5%	13.2%
	Percentage of focus businesses' (*1) net sales to total	57.0% or more	62.9%
	Productivity (operating profit per employee in Japan)	¥3.2 million	¥3.2 million
Management efficiency	ROE	18% or more	19.2%
Investment	Investment limitation (cumulative total for three years)	¥32.5 billion	¥5.7 billion
Shareholder returns	Payout ratio	50% or more	50.7%
	Total return ratio	70% or more	72.1%
Cash on hand	Percentage of cash on hand to total assets	33% or less	34.9%
Non-financial targets (*2)	Engagement score	55 or more	52.6
	Ratio of female managers	8.5% or more	5.4%
	Ratio of female Directors	20% or more	20.0%
	Ratio of Independent Outside Directors	Majority	Majority

(*1) Business fields on which the Group will focus in the future.
(*2) Reduction of CO_2 emissions (compared with FY2021 figures): 60% (reference value)

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

Operation & Solutions Segment

Net sales came to ¥52,810 million (-0.7% year on year and 5.5% below our forecast), mainly due to the impact of large-scale one-off projects for major banks in the previous year, despite the expansion of fire service system renewal projects for local governments, core system development projects for telecommunication carriers, and the introduction of AMLion, a financial crime countermeasure solution.

Technology & Solutions Segment

Net sales came to ¥45,998 million (+7.3% year on year and 1.1% below our forecast), mainly due to solid performance by expansion of projects such as cloud infrastructure renewals and cybersecurity countermeasure projects for securities companies, mcframe production management system implementation projects for manufacturing companies, and growth in projects related to ServiceNow, intra-mart, and housing-related businesses.

Platforms & Services Segment

Net sales came to ¥36,405 million (+22.1% year on year and 11.7% above our forecast), mainly due to growth in generative AI infrastructure construction for data centers, HPC implementation projects for quantum computing simulations, and lifecycle management service projects.

5. Important business contracts

No items to report.

6. Research and development activities

The total amount of research and development expenses in the fiscal year under review was ¥428 million. Research and development expenses by segment were ¥30 million for the Operations & Solutions Segment, ¥247 million for the Technology & Solutions Segment, and ¥20 million for the Platforms & Services Segment. In addition, ¥129 million was recorded for cross-segment research and development activities that could not be allocated to a specific segment. The main research and development activities conducted in each segment were as indicated below.

(1) Operation & Solutions Segment

Research on enhancing development processes using generative AI

In system development for customers' business operations, expectations are increasing for improved development productivity and quality assurance through the use of generative AI.

During the fiscal year under review, the Company conducted feasibility studies on the applicability of generative AI to actual projects and carried out research on AI agents usable in system development processes. In addition, through verification of development methods utilizing generative AI, the Company accumulated knowledge and prepared for future implementation in development processes.

(2) Technology & Solutions Segment

(i) Research and development toward the next-generation model of RAMScope (our control software verification tool)

In recent years, with the accelerating shift toward SDVs (Note) in the automobile industry, control systems such as EVs (electric vehicles) and AD/ADAS (autonomous driving/advanced driver assistance systems) have become increasingly sophisticated and complex. As a result, development issues have increased, and demand for higher development efficiency due to engineer shortages has also grown. Accordingly, the required functionality and performance of ECU (electronic control unit) development support tools continue to diversify in line with market trends.

During the fiscal year under review, the Company advanced research and development aimed at renewing both hardware and software in response to these market requirements. In addition, the Company undertook initiatives to optimize its profit structure and build new business models in response to external factors such as rising component costs, with the objective of improving sales and profitability in the RAMScope business.

(ii) Research and development of a virtual simulator for visual inspection

In visual inspection processes in the manufacturing industry, significant labor hours are required to adjust optical conditions such as lighting and cameras, and there is growing demand for systems that enable verification of inspection accuracy prior to production line construction.

During the fiscal year under review, the Company conducted research and development on a virtual simulator aimed at improving the efficiency of optical adjustment work in manufacturing inspection processes. The Company developed an application equipped with simulation and configuration functions as its core features and advanced functional verification toward commercialization.

(Note) SDV

Software Defined Vehicle. A concept in which vehicle functions, performance, and value are determined by software.

(3) Platforms & Services Segment

Advancement of system operations through the introduction of an observability platform (utilizing AI)

Against the backdrop of increasingly complex customer system environments, traditional monitoring approaches are becoming insufficient for efficiently managing entire systems, and interest in observability solutions is increasing.

During the fiscal year under review, the Company conducted research and development aimed at providing observability solutions utilizing generative AI, with the objective of advancing system operations and establishing a new core business pillar.

(4) Other

Research, analysis, and study of services of generative AI-related technologies, primarily OpenAI services (ChatGPT, Codex, and APIs)

With the rapid adoption of generative AI, there is an urgent need to develop human resources capable of designing development processes and business operations premised on AI. In addition, the practical application of generative AI technologies requires a precise understanding of customer needs, continuous analysis of technological trends, and the acquisition of advanced knowledge through industry-academia collaboration.

During the fiscal year under review, the Company promoted a training programs for human resources capable of implementing AI-native development methodologies. The Company also conducted internal and external surveys and validation of generative AI platforms. Furthermore, it evaluated technologies related to large language models and other generative AI systems and engaged in advanced research and development through collaboration with universities and research institutions.

III. Information about Facilities

1. Overview of capital expenditures

Capital investment during the fiscal year under review amounted to ¥840 million.

This mainly comprised ¥307 million for the purchase of tools, furniture and fixtures such as office equipment and network equipment, ¥91 million for the development and purchase of software for internal use, and ¥232 million for the development of software for market sale.

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

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

2. Major equipment and facilities

(1) The Company

As of March 31, 2026

Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
			Buildings	Land (m^2)	Other	Total	
Head Office (Chuo-ku, Tokyo)	Operations & Solutions Technology & Solutions Platforms & Services	Head office and production equipment	57	-	74	131	911
Development Center, etc. (Chuo-ku, Tokyo, etc.)	Operations & Solutions Technology & Solutions Platforms & Services	Production equipment	376	–	125	502	2,288
Employee housing (Setagaya-ku, Tokyo, etc.)	Operations & Solutions Technology & Solutions Platforms & Services	Welfare facilities	646	1,965 [3,205]	5	2,617	–

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

2. In addition to the above, the Company also owns ¥604 million in software.

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

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

(2) Domestic subsidiaries

As of March 31, 2026

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m2)	Other	Total	
KYUSHU DTS CORPORATION	Head Office (Fukuoka City, Fukuoka)	Operation & Solutions	Head office and production equipment	37	–	61	99	174
JAPAN SYSTEMS ENGINEERING CORPORATION	Head Office, etc. (Shinjuku-ku, Tokyo, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	11	79 [2,593]	20	111	440
DTS WEST CORPORATION	Head Office, etc. (Osaka City, Osaka, etc.)	Operation & Solutions	Head office, production equipment and welfare facilities	78	0 [16]	88	167	285
MIRUCA CORPORATION	Head Office (Minato-ku, Tokyo)	Operation & Solutions	Head office and training facilities	1	–	5	6	11
DIGITAL TECHNOLOGIES CORPORATION	Head Office, etc. (Arakawa-ku, Tokyo, etc.)	Platforms & Services	Head office and sales operation equipment	65	0 [1]	51	117	160
DTS INSIGHT CORPORATION	Head Office, etc. (Shibuya-ku, Tokyo, etc.)	Technology & Solutions	Head office and production equipment	82	–	91	174	357
Anshin Project Japan Inc.	Head Office, etc. (Fukuoka City, Fukuoka, etc.)	Technology & Solutions	Head office and sales operation equipment	30	–	12	42	54
avanza Co., Ltd.	Head Office, etc. (Shibuya-ku, Tokyo, etc.)	Operation & Solutions	Head office and production equipment	3	–	9	12	219
Tohoku Systems Support Co., Ltd.	Head Office, etc. (Sendai City, Miyagi, etc.)	Operation & Solutions	Head office and production equipment	207	209 [10,348]	9	425	230

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

2. Some land and buildings are rented.

3. In addition to the above, domestic subsidiaries also owns ¥208 million in software.

(3) Foreign subsidiaries

As of March 31, 2026

Company	Facilities (Location)	Segment	Description	Carrying amount (Millions of yen)				Number of employees (Persons)
				Buildings and structures	Land (m^2)	Other	Total	
DTS (Shanghai) CORPORATION	Head Office (Shanghai, China)	Operation & Solutions	Head office and production equipment	–	–	7	7	9
DTS America Corporation	Head Office, etc. (New York, U.S.A., etc.)	Technology & Solutions	Head office and production equipment	–	–	24	24	13
Nelito Systems Private Limited	Head Office, etc. (Navi Mumbai, India)	Operation & Solutions	Head office and production equipment	–	–	30	30	513
DTS SOFTWARE VIETNAM CO., LTD.	Head Office (Hanoi, Vietnam)	Technology & Solutions	Head office and production equipment	–	–	9	9	227
Partners Information Technology, Inc.	Head Office, etc. (California, U.S.A.)	Technology & Solutions	Head office and production equipment	–	–	161	161	244

Notes: 1. The “Other” amount within the carrying amount consists of “tools, furniture, and fixtures” and right-of-use assets.
2. Some land and buildings are rented.
3. In addition to the above, foreign subsidiaries also owns ¥69 million in software.

3. Plans for new additions or disposals

No items to report.

IV. Corporate Information

1. Information on the Company's shares

(1) Number of shares and other

(i) Number of shares

Class of shares	Total number of authorized shares
Common stock	400,000,000
Total	400,000,000

(ii) Issued shares

Class of shares	Number of shares issued as of the end of the fiscal year (Shares) (March 31, 2026)	Number of shares issued as of the submission date (Shares) (June 17, 2026)	Name of listed financial instruments exchange or registered or licensed financial instruments firms association	Description
Common stock	163,954,928	163,954,928	Tokyo Stock Exchange Prime Section	The number of shares constituting a standard unit 100 shares
Total	163,954,928	163,954,928	-	–

(2) Status of the share acquisition rights

(i) Stock option plans

No items to report.

(ii) Rights plans

No items to report.

(iii) Other share acquisition rights, etc.

No items to report.

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

No items to report.

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

Date	Changes in the number of shares issued (Shares)	Balance of the number of shares issued (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 31, 2022 (Note 1)	(1,371,900)	49,072,632	–	6,113	–	6,190
October 17, 2022 (Note 1)	(1,481,800)	47,590,832	–	6,113	–	6,190
November 10, 2023 (Note 1)	(479,700)	47,111,132	–	6,113	–	6,190
March 27, 2024 (Note 1)	(257,000)	46,854,132	–	6,113	–	6,190
May 15, 2024 (Note 1)	(2,700,000)	44,154,132	–	6,113	–	6,190
December 18, 2024 (Note 1)	(1,471,900)	42,682,232	–	6,113	–	6,190
March 31, 2025 (Note 1)	(1,184,200)	41,498,032	–	6,113	–	6,190
August 13, 2025 (Note 1)	(509,300)	40,988,732	–	6,113	–	6,190
October 1, 2025 (Note 2)	122,966,196	163,954,928	–	6,113	–	6,190

Notes: 1. Decrease due to cancellation of treasury shares.

2. The increase was attributable to a 4-for-1 stock split of common shares effective October 1, 2025. There is no change in the amount of share capital.

(5) Details of shareholders

As of March 31, 2026

Category	Status of shares (1 unit = 100 shares)								Stocks of less than a standard unit (Shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders, etc.		Individuals and other	Total	
					Other than individuals	Individual			
Number of shareholders (Persons)	–	23	24	40	218	18	5,392	5,715	–
Number of shares held (Units)	–	410,322	28,652	114,839	621,165	201	463,927	1,639,106	44,328
Shareholding ratio (%)	–	25.03	1.75	7.00	37.90	0.01	28.30	100.00	–

Notes: 1. Treasury shares of 4,614,875 shares includes 46,148 units in “Individuals and other” and 75 shares in “Stocks of less than a standard unit.”

2. The “Other corporations” column includes 1,072 units in the name of Japan Securities Depository Center.

(6) Major shareholders

As of March 31, 2026

Individual or company name	Address	Number of shares held (Thousand shares)	Number of shares (excluding treasury shares) held as a percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato- ku, Tokyo	23,753	14.91
DTS Group Employee Shareholding Association	Empire Building, 2-23-1 Hatchobori, Chuo-ku, Tokyo	11,855	7.44
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	9,160	5.75
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	7,024	4.41
NTC Corporation	28F, Sunshine 60 Bldg., 3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo	4,684	2.94
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	4,520	2.84
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286, United States (Tower A, SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	4,142	2.60
Chitomu Kosaki	Urayasu City, Chiba	3,213	2.02
NTT DATA Japan Corporation	3-3-3, Toyosu, Koto-ku, Tokyo	3,084	1.94
THE CHASE MANHATTAN BANK, N.A. LONDON S.L. OMNIBUS ACCOUNT (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	Woolgate House, Coleman Street London EC2P 2HD, England (Tower A, Shinagawa Intercity, 2-15-1 Konan, Minato-ku, Tokyo)	2,870	1.80
Total	–	74,306	46.63

Notes: 1. According to its Large Shareholding Report (Change Report) issued for public inspection dated December 22, 2020, Mizuho Bank, Ltd. and its joint holders owned a stake in the Company as of December 15, 2020 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2026, and the Company has not included Mizuho Bank, Ltd. in the list of major shareholders detailed above.

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

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

2. According to its Large Shareholding Report (Change Report) issued for public inspection dated August 5, 2021, Acadian Asset Management LLC owned a stake in the Company as of July 30, 2021 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2026, and the Company has not included Acadian Asset Management LLC in the list of major shareholders detailed above.

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

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

3. According to its Large Shareholding Report (Change Report) issued for public inspection dated September 19, 2025, Sumitomo Mitsui Trust Bank, Limited and its joint holders owned a stake in the Company as of September 15, 2025 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2026, and the Company has not included Sumitomo Mitsui Trust Bank, Limited in the list of major shareholders detailed above.

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

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1 Marunouchi, Chiyoda-ku, Tokyo	531	1.30
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	861	2.10
Amova Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	491	1.20

4. According to its Large Shareholding Report (Change Report) issued for public inspection dated January 20, 2026, Asset Value Investors Limited owned a stake in the Company as of January 13, 2026 as detailed below. However, the Company was not able to confirm the number of actual shares held by that investor as of March 31, 2026, and the Company has not included Asset Value Investors Limited in the list of major shareholders detailed above.

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

Individual or company name	Address	Number of shares held (Thousand shares)	Percentage of shares, etc. held (%)
Asset Value Investors Limited	2 Cavendish Square London, United Kingdom	10,292	6.28

5. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. The number of shares held described in the Statement of Large-Volume Holdings (Change Report) in 1 to 3 above is the number before the stock split, and the number of shares held described in the Statement of Large-Volume Holdings (Change Report) in 4 above is the number after the stock split.

(7) Status of voting rights

(i) Issued shares

As of March 31, 2026

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 4,614,800	–	–
Shares with full voting rights (Others)	Common stock 159,295,800	1,592,958	–
Stocks of less than a standard unit	Common stock 44,328	–	Stocks of less than a standard unit (100 shares)
Total number of issued shares	163,954,928	–	–
Total voting rights held by all shareholders	–	1,592,958	–

Note: Number of shares and number of voting rights in the "Shares with full voting rights (Others)" section include 107,200 shares and 1,072 voting rights in the name of Japan Securities Depository Center.

(ii) Treasury shares, etc.

As of March 31, 2026

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	4,614,800	–	4,614,800	2.81
Total	–	4,614,800	–	4,614,800	2.81

2. Acquisition of treasury shares, etc.

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

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

No items to report.

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

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (May 1, 2025) (Acquisition period: May 2, 2025 to July 31, 2025)	750,000	2,500
Treasury shares acquired prior to the current fiscal year	-	–
Treasury shares acquired during the current fiscal year	509,300	2,500
Total number and total value of residual shares	240,700	0
Unexercised ratio at the end of the current fiscal year (%)	32.1	0.0
Treasury shares acquired during the current period	–	–
Unexercised ratio as of the date of filing (%)	32.1	0.0

Note: The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. However, the acquisition of treasury shares pursuant to the resolution of the Board of Directors during the above acquisition period was conducted prior to the stock split. Accordingly, the number of shares is presented on a pre-stock-split basis.

Category	Number of shares (Shares)	Total value (Millions of yen)
Status of resolutions at meeting of the Board of Directors (May 1, 2026) (Acquisition period: May 2, 2026 to September 18, 2026)	5,050,000	5,000
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	–	–
Total number and total value of residual shares	–	–
Unexercised ratio at the end of the current fiscal year (%)	–	–
Treasury shares acquired during the current period	1,359,600	1,379
Unexercised ratio as of the date of filing (%)	73.1	72.4

Note: Treasury shares acquired during the current period does not include the number of treasury shares acquired during the period from June 1, 2026 to the date of filing this Annual Securities Report.

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

Category	Number of shares (Shares)	Total value (Millions of yen)
Treasury shares acquired during the current fiscal year	15,947	0
Treasury shares acquired during the current period	2,924	0

Notes: 1. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. The 15,947 of treasury shares acquired during the current period are stated on a post-stock-split basis after giving effect to the stock split.

2. Number of treasury shares held during the current period does not include treasury shares of less than a standard unit purchased during the period from June 1, 2026 to the date of filing this Annual Securities Report.

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

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposition amount (Millions of yen)	Number of shares (Shares)	Total disposition amount (Millions of yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that was disposed of	(2,037,200)	(2,056)	–	–
Acquired treasury shares for which transfer of shares was conducted in association with merger/stock exchange/share issuance/corporate separation	–	–	–	–
Other (disposal of treasury shares through restricted share compensation)	(41,164)	(42)	–	–
Other (disposal of treasury shares for granting restricted shares to the employee shareholding association)	(167,928)	(169)	–	–
Number of treasury shares held	4,614,875	–	5,837,599	–

Notes: 1. The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. The 2,037,200 shares of acquired treasury shares that was disposed of, 41,164 shares of other (disposal of treasury shares through restricted share compensation) and 167,928 shares of other (disposal of treasury shares for granting restricted shares to the employee shareholding association) during the current fiscal year have been adjusted to reflect the stock split.

2. Number of treasury shares held during the current period does not include treasury shares acquired pursuant to resolutions of the Board of Directors or treasury shares of less than a standard unit purchased during the period from June 1, 2026 to the date of filing this Annual Securities Report.

3. Dividend policy

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

Furthermore, during the period of the medium-term management plan, we will implement shareholder returns in the form of a payout ratio of at least 50% and a total return ratio of at least 70%.

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

Because operating profit reached a record high, surpassing our original performance forecasts, the year-end dividend is planned to be ¥22 per share, increased by ¥2 from the forecast. As a result, the annual dividend will be ¥37 per share, including the interim dividend of ¥15 per share already paid.

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

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

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

Date of resolution	Total amount of dividend (Millions of yen)	Dividend per share (Yen)
November 5, 2025 Resolution of the Board of Directors	2,390	15
June 23, 2026 Resolution by Annual General Meeting of Shareholders (Planned)	3,505	22

Note: The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. The per-share dividend amounts shown above are stated on a post-stock-split basis. On a pre-stock-split basis, the dividend resolved at the Board of Directors on November 5, 2025 would be ¥60, the dividend to be resolved at the Annual General Meeting of Shareholders scheduled for June 23, 2026 would be ¥88, and the total annual dividend would be ¥148.

4. Corporate governance

(1) Status of corporate governance

(i) Basic views on corporate governance

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

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

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

<Board of Directors>

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

The Outside Directors play key roles particularly in relation to strengthening our management function based on the knowledge and experience acquired in their respective fields and strengthening the supervisory function of the Board's business execution. The Outside Directors who are members of the Nomination and Compensation Committee are also appropriately involved in determining director compensation and nominating candidates for Director, engaging in deliberation and reporting as members of the Nomination and Compensation Committee.

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

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

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

<Audit and Supervisory Committee>

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

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

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

<Nomination and Compensation Committee>

The Nomination and Compensation Committee consists of four members: the Representative Director and President and three Outside Directors, and is chaired by an Outside Director.

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

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

<Executive Officer System and Management Council>

There are 15 Executive Officers (two of them serve concurrently as Directors). This system enables us to separate the supervisory functions of Board of Directors' decision-making and business execution from the Company's business execution functions and to establish a management system that facilitates prompt and appropriate business execution. In addition, the Company has established a Management Council, chaired by the Representative Director and President and composed mainly of Directors and Executive Officers, to serve as an organization for the Representative Director and President to discuss policies and plans for business execution and other important matters.

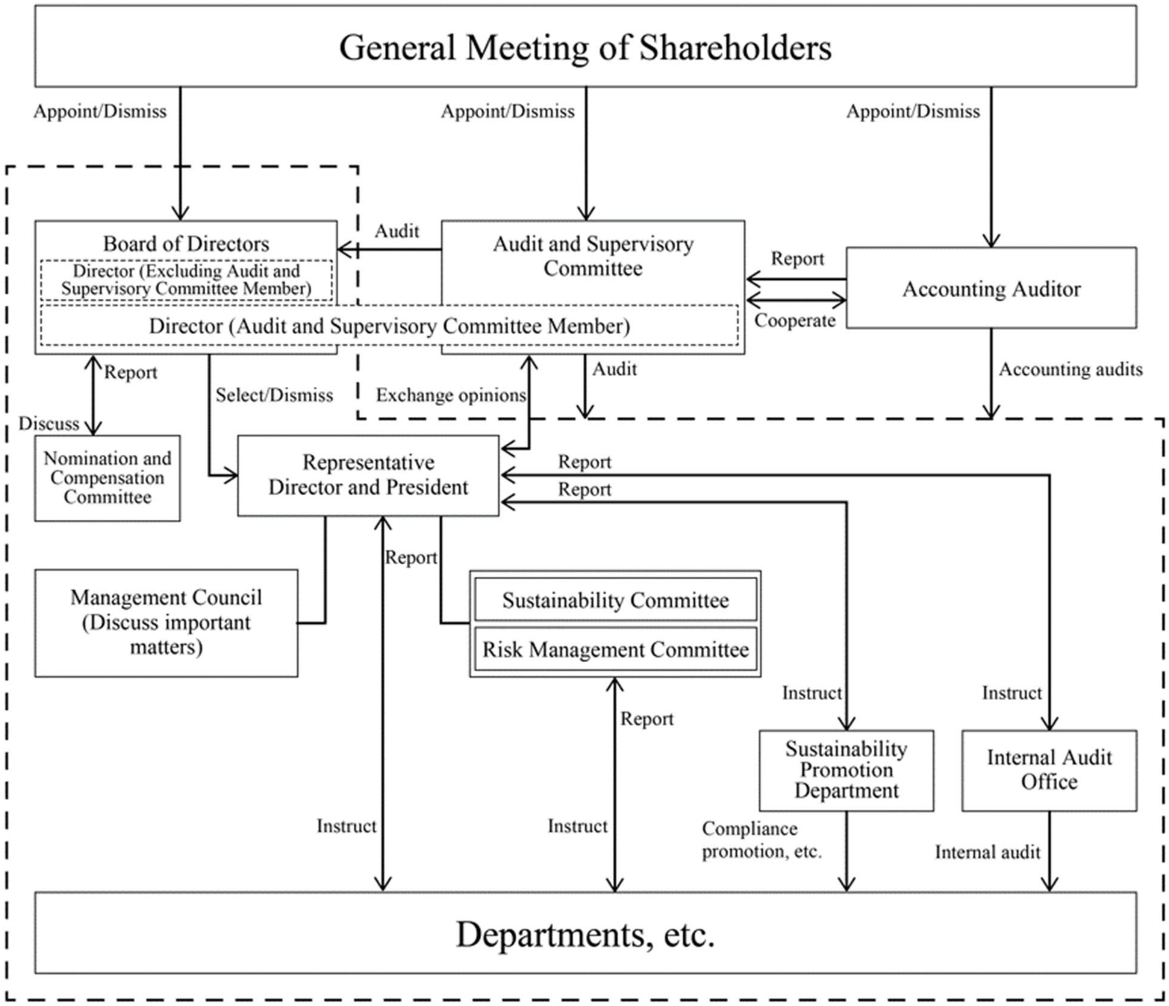
<Risk Management Committee>

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

<Sustainability Committee>

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

<Corporate Governance Structure (Diagram)>



(iii) Other matters concerning corporate governance

- Status of internal control system

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

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

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

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

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

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

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

- Individual frameworks relating to the internal control system

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) The Board of Directors shall determine the Risk Management Rules and the Crisis Management Rules, and ensure that the Representative Director and President and other Directors in charge of business execution execute business in accordance with those rules.

(b) The Company shall establish the Sustainability Committee that is chaired by the person responsible for overseeing sustainability efforts, who is appointed by the Representative Director and President following consultation of the Management Council. The Committee shall work to identify risks and opportunities for sustainability issues, and make a plan and assessment of the efforts.

(c) The Company shall establish the Risk Management Committee that is chaired by the person responsible for risk management, who is appointed by the Representative

Director and President after consulting with the Management Council. The Committee shall manage the company-wide risk management framework and operational risks. The Company shall also conduct consistent monitoring to ascertain whether any risks have occurred.

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

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

(f) The Company shall establish the Information Security Committee that is chaired by the Representative Director and President. The Committee shall review countermeasure policies mainly for cybersecurity, report response status, and engage in reviewing and reporting of information security in general, including protecting personal information and disaster countermeasures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Important compliance-related matters

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

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

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

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

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

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

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

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

c) Important compliance-related matters

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

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

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

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

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

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

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

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

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

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

The following is an outline of the operational progress made on the framework for ensuring the appropriateness of business operations for the current fiscal year.

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

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

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

b. Risk management framework

With the aim of maintaining and improving corporate value, the Company has established the Risk Management Committee to appropriately manage various internal and external risks related to our business and to formulate company-wide risk management policies. The Committee deliberates on the company-wide risk management framework and company-wide risk management measures, and approves risk management reports from each division and department. The Committee also receives reports on the risk management status of the Group and, when necessary, provides guidance to Group companies on measures.

Under the Risk Management Committee, we have established a risk management department and a risk supervisory department. The departments are responsible for monitoring risk-related internal control systems and operations, and providing necessary support, advice, and oversight for each category classified based on the nature of risks.

c. The execution of duties by Directors

In fiscal 2025, the Company held 15 meetings of the Board of Directors to determine matters stipulated by laws and regulations, etc., as well as important management-related issues, and to supervise business execution from the perspective of compliance with laws and regulations, and the Company's Articles of Incorporation, and ensuring the appropriateness of business operations. We have determined the Rules Relating to the Management of Affiliated Companies and response appropriately to all matters relating to Group companies. The Company has introduced an executive officer system to separate the supervisory functions of Board of Directors' decision-making and business execution from the business execution functions, and to secure a management framework that facilitates prompt and appropriate business execution. The Company also held 27 meetings of the Management Council to discuss business execution policies and plans and other important matters when the Representative Director and President execute duties based on the management policy determined by the Board of Directors.

d. The execution of duties by Audit and Supervisory Committee

Audit and Supervisory Committee Members, including Outside Directors, conduct audits based on audit plans determined in the Audit and Supervisory Committee and attend important meetings such as the Board of Directors' and various committee meetings to obtain a clear grasp of the Directors' decision-making processes and the status of business execution. In fiscal 2025, the Audit and Supervisory Committee convened 11 times.

The Audit and Supervisory Committee held meetings twice with the Representative Director and President to exchange views on important audit-related issues. Audit and Supervisory Committee Members also regularly exchange opinions with Auditors and other members of Group companies and conduct audits of Group companies in cooperation with local auditing staff.

(iv) Outline of Limited Liability Agreement

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company enters into agreements with Directors (excluding Directors who are also Executive Officers) and Corporate Auditors to limit their liability stipulated in Article 423, paragraph (1) of the Companies Act. Under the agreement, their liability is limited to one (1) million yen or the amount stipulated in Article 425, paragraph (1) of the Companies Act, whichever is greater.

(v) Outline of Directors and Officers Liability Insurance Contract

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

(vi) Number of Directors

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

(vii) Requirements for resolutions for the election of Directors

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

(viii) Organization for determining dividends of surplus

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

(ix) Organization for determining the acquisition of treasury shares

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

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

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

(xi) Matters concerning class shares

No items to report.

(xii) Matters concerning conflict of interest transactions

No items to report.

(xiii) Board of Directors' activity status

In fiscal 2025, the Company held 15 meetings of the Board of Directors to determine matters stipulated by laws, regulations, and other rules, as well as important management-related issues. In addition, the Board supervised business execution from the perspective of compliance with laws, regulations, and the Company's Articles of Incorporation, and ensuring the appropriateness of business operations.

In addition to "Proposals to be resolved" and "Matters to be reported," the Company has established "Discussion items" for the purpose of discussing medium- to long-term issues as proposals for the Board of Directors, and matters related to human resources strategy and business investment were discussed.

(xiv) Nomination and Compensation Committee's activity status

In fiscal 2025, the Company held 8 meetings of the Nomination and Compensation Committee and reported to the Board of Directors regarding the nomination and compensation of officers. The main activities of the Nomination and Compensation Committee are as follows.

Month	Main activities
May 2025	Deliberated performance evaluations for officers' compensation in the fiscal year ended March 31, 2025 Deliberated revision to the amounts of compensation for Directors
February 2026	Consultation on the policy for determining individual compensation, etc. for Directors

March 2026	Deliberated Directors for fiscal 2026 (after the Annual General Meeting of Shareholders in June 2026) Deliberated the Nomination and Compensation Committee structure for fiscal 2026 (after the Annual General Meeting of Shareholders in June 2026)

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

Membership of the Board of Directors, the attendance and tenure of their members, and the membership of the Nomination and Compensation Committee (for the fiscal year ended March 31, 2026)

◎: Chair, ○: Member

Official title or position			Name	Attendance at Board of Directors meetings (Attendance rate)	Attendance at Nomination and Compensation Committee meetings (Attendance rate)		Tenure
Representative Director and President			Tomoaki Kitamura	15/15 (100%)	○	8/8 (100%)	5 years
Director and Senior Managing Executive Officer			Isao Asami	15/15 (100%)	-	–	6 years
Director and Managing Executive Officer			Kazumasa Taninaka	12/12*1 (100%)	–	–	–
Director	Independent	Outside	Shinichi Yamada	15/15 (100%)	○	8/8 (100%)	5 years
Director	Independent	Outside	Yumiko Masuda	14/15 (93%)	◎	8/8 (100%)	3 years
Director	Independent	Outside	Shigeo Kizaki	12/12*2 (100%)	○	7/7*2 (100%)	–
Director and Full-time Audit and Supervisory Committee Member			Yutaka Nakamura	12/12*3 (100%)	–	–	–
Director and Audit and Supervisory Committee Member	Independent	Outside	Taeko Ishii	15/15 (100%)	—	—	3 years
Director and Audit and Supervisory Committee Member	Independent	Outside	Nobuyasu Iimuro	15/15 (100%)	—	—	2 years
Director and Audit and Supervisory Committee Member	Independent	Outside	Hiroshi Ohno	15/15 (100%)	—	—	1 year

*1 As Mr. Kazumasa Taninaka assumed office of Director on June 24, 2025, attendance at the meetings held after his assumption of office (12 Board of Directors meetings) and the attendance rate are indicated.

*2 As Mr. Shigeo Kizaki assumed office of Director and member of the Nomination and Compensation Committee on June 24, 2025, attendance at the meetings held after his assumption of office (12 Board of Directors meetings and 7 meetings of the Nomination and Compensation Committee) and the attendance rates are indicated.

*3 As Mr. Yutaka Nakamura assumed office of Director on June 24, 2025, attendance at the meetings held after his assumption of office (12 Board of Directors meetings) and the attendance rate are indicated.

(2) Directors (and other officers)

(i) Corporate officers

The status of officers of the Company as of June 17, 2026 is as follows. At the Annual General Meeting of Shareholders to be held on June 23, 2026, the Company will submit for approval the following proposals: “Election of Six (6) Directors Who Are Not Audit and Supervisory Committee Members” and “Election of Two (2) Directors Who Are Audit and Supervisory Committee Members.” If these proposals are approved and resolved, the status of the officers of the Company and their respective terms of office will be as set forth below.

The titles and positions of the Directors (and other officers) shown below reflect the matters to be resolved at the Board of Directors meeting to be held immediately after the Annual General Meeting of Shareholders.

8 males, 2 females (female ratio of 20.0%)

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Representative Director and President	Tomoaki Kitamura	September 24, 1964	July 2003	Head, Business Development Sector, NTT DATA Corporation	(Note 1)	42
			July 2009	Head, Data Center Business Unit, Business Solution Sector, NTT DATA Corporation		
			July 2012	Head, Data Center Business Unit, Fundamental System Platforms Sector, NTT DATA Corporation		
			June 2015	President and CEO, NTT DATA TOKAI Corporation		
			June 2018	Senior Vice President and Head, Business Solution Sector, NTT DATA Corporation		
			June 2018	Director, NTT DATA BUSINESS SYSTEMS CORPORATION		
			June 2020	Director and Executive Vice President, the Company		
			Apr. 2021	Head, Digital Solution Sector		
			Apr. 2021	Representative Director and President (current position)		
Director and Senior Managing Executive Officer	Isao Asami	October 20, 1964	Apr. 1987	Joined the Company	(Note 1)	85
			Apr. 2010	General Manager, Corporate Planning Department		
			Apr. 2012	Executive Officer		
			Apr. 2013	General Manager, Embedded Systems Business Department, iCT Sector		
			Apr. 2017	Representative Director and President, DTS INSIGHT CORPORATION		
			June 2019	Director and Executive Officer, the Company		
			Apr. 2020	Director and Senior Executive Officer		
			Apr. 2022	Director and Managing Executive Officer		
			Mar. 2024	General Manager, Accounting Department		
			Apr. 2025	Director and Senior Managing Executive Officer (current position)		
			Apr. 2025	Head of Business Segments (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director and Managing Executive Officer	Kazumasa Taninaka	January 21, 1970	July 2015	Head, Planning Department, Business Solution Sector, NTT DATA Corporation	(Note 1)	9
			Apr. 2018	Head, AI & IoT Division, Business Solution Sector, NTT DATA Corporation		
			July 2022	Head, Technology Consulting Sector, NTT DATA Corporation		
			July 2024	Joined the Company		
			July 2024	Senior Executive Officer		
			Nov. 2024	Head of New Business Group and Head of Common Group		
			Dec. 2024	Chairman of the Board of Directors, Partners Information Technology, Inc. (current position)		
			Apr. 2025	Managing Executive Officer, the Company		
			Apr. 2025	Head of Corporate Management (current position)		
			June 2025	Director and Managing Executive Officer (current position)		
			Apr. 2026	General Manager, Public Relations Department (current position)		
Director	Shinichi Yamada	February 25, 1952	June 2003	Director and Deputy Head, Business Development Sector, NTT DATA Corporation	(Note 1)	-
			May 2004	Director and Head, Business Development Sector, NTT DATA Corporation		
			June 2005	Senior Vice President and Head, Fundamental System Platforms Sector, NTT DATA Corporation		
			June 2007	President and CEO, NTT DATA INTELLILINK Corporation (retired in June 2011)		
			June 2007	Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation		
			June 2009	Representative Director and Executive Vice President; Head, Fundamental System Platforms Sector, and Head, Technology Development Sector, NTT DATA Corporation		
			July 2009	Representative Director and Executive Vice President; Head, S&T Company; Head, SI Competency Sector, and Head, Technology Development Sector, NTT DATA Corporation (retired in June 2011)		
			June 2011	President and CEO, NTT Software Corporation (retired in March 2017)		
			Apr. 2017	Director, NTT TechnoCross Corporation (retired in June 2017)		
			June 2017	Special Advisor, NTT TechnoCross Corporation (retired in June 2018)		
			June 2020	Director, the Company (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Yumiko Masuda	October 20, 1955	May 1990 Sept. 1996 Jan. 2003 July 2006 June 2009 June 2018 June 2022 June 2024 Mar. 2025	Banking Group Manager, Bellsystem24, Inc. (retired in June 1996) Solutions Sales, IBM Japan Financial Strategy Consulting Cluster Partner, GS Consulting Department, IBM Japan (retired in June 2006) Director, Strategic Industry Sales Division, Field Service Control Division, SAP Japan Co., Ltd. (retired in May 2009) Representative Director, Consumer Voice Research Institute, Limited (current position) Outside Director, PC Depot Corporation (retired in June 2024) Director, the Company (current position) Outside Director, NITTAN Corporation (current position) Outside Director, K&O Energy Group Inc. (current position)	(Note 1)	–
Director	Shigeo Kizaki	June 28, 1963	Jan. 2003 Apr. 2010 Jan. 2012 Apr. 2013 Jan. 2014 Apr. 2015 Nov. 2016 Nov. 2017 Mar. 2019 Mar. 2019 June 2025	Vice President, Booz Allen Hamilton Inc. (retired in March 2010) Partner, IBM Japan, Ltd. Director, IBM Japan, Ltd. (retired in March 2013) Representative Director and President, Brain and Capital Holdings, Inc. Vice Chairman of the Board, Brain and Capital Holdings, Inc. (retired in March 2017) Representative Director and President, ORION ELECTRIC Co., LTD. Chairman of the Board, ORION ELECTRIC Co., LTD. (retired in March 2017) Executive Officer, Future Corporation (retired in February 2019) Representative Director, Kizaki Enterprise, Ltd. (current position) External Director, Billing System Corporation (current position) Director, the Company (current position)	(Note 1)	–
Director (Full-time Audit and Supervisory Committee Member)	Yutaka Nakamura	September 28, 1961	Apr. 2010 Sept. 2013 Apr. 2015 Apr. 2015 Apr. 2016 Apr. 2019 June 2020 Apr. 2023 Apr. 2024 June 2025	General Manager, Kujo Branch, Mizuho Bank, Ltd. Joined the Company Executive Officer General Manager, Business Planning Department 1, Financial Sector 1 and General Manager, Business Planning and Sales Department 2, Financial Sector 2 Head, Sales Sector General Manager, Corporate Planning Department Director, DTS INSIGHT CORPORATION General Manager, Business Development Department, the Company Representative Director and Chairman, avanza Co., Ltd. Director (Full-Time Audit and Supervisory Committee Member), the Company (current position)	(Note 2)	22

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director (Audit and Supervisory Committee Member)	Taeko Ishii	May 7, 1956	Apr. 1986	Registered as an attorney (Member of Dai-Ichi Tokyo Bar Association)	(Note 3)	–
			Mar. 1992	Deputy Director, Ota Ishii Law Office (current position)		
			Apr. 1998	Civil Conciliation Commissioner, Tokyo District Court (current position)		
			Apr. 2003	Member of Study Group for Case Law on Public Employees, Human resources and Pension Bureau, Ministry of Internal Affairs and Communications (currently Study Group for Case Law on Public Employees, Cabinet Human Resources Bureau, Cabinet Secretariat) (current position)		
			Apr. 2004	Outside Corporate Auditor, Furusato Service Co., Ltd. (current position)		
			Nov. 2007	Special Committee Member, Central Construction Work Disputes Committee, Ministry of Land, Infrastructure, Transport and Tourism (current position)		
			June 2018	Corporate Auditor, the Company		
			June 2018	Corporate Auditor, the Company Outside Audit and Supervisory Board Member, NEC Corporation (retired in June 2022)		
			June 2018	Outside Director, Sumitomo Metal Mining Co., Ltd. (current position)		
			June 2021	Outside Corporate Auditor, Dai Nippon Printing Co., Ltd. (current position)		
			June 2022	Director (Audit and Supervisory Committee Member), the Company (current position)		
Director (Audit and Supervisory Committee Member)	Nobuyasu Iimuro	April 21, 1962	Sept. 1991	Joined Aoyama Audit Corporation	(Note 2)	–
			Aug. 1995	Registered as Certified Public Accountant		
			Apr. 2000	Audit unit, ChuoAoyama PricewaterhouseCoopers (retired in August 2006)		
			Sept. 2006	PricewaterhouseCoopers Aarata (retired in July 2012)		
			July 2012	Chief Examiner, Certified Public Accountants and Auditing Oversight Board, Financial Services Agency (retired in June 2014)		
			July 2014	Director, Audit unit, PricewaterhouseCoopers Aarata		
			July 2017	Partner, Audit unit, PricewaterhouseCoopers Aarata LLC (retired in June 2022)		
			July 2022	President, Nobuyasu Iimuro Certified Public Accountant Office (current position)		
			June 2023	Director (Audit and Supervisory Committee Member), the Company (current position)		
			Nov. 2023	Auditor, Meiji Pharmaceutical University (current position)		

Official title or position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director (Audit and Supervisory Committee Member)	Hiroshi Ohno	April 26, 1961	May 2007 Oct. 2008 June 2010 Jan. 2012 Apr. 2012 Apr. 2014 July 2014 Oct. 2014 Apr. 2023 Apr. 2024 June 2024	General Manager, Oita Branch, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Financial Institutions Department, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Shibuya Branch, The Chuo Mitsui Trust and Banking Company, Limited General Manager, Corporate Business Department 5, Tokyo, The Chuo Mitsui Trust and Banking Company, Limited Executive Officer and General Manager, Corporate Business Department 5, Tokyo, Sumitomo Mitsui Trust Bank, Limited Executive Manager, Sumitomo Mitsui Trust Bank, Limited (retired in June 2014) Counselor, Construction Business Headquarters, HAZAMA ANDO CORPORATION Executive Officer, HAZAMA ANDO CORPORATION Counselor in charge of Sales Headquarters, HAZAMA ANDO CORPORATION (retired in March 2024) Counselor, The Developer Sanshin Co., Ltd. (retired in June 2024) Director (Audit and Supervisory Committee Member), the Company (current position)	(Note 3)	–
Total						157

Notes:
1. One year from the conclusion of the 54th Annual General Meeting of Shareholders to be held on June 23, 2026.
2. Two years from the conclusion of the 53rd Annual General Meeting of Shareholders held on June 24, 2025.
3. Two years from the conclusion of the 54th Annual General Meeting of Shareholders to be held on June 23, 2026.
4. Shinichi Yamada, Yumiko Masuda, Shigeo Kizaki, Taeko Ishii, Nobuyasu Iimuro, and Hiroshi Ohno are Outside Directors.
5. The Company has introduced an executive officer system to facilitate quick decision-making and clarify management responsibility. There are 15 Executive Officers members, including the abovementioned Directors who also serve as Executive Officers and the following 13 Executive Officers.

Managing Executive Officer	Makoto Kondo	Head of Operation and Solutions Segment and Head of Public Systems and Social Infrastructure Sector Chairman, DTS (Shanghai) CORPORATION Chairman, DTS SOFTWARE VIETNAM CO., LTD.
Senior Executive Officer	Hiroyuki Norikane	Head of Technology and Solutions Segment and Head of Digital Solution Sector
Senior Executive Officer	Hiroshi Tani	Head of Platforms and Services Segment and Head of IT Platform Service Sector Director, DIGITAL TECHNOLOGIES CORPORATION
Senior Executive Officer	Nobuhisa Abe	CISO and General Manager of Business Development Department Director (Board of Directors) and Member (Audit Committee), Nelito Systems Private Limited Director, Spice Factory Co., Ltd.
Executive Officer	Hiroyuki Mabuchi	Director, President & Chief Executive Officer, DTS America Corporation Executive Vice President and Director, Partners Information Technology, Inc.
Executive Officer	Masanori Tamura	Head of Financial Sector Director (Board of Directors), Nelito Systems Private Limited
Executive Officer	Masakazu Takada	Representative Director and President, JAPAN SYSTEMS ENGINEERING Corporation Representative Director and President, Anshin Project Japan Inc.
Executive Officer	Naoki Minase	Deputy Head of Operations and Solutions Segment Chairman and Director (Board of Directors) and Chairman (Audit Committee), Nelito Systems Private Limited
Executive Officer	Hiroshi Nakashima	General Manager, AI Center of Excellence
Executive Officer	Ayano Kumagai	General Manager, Human Resources Department Representative Director and President, MIRUCA CORPORATION

Executive Officer	Masayuki Kimura	Head of Enterprise and Solution Sector
Executive Officer	Shigeyoshi Kashimura	Head of Finance Planning Group and General Manager, Sustainability Promotion Department
Executive Officer	Hiroko Onoda	General Manager, Corporate Planning Department Director (Board of Directors) and Member (Audit Committee), Nelito Systems Private Limited

(ii) Outside officers

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

Mr. Shinichi Yamada has abundant experience and a high level of insight regarding the industry trends and corporate management in the IT industry. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. In addition, Mr. Yamada satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Yamada, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Shinichi Yamada previously served as an executive officer of NTT DATA Corporation (currently NTT DATA Japan Corporation), which is one of our business partners. However, as it has already been fifteen years since he resigned from said company, and he has not been involved in execution of business of the company after his resignation, the Company has determined that his former position does not have any influence on his independence. NTT DATA Japan Corporation and the Group had business transactions totaling less than ¥10.9 billion per year and less than 8% of net sales (the amount of business transactions including not only sales but also purchasing, etc. as a percentage of gross net sales; hereinafter the same applies.) (consolidated results for the fiscal year ended March 31, 2026). Furthermore, Mr. Shinichi Yamada previously served as an executive officer of NTT TechnoCross Corporation (NTT Software Corporation and NTT-IT Corporation were merged into NTT TechnoCross Corporation), which is one of our business partners. However, as it has already been nine years since he resigned from said company, and he has not been involved in execution of business of the company after his resignation, the Company has determined that his former position does not have any influence on his independence. The company and the Group had business transactions totaling less than ¥100 million per year and less than 0.1% of net sales (consolidated results for the fiscal year ended March 31, 2026).

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

Mr. Shigeo Kizaki has abundant experience and a high level of insight regarding consulting business and corporate management. The Company expects that he will utilize this experience and insight in its management decisions and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. In addition, Mr. Shigeo Kizaki satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Shigeo Kizaki, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Shigeo Kizaki serves as Representative Director of Kizaki Enterprise, Ltd., which was one of our business partners. From May to September 2023, the Company entered into a management support advisory agreement with Kizaki Enterprise, Ltd. and received management advisory services. The total compensation paid was ¥4.40 million (results for the fiscal year ended March 31, 2024). Since there have been no business transactions between the said company and the Group since October 2023, we have determined that there is no influence on his independence.

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

Mr. Nobuyasu Iimuro is certified as a certified public accountant, and has abundant experience and expertise regarding finance and accounting. The Company expects that he will utilize this experience and expertise in the audit structure of the Company, and that he will contribute to strengthening the supervisory functions of business execution and provide advice from a broader perspective. Therefore, the Company appoints him as an Outside Director who is an Audit and Supervisory Committee Member. In addition, Mr. Nobuyasu Iimuro satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Nobuyasu Iimuro, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured. Mr. Nobuyasu Iimuro serves as an executive officer of Nobuyasu Iimuro Certified Public Accountant Office. However, the Group has no business relationship with the said office.

Mr. Hiroshi Ohno has an abundance of experience and a high level of insight as a manager of a trust bank and a construction company that we wanted to apply to the Company audit structure so we appointed him as an Outside Director who is an Audit and Supervisory Committee Member, in the expectation of his contribution to enhancement of the supervisory functions of business execution as well as provision of advice from a broader perspective. In addition, Mr. Hiroshi Ohno satisfies the requirements for independence as set forth by the Tokyo Stock Exchange. In comprehensive consideration of personal, capital and business relationships between the Company and Mr. Hiroshi Ohno, it is judged that there is no risk of a conflict of interests with general shareholders. Therefore, his independence is deemed to be ensured.

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

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

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

(3) Status of audits

(i) Audits by the Audit and Supervisory Committee

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

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

During the fiscal year under review, the Company held 11 meetings of the Audit and Supervisory Committee, and the attendance of individual Audit and Supervisory Committee Members was as follows.

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

Official title or position	Name	Status of attendance (Attendance rate)
Full-Time Audit and Supervisory Committee Member	Takao Sakamoto	3/3 (100%)
Full-Time Audit and Supervisory Committee Member	Yutaka Nakamura	8/8 (100%)
Audit and Supervisory Committee Member	Taeko Ishii	11/11 (100%)
Audit and Supervisory Committee Member	Nobuyasu Iimuro	11/11 (100%)
Audit and Supervisory Committee Member	Hiroshi Ohno	11/11 (100%)

Note: As Mr. Takao Sakamoto resigned as Audit and Supervisory Committee Member at the conclusion of the 53rd Annual General Meeting of Shareholders held on June 24, 2025, attendance at the meetings held before his resignation (3 Audit and Supervisory Committee meetings) and the attendance rate are indicated. As Mr. Yutaka Nakamura assumed office of Audit and Supervisory Committee Member at conclusion of the 53rd Annual General Meeting of Shareholders held on June 24, 2025, attendance at the meetings held after his assumption of office (8 Audit and Supervisory Committee meetings) and the attendance rate are indicated.

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

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

(ii) Status of internal audits

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

- Composition of internal audits: 8 members from the Internal Audit Office

(iii) Status of accounting audits

a. Accounting auditor:

Ernst & Young ShinNihon LLC

b. Audit period:

From March 2021 onward

c. CPA who executed the audit:

Masaki Mitsuji

Saori Nakata

d. Composition of auxiliary auditing persons:

5 CPAs, 16 people with accountancy qualifications, and 18 others

e. Policy and reasons for appointing the Accounting Auditor

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

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

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

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

When evaluating the Accounting Auditor, the Audit and Supervisory Committee of the Company reviewed the audit quality report, the audit and interim review plan, and the report submitted pursuant to Article 131 of the Regulations on Corporate Accounting. The Committee also conducted a comprehensive assessment through reports received from the Accounting Auditor and exchanges of views with the Accounting Auditor. As a result of its evaluation, the Audit and Supervisory Committee concluded that the Accounting Auditor is appropriately performing its duties, as its independence, audit system, execution of audits, and cooperation with the Audit and Supervisory Committee and other relevant bodies were all found to be appropriate.

(iv) Content of the audit fee

a. Content of the compensation to the certified public accountants

Category	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)	Compensation to be paid for auditing and attestation services (Millions of yen)	Compensation to be paid for non-auditing services (Millions of yen)
The Company	61	–	64	–
Consolidated subsidiaries	-	–	–	–
Total	61	–	64	–

Notes: 1. With regard to compensation to be paid for auditing and attestation services for the fiscal year ended March 31, 2025, the Company also paid ¥52 million of additional compensation for the fiscal year ended March 31, 2024, in addition to the amount shown above.

2. With regard to compensation to be paid for auditing and attestation services for the fiscal year ended March 31, 2026, the Company also paid ¥9 million of additional compensation for the fiscal year ended March 31, 2025, in addition to the amount shown above.

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

No items to report.

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

No items to report.

d. Policy on determining the audit fee

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

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

The Company's Audit and Supervisory Committee has checked trends in the time taken and audit fees for each audit item, as well as the audit plan and its implementation results in the previous fiscal year, and examined the appropriateness of the estimated audit times and fees for the fiscal year under review, based on the Practical Guidelines for Cooperation with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association. As a result, it has given its consent to compensation for the Accounting Auditor as prescribed in Article 399, paragraph (1) and paragraph (3) of the Companies Act.

(4) Compensation, etc. for officers

(i) Compensation, etc. for Directors for the fiscal year under review

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

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

At the Board of Directors meeting held on June 22, 2023, the Company resolved on the policy to determine the details of compensation for individual Directors who are not Audit and Supervisory Committee Members (hereinafter referred to as the “Decision Policy”).

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

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

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

When determining the payment ratios of fixed compensation, performance-linked compensation and non-monetary compensation, the ratio of basic compensation (fixed compensation) shall decrease the higher the position, and the ratios of bonus (performance-linked compensation) and stock-based compensation (non-monetary compensation) shall increase the higher the position. In the case of standard performance, the composition of compensation for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) is generally as follows: base compensation 58-68%, bonuses 26-20%, and stock compensation 16-12%.

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

Performance indicators for bonus

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

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

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

Financial/non-financial	Performance indicators	Standard amount	Result
Financial indicators	Consolidated ordinary profit	10.0 billion yen	16.94 billion yen

Indicators associated with short-term enhancement of corporate value

(assessed each year and reflected in bonuses)

Financial/non-financial	Performance indicators	Weight	Targets	Results
Financial indicators	Consolidated net sales	40%	135.0 billion yen	135.21 billion yen
	Profit attributable to owners of parent	15%	10.9 billion yen	11.64 billion yen
	EBITDA	15%	16.7 billion yen	17.79 billion yen
	ROE (Note)	30%	18.3%	19.1%

Note: ROE used as a performance indicator for compensation for officers is calculated by truncating beyond the first decimal place.

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

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

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

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

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

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

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

Indicators associated with medium-term enhancement of corporate value

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

Financial/non-financial	Performance indicators	Weight	Targets
Financial indicators	Consolidated net sales	20%	160.0 billion yen
	EBITDA	20%	20.0 billion yen
	Growth investment (cumulative total for three years)	15%	32.5 billion yen
	ROE	15%	18% or higher
Non-financial indicators	Employee engagement score	15%	55 or higher
	Ratio of female managers	15%	8.5% or higher

Indicators associated with long-term enhancement of corporate value

(assessed every year and reflected in stock compensation)

Performance indicators	Results (FY2025)		Assessment coefficient (Company's TSR compared with TOPIX growth rate including dividends)
	The Company's TSR	TOPIX growth rate including dividends	
The Company's TSR (compared with TOPIX growth rate)	106.5%	134.7%	79.1%

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

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

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

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

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

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

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

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

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

The reason for delegating this authority to the Representative Director and President is because he has the most thorough understanding of aspects such as the Company's business environment and condition, and is able to determine the amounts of compensation for individual Directors from a comprehensive perspective. Furthermore, the Company considers that this delegation of authority contributes to the flexible and agile determination of compensation amounts.

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

b. The activities of the Nomination and Compensation Committee and the Board of Directors concerning compensation, etc. for Directors during the fiscal year ended March 31, 2026

(a) Activities of the Nomination and Compensation Committee

Date	Activities
May 1, 2025	Deliberated on the performance evaluation for officers' compensation for the fiscal year ended March 31, 2025 Deliberated on revision to the amounts of compensation for Directors
February 6, 2026	Deliberated on the Policy for Determining Individual Compensation, etc. for Directors
March 26, 2026	Deliberated on Directors for fiscal 2026 (after the Annual General Meeting of Shareholders in June 2026) Deliberated on the Nomination and Compensation Committee structure for fiscal 2026 (after the Annual General Meeting of Shareholders in June 2026)

(b) Activities of the Board of Directors

Date	Activities
June 24, 2025	Decided about compensation and bonuses for Directors Decided to grant restricted stock compensation
March 26, 2026	Decided about the Policy for Determining Individual Compensation, etc. for Directors

c. Total amount of compensation, etc., amount of compensation, etc. by type, and number of eligible officers by officer category

Category	Total amount of compensation, etc. (Millions of yen)	Amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc. (Restricted stock compensation)	
Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors)	150	87	42	20	4
Audit and Supervisory Committee Members (excluding those who are Outside Directors)	18	18	-	–	2
Outside officers	43	43	–	–	7

Notes: 1. The amount of compensation, etc. for Directors does not include compensation received in the capacity of an employee, for Directors who serve concurrently as employees.

2. The above amount of non-monetary compensation, etc. is the expense recorded for restricted stock compensation for four Directors (excluding Outside Directors) during the fiscal year under review.

3. The above includes two Directors and one Director (an Audit and Supervisory Committee Member) who resigned at the conclusion of the 53rd Annual General Meeting of Shareholders held on June 24, 2025.

(ii) Compensation, etc. for Directors for the fiscal year ending March 31, 2027 and thereafter

At the Board of Directors meeting held on March 26, 2026, the Company resolved to revise the "Policy for Determining Individual Compensation, etc. for Directors." The policy for determining the amount of compensation, etc. for Directors who are not Audit and Supervisory Committee Members or the method of calculation thereof is as follows. This policy shall apply to officer compensation for the fiscal year ending March 31, 2027 and thereafter.

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

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

At the Board of Directors meeting held on March 26, 2026, the Company resolved on the policy to determine the details of compensation, etc. for individual Directors who are not Audit and Supervisory Committee Members (hereinafter referred to as the "Decision Policy"), based on the results of deliberation by the Nomination and Compensation Committee.

Compensation, etc. for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) consists of fixed compensation, performance-linked compensation determined upon comprehensive consideration of the Company's and individual performance, and non-monetary compensation. Compensation for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) consists of fixed compensation only.

The amount of compensation or the method of calculation thereof is as follows.

(i) Fixed compensation shall be determined based on the responsibilities associated with each position.

(ii) Performance-linked compensation shall be paid as a bonus, and shall be determined by multiplying the standard amount predetermined in accordance with position by a coefficient. c. In calculating the coefficient, the performance evaluation allocation ratio shall be determined for the Company's performance and individual performance, including the performance of the organization under the Director's responsibility. For Director and President, only the Company's performance shall be reflected. For Directors who are Senior Managing Executive Officers or Managing Executive Officers, the Company's performance shall account for 70% and individual performance shall account for 30%. Financial indicators are set as indicators of the Company's performance from the perspectives of profitability and growth. However, in the event that business performance deteriorates significantly, this compensation may not be paid.

(iii) Non-monetary compensation shall be paid as stock-based compensation, in the form of restricted shares, and shall be determined by multiplying the standard amount predetermined in accordance with position by a coefficient. The coefficient shall be calculated according to the degree of achievement of indicators that reflect the share price during the period of the medium-term management plan and the degree of achievement of the targets of the medium-term management plan, in order to encourage officers' commitment to management and business execution with a view to achieving the medium-term management plan.

When determining the payment ratios of fixed compensation, performance-linked compensation and non-monetary compensation, the ratio of basic compensation (fixed compensation) shall decrease the higher the position, and the ratios of bonus (performance-linked compensation) and stock-based compensation (non-monetary compensation) shall increase the higher the position. In the case of standard performance, the composition of compensation for Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) is generally as follows: for Director and President, fixed compensation 50%, bonuses 35%, and stock-based compensation 15%; and for Directors who are Senior Managing Executive Officers or Managing Executive Officers, fixed compensation 55%, bonuses 31.5%, and stock-based compensation 13.5%.

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

Performance indicators for bonus

The indicators for performance-linked compensation are the publicly announced performance forecasts (profit attributable to owners of parent, EBITDA, and consolidated net sales), which are adopted as indicators related to short-term business growth and enhancement of corporate value by ensuring a sound earnings structure through the united efforts of the Group. The Company has established internal rules on how to determine the amount of performance-linked compensation.

Performance indicators for calculation of the amount of bonus

(assessed each year and reflected in bonuses)

Financial/non-financial	Performance indicators	Weight	Targets
Financial indicators	Profit attributable to owners of parent	25%	11.7 billion yen
	EBITDA	25%	18.3 billion yen
	Consolidated net sales	50%	142.0 billion yen

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

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

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

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

[Maximum number of shares of common stock to be issued or disposed of] Within 104,000 shares per annum

*The Company conducted a 4-for-1 stock split of common shares effective October 1, 2025. The number of shares shown above is stated on a post-stock-split basis.

While the standard amount used to calculate non-monetary compensation is predetermined based on position, it is reviewed annually in light of the Company's corporate value (share price) and the degree of achievement of its medium-term plan.

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

Indicators associated with medium- and long-term enhancement of corporate value

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

Financial/non-financial	Performance indicators	Weight	Targets
Financial indicators	EBITDA margin	20%	12.5%
	Consolidated net sales	20%	160.0 billion yen
	ROE	20%	18% or higher
	Productivity (operating profit per employee in Japan)	20%	3.2 million yen
Non-financial indicators	Ratio of female managers	10%	8.5% or higher
	Ratio of female Directors	10%	20% or higher
Total		100% (converted to 80%)	

(assessed every year and reflected in stock compensation)

Performance indicators	Calculation formula	Weight
The Company's TSR (compared with TOPIX growth rate)	*Relative TSR: A value calculated by dividing the Company's total shareholder return (TSR) for the evaluation period by the growth rate of the Tokyo Stock Price Index (TOPIX growth rate including dividends) for the same period.	20%

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

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

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

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

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

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

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

The date of the resolution of the shareholders' meeting concerning the payment of compensation for the allotment of restricted shares was June 23, 2022. The shareholders' meeting resolved to pay monetary compensation receivables for the allotment of restricted shares to the Company's Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) in an amount not exceeding 45 million yen per annum, separate from the compensation limit for Directors who are not Audit and Supervisory Committee Members of 300 million yen per annum. Under this resolution, the maximum total number of common shares to be issued or disposed of is 104 thousand shares per annum (on a post-stock-split basis). Five Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) are subject to this rule. Restricted shares are also allotted to Executive Officers of the Company.

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

The reason for delegating this authority to the Representative Director and President is because he has the most thorough understanding of aspects such as the Company's business environment and condition, and is able to determine the amounts of compensation for individual Directors from a comprehensive perspective. Furthermore, the Company considers that this delegation of authority contributes to the flexible and agile determination of compensation amounts.

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

(5) Status of shares held

(i) Criteria and concept on investment shares

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

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

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

<Holding policies>

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

<Methods to verify the holding effects>

To verify the suitability of holding these cross-shareholdings, the Company comprehensively assesses the proportion of the total amount of cross-shareholdings to net assets, whether the benefits and risks associated with each shareholding align with the capital costs, and whether the holding purpose is consistent. After deliberation by the Board of Directors, we verify the validity of holding all cross-shareholdings that the Company possesses.

If any circumstances change in the future which lead us to determine that a cross-shareholding is no longer appropriate, we will review and reduce it.

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

	Number of stocks (Issue name)	Total of the amounts recorded in the balance sheet (Millions of yen)
Unlisted shares	2	155
Shares other than unlisted shares	6	5,544

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

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

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

	Number of stocks (Issue name)	Total amount of sale price relating to decrease in the number of stocks (Millions of yen)
Unlisted shares	–	–
Shares other than unlisted shares	1	100

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

Issue name	Fiscal year ended March 31, 2026 Number of shares (Shares) Amount recorded in the balance sheet (Millions of yen)	Fiscal year ended March 31, 2025 Number of shares (Shares) Amount recorded in the balance sheet (Millions of yen)	Holding purpose, outline of business alliances, etc., quantitative holding effects, and reason for the increased number of shares	Holding of the Company's shares
EXEO Group, Inc.	1,008,000	1,008,000	Shares are held to build relationships for future business. Mutually complementary resources, etc. are being explored.	Yes
	2,689	1,693		
Hibiya Engineering, Ltd.	284,000	284,000	Shares are held to build relationships for future business. Business collaboration is being considered for new solutions.	Yes
	1,533	887		
Sumitomo Mitsui Trust Group, Inc.	111,000	111,000	Shares are held to maintain relationships with and expand business with customers.	Yes
	544	412		
NTT DATA INTRAMART CORPORATION	127,000	127,000	Shares are held in order to build good relationships with companies that possess solutions necessary for our business.	No
	366	333		
Mitsubishi UFJ Financial Group, Inc.	104,000	104,000	Shares are held to maintain and expand business relationships with customers.	No
	270	209		
Mizuho Financial Group, Inc.	23,009	23,009	Shares are held to maintain and expand business relationships with customers.	Yes
	140	93		
NTT DATA Group Corporation	–	25,000	–	Yes
	–	67		

Note: The suitability of holdings was verified by the Board of Directors on May 19, 2026 due to the difficulty of stating the effect of quantitative holdings.

(iii) Investment shares held for pure investment purposes

No items to report.

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

No items to report.

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

No items to report.

5. Employees

(1) Basic policy on human resource strategies

To achieve our vision as defined in Vision 2030, “Become a company that continuously takes on challenges in order to provide value that exceeds expectations,” we aim to have all employees take on a variety of challenges while always embracing change.

Aware that human resources are the DTS Group’s most important form of capital and that the growth of employees is a source a corporate value, we are advancing four human resource strategies.

(i) Attract and develop human resources

(ii) Workstyle reform / Health management

(iii) Employee engagement

(iv) Policy for determining the amounts and details of employee salaries and compensation

(i) Attract and develop human resources

・Recruiting new graduates

Our new graduate recruitment focuses on strengthening the hiring of personnel skilled in DX by widely attracting applicants with various backgrounds from all over the country in order to secure individuals who can contribute to the Group’s stable growth through business expansion.

To convey the appeal of DTS during the course of recruitment, not just personnel from the Human Resources Department but onsite employees representing all levels—from young staff to management—are actively involved in the selection process, interviews, and events.

We also actively hire global personnel with diverse backgrounds and experience in studying or living abroad.

・Mid-career hires

To accelerate business growth in line with our long-term vision, Vision 2030, we are pursuing the hiring of mid-career personnel through diverse recruitment channels, including recruitment advertising (talent agency services, job boards, and direct scouting), employee referrals, and rehiring former employees. We are committed to securing the necessary talent, including technical specialists and highly skilled professionals, to support our operations across various business domains.

・Human resource development

To enable employees to continually grow and level up as engineers, we offer a broad lineup of training options across the Group through the Group company MIRUCA CORPORATION. We support employee growth by upgrading training systems and announcing the availability of training to employees. This includes training common to DTS Group employees; rank-based training, including for new hires, mid-level employees, and managers; and training related to specialization in line with each employee’s career path.

In addition, we provide an environment that enables employees to autonomously enhance their capabilities in a timely manner in part by introducing on-demand video training that can be viewed anywhere at any time covering the latest technological information, including on digital technologies.

Furthermore, we encourage the employees’ taking on challenges by providing those who have proactively studied for and passed qualification examinations with cash awards as a part of internal commendation scheme.

・Professional certification system

We have established a professional certification system in which employees aim to autonomously enhance their areas of expertise and specializations in line with their own career plans, take on challenges, and achieve remarkable results. The Company then recognizes those achievements, compensates them, and provides them with the opportunity to embark on the next stage of growth and activity. We recognize diverse occupations aligned with business environments and encourage career building based on employees' own decisions and ambitions.

・Creation of a diverse workforce taking on challenges

To evolve our existing SI business model into a total SI one and expand our business area by creating new solutions and services, we will need personnel who can take bold risks and take on new challenges. Creating a culture and environment in which personnel always embrace change will be a key challenge.

We have upgraded the work environment to one that enables active personnel to take on challenges of creating solutions and new technologies aimed at future growth with no fear of failure. We have implemented the evaluation system which emphasizes taking on undertaking assignments with a high degree of difficulty and innovation. In addition, we are working to transition from a system based on the conventional labor-intensive business model to a more sophisticated, knowledge- intensive business model.

Through these measures, we aim to create a corporate culture that encourages individual employees to transform their behavior and proactively take on challenges.

・Promotion of women's participation and advancement

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

In the medium-term management plan, we set targets for the ratio of female Directors and managers. In action plans based on the Act on Promotion of Women's Participation and Advancement, we set milestones for improving the overall ratio of female employees and have been promoting the advancement of women in management, working to develop the skills of female manager candidates and incumbent managers. As of March 31, 2026, the ratio of female Directors stood at 20%, already meeting the target of 20.0% or higher set for the fiscal year ending March 31, 2028. The ratio of female managers as of March 31, 2026 was 5.4% compared with our target to be achieved by March 31, 2028 of 8.5% or higher.

(ii) Workstyle reform / Health management

・Support balancing work with childbirth, childcare, nursing care, medical treatment, etc.

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

To promote the use of childcare leave by male employees, we have supported the balance between childcare and work to eliminate gender inequality in childcare leave usage rates, such as by holding roundtable discussions among male and female employees taking childcare leave and sharing the contents of discussions on the Company's portal site.

In addition, to support employees in balancing work with childcare or nursing care, through in-house training, we provide information and education on internal procedures for taking childcare or caregiving leave and utilizing shortened working-hour arrangements, as well as individualized guidance to eligible employees.

When employees require medical treatment, we take appropriate care to ensure that their illness does not get worse due to working. Therefore, we respond flexibly to meet individual needs by liaising with relevant persons, developing working environments, and providing individual support for employees and have established an in-house consultation service. To support employees on their return to work after taking leave, we provide a return-to-work support program with advice from occupational doctors and so forth.

・Promotion of health management

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

The Company publicly announced its "Health Company Declaration" in November 2018 and launched initiatives to encourage health promotion activities. As a result, we received certification as Company of Health Excellence Certification/Gold Certification in September 2020, and have maintained it since then. In addition, in March 2026, we acquired certification as "Health & Productivity Management Outstanding Organization (White 500) 2026" for the fifth consecutive year.

(iii) Employee engagement

・Creating a fulfilling workplace

We conduct employee engagement surveys to motivate employees and make our organization even stronger. The results are viewed as important management data for implementing management and human resources strategies, and are reported to the Board of Directors, shared on the Company's portal site, used to plan and propose human resources policies, and for initiatives such as improvement activities in each workplace.

(iv) Policy to determine the amounts and details of employee salaries and compensation

Human resources are an important asset for the Company, and, in Vision 2030, our long-term vision, as well as in our medium-term management plan, we designated investment in human resources as an area for growth investment. Such investment extends to improved workplace conditions.

Employee compensation is determined based on a role-grade grading system, taking into comprehensive consideration individual performance, organizational contributions, and behavioral evaluations. In particular, securing highly skilled professionals in our focus businesses is recognized as a critical management priority. Accordingly, we appropriately assess expertise, digital-related skills, and other specialized capabilities and reflect them in compensation. In addition, to strengthen mid-career recruitment of highly marketable talent in DX, digital, AI, and related fields, we have introduced a job description-based personnel system with a salary structure that is competitive even for mid-career hires (beyond the regular salary table).

To foster a greater sense of unity within the company, along with a sense of company ownership among employees, we have started implementing a restricted stock compensation system for employees, as one of the long-term incentive schemes, starting in the fiscal year ended March 31, 2024, and continued providing shares in the fiscal year ended March 31, 2026.

We will continue striving to return Company profits to employees as appropriate through further salary increases.

(2) Employees

(i) Consolidated group companies

As of March 31, 2026

Segment name	Number of employees (Persons)
Operation & Solutions	3,124
Technology & Solutions	2,001
Platforms & Services	1,010
Total	6,135

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

(ii) The Company

As of March 31, 2026

Number of employees (Persons)	Average age (Years)	Average years of service (Years)	Average annual salary (Thousands of yen)	Year-on-year change in average annual salary (%)
3,199	39.7	15.1	6,587	2.3

Segment name	Number of employees (Persons)
Operation & Solutions	1,243
Technology & Solutions	1,106
Platforms & Services	850
Total	3,199

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

2. Average annual salary includes bonuses and extra wages. The average annual salary indicated above is the figure for the regular employees, excluding those under leaves.

(iii) Trade union

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

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

a. The Company

Current fiscal year				
Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
		All employees	Regular employees	Part-time/fixed term employees
5.4	69.0	81.3	80.7	-

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

2. The short term and long term childcare leave usage rates as described in Article 71-6, item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of

Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

b. Major consolidated subsidiaries

Current fiscal year					
Name	Percentage of managers that are women (%) (Note 1)	Rate of childcare leave use by male employees (%) (Note 2)	Gender wage disparity (%) (Note 1)		
			All employees	Regular employees	Part-time/fixed term employees
KYUSHU DTS CORPORATION	5.6	100.0	89.8	89.6	-
JAPAN SYSTEMS ENGINEERING CORPORATION	14.7	100.0	88.4	87.2	85.8
DTS WEST CORPORATION	4.3	66.7	84.6	83.9	–
DIGITAL TECHNOLOGIES CORPORATION	13.3	83.3	90.9	85.4	171.6
DTS INSIGHT CORPORATION	2.0	100.0	78.4	77.6	98.1
avanza Co., Ltd.	4.8	100.0	81.7	81.3	–
Tohoku Systems Support Co., Ltd.	23.5	100.0	89.0	92.4	88.5

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

2. The short term and long term childcare leave usage rates as described in Article 71-6, item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) were calculated in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

V. Financial Information

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

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

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

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

2. Auditing and attestation

   The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026) were audited by Ernst & Young ShinNihon LLC, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

1. Consolidated financial statements and other information

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	29,922	29,775
Notes and accounts receivable - trade, and contract assets	*1 23,847	*1 27,729
Securities	596	791
Merchandise and finished goods	1,130	1,033
Work in process	368	169
Raw materials and supplies	86	76
Other	1,869	1,864
Allowance for doubtful accounts	(22)	(18)
Total current assets	57,798	61,422
Non-current assets		
Property, plant and equipment		
Buildings and structures	*4 3,403	*4 3,719
Accumulated depreciation	(1,985)	(2,120)
Buildings and structures, net	1,417	1,599
Land	*4 2,285	*4 2,254
Other	2,745	2,793
Accumulated depreciation	(2,112)	(2,005)
Other, net	633	788
Total property, plant and equipment	4,335	4,642
Intangible assets		
Goodwill	4,988	4,578
Software	900	882
Other	10	21
Total intangible assets	5,900	5,482
Investments and other assets		
Investment securities	*2 7,447	*2 8,707
Retirement benefit asset	792	1,502
Deferred tax assets	1,528	713
Other	2,591	2,784
Allowance for doubtful accounts	(6)	(7)
Total investments and other assets	12,353	13,700
Total non-current assets	22,588	23,826
Total assets	80,387	85,248

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	7,566	6,804
Accounts payable - other	2,071	1,770
Income taxes payable	3,160	3,087
Provision for bonuses	3,754	3,224
Provision for bonuses for directors (and other officers)	72	91
Provision for loss on orders received	27	561
Other	*3, *4 3,792	*3, *4 4,094
Total current liabilities	20,445	19,634
Non-current liabilities		
Retirement benefit liability	254	239
Other	*4 341	*4 683
Total non-current liabilities	596	922
Total liabilities	21,042	20,556
Net assets		
Shareholders’ equity		
Share capital	6,113	6,113
Capital surplus	4,992	4,992
Retained earnings	48,562	52,674
Treasury shares	(4,412)	(4,645)
Total shareholders’ equity	55,255	59,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,726	3,004
Foreign currency translation adjustment	263	243
Remeasurements of defined benefit plans	816	1,130
Total accumulated other comprehensive income	2,805	4,379
Non-controlling interests	1,283	1,178
Total net assets	59,344	64,691
Total liabilities and net assets	80,387	85,248

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	*1 125,908	*1 135,213
Cost of sales	*2 97,538	*2 105,537
Gross profit	28,370	29,676
Selling, general and administrative expenses		
Salaries and allowances	4,258	4,497
Provision for bonuses	987	474
Amortization of goodwill	430	410
Commission expenses	2,700	2,134
Other	*3 5,502	*3 5,725
Total selling, general and administrative expenses	13,880	13,241
Operating profit	14,489	16,434
Non-operating income		
Interest income	111	125
Dividend income	112	127
Foreign exchange gains	—	106
Gain on investments in investment partnerships	570	—
Other	244	298
Total non-operating income	1,039	658
Non-operating expenses		
Interest expenses	6	5
Loss on investments in investment partnerships	—	139
Commission for purchase of treasury shares	16	3
Foreign exchange losses	35	—
Other	13	3
Total non-operating expenses	71	152
Ordinary profit	15,457	16,940
Extraordinary income		
Gain on sale of non-current assets	*4 6	*4 13
Gain on sale of investment securities	—	67
Total extraordinary income	6	80
Extraordinary losses		
Loss on sale of non-current assets	—	*5 0
Impairment losses	*6 249	—
Loss on retirement of non-current assets	*7 24	*7 5
Loss on valuation of investment securities	47	—
Loss on sale of shares of subsidiaries and associates	—	129
Office relocation expenses	11	—
Total extraordinary losses	332	135
Profit before income taxes	15,131	16,885
Income taxes - current	4,551	5,076
Income taxes - deferred	(89)	96
Total income taxes	4,462	5,172
Profit	10,669	11,712
Profit attributable to non-controlling interests	34	67
Profit attributable to owners of parent	10,635	11,644

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit	10,669	11,712
Other comprehensive income		
Valuation difference on available-for-sale securities	162	1,278
Foreign currency translation adjustment	309	(28)
Remeasurements of defined benefit plans, net of tax	153	314
Total other comprehensive income	* 626	* 1,564
Comprehensive income	11,295	13,277
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,144	13,218
Comprehensive income attributable to non-controlling interests	151	58

(iii) Consolidated statements of changes in equity

Previous fiscal year (From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113	4,992	57,396	(8,527)	59,973
Changes during period					
Dividends of surplus			(4,593)		(4,593)
Profit attributable to owners of parent			10,635		10,635
Purchase of treasury shares				(10,999)	(10,999)
Disposal of treasury shares		89		149	239
Cancellation of treasury shares		(14,965)		14,965	—
Transfer from retained earnings to capital surplus		14,875	(14,875)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(8,833)	4,115	(4,717)
Balance at end of period	6,113	4,992	48,562	(4,412)	55,255

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,563	70	662	2,296	1,132	63,402
Changes during period						
Dividends of surplus						(4,593)
Profit attributable to owners of parent						10,635
Purchase of treasury shares						(10,999)
Disposal of treasury shares						239
Cancellation of treasury shares						—
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	162	192	153	509	151	660
Total changes during period	162	192	153	509	151	(4,057)
Balance at end of period	1,726	263	816	2,805	1,283	59,344

Fiscal year under review (From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,113	4,992	48,562	(4,412)	55,255
Changes during period					
Dividends of surplus			(5,493)		(5,493)
Profit attributable to owners of parent			11,644		11,644
Purchase of treasury shares				(2,500)	(2,500)
Disposal of treasury shares		53		210	264
Cancellation of treasury shares		(2,055)		2,055	—
Change in scope of consolidation			(38)		(38)
Transfer from retained earnings to capital surplus		2,002	(2,002)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	4,111	(233)	3,877
Balance at end of period	6,113	4,992	52,674	(4,645)	59,133

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,726	263	816	2,805	1,283	59,344
Changes during period						
Dividends of surplus						(5,493)
Profit attributable to owners of parent						11,644
Purchase of treasury shares						(2,500)
Disposal of treasury shares						264
Cancellation of treasury shares						—
Change in scope of consolidation						(38)
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	1,278	(19)	314	1,573	(104)	1,468
Total changes during period	1,278	(19)	314	1,573	(104)	5,346
Balance at end of period	3,004	243	1,130	4,379	1,178	64,691

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	15,131	16,885
Depreciation	703	843
Impairment losses	249	—
Amortization of goodwill	430	410
Increase (decrease) in provision for bonuses	97	(525)
Increase (decrease) in provision for bonuses for directors (and other officers)	(26)	18
Increase (decrease) in provision for loss on orders received	(56)	533
Decrease (increase) in retirement benefit asset	(396)	(224)
Increase (decrease) in retirement benefit liability	187	(32)
Loss (gain) on valuation of investment securities	47	—
Loss (gain) on investments in investment partnerships	(570)	139
Loss (gain) on sale of shares of subsidiaries and associates	—	129
Decrease (increase) in accounts receivable - trade, and contract assets	(1,413)	(3,996)
Decrease (increase) in inventories	(693)	301
Increase (decrease) in trade payables	850	(691)
Increase (decrease) in accounts payable - other	81	3
Other, net	(1,382)	120
Subtotal	13,241	13,916
Interest and dividends received	174	308
Interest paid	(6)	(3)
Income taxes paid	(4,228)	(5,291)
Net cash provided by (used in) operating activities	9,181	8,929
Cash flows from investing activities		
Purchase of securities	(351)	(5,199)
Proceeds from sale and redemption of securities	810	5,459
Purchase of property, plant and equipment	(531)	(467)
Purchase of intangible assets	(498)	(326)
Purchase of investment securities	(1,197)	(0)
Proceeds from sale and redemption of investment securities	—	115
Payments into time deposits	(296)	(284)
Proceeds from withdrawal of time deposits	177	1,344
Purchase of shares of subsidiaries and associates	(704)	(30)
Proceeds from distributions from investment partnerships	487	33
Purchase of long-term prepaid expenses	(231)	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(325)
Payments for contingent considerations of shares of subsidiaries	—	(296)
Other, net	11	70
Net cash provided by (used in) investing activities	(2,322)	92
Cash flows from financing activities		
Repayments of long-term borrowings	(362)	(32)
Purchase of treasury shares	(11,016)	(2,503)
Dividends paid	(4,584)	(5,483)
Other, net	(123)	(69)
Net cash provided by (used in) financing activities	(16,087)	(8,089)

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Effect of exchange rate change on cash and cash equivalents	76	42
Net increase (decrease) in cash and cash equivalents	(9,152)	975
Cash and cash equivalents at beginning of period	37,557	28,405
Cash and cash equivalents at end of period	* 28,405	* 29,381

Notes to consolidated financial statements

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

Names of main consolidated subsidiaries

DIGITAL TECHNOLOGIES CORPORATION

DTS INSIGHT CORPORATION

JAPAN SYSTEMS ENGINEERING CORPORATION

Partners Information Technology, Inc.

DTS WEST CORPORATION

Tohoku Systems Support Co., Ltd.

avanza Co., Ltd.

KYUSHU DTS CORPORATION

Dalian SuperElectronics Co., Ltd. and Japan SuperElectronics Co., Ltd., which were consolidated subsidiaries in the previous fiscal year, were excluded from the scope of consolidation because part of the Company's equity interests in these companies were transferred. In preparing the Consolidated Financial Statements, the transfer was deemed to have occurred on June 30, 2025, and these companies' statements of income through that deemed transfer date were consolidated.

(2) Names of main non-consolidated subsidiaries

Names of main non-consolidated subsidiaries

DTS palette Inc.

Tohoku Advisor Co., Ltd.

(Reason for exclusion from the scope of consolidation)

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

2. Application of the equity method

(1) The non-consolidated subsidiaries and affiliates for which the equity method has been applied

No items to report.

(2) The non-consolidated subsidiaries and affiliates for which the equity method has not been applied

The non-consolidated subsidiaries for which the equity method has not been applied

DTS palette Inc. and Tohoku Advisor Co., Ltd.

The affiliates for which the equity method has not been applied

Spice Factory Co., Ltd.

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

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

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

December 31: 6 consolidated subsidiaries

January 31: 1 consolidated subsidiary

March 31: 7 consolidated subsidiaries

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

4. Matters concerning accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Available-for-sale securities

(i) Securities apart from shares, etc. without market prices

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

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

(ii) Shares, etc. without market prices

Stated at cost using the moving average method.

2) Inventory

(i) Merchandise and finished goods

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

(ii) Work in process

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

(iii) Raw materials

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

(iv) Supplies

Stated at cost using the most recent purchase method.

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

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

Depreciated using the straight-line method.

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

Buildings and structures 3 years to 47 years

Tools, furniture and fixtures 2 years to 20 years

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

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

Amortized using the straight-line method.

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

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

3) Right-of-use assets

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

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

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

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

4) Provision for loss on orders received

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

(4) Accounting treatment of retirement benefits

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

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

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

Prior service costs are amortized using the straight-line method over a designated period (10 years) within the average remaining service years for employees at the time when the costs were incurred.

Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (from 10 to 12 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

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

The main performance obligations and the usual timing of revenue recognition in the main businesses of the Company and its consolidated subsidiaries are as follows.

1) Systems development

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

2) Systems engineering services

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

3) Maintenance and other services

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

4) Products and merchandise

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

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

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

(7) Goodwill amortization method and amortization period

Goodwill is amortized using the straight-line method over the period of its effect (from 7 to 20 years), based on the cause of the goodwill.

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

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

(Significant accounting estimates)

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

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	125,908	135,213
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	16,129	22,492

(2) Information on significant accounting estimates for identified items

1) Calculation method

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

2) Main assumptions

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

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

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

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Provision for loss on orders received	27	561

(2) Information on significant accounting estimates for identified items

1) Calculation method

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

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

2) Main assumptions

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

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

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

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

3. Evaluation of goodwill

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Goodwill	4,988	4,578

(2) Information on significant accounting estimates for identified items

1) Calculation method

Goodwill of the Group represents future excess earnings power expected at the time of acquisition. If performance does not progress as per the future business plans at the time of acquisition, when losses or negative cash flows from operating activities persist, or when we determine that the management environment has significantly deteriorated, we consider there to be signs of impairment in the asset group, including goodwill. We then estimate future cash flows and determine whether to recognize an impairment loss. If it is determined that an impairment loss should be recognized, we reduce the carrying amount to the recoverable amount and record the decrease as an impairment loss.

In addition, as stated in V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes to consolidated financial statements (Consolidated Statements of Income) *6 Impairment losses, impairment losses of ¥138 million were recorded for goodwill in the previous fiscal year. For the fiscal year under review, no sign of impairment was recognized.

2) Main assumptions

The estimation of future cash flows is based on the future business plan, and its main assumption is net sales and net sales growth rate based on expected orders.

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

Since the main assumptions involve estimation uncertainty, if any significant changes occur due to future changes in the corporate environment, they may necessitate the recognition of impairment losses, potentially having a material impact on the consolidated financial statements for the subsequent fiscal year.

(Unapplied accounting standards, etc.)

(Accounting standard for leases, etc.)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)
  Revisions to other relevant Accounting Standards, Implementation Guidance on Accounting Standards, Practical Solutions and Transferred Guidance

(1) Overview
This establishes the treatment of all leases by lessees, including the recognition of assets and liabilities for all leases by lessees, in the same manner as international accounting standards.

(2) Scheduled date of application
The Company plans to apply the accounting standards and other relevant ASBJ regulations from the beginning of the fiscal year ending March 31, 2028.

(3) Impact from the application of the accounting standards and other relevant ASBJ regulations
The amount that the application of the “Accounting Standard for Leases” and other relevant ASBJ regulations has impact on the consolidated financial statements is being evaluated at present.

(Accounting standard for subsequent events, etc.)

- “Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, January 9, 2026)
- “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Implementation Guidance No. 35, January 9, 2026)

(1) Overview
The “Accounting Standard for Subsequent Events,” etc. stipulate accounting treatment and disclosure of subsequent events, making it a priority issue to establish a comprehensive accounting standard that addresses the definition, accounting treatment, disclosure, etc. of subsequent events and making it a basic policy to, in principle, observe the content concerning accounting presented in “Treatment of Subsequent Events in Auditing,” the Practical Guidelines No. 1, Statements on Auditing Standards 560, Auditing and Assurance Standards Committee, the Japanese Institute of Certified Public Accountants, and transfer it to the ASBJ. The standards, etc. include some revisions to wording, clarification of the definition of the subsequent event evaluation period, etc., while they newly require a note concerning the approval of disclosure of financial statements.

(2) Scheduled date of application
The Company plans to apply the accounting standards, etc. from the beginning of the fiscal year ending March 31, 2028.

(Changes in presentation)

(Consolidated statements of income)

"Surrender value of insurance policies," which was separately presented under "Non-operating income" in the previous fiscal year, has been included in "Other" in the fiscal year under review because it is no longer quantitatively material. To reflect these changes in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥98 million shown as "Surrender value of insurance policies" and ¥145 million shown as "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year are reclassified as "Other" of ¥244 million.

(Consolidated statements of cash flows)

"Net decrease (increase) in short-term loans receivable," which was separately presented under "Cash flows from investing activities" in the previous fiscal year, has been included in "Other, net" from the fiscal year under review because it is no longer quantitatively material. To reflect these changes in method of presentation, the Company has reclassified the consolidated financial statements for the previous fiscal year.

As a result, ¥1 million shown as "Net decrease (increase) in short-term loans receivable" and ¥10 million shown as "Other, net" under "Cash flows from investing activities" in the consolidated statements of cash flows for the previous fiscal year are reclassified as "Other, net" of ¥11 million.

(Consolidated balance sheets)

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Notes receivable - trade	167	169
Accounts receivable - trade	20,413	25,129

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

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Investments and other assets		
Investment securities (shares)	769	769

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

*4 Collateral assets and secured debts

Details of collateral assets and secured debts are as follows.

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Buildings and structures	23	21
Land	77	77
Total	101	98

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Other (Current liabilities)	12	12
Other (Non-current liabilities)	30	18
Total	42	30

5 Contingent liabilities

As it has been recognized that, at a certain overseas subsidiary of the Company, inappropriate payments were made to individuals deemed to be public servants and others in the previous fiscal years and that those payments may be a violation of local anti-corruption laws and other relevant laws and regulations, there is a possibility that this could lead to an investigation or prosecution by the local authorities in the future. However, the situation is uncertain at present. In addition, it is difficult for the Company to make any reasonable estimate of a specific future loss to be incurred because there are many uncertainties involved in the estimation of any fines or penalties that would be imposed by the authorities.

(Consolidated Statements of Income)

*1 Revenue arising from contracts with customers

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

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
The amount of provision for loss on orders received included in cost of sales	27	561

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
The amount of research and development expenses included in general and administrative expenses	168	428

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment		
Buildings and structures	—	3
Land	—	7
Other (vehicles)	6	2
Other (tools, furniture and fixtures)	—	0
Total	6	13

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment		
Buildings and structures	—	0

*6 Impairment losses

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

The Group recorded impairment losses on the asset groups below for the fiscal year ended March 31, 2025.

Location	Purpose	Type	Impairment loss (Millions of yen)
Head Office (Chuo-ku, Tokyo)	Business assets and shared assets	Software	110
Partners Information Technology, Inc. (California, U.S.A.)	—	Goodwill	138

In principle, the Group groups its assets using each company as the basic unit of an asset group. Assets for which decisions such as business withdrawal have been made and idle assets or the like are grouped individually.

With respect to the software for which a business withdrawal policy has been determined, the Company decided to reduce the carrying amount to its recoverable amount. The recoverable amount is measured at value in use.

When the Company acquired the shares of Partners Information Technology, Inc., a consolidated subsidiary of the Company, the Company recorded goodwill on the basis of the subsidiary's excess earnings power. However, the financial results of the subsidiary were lower than the business plan that had been prepared, and therefore, the business plan was revised to a more conservative one. As a result, the Company decided to expense all of unamortized balance of goodwill. The amount of decrease in goodwill due to this event was ¥138 million, and the Company recorded it as an impairment loss under extraordinary losses for the previous fiscal year.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

No items to report.

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment		
Buildings and structures	19	1
Other (tools, furniture and fixtures, etc.)	4	1
Intangible assets		
Other (software and others)	0	2
Total	24	5

(Consolidated statements of comprehensive income)

* Reclassification adjustments and income taxes and tax effects relating to other comprehensive income

(Millions of yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Fiscal year under review (From April 1, 2025 to March 31, 2026)
Valuation difference on available-for-sale securities:		
Amount arising during the period	266	1,934
Reclassification adjustment	—	(67)
Before income taxes and tax-effect adjustment	266	1,867
Income taxes and tax effects	(104)	(588)
Valuation difference on available-for-sale securities	162	1,278
Foreign currency translation adjustment:		
Amount arising during the period	309	3
Reclassification adjustment	—	(32)
Before income taxes and tax-effect adjustment	309	(28)
Income taxes and tax effects	—	—
Foreign currency translation adjustment	309	(28)
Remeasurements of defined benefit plans, net of tax:		
Amount arising during the period	327	606
Reclassification adjustment	(106)	(137)
Before income taxes and tax-effect adjustment	220	469
Income taxes and tax effects	(66)	(154)
Remeasurements of defined benefit plans, net of tax	153	314
Total other comprehensive income	626	1,564

(Consolidated statements of changes in equity)

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

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

(shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review
Issued shares				
Common shares (Note 1)	46,854,132	—	5,356,100	41,498,032
Total	46,854,132	—	5,356,100	41,498,032
Treasury shares				
Common shares (Note 2, Note 3)	3,956,824	2,658,448	5,413,267	1,202,005
Total	3,956,824	2,658,448	5,413,267	1,202,005

(Notes) 1. The decrease of 5,356,100 in the number of issued common shares is due to the cancellation of treasury shares.

2. The increase of 2,658,448 in the number of common treasury shares consisted of an increase of 2,656,100 shares due to the purchase of treasury shares based on the resolution of the Board of Directors, an increase of 93 shares due to the free acquisition of shares attributable to retirement of recipients of restricted stock compensation, an increase of 2,209 shares due to the free acquisition of shares as restricted stock grants for the employee shareholding association, and an increase of 46 shares due to the purchase of fractional shares.

3. The decrease of 5,413,267 in the number of common treasury shares consisted of a decrease of 5,356,100 shares due to the cancellation of treasury shares, a decrease of 7,179 shares due to the disposal of treasury shares as restricted stock compensation, and a decrease of 49,988 shares due to the disposal of treasury shares as restricted stock grants for the employee shareholding association.

2. Matters concerning dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 25, 2024 Annual General Meeting of Shareholders	Common shares	2,488	58	March 31, 2024	June 26, 2024
October 29, 2024 Board of Directors	Common shares	2,105	50	September 30, 2024	November 21, 2024

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

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 24, 2025 Annual General Meeting of Shareholders	Common shares	3,102	Retained earnings	77	March 31, 2025	June 25, 2025

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

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

(shares)

	Number of shares at the beginning of the fiscal year under review	Number of shares increased during the fiscal year under review	Number of shares decreased during the fiscal year under review	Number of shares at the end of the fiscal year under review
Issued shares				
Common shares (Note 1, Note 2, Note 3)	41,498,032	122,966,196	509,300	163,954,928
Total	41,498,032	122,966,196	509,300	163,954,928
Treasury shares				
Common shares (Note 1, Note 4, Note 5)	1,202,005	3,974,443	561,573	4,614,875
Total	1,202,005	3,974,443	561,573	4,614,875

(Notes)
1. The Company conducted a 4-for-1 stock split of common shares on October 1, 2025.
2. The increase of 122,966,196 in the number of issued common shares is due to the stock split.
3. The decrease of 509,300 in the number of issued common shares is due to the cancellation of treasury shares.
4. The increase of 3,974,443 in the number of common treasury shares consisted of an increase of 3,454,542 shares due to the stock split, an increase of 509,300 shares due to the purchase of treasury shares based on the resolution of the Board of Directors, an increase of 160 shares due to the free acquisition of shares attributable to retirement of recipients of restricted stock compensation, an increase of 10,244 shares due to the free acquisition of shares as restricted stock grants for the employee shareholding association, and an increase of 197 shares due to the purchase of fractional shares.
5. The decrease of 561,573 in the number of common treasury shares consisted of a decrease of 509,300 shares due to the cancellation of treasury shares, a decrease of 10,291 shares due to the disposal of treasury shares as restricted stock compensation, and a decrease of 41,982 shares due to the disposal of treasury shares as restricted stock grants for the employee shareholding association.

2. Matters concerning dividends

(1) Amount of dividends paid

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 24, 2025 Annual General Meeting of Shareholders	Common shares	3,102	77	March 31, 2025	June 25, 2025
November 5, 2025 Board of Directors	Common shares	2,390	60	September 30, 2025	November 21, 2025

(Note) While the Company conducted a 4-for-1 stock split of common shares effective October 1, 2025, the amount of dividend per share is presented on the basis of the number of shares prior to the stock split.

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

The following matter related to dividends of surplus is subject to the resolution of the Annual General Meeting of Shareholders to be held on June 23, 2026.

(Resolution)	Class of shares	Total amount of dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 23, 2026 Annual General Meeting of Shareholders	Common shares	3,505	Retained earnings	22	May 31, 2026	June 24, 2026

(Consolidated statements of cash flows)

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	29,922	29,775
Time deposits with a maturity over 3 months	(1,516)	(394)
Cash and cash equivalents	28,405	29,381

(Lease transactions)

Operating lease transactions

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Within 1 year	465	617
Over 1 year	409	2,391
Total	875	3,009

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

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

(2) Details and risks of financial instruments

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

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

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

(3) Risk management framework for financial instruments

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

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

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

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

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

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

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

No items to report.

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

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

Previous fiscal year (March 31, 2025)

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (Note 2)	6,944	6,944	—
Total assets	6,944	6,944	—

(Notes) 1. “Cash and deposits,” “Notes and accounts receivable - trade, and contract assets,” “Accounts payable - trade,” “Accounts payable - other,” and “Income taxes payable” have been omitted, as these are cash-based and settled in a short period of time, and the carrying amounts therefore approximates fair value, while “Long-term borrowings (including current portion of long-term borrowings)” has been omitted as they are immaterial.

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

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	775

Notes are omitted for investments in partnerships and similar businesses carried at the net amount equivalent to the equity interest on the consolidated balance sheet. The amount of such investments carried on the consolidated balance sheet is ¥324 million.

Fiscal year under review (March 31, 2026)

(Millions of yen)

	Amount recorded on the consolidated balance sheet	Fair value	Difference
Securities and investment securities (Note 2)	8,569	8,569	—
Total assets	8,569	8,569	—

(Notes) 1. “Cash and deposits,” “Notes and accounts receivable - trade, and contract assets,” “Accounts payable - trade,” “Accounts payable - other,” and “Income taxes payable” have been omitted, as these are cash-based and settled in a short period of time, and the carrying amounts therefore approximates fair value, while “Long-term borrowings (including current portion of long-term borrowings)” has been omitted as they are immaterial.

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

(Millions of yen)

Class	Amount recorded on the consolidated balance sheet
Unlisted shares	779

Notes are omitted for investments in partnerships and similar businesses carried at the net amount equivalent to the equity interest on the consolidated balance sheet. The amount of such investments carried on the consolidated balance sheet is ¥155 million.

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

Previous fiscal year (March 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	29,915	—	—	—
Notes receivable - trade	167	—	—	—
Accounts receivable - trade	20,386	27	—	—
Securities and investment securities				
Available-for-sale securities with a maturity				
Debentures (bonds)	500	2,700	—	—
Total	50,969	2,727	—	—

Fiscal year under review (March 31, 2026)

(Millions of yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	After 10 years
Cash and deposits	29,771	—	—	—
Notes receivable - trade	169	—	—	—
Accounts receivable - trade	24,878	251	—	—
Securities and investment securities				
Available-for-sale securities with a maturity				
Debentures (bonds)	400	2,300	—	—
Total	55,219	2,551	—	—

4. Expected repayment amounts of bonds, long-term borrowings, lease obligations, and other interest-bearing debt after the consolidated balance sheet date

Previous fiscal year (March 31, 2025)

(Millions of yen)

	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term borrowings	32	32	24	8	—
Lease obligations	72	23	8	—	—
Total	104	55	32	8	—

Fiscal year under review (March 31, 2026)

(Millions of yen)

	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term borrowings	32	24	8	—	—
Lease obligations	36	42	41	54	34
Total	68	66	49	54	34

5. Breakdown of financial instruments by level of fair value

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

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

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

Level 3 fair value: Fair value calculated using unobservable inputs

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

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

Previous fiscal year (March 31, 2025)

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Listed shares	3,697	—	—	3,697
Bonds	—	3,148	—	3,148
Investment trusts	—	98	—	98
Total assets	3,697	3,247	—	6,944

Fiscal year under review (March 31, 2026)

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Listed shares	5,544	—	—	5,544
Bonds	—	2,632	—	2,632
Investment trusts	—	392	—	392
Total assets	5,544	3,025	—	8,569

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

No items to report.

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

Securities and investment securities

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

Although investment trusts do not have transaction prices in the market, their net asset value is used as fair value and classified as Level 2 because there are no material restrictions regarding cancellation or repurchase requests that may lead market participants to demand compensation for risk.

(Securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2025)

(Millions of yen)

	Type	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	3,696	1,164	2,531
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	98	96	2
	Subtotal	3,795	1,261	2,534
Securities whose amount recorded on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	0	0	(0)
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	3,148	3,197	(48)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	3,148	3,197	(48)
Total		6,944	4,459	2,485

(Note) Unlisted shares, etc. (amount recorded on the consolidated balance sheets: ¥5 million) and investment limited partnerships (amount recorded on the consolidated balance sheets: ¥324 million) are not included in the table above since they fall under shares, etc. without market prices.

Fiscal year under review (March 31, 2026)

(Millions of yen)

	Type	Amount recorded on the consolidated balance sheet	Acquisition cost	Difference
Securities whose amount recorded on the consolidated balance sheets exceeds acquisition cost	(1) Shares	5,544	1,132	4,411
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	392	386	6
	Subtotal	5,937	1,519	4,417
Securities whose amount recorded on the consolidated balance sheets do not exceed acquisition cost	(1) Shares	0	0	(0)
	(2) Debentures			
	(i) Government bonds, local government bonds, etc.	—	—	—
	(ii) Bonds	2,632	2,697	(65)
	(iii) Other	—	—	—
	(3) Other	—	—	—
	Subtotal	2,632	2,697	(65)
Total		8,569	4,216	4,352

(Note) Unlisted shares, etc. (amount recorded on the consolidated balance sheets: ¥4 million) and investment limited partnerships, etc. (amount recorded on the consolidated balance sheets: ¥155 million) are not included in the table above since they fall under shares, etc. without market prices.

2. Available-for-sale securities sold

Fiscal year ended March 31, 2025

No items to report.

Fiscal year ended March 31, 2026

(Millions of yen)

Type	Proceeds from sale	Total gain on sale	Total loss on sale
Shares	100	67	—
Total	100	67	—

3. Impairment loss for securities

Fiscal year ended March 31, 2025

For the previous fiscal year, impairment loss of ¥47 million was recorded for investment securities.

The Company recognizes an impairment loss for shares, etc. without market price of which the actual value falls below 50% of the acquisition cost and the recoverability is not justified by sufficient evidence.

Fiscal year ended March 31, 2026

No items to report.

(Retirement benefits)

1. Overview of retirement benefit plans adopted

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

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

Furthermore, some consolidated subsidiaries calculate retirement benefit liability and retirement benefit expenses using the simplified method.

2. Defined benefit plans

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

(Millions of yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Fiscal year under review (From April 1, 2025 to March 31, 2026)
Balance of retirement benefit obligation at beginning of period	2,489	2,307
Service cost	262	227
Interest cost	53	73
Actuarial gains and losses accrued	(356)	(482)
Retirement benefits paid	(138)	(127)
Past service cost accrued	―	11
Foreign currency translation differences	(1)	(1)
Balance of retirement benefit obligation at end of period	2,307	2,008

(Note) This includes plans to which the simplified method is applied.

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

(Millions of yen)

	Previous fiscal year (From April 1, 2024 to March 31, 2025)	Fiscal year under review (From April 1, 2025 to March 31, 2026)
Balance of plan assets at beginning of period	2,596	2,844
Expected return on plan assets	68	63
Actuarial gains and losses accrued	(43)	115
Contribution from employers	295	319
Retirement benefits paid	(71)	(70)
Foreign currency translation differences	(1)	(1)
Balance of plan assets at end of period	2,844	3,271

(Note) This includes plans to which the simplified method is applied.

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

(Millions of yen)

	Previous fiscal year (March 31, 2025)	Fiscal year under review (March 31, 2026)
Retirement benefit obligation of funded plans	2,058	1,775
Plan assets	(2,844)	(3,271)
	(786)	(1,496)
Retirement benefit obligation of unfunded plans	249	232
Net amount of liabilities and assets recorded in the consolidated balance sheets	(537)	(1,263)
Retirement benefit liability	254	239
Retirement benefit asset	(792)	(1,502)
Net amount of liabilities and assets recorded in the consolidated balance sheets	(537)	(1,263)

(Note) This includes plans to which the simplified method is applied.

(4) Amounts of retirement benefit expenses and their components

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Service cost	262	227
Interest cost	53	73
Expected return on plan assets	(68)	(63)
Amortization of actuarial gains and losses	(83)	(117)
Amortization of past service cost	(12)	(0)
Other	3	(1)
Retirement benefit expenses for defined benefit plans	154	118

(Notes) 1. "Other" includes the amount of retirement benefit accrued to the company to which the employees are transferred, etc.

2. This includes plans to which the simplified method is applied.

(5) Remeasurements of defined benefit plans, net of tax

The components of remeasurements of defined benefit plans, net of tax (before deduction of income taxes and tax effects) are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Past service cost	(12)	(12)
Actuarial gains and losses	232	481
Total	220	469

(6) Remeasurements of defined benefit plans

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Unrecognized past service cost	(15)	(3)
Unrecognized actuarial gains and losses	(1,175)	(1,657)
Total	(1,190)	(1,660)

(7) Matters concerning plan assets

1) Major components of plan assets

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

	As of March 31, 2025	As of March 31, 2026
Debentures	55%	56%
Shares	20%	23%
Alternative investments	19%	16%
Cash and deposits	4%	3%
Other	2%	2%
Total	100%	100%

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

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

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

(8) Actuarial assumptions

Main actuarial assumptions (expressed as a weighted average)

	As of March 31, 2025	As of March 31, 2026
Discount rate	1.4-3.1%	2.2-4.5%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	1.0%	1.0%

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

3. Defined contribution plan

Required contributions to the defined contribution plan of the Company and some consolidated subsidiaries were ¥563 million for the fiscal year ended March 31, 2025 and ¥562 million for the fiscal year ended March 31, 2026.

4. Multi-employer plan

Required contributions to the corporate pension fund plan based on the multi-employer plan, which is accounted for in the same manner as the defined contribution plan by some consolidated subsidiaries, were ¥24 million for the fiscal year ended March 31, 2025 and ¥22 million for the fiscal year ended March 31, 2026.

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

Nihon IT Software Pension Fund

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Plan assets	58,726	58,861
Sum of the amount of the actuarial liability and the amount of the minimum liability reserve in terms of pension financing	57,004	54,324
Balance	1,721	4,536

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

Fiscal year ended March 31, 2025

Nihon IT Software Pension Fund 1.06% (as of March 31, 2024)

Fiscal year ended March 31, 2026

Nihon IT Software Pension Fund 0.99% (as of March 31, 2025)

(Tax effect accounting)

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets		
Accrued bonuses and provision for bonuses	1,192	1,000
Accrued enterprise tax	210	206
Commission for purchase of shares	177	177
Provision for loss on orders received	8	176
Asset retirement obligations	117	165
Accrued expenses (social insurance premiums)	189	162
Restricted stock grants	90	148
Other	589	614
Subtotal of deferred tax assets	2,576	2,652
Valuation allowance	(84)	(54)
Total of deferred tax assets	2,492	2,598
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(735)	(1,305)
Retirement benefit asset	(139)	(484)
Asset retirement expenses for asset retirement obligations	(68)	(102)
Other	(20)	(20)
Total of deferred tax liabilities	(963)	(1,912)
Net deferred tax assets	1,528	686

(Changes in presentation)

"Provision for loss on orders received," "Asset retirement obligations," and "Restricted stock grants," which were included in "Other" under deferred tax assets in the notes for the previous fiscal year, are separately presented because their qualitative materiality increased. To reflect this change in method of presentation, the Company has reclassified the notes for the previous fiscal year. In addition, "Retirement benefit obligation," which was separately presented under "Deferred tax assets" in the previous fiscal year, has been included in "Other" from the fiscal year under review because it is no longer material. To reflect these changes in method of presentation, the Company has reclassified the notes for the previous fiscal year.

As a result, ¥(101) million shown as "Retirement benefit obligation" and ¥907 million shown as "Other" under deferred tax assets in the notes for the previous fiscal year are reclassified as "Provision for loss on orders received" of ¥8 million, "Asset retirement obligations" of ¥117 million, "Restricted stock grants" of ¥90 million, and "Other" of ¥589 million.

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

In the previous fiscal year and the fiscal year under review, notes are omitted because the difference between the statutory tax rate and the effective income tax rate is 5% or less of the statutory tax rate.

(Revenue recognition)

1 Breakdown of revenue arising from contracts with customers

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	5,462	13,786	23,040	42,288
SI and development	47,016	28,670	1,447	77,134
Products	729	420	5,336	6,485
Revenue arising from contracts with customers	53,207	42,877	29,823	125,908
Sales to external customers	53,207	42,877	29,823	125,908

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable segment			Total
	Operation & Solutions	Technology & Solutions	Platforms & Services	
Services	7,683	15,262	20,437	43,383
SI and development	44,182	30,169	5,022	79,374
Products	944	565	10,945	12,455
Revenue arising from contracts with customers	52,810	45,998	36,405	135,213
Sales to external customers	52,810	45,998	36,405	135,213

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

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

1) Services

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

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

2) SI and development

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

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

3) Products

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

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

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

(1) Balance of contract assets and contract liabilities

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Fiscal year ended March 31, 2025	
	Balance as of April 1, 2024	Balance as of March 31, 2025
Receivables arising from contracts with customers	20,132	20,581
Contract assets	2,201	3,265
Contract liabilities (advances received)	1,249	1,203

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Fiscal year ended March 31, 2026	
	Balance as of April 1, 2025	Balance as of March 31, 2026
Receivables arising from contracts with customers	20,581	25,299
Contract assets	3,265	2,429
Contract liabilities (advances received)	1,203	1,266

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

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

Of the revenue recognized in the fiscal year ended March 31, 2025 and the fiscal year ended March 31, 2026, ¥895 million and ¥1,064 million were included in contract liabilities as of April 1, 2024 and 2025, respectively.

(2) Transaction price allocated to remaining performance obligations

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Within 1 year	37,040	35,867
Over 1 year	2,291	1,940
Total	39,331	37,807

(Segment Information, etc.)

Segment information

1. Overview of reportable segments

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

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

(1) “Operation & Solutions”

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

・Consulting in relation to the deployment of systems

・Design, development, operation, maintenance, etc. of systems (including design and construction of platforms, networks and so on)

・Development of industry-specific solutions

(2) “Technology & Solutions”

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

・Consulting in relation to the deployment of systems

・Design, development, operation, maintenance, etc. of systems (including design, construction and embedding of platforms, networks and so on)

・Deployment, operation, maintenance, etc. of (in-house or other companies’) solutions

(3) “Platforms & Services”

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

・Introduction of advanced IT equipment and building of IT platforms

・Operational design and maintenance of total information systems, including cloud-related services and virtualization systems

・System operation either through permanently station personnel or remote access, monitoring services

・System operational diagnosis and optimization services, primarily for IT infrastructure

・Fee-based businesses, such as subscription and recurring business

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

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

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

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	53,207	42,877	29,823	125,908	—	125,908
Intersegment sales or transfers	1,433	113	581	2,128	(2,128)	—
Total	54,641	42,990	30,405	128,036	(2,128)	125,908
Segment profit	6,802	4,583	3,092	14,478	11	14,489
Other						
Depreciation	206	404	89	700	(2)	697
Impairment losses	—	249	—	249	—	249
Amortization of goodwill	216	185	27	430	—	430

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

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Reportable segment				Adjustment (Note 1)	Amount reported on the consolidated statements of income (Note 2)
	Operation & Solutions	Technology & Solutions	Platforms & Services	Total		
Net sales						
Sales to external customers	52,810	45,998	36,405	135,213	—	135,213
Intersegment sales or transfers	1,263	76	421	1,761	(1,761)	—
Total	54,074	46,074	36,827	136,975	(1,761)	135,213
Segment profit	7,507	5,478	3,442	16,428	6	16,434
Other						
Depreciation	255	481	101	839	(1)	837
Amortization of goodwill	240	141	27	410	—	410

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

Related information

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

Information regarding major customers is omitted since net sales to any single external customer are less than 10% of consolidated net sales.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

Information regarding major customers is omitted since net sales to any single external customer are less than 10% of consolidated net sales.

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

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

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

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

No items to report.

Information about amortization and unamortized balance of goodwill by reportable segment

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	216	185	27	430
Unamortized balance as of March 31, 2025	3,880	1,024	83	4,988

(Note) An impairment loss of ¥138 million was recorded for goodwill attributable to the Technology & Solutions segment.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Millions of yen)

	Operation & Solutions	Technology & Solutions	Platforms & Services	Total
Amortization	240	141	27	410
Unamortized balance as of March 31, 2026	3,639	883	55	4,578

(Significant changes in amount of goodwill)

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

In the Technology & Solutions segment, there was a significant change in the amount of goodwill due to the recording of an impairment loss on goodwill. The amount of decrease in goodwill due to this event was ¥138 million.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

No items to report.

Information about gain on bargain purchase by reportable segment

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

No items to report.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

No items to report.

Information of related parties

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

No items to report.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

No items to report.

(Per share information)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net assets per share	¥360.22	¥398.60
Basic earnings per share	¥63.45	¥72.94

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

2. The Company conducted a 4-for-1 stock split of common shares on October 1, 2025.
Net assets per share and basic earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

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

	As of March 31, 2025	As of March 31, 2026
Total net assets (Millions of yen)	59,344	64,691
Amount subtracted from total net assets (Millions of yen)	1,283	1,178
(Non-controlling interests (Millions of yen))	1,283	1,178
Net assets at the end of the period related to common stock (Millions of yen)	58,061	63,512
Number of common stock at the end of the period used for the calculation of net assets per share (Shares)	161,184,108	159,340,053

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit attributable to owners of parent (Millions of yen)	10,635	11,644
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	10,635	11,644
Average number of outstanding shares of common stock during the period (Shares)	167,612,275	159,653,673

(Significant subsequent events)

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on May 1, 2026, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

1. Reasons for acquisition and cancellation of treasury shares

   Based on a comprehensive consideration of opportunities for growth investment, capital conditions, and the market environment, to achieve our medium-term management goals of cash allocation, to improve capital efficiency and to further improve returns for our shareholders, we will implement treasury share acquisition and cancellation.

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

   (1) Class of shares to be acquired

   Common stock of the Company

   (2) Total number of shares to be acquired

   5,050,000 shares (maximum)

   (3) Total acquisition price of shares to be acquired

   ¥5,000 million (maximum)

   (4) Acquisition period

   From May 2, 2026 to September 18, 2026

   (5) Method of acquisition

   Market purchases on the Tokyo Stock Exchange

   (discretionary trading by securities companies, and off-auction own share repurchase trading [ToSTNet-3])

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

   (1) Class of shares to be cancelled

   Common stock of the Company

   (2) Number of shares to be cancelled

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

   (3) Scheduled date of cancellation

   September 30, 2026

(v) Consolidated supplemental schedules

Schedule of bonds payable

No items to report.

Schedule of borrowings

Class	Balance as of April 1, 2025 (Millions of yen)	Balance as of March 31, 2026 (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	–	–	–	—
Current portion of long-term borrowings	32	32	0.7	—
Current portion of lease liabilities	72	36	5.3	—
Long-term borrowings (excluding current portion)	64	32	0.8	2028–2029
Lease liabilities (excluding current portion)	31	172	5.0	2028–2030
Total	200	273	—	—

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

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

(Millions of yen)

	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term borrowings	24	8	–	–
Lease liabilities	42	41	54	34

Schedule of asset retirement obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information is omitted, because the amounts of asset retirement obligations at the beginning and the end of the fiscal year ended March 31, 2026 were 1% or less of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2026, respectively.

(2) Other

Semi-annual information for the fiscal year ended March 31, 2026

(Cumulative period)	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Net sales (Millions of yen)	66,926	135,213
Profit before income taxes (Millions of yen)	8,175	16,885
Profit attributable to owners of parent (Millions of yen)	5,466	11,644
Basic earnings per share (Yen)	34.17	72.94

(Notes) The Company conducted a 4-for-1 stock split of common shares on October 1, 2025. Basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year under review.

2. Non-consolidated financial statements and other information

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	14,940	14,267
Notes and accounts receivable - trade, and contract assets	* 16,161	* 19,988
Securities	497	398
Merchandise	568	65
Work in process	183	—
Supplies	7	7
Advance payments to suppliers	137	64
Prepaid expenses	579	680
Other	* 262	* 171
Allowance for doubtful accounts	(3)	(3)
Total current assets	33,334	35,640
Non-current assets		
Property, plant and equipment		
Buildings	908	1,080
Tools, furniture and fixtures	210	208
Land	1,965	1,965
Total property, plant and equipment	3,085	3,255
Intangible assets		
Software	850	669
Other	1	1
Total intangible assets	851	671
Investments and other assets		
Investment securities	6,672	7,933
Shares of subsidiaries and associates	15,768	15,768
Investments in capital of subsidiaries and associates	327	266
Long-term loans receivable from subsidiaries and associates	* 184	* 105
Distressed receivables	1	1
Long-term prepaid expenses	724	641
Deferred tax assets	1,689	1,144
Other	1,045	1,288
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	26,407	27,143
Total non-current assets	30,344	31,069
Total assets	63,679	66,710

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	* 4,783	* 4,530
Accounts payable - other	* 1,292	* 1,065
Accrued expenses	410	326
Income taxes payable	2,335	2,221
Contract liabilities	210	188
Deposits received	115	116
Provision for bonuses	2,593	2,026
Provision for bonuses for directors (and other officers)	39	53
Provision for loss on orders received	—	510
Other	1,071	1,398
Total current liabilities	12,853	12,438
Non-current liabilities		
Provision for retirement benefits	468	302
Asset retirement obligations	175	301
Total non-current liabilities	644	603
Total liabilities	13,497	13,041
Net assets		
Shareholders' equity		
Share capital	6,113	6,113
Capital surplus		
Legal capital surplus	6,190	6,190
Total capital surplus	6,190	6,190
Retained earnings		
Legal retained earnings	411	411
Other retained earnings		
General reserve	11,170	11,170
Reserve for tax purpose reduction to promote open innovation	62	62
Retained earnings brought forward	28,919	31,361
Total retained earnings	40,563	43,005
Treasury shares	(4,412)	(4,645)
Total shareholders' equity	48,455	50,663
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,726	3,004
Total valuation and translation adjustments	1,726	3,004
Total net assets	50,181	53,668
Total liabilities and net assets	63,679	66,710

(ii) Non-consolidated statements of income

		(Millions of yen)
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	*1 86,263	*1 88,235
Cost of sales	*1 67,201	*1 68,799
Gross profit	19,061	19,436
Selling, general and administrative expenses	*1, *2 7,639	*1, *2 6,852
Operating profit	11,422	12,583
Non-operating income		
Interest income	*1 11	*1 15
Interest on securities	17	22
Dividend income	*1 1,105	*1 1,150
Gain on investments in investment partnerships	570	—
Gain on reversal of allowance for loss on guarantees of subsidiaries and associates	119	—
Reversal of business loss reserve of subsidiaries and associates	236	—
Other	*1 81	*1 54
Total non-operating income	2,142	1,242
Non-operating expenses		
Loss on investments in investment partnerships	—	139
Commission for purchase of treasury shares	16	3
Other	4	1
Total non-operating expenses	20	144
Ordinary profit	13,544	13,681
Extraordinary income		
Gain on sale of non-current assets	—	*3 0
Gain on sale of investment securities	—	67
Total extraordinary income	—	67
Extraordinary losses		
Impairment losses	110	—
Loss on retirement of non-current assets	*4 3	*4 0
Loss on valuation of investments in capital of subsidiaries and associates	—	60
Total extraordinary losses	113	60
Profit before income taxes	13,430	13,689
Income taxes - current	3,597	3,795
Income taxes - deferred	30	(43)
Total income taxes	3,628	3,751
Profit	9,802	9,937

Schedule of cost of sales

		Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
Class	Notes No.	Amount (Millions of yen)	Composition ratio (%)	Amount (Millions of yen)	Composition ratio (%)
I Cost of products manufactured		65,291	97.2	65,364	95.0
II Cost of goods sold					
Beginning goods inventory		33		568	
Cost of purchased goods		2,445		2,931	
Total		2,478		3,500	
Ending goods inventory		568		65	
Cost of goods sold		1,910	2.8	3,434	5.0
Cost of sales		67,201	100.0	68,799	100.0

(Cost accounting method)

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

(iii) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Reserve for tax purpose reduction to promote open innovation	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	6,113	6,190	—	6,190	411	11,170	—	38,648	50,230
Changes during period									
Dividends of surplus								(4,593)	(4,593)
Profit								9,802	9,802
Purchase of treasury shares									
Disposal of treasury shares			89	89					
Cancellation of treasury shares			(14,965)	(14,965)					
Transfer from retained earnings to capital surplus			14,875	14,875				(14,875)	(14,875)
Provision of reserve for open innovation							62	(62)	—
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	—	62	(9,729)	(9,666)
Balance at end of period	6,113	6,190	—	6,190	411	11,170	62	28,919	40,563

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(8,527)	54,006	1,563	1,563	55,570
Changes during period					
Dividends of surplus		(4,593)			(4,593)
Profit		9,802			9,802
Purchase of treasury shares	(10,999)	(10,999)			(10,999)
Disposal of treasury shares	149	239			239
Cancellation of treasury shares	14,965	—			—
Transfer from retained earnings to capital surplus		—			—
Provision of reserve for open innovation		—			—
Net changes in items other than shareholders' equity			162	162	162
Total changes during period	4,115	(5,550)	162	162	(5,388)
Balance at end of period	(4,412)	48,455	1,726	1,726	50,181

Fiscal year ended March 31, 2026

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Reserve for tax purpose reduction to promote open innovation	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	6,113	6,190	–	6,190	411	11,170	62	28,919	40,563
Changes during period									
Dividends of surplus								(5,493)	(5,493)
Profit								9,937	9,937
Purchase of treasury shares									
Disposal of treasury shares			53	53					
Cancellation of treasury shares			(2,055)	(2,055)					
Transfer from retained earnings to capital surplus			2,002	2,002				(2,002)	(2,002)
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	–	–	–	–	2,442	2,442
Balance at end of period	6,113	6,190	–	6,190	411	11,170	62	31,361	43,005

	Shareholders' equity		Valuation and translation adjustments		
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at beginning of period	(4,412)	48,455	1,726	1,726	50,181
Changes during period					
Dividends of surplus		(5,493)			(5,493)
Profit		9,937			9,937
Purchase of treasury shares	(2,500)	(2,500)			(2,500)
Disposal of treasury shares	210	264			264
Cancellation of treasury shares	2,055	–			–
Transfer from retained earnings to capital surplus		–			–
Net changes in items other than shareholders' equity			1,278	1,278	1,278
Total changes during period	(233)	2,208	1,278	1,278	3,487
Balance at end of period	(4,645)	50,663	3,004	3,004	53,668

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Standards and methods for valuation of securities
   (1) Shares of subsidiaries and affiliates......Stated at cost using the moving average method.
   (2) Available-for-sale securities

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

2. Standards and methods for valuation of inventory

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

3. Depreciation or amortization method for non-current asset
   (1) Property, plant and equipment (excluding leased assets)

   Depreciated using the straight-line method.

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

   Buildings 3 years to 47 years

   Tools, furniture and fixtures 3 years to 15 years

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

   (2) Intangible assets (excluding leased assets)

   Amortized using the straight-line method.

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

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

   (3) Long-term prepaid expenses

   Amortized using the straight-line method.

4. Standards for recording provisions and allowances

(1)	Allowance for doubtful accounts	Allowance for doubtful accounts is provided based on the estimated historical default rate for general claims. For claims with a possibility of default and other designated accounts, the recoverable amount is estimated, and an allowance is provided equal to the unrecoverable amount.
(2)	Provision for bonuses	Provision for bonuses is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to employees.
(3)	Provision for bonuses for directors (and other officers)	Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, in order to provide for the payment of bonuses to directors (and other officers).
(4)	Provision for loss on orders received	Provision for loss on orders received is recorded equal to the amount of expected losses associated with contractual orders received as of the end of the fiscal year, in order to provide for future losses associated with orders received.
(5)	Provision for retirement benefits	Provision for retirement benefits is recorded based on the estimated retirement benefit obligation and plan assets at the end of the fiscal year under review, in order to provide for the payment of retirement benefits to employees. However, the treatment of unrecognized actuarial gains and losses on the non-consolidated balance sheet differs from the treatment on the consolidated balance sheet. 1) Method used to attribute the estimated benefit obligation to accounting periods When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis. 2) Method used to amortize actuarial gains and losses Actuarial gains and losses are allocated proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (11 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

5. Standards for the recognition of revenue and expenses

The main performance obligations and the usual timing of revenue recognition in the main businesses of the Company are as follows.

(1) Systems development

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

(2) Systems engineering services

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

(3) Maintenance and other services

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

(4) Products and merchandise

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

(Significant accounting estimates)

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

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	86,263	88,235
(Of which, revenue recognized in cases where performance obligations are satisfied over time)	14,147	20,182

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant accounting estimates); 1. Revenue recognized in cases where performance obligations are satisfied over time.

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

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Provision for loss on orders received	—	510

(2) Information on significant accounting estimates for identified items

The method used to calculate the amounts shown in (1) above is the same as described under V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant accounting estimates); 2. Estimation of the provision for loss on orders received for contracts.

(Non-consolidated balance sheets)

* Monetary claims and obligations with subsidiaries and associates

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Short-term monetary claims	237	128
Long-term monetary claims	184	105
Short-term monetary obligations	1,052	1,256

(Non-consolidated statements of income)

*1 Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Amount of operating transactions		
Net sales	239	323
Outsourcing expenses	3,904	3,146
Other operating transactions	3,161	2,259
Transactions from non-operating transactions	1,005	1,022

*2 The approximate percentage of expenses included in selling expenses was 2% in the fiscal year ended March 31, 2025 and 3% in the fiscal year ended March 31, 2026, and the approximate percentage of expenses included in general and administrative expenses was 98% in the fiscal year ended March 31, 2025 and 97% in the fiscal year ended March 31, 2026.

Main items and amounts of selling, general and administrative expenses are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Salaries and allowances	2,094	2,271
Provision for bonuses	766	264
Provision for bonuses for directors (and other officers)	36	55
Depreciation	79	94
Commission expenses	2,267	1,611
Provision of allowance for doubtful accounts	2	—

*3 Detail of gain on sale of non-current assets is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment Tools, furniture and fixtures	—	0

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

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Property, plant and equipment		
Buildings	2	0
Tools, furniture and fixtures	0	0
Intangible assets		
Other	—	0
Total	3	0

(Securities)

Shares of subsidiaries and affiliates

As of March 31, 2025

Amount of shares, etc. without market prices recorded on the non-consolidated balance sheets

Class	As of March 31, 2025 (Millions of yen)
Shares of subsidiaries	15,033
Shares of affiliates	735
Total	15,768

As of March 31, 2026

Amount of shares, etc. without market prices recorded on the non-consolidated balance sheets

Class	As of March 31, 2026 (Millions of yen)
Shares of subsidiaries	15,033
Shares of affiliates	735
Total	15,768

(Tax effect accounting)

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

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets		
Shares of subsidiaries and associates	801	801
Provision for bonuses	794	638
Provision for loss on orders received	—	160
Accrued enterprise tax	154	151
Restricted stock grants	90	148
Asset retirement obligations	101	146
Accrued expenses (social insurance premiums)	125	102
Software	116	99
Provision for retirement benefits	146	95
Investment securities	49	47
Restricted stock compensation	25	39
Other	86	111
Total of deferred tax assets	2,492	2,542
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(735)	(1,305)
Asset retirement expenses for asset retirement obligations	(66)	(92)
Other	(0)	(0)
Total of deferred tax liabilities	(802)	(1,397)
Net deferred tax assets	1,689	1,144

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

	As of March 31, 2025	As of March 31, 2026
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Entertainment and other expenses that are never tax deductible	0.1%	0.2%
Proportional resident tax	0.1%	0.1%
Adjustment for the increase in deferred tax assets at year-end due to tax rate changes	(0.3)%	(0.3)%
Dividends and other income that is never taxable	(2.3)%	(2.3)%
Tax credits	(1.0)%	(0.9)%
Other	(0.2)%	(0.1)%
Effective income tax rate after application of tax–effect accounting	27.0%	27.4%

(Revenue recognition)

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

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

1) Services

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

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

2) SI and development

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

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

3) Products

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

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

(Significant subsequent events)

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on May 1, 2026, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

For details, please refer to V. Financial Information; 1. Consolidated financial statements and other information; (1) Consolidated financial statements; Notes (Significant subsequent events).

(iv) Supplemental schedules

Schedule of property, plant and equipment

(Millions of yen)

Class	Type of assets	Balance as of April 1, 2025	Increase in the fiscal year under review	Decrease in the fiscal year under review	Depreciation	Balance as of March 31, 2026	Depreciation cumulative amount
Property, plant and equipment	Buildings	2,349	296	41	124	2,603	1,523
	Tools, furniture and fixtures	1,165	124	52	126	1,237	1,028
	Land	1,965	—	—	—	1,965	—
	Total	5,480	420	94	251	5,806	2,551
Intangible assets	Software	1,598	145	44	325	1,699	1,029
	Other	5	0	0	0	5	4
	Total	1,604	145	44	325	1,705	1,034

(Notes) 1. The balances as of April 1, 2025 and March 31, 2026 are stated based on the acquisition cost.

2. Major components of the increase are as follows.

Buildings	Asset retirement obligations related to a new office	¥122 million
	Repair work and acquisition of equipment related to employee dormitories	¥91 million
	Acquisition of equipment and household goods related to a new office	¥80 million
	Acquisition of equipment related to an existing office	¥1 million
Tools, furniture and fixtures	Acquisition of information equipment such as servers and personal computers	¥59 million
	Acquisition of equipment and household goods related to a new office	¥51 million
	Acquisition of equipment and household goods related to an existing office	¥7 million
	Acquisition of equipment related to employee dormitories	¥6 million
Software	Development of software for market sales purposes	¥118 million
	Acquisition of software for internal use	¥26 million

3. Major components of the decrease are as follows.

Buildings	Retirement of equipment, etc. associated with vacating an office	¥41 million
Tools, furniture and fixtures	Retirement of information equipment such as servers and personal computers	¥37 million
	Retirement of equipment and tools, etc. associated with vacating an office	¥15 million
Software	Retirement of software for market sales purposes, etc.	¥44 million

Schedule of provisions

(Millions of yen)

Account items	Balance as of April 1, 2025	Increase in the fiscal year under review	Decrease in the fiscal year under review	Balance as of March 31, 2026
Allowance for doubtful accounts	9	3	3	9
Provision for bonuses	2,593	2,026	2,593	2,026
Provision for bonuses for directors (and other officers)	39	53	39	53
Provision for loss on orders received	—	510	—	510

(2) Details of major assets and liabilities

This information is omitted because the Company prepares the consolidated financial statements.

(3) Other

No items to report.

VI. Overview of Share-related Administration of the Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting a standard unit	100 shares
Repurchase of fractional shares	
Business handling office	(Special account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register administrator	(Special account) Sumitomo Mitsui Trust Bank, Limited, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Offices available for repurchase	―――
Charges for repurchase	An amount separately specified as an amount equivalent to the commission fee for entrustment of the sale and purchase of shares
Method of public notice	The method of public notices of the Company shall be electronic public notices; provided, however, that in the event that electronic public notice is unavailable due to an accident or any other unavoidable reason, the public notice shall be given in the manner of the publication in the Nikkei (Nihon Keizai Shimbun) newspaper.
Special benefits to shareholders	No items to report.

VII. Reference Information on the Company

1. Information on the parent company or equivalent of the Company

   The Company has no parent company or equivalent as prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

   The Company submitted the following documents in the period from the beginning of the fiscal year under review to the date of submission of the Annual Securities Report.

(1)	Annual Securities Report and its attachments and Confirmation Notes	Fiscal year (53rd fiscal year)	From April 1, 2024	to March 31, 2025	June 24, 2025 Submitted to Director-General of the Kanto Local Finance Bureau
(2)	Internal Control Report and its attachments				June 24, 2025 Submitted to Director-General of the Kanto Local Finance Bureau
(3)	Semi-annual Securities Report and Confirmation Notes	(during 54th fiscal year)	From April 1, 2025	to September 30, 2025	November 11, 2025 Submitted to Director-General of the Kanto Local Finance Bureau
(4)	Extraordinary Report	Based on the provisions of Article 19, paragraph 2, item 2-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Disposal of Treasury Shares in connection with the Restricted Shares Issuance Plan)			June 24, 2025
		Based on the provisions of Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (Results of the Exercise of Voting Rights at the General Meeting of Shareholders)			June 27, 2025 Submitted to Director-General of the Kanto Local Finance Bureau
(5)	Amendment Report of Extraordinary Report	Amendment report concerning the extraordinary report submitted on June 24, 2025			July 29, 2025 Submitted to Director-General of the Kanto Local Finance Bureau
(6)	Share Buyback Report	Reporting period	From June 2, 2025	to June 30, 2025	July 15, 2025
			From July 1, 2025	to July 31, 2025	August 14, 2025
			From May 2, 2026	to May 31, 2026	June 12, 2026 Submitted to Director-General of the Kanto Local Finance Bureau

Part II. Information on Guarantors for the Company

No items to report.

Independent Auditors' Report and Internal Control Audit Report (English Translation)

June 17, 2026

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC

Tokyo office

Masaki Mitsuji
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

<Audit of Consolidated Financial Statements>

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, the basis for preparation of consolidated financial statements, other notes and consolidated supplemental schedules of DTS CORPORATION (the "Company") for the fiscal year from April 1, 2025 through March 31, 2026, as listed in "Financial Information."

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION and its consolidated subsidiaries as of March 31, 2026, and their operating results and cash flows status for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan (including the provisions applied to the audit of financial statements of businesses that have a significant social impact), and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year under review. These matters were addressed in the process of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized through satisfying performance obligations over a period of time	
Description of key audit matters and reasons for determination	Auditor's responses
As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company and its consolidated subsidiaries is obligated to deliver the results of made-to-order software development, etc., they consider the performance obligations satisfied over time. They apply a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥22,492 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review. The degree of progress associated with satisfaction of performance obligations is calculated based on the ratio of actual costs incurred, as of the end of the fiscal year, to the total construction cost of the project. The Company intends to establish a Project Promotion Committee, and review the total construction cost for projects that meet the prescribed criteria by monitoring the progress of actual results against the project plan. However, estimation of the work process and the workload required to complete the project involves uncertainty and requires management judgment. We therefore defined this issue as a key audit matter.	In reviewing the adequacy of the estimation of the total construction cost for the project based on the method recognizing revenue through satisfying performance obligations over a period of time, we conducted mainly the following audit procedures. ・We evaluated the effectiveness of internal control concerning the estimation of the total construction cost for the project and the calculation of the degree of progress in satisfying performance obligations therein. ・In order to verify the adequacy of the estimation of the total construction cost and the timing of estimation changes, we inspected the materials of the Project Promotion Committee, and cross-checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects not covered by the Project Promotion Committee, we inspected the project management materials of extracted sample cases, and cross- checked the working budget document as basis for estimating the total construction cost and the actual total construction cost. For the projects generating total construction revenue with financial importance, we inspected the progress management materials of extracted sample cases, and made inquiries to the staff in charge. ・In order to verify the accuracy of the estimation of the total construction cost, we analyzed the size of discrepancy between the initial budget and actual cost of completed projects, along with the reason. ・In order to verify the adequacy of the degree of progress in satisfying performance obligations in projects, we compared the contractually scheduled development period and the actually elapsed work period.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

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

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Plan and implement the audit of the consolidated financial statements in order to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the audit of the consolidated financial statements. We are solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.

Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the auditor's report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the Auditor's Report are reasonably expected to outweigh the public interest.

<Internal Control Audit>

Opinion

We have audited the Internal Control Report of DTS CORPORATION as of March 31, 2026 for the purpose of providing audit certification in accordance with Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, the Internal Control Report referred to above, in which DTS CORPORATION indicated that its internal control over financial reporting as of March 31, 2026 was effective, presents fairly, in all material respects, the results of its assessment of internal control over financial reporting, in accordance with the assessment criteria for internal control over financial reporting generally accepted in Japan.

Basis for the Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibility under auditing standards on internal control over financial reporting is stated in the "Auditor's Responsibility for the Audit of Internal Control." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan (including the provisions applied to the audit of financial statements of businesses that have a significant social impact), and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Management's and the Audit and Supervisory Committee's Responsibility for Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Auditor's Responsibility for the Audit of Internal Control

Our responsibility is to obtain reasonable assurance about whether the Internal Control Report is free of material misstatement based on the internal control audit performed by us and to express an opinion on the Internal Control Report from an independent standpoint in the Internal Control Audit Report.

We make professional judgment in the audit process in accordance with auditing standards on internal control over financial reporting generally accepted in Japan, and perform the following while maintaining professional skepticism.

・Perform audit procedures to obtain audit evidence relating to the result of the assessment of internal control over financial reporting in the Internal Control Report. Audit procedures for internal control audits are based on our judgment in consideration of the materiality of the effect on the reliability of financial reporting.

・Consider the overall presentation of the Internal Control Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.

・Plan and implement the audit of internal control in order to obtain sufficient and appropriate audit evidence regarding the result of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision, and review of the audit of the Internal Control Report. We are solely responsible for the audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, significant deficiencies identified in internal control that should be disclosed, the results of their correction, and other matters required by the standards for internal control audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.

Compensation-related Information

The amount of remuneration based on audit certification services and non-audit services of the Company and its subsidiaries to the accounting auditor and persons belonging to the same network as the accounting auditor is stated in (3) Status of audits of "Corporate governance," included in "Corporate Information."

Interest

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

Notes:
1. The original of the above Auditor's Report is kept separately by the Company (the company submitting the Annual Securities Report).
2. The XBRL data is not included in the scope of audit.

Independent Auditors' Report (English Translation)

June 17, 2026

To the Board of Directors
DTS CORPORATION

Ernst & Young ShinNihon LLC
Tokyo office

Masaki Mitsuji
Certified Public Accountant
Designated and Engagement Partner

Saori Nakata
Certified Public Accountant
Designated and Engagement Partner

<Audit of Non-consolidated Financial Statements>

Opinion

For the purpose of audit certification pursuant to the provisions in Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements, which comprise the balance sheets, the statements of income, the statements of changes in equity, significant accounting policies, other notes and supplemental schedules of DTS CORPORATION ("the Company") for the 54th fiscal year from April 1, 2025 through March 31, 2026, as listed in "Financial Information."

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial positions of DTS CORPORATION as of March 31, 2026, and their operating results for the fiscal year ended on such date in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements." We are independent of the Company in accordance with the provisions related to professional ethics in Japan (including the provisions applied to the audit of financial statements of businesses that have a significant social impact), and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current fiscal year. These matters were addressed in the process of the audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognized through satisfying performance obligations over a period of time
As described under 1. Revenue recognized in cases where performance obligations are satisfied over time of (Significant accounting estimates) in the Notes, for certain contracts under which the Company is obligated to deliver the results of made-to-order software development, etc., it considers the performance obligations satisfied over time. It applies a method under which revenue is recognized in accordance with a reasonable estimation of the degree of progress made in satisfying performance obligations as of the end of the fiscal year under review. Revenue of ¥20,182 million was recognized by the method recognizing revenue through satisfying performance obligations over a period of time in the fiscal year under review. The reason behind the auditors' decision to define this as key audit matter and responses are the same as described regarding the key audit matter stated in the Auditor's Report for the consolidated financial statements (revenue recognized through satisfying performance obligations over a period of time), and thus are omitted.

Other Statements

Other statements consist of information contained in the Annual Securities Report other than the consolidated financial statements and non-consolidated financial statements and the Auditor's Reports thereon. Management is responsible for the preparation and disclosure of the other statements. The Audit and Supervisory Committee is also responsible for overseeing the directors' performance of their duties with regard to the design and implementation of the reporting process for the other statements.

Our audit opinion on the non-consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the non-consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the non-consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements.

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

・Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
・In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
・Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
・Determine whether it is appropriate for management to prepare the non-consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements in the audit report, or if the

notes to the non-consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue an opinion with some exceptions on the non-consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・Besides assessing whether the presentation of and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements including related notes, and whether the non-consolidated financial statements fairly present the transactions and accounting events on which they are based.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by the standards for audits.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the provisions of professional ethics in Japan regarding independence, and to communicate with them matters that may reasonably be thought to bear on our independence, and where applicable, report on measures that have been taken to remove disincentives or safeguards that have been imposed to mitigate disincentives to an acceptable level.

Of the matters discussed with the Audit and Supervisory Committee, we determine the matters that are considered to be particularly important for the audit of the non-consolidated financial statements for the fiscal year under review as key audit matters, and shall include them in the Auditor's Report. However, we do not include such matters in the Auditor's Report if the disclosure of such matters is prohibited by laws and regulations or if, although in extremely rare circumstances, we determine that such matters should not be reported because the disadvantages of reporting such matters in the Auditor's Report are reasonably expected to outweigh the public interest.

Compensation-related Information

Compensation-related information is presented in the Auditor's Report for the consolidated financial statements.

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 Auditor's Report is kept separately by the Company (the company submitting the Annual Securities Report).
2. The XBRL data is not included in the scope of audit.

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