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February 1, 2022

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 <under Japanese GAAP>

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 Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 9682
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Scheduled date to file quarterly securities report: February 9, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Million yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	66,928	–	7,545	–	7,658	–	5,212	–
December 31, 2020	64,685	(7.3)	7,240	(3.7)	7,466	(2.7)	5,073	(3.3)

Note: Comprehensive income

Nine months ended December 31, 2021: ¥5,033 million [–%]

Nine months ended December 31, 2020: ¥5,281 million [1.5%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	114.53	–
December 31, 2020	110.52	–

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter, and each figure for the first nine months of the fiscal year ending March 31, 2022, is the figure after applying the accounting standard and relevant revised ASBJ regulations. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
December 31, 2021	75,010	60,495	80.5
March 31, 2021	75,172	59,409	78.8

Reference: Equity

As of December 31, 2021: ¥60,379 million

As of March 31, 2021: ¥59,269 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter, and each figure as of December 31, 2021, is the figure after applying the accounting standard and relevant revised ASBJ regulations.

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	25.00	—	35.00	60.00
Fiscal year ending March 31, 2022	—	30.00	—		
Fiscal year ending March 31, 2022 (Forecasts)				35.00	65.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending March 31, 2022	95,000	—	11,000	—	11,200	—	7,650	—	168.14

Note: Revisions to the earnings forecasts most recently announced: None

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter, and each figure is the figure after applying the accounting standard and relevant revised ASBJ regulations. The percentage of year-on-year change is not shown.

* Notes

(1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For the details, please refer to ‘(Application of specific accounting for preparing quarterly consolidated financial statements) in (3) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto’ on page 11 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement of prior period financial statements after error corrections: None

Note: For the details, please refer to ‘(Changes in accounting policies) in (3) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto’ on page 11 of the attached materials.

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	50,444,532 shares
As of March 31, 2021	50,444,532 shares

- b. Number of treasury shares at the end of the period

As of December 31, 2021	5,002,622 shares
As of March 31, 2021	4,627,487 shares

- c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2021	45,515,800 shares
Nine months ended December 31, 2020	45,908,027 shares

* **Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

* **Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

For matters regarding the above earnings forecasts, please refer to '(2) Information regarding consolidated earnings forecasts and other forward-looking statements' in '1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months,' on page 6 of the attached materials.

Attached Materials

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1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months

(1) Information regarding consolidated operating results

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

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter; however, year-on-year comparisons are with the results for the same period of the previous year (the fiscal year ended March 31, 2021) prior to the adoption of the said standard.

Therefore, in the description about the operating results for the nine months under review, the amount and percentage of year-on-year change are not included.

Details are as described in ‘(Changes in accounting policies) in (3) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.’

In the nine months under review, the Japanese economy showed a sign of recovery as the difficult situation due to the impact of the novel coronavirus disease (COVID-19) gradually relaxed. However, going forward, ample caution is required over the impact of infection trends starting with variants on the Japanese and overseas economies, and we expect uncertain conditions to continue.

In this environment, the DTS Group has established a vision for its medium-term management plan (April 2019 to March 2022) of becoming a “Next Value Creator, providing new value to the society of tomorrow,” as well as has drawn up the three basic policies of “realization of a sustainable society,” “evolution into a new system integrator,” and “transformation into self-driven employees,” and has continued related initiatives. The Group has been promoting the five key activities of “strengthening marketing capability and SI capability,” “creating new business,” “strengthening the Group’s management foundation,” “innovating in-house information systems and administrative processes,” and “carrying out work-style reforms.”

In the fiscal year under review, we are aiming for net sales of ¥95,000 million (compared to ¥90,493 million in the same period of the previous fiscal year) and operating profit of ¥11,000 million, which would be a record high for the eighth consecutive year.

■ Strengthening marketing capability and SI capability

In order to expand our DX business in line with the development of a digital society, we newly established Digital Solution Sector in April 2021, and also, we are working to strengthen our marketing capability, including promotional activities, marketing research, and establishing information provision websites.

In the fiscal year under review, we are promoting proposal activities in response to customer needs, such as the adoption of “ReSM plus,” which is strong in improving the efficiency of cumbersome help desk operations, in the operation of public sector network systems.

In November 2021, the Company and Pacific Business Consulting, Inc. entered into a business alliance for system development using the cloud-based business application “Microsoft Dynamics 365.” Combining the Company’s operational know-how and development capabilities with the company’s consulting capabilities, we moved forward with our first joint development project for a dedicated customer relationship management (“CRM”) system for the housing industry, working to continue to provide high value added services to our customers.

In December 2021, as we satisfied ServiceNow Inc.’s service partner program requirements including a systems integration track record, customer evaluations, and engineer development, we were certified as part of ServiceNow’s “Premier” segment. We will continue to work on the expansion of our cloud business.

■ Creating new business

In the fiscal year under review, we have been training 900 DX employees and achieving a 35% ratio of DX-related net sales, surpassing the initial medium-term management plan target. DX-related net sales for the nine months under review progressed steadily, coming to approximately ¥23,000 million, which is 34% of sales.

In June 2021, I Net Rely Corporation became a consolidated subsidiary of the Company. We will strengthen our network solution business by combining the know-how of our network engineers with the company's technical capabilities in infrastructure design, construction, and operation management.

■ Strengthening the Group's management foundation and Innovating in-house information systems and administrative processes

In the market reorganization of the Tokyo Stock Exchange scheduled for April 2022, in January 2022, it was confirmed that the Company will belong to the "Prime Market."

Regarding ESG initiatives, we are working to expand operations that contribute to SDGs (net sales of approximately ¥16,600 million in the previous fiscal year). In terms of the environment, we have set new goals such as further reducing CO2 emissions and paper consumption, and are promoting efforts to reduce the environmental load.

In November 2021, we published the DTS Group REPORT 2021 in the interest of promoting a constructive dialogue with stakeholders. Furthermore, to provide the necessary information to all our stakeholders including overseas customers and investors in an easily understandable format, we updated the English-language version of the Company's website.

Moreover, MIRUCA CORPORATION, the Group's education specialist, has developed a new training curriculum for new employees that is designed to be used online. In addition to the establishment of DX Engineer Advanced Course, we have expanded DX-related on-demand training to further enhance training according to individual skill levels. We will continue to focus on human resource development.

■ Carrying out work-style reforms

As part of our health management initiatives, we have set up an environment for online medical care, which is effective for the COVID-19 crisis and remote work, and provide consultation on health checkup results, sleep apnea testing, and smoking cessation outpatient services, etc. In addition, we offer online seitai yoga (osteopathic yoga) classes and the Health Challenge Campaign ^(Note 1) to help our employees get enough exercise and improve their physical and mental health. Through these initiatives, we obtained the "Company of Health Excellence Certification (Gold Certification)" ^(Note 2) once again this year. We will continue our efforts to promote health and safety in the workplace.

■ COVID-19 response

In promoting operations, the Group has continued to work on measures to prevent infection while prioritizing the safety and security of employees, and figuring out customers' intentions. In July and August 2021, we conducted occupational vaccination of the novel coronavirus vaccine for the Group's employees, temporary workers and those family members living together with them wishing to be vaccinated.

■ Introduction of restricted share-based remuneration plan

The Company has introduced a restricted share-based remuneration plan in order to provide incentives for directors (excluding outside directors) and executive officers of the Company to sustainably enhance corporate value and in order to promote further value sharing with shareholders.

■ Shareholder returns

In order to improve capital efficiency and to further improve returns for our shareholders, from April to June 2021, we acquired 385,200 treasury shares. Furthermore, at a meeting of the Board of Directors held in February 2022, the Company resolved to acquire a maximum of ¥1.0 billion in treasury shares from February to March 2022 and to cancel a portion of treasury shares held in March 2022.

As a result of the above, the Group reported net sales of ¥66,928 million for the nine months under review, an improvement in sales compared to ¥64,685 million in the same period of the previous fiscal year. The main factors affecting the above were steady progress of DX-related projects and the consolidation of I Net Rely Corporation in the infrastructure product field. Gross profit was ¥13,221 million, compared to ¥12,710 million in the same period of the previous fiscal year, due to the increase in net sales. Selling, general and administrative expenses were ¥5,676 million (¥5,470 million in the same period of the previous fiscal year). This was mainly due to an increase in DX-related training expenses. With the increase in gross profit, operating profit came to ¥7,545 million, compared to ¥7,240 million in the same period of the previous fiscal year, and ordinary profit came to ¥7,658 million, compared to ¥7,466 million in the same period of the previous fiscal year. Profit attributable to owners of parent was ¥5,212 million (compared to ¥5,073 million in the same period of the previous fiscal year), mainly due to the increase in ordinary profit.

(Million yen)

	Consolidated	Year-on-year change (%)	Non-consolidated (Reference)	Year-on-year change (%)
Net sales	66,928	—	49,219	—
Operating profit	7,545	—	6,363	—
Ordinary profit	7,658	—	6,887	—
Profit attributable to owners of parent	5,212	—	—	—
Profit (Non-consolidated)	—	—	4,877	—

<Breakdown of net sales>

(Million yen)

	Consolidated	Year-on-year change (%)
Finance and Society	20,655	—
Corporate Solutions	19,773	—
Operational Infrastructure BPO	18,576	—
Regional, Overseas, Etc.	7,923	—
Total	66,928	—

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

Finance and Society Segment

Due to slower progress in projects for the finance and insurance industries and those for the public sector, despite robust progress of development projects for the telecommunications industry, net sales were ¥20,655 million, compared to ¥21,150 million in the same period of the previous fiscal year.

In June 2021, “AMLion,” a package system that complies with international anti-money laundering standards and supports a wide range of related operations, has been adopted by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. In January 2022, we began providing and offering free trials of our FSA (Financial Services Agency)-guideline-compliant sanctions list verification function to securities, insurance, and credit card companies. We will continue providing not only anti-money

laundering and anti-terrorist financing measures, but also trading review management systems for securities companies and crypto-asset exchanges.

In addition, the Group is cooperating with ALTAIR ENGINEERING, LTD to provide countermeasures for false detection and new illegal hacks, which have become a problem for fraud detection for cashless payments, and launched sales of “Illicit Activity Prediction and Detection Solutions,” a hybrid solution that combines AI with a rule-based engine. Going forward, the Group will continue to provide financial institutions with total support for solutions to prevent financial crime.

Furthermore, regarding the “DAVinCI LABS,” platform that allows anyone with operational knowledge to perform data analysis using AI easily, we began providing the existing low-cost, easily introducible SaaS-type cloud service, “DAVinCI Jr.”

Corporate Solutions Segment

Net sales came to ¥19,773 million, compared with ¥18,617 million in the same period of the previous fiscal year, due to satisfactory progress in DX-related projects, including cloud-based projects and those utilizing our own packages.

In June 2021, we released a construction management application with the ability to manage and report on construction progress, as well as manage drawings and other documents. In order to further improve the operational efficiency of the construction and real estate industries, we will continue to develop sales that meet the needs of our customers by adding functions and customizing flexibly.

Moreover, for eG-Connector, which provides simple interlinking with the official web portal of Government of Japan, e-Gov’s online administrative services ^(Note 3), the Group is working to strengthen SAP-related solutions, such as enabling applications for health insurance societies via the Mynaportal (individual number card portal).

At DTS INSIGHT CORPORATION, the Group launched sales of “HiFive Unmatched” a new product for SiFive’s RISC-V ^(Note 4) development boards. This product provides a simple method for building RISC-V applications and products for various industries, including the automotive, industrial equipment and office automation equipment industries. Going forward, the Group will work to promote the expansion of sales of RISC-V related products.

Operational Infrastructure BPO Segment

In the infrastructure product field, net sales totaled ¥18,576 million, compared with ¥17,379 million in the same period of the previous fiscal year, due to steady growth in operational design of systems for the telecommunications industry, and the consolidation of I Net Rely Corporation, despite the counter-effect of large-scale projects in the previous fiscal year and delayed deliveries caused by the semiconductor supply shortage.

We have also worked to expand sales of “ReSM plus,” which supports internal help desk operations through digital technology, and acquire SI projects for “ServiceNow,” which is utilized as a platform for ReSM plus.

In addition, the Group made I Net Rely Corporation a consolidated subsidiary in June 2021 and constructed a system to cover the entire network infrastructure system, including the network systems of facilities. Going forward, the Group will work to leverage the strengths of our respective Group companies in order to further expand the Network Solutions Business.

Regional, Overseas, Etc. Segment

Net sales were ¥7,923 million, compared with ¥7,539 million in the same period of the previous fiscal year, due to robust performance in development projects for the telecommunications industry in the regional field and the worker dispatching business in the overseas field.

In April 2021, DTS SOFTWARE VIETNAM CO., LTD. participated in the “Sao Khue 2021” organized by Vietnam Software and IT Services Association with “Walk in home,” which the company developed under contract from the Company, and won the “Sao Khue Award ^(Note 5)” for the best product and service in the field of new software products and solutions.

In addition, the “kotosora,” ^(Note 6) DTS WEST’s AI-enhanced FAQ solution, has been introduced for the Motor Tax Chat Bot and Competitive Bidding Eligibility Chat Bot of Tottori Prefecture. Furthermore, in the city of Sodegaura, we conducted verification testing of an “Internal AI Chatbot” using the AI FAQ solution “kotosora for LGWAN” ^(Note 7) compatible with the Local Government

Wide Area Network. Going forward, we plan to continue to contribute to regional development through previously cultivated know-how and DX technologies.

Note 1: Health Challenge Campaign

Health promotion program that converts employees' activities to sustain or improve health into points and provides extra assistance for health service costs, etc. for employees who satisfy certain criteria.

Note 2: Company of Health Excellence Certification (Gold Certification)

A certification system by the Tokyo Promotion Council for Declaration of Healthy Company, which consists of members of Tokyo Metropolitan Government's Health Insurance Association and other organizations, to recognize companies that declare their commitment to improving their overall health and achieve a certain level of results.

Note 3: e-Gov's online administrative services

Online administrative services are one function of the official web portal of Government of Japan, e-Gov. It is a system that allows online application in place of conventional administrative procedures, thereby removing the need for the application and filing by paper documents.

Note 4: RISC-V

ISA (Instruction. Set Architecture) that has been developed publicly as open source.

Note 5: The Sao Khue Award

Has been held since 2003 to promote the development of the IT software industry in Vietnam. The award is given to outstanding IT companies and products.

Note 6: kotosora

A solution for FAQs that uses an AI chat engine to enable natural conversations feel like those of a real person.

Note 7: kotosora for LGWAN

Multi-language AI chatbot service that can be used on the Local Government Wide Area Network (LGWAN).

(2) Information regarding consolidated earnings forecasts and other forward-looking statements

With respect to the full-year consolidated earnings forecasts, there is no change from the earnings forecasts announced on April 28, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	43,705,164	43,811,218
Notes and accounts receivable - trade	16,069,449	—
Notes and accounts receivable - trade, and contract assets	—	14,783,709
Securities	601,377	901,943
Merchandise and finished goods	282,023	1,058,366
Work in process	415,280	819,832
Raw materials and supplies	23,863	29,467
Other	938,076	1,145,852
Allowance for doubtful accounts	(8,154)	(29,194)
Total current assets	62,027,080	62,521,194
Non-current assets		
Property, plant and equipment	3,773,749	3,700,816
Intangible assets		
Goodwill	84,690	227,141
Other	753,713	695,869
Total intangible assets	838,404	923,010
Investments and other assets		
Other	8,540,481	7,872,677
Allowance for doubtful accounts	(6,817)	(6,817)
Total investments and other assets	8,533,664	7,865,860
Total non-current assets	13,145,817	12,489,687
Total assets	75,172,898	75,010,882

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	5,157,861	5,690,949
Income taxes payable	2,370,168	1,173,317
Provision for bonuses	2,898,131	1,429,884
Provision for bonuses for directors (and other officers)	99,190	56,604
Provision for loss on order received	51,450	108,741
Other	4,051,002	4,827,141
Total current liabilities	14,627,803	13,286,638
Non-current liabilities		
Retirement benefit liability	864,468	968,445
Other	271,272	260,504
Total non-current liabilities	1,135,741	1,228,950
Total liabilities	15,763,545	14,515,589
Net assets		
Shareholders' equity		
Share capital	6,113,000	6,113,000
Capital surplus	6,215,781	6,230,141
Retained earnings	51,112,873	53,370,581
Treasury shares	(5,185,654)	(6,173,387)
Total shareholders' equity	58,256,000	59,540,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	960,319	742,937
Foreign currency translation adjustment	(32,605)	17,211
Remeasurements of defined benefit plans	85,818	78,630
Total accumulated other comprehensive income	1,013,533	838,779
Non-controlling interests	139,818	116,178
Total net assets	59,409,352	60,495,292
Total liabilities and net assets	75,172,898	75,010,882

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

Consolidated statements of income (cumulative)

(Thousand yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	64,685,659	66,928,388
Cost of sales	51,975,001	53,706,500
Gross profit	12,710,658	13,221,888
Selling, general and administrative expenses	5,470,257	5,676,543
Operating profit	7,240,401	7,545,345
Non-operating income		
Interest income	26,135	25,668
Dividend income	79,819	80,509
Gain on investments in investment partnerships	36,704	—
Subsidy income	58,573	26,286
Other	54,035	27,268
Total non-operating income	255,268	159,732
Non-operating expenses		
Interest expenses	20,994	20,417
Foreign exchange losses	2,130	18,661
Other	5,967	7,076
Total non-operating expenses	29,093	46,155
Ordinary profit	7,466,576	7,658,922
Extraordinary losses		
Loss on retirement of non-current assets	3,220	—
Office relocation expenses	28,193	—
Loss on cancellation of rental contracts	—	1,850
Compensation for damage	—	16,858
Total extraordinary losses	31,414	18,709
Profit before income taxes	7,435,162	7,640,213
Income taxes	2,334,645	2,439,371
Profit	5,100,516	5,200,841
Profit (loss) attributable to non-controlling interests	26,723	(12,114)
Profit attributable to owners of parent	5,073,793	5,212,955

Consolidated statements of comprehensive income (cumulative)

(Thousand yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	5,100,516	5,200,841
Other comprehensive income		
Valuation difference on available-for-sale securities	213,732	(217,382)
Foreign currency translation adjustment	(28,450)	57,346
Remeasurements of defined benefit plans, net of tax	(4,125)	(7,188)
Total other comprehensive income	181,156	(167,223)
Comprehensive income	5,281,673	5,033,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,259,312	5,038,202
Comprehensive income attributable to non-controlling interests	22,360	(4,584)

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in the amount of shareholders' equity)

No items to report.

(Application of specific accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

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

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the nine months under review, net sales increased by ¥385,619 thousand, cost of sales increased by ¥316,897 thousand, while operating profit, ordinary profit and profit before income taxes each increased by ¥68,722 thousand. In addition, the opening balance of retained earnings increased by ¥11,606 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy set forth by the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations prospectively in

accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the quarterly consolidated financial statements.

(Significant subsequent events)

Acquisition and cancellation of treasury shares

At a meeting of the Board of Directors held on February 1, 2022, the Company resolved on matters relating to the acquisition of its treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied by replacing certain terms under the provisions of Article 165, paragraph (3) of the same Act. The Company also resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

1. Reasons for acquisition and cancellation of treasury shares

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

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

- | | |
|--|--|
| (1) Class of shares to be acquired | Common stock of the Company |
| (2) Total number of shares to be acquired | 400,000 shares (maximum)
(Proportion to the total number of issued shares excluding treasury shares: 0.88%) |
| (3) Total acquisition price of shares to be acquired | ¥1,000,000,000 (maximum) |
| (4) Acquisition period | From February 2, 2022 to March 24, 2022 |
| (5) Method of acquisition | Market purchase on the Tokyo Stock Exchange
(Discretionary trading by securities company) |

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

- | | |
|--------------------------------------|---|
| (1) Class of shares to be cancelled | Common stock of the Company |
| (2) Number of shares to be cancelled | 1,000,000 shares plus the total number of treasury shares acquired in 2. above.
(Proportion to the total number of issued shares before cancellation: 2.78% (maximum)) |
| (3) Scheduled date of cancellation | March 31, 2022 |

3. Others

Results of production, orders and sales

(1) Production

Production in the nine months under review is as follows.

Segment	Production (Thousand yen)	Year-on-year change (%)
Finance and Society	20,655,089	—
Corporate Solutions	19,773,908	—
Operational Infrastructure BPO	18,576,001	—
Regional, Overseas, Etc.	7,923,388	—
Total	66,928,388	—

Notes:

1. Inter-segment transactions have been eliminated.
2. The Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue in accordance with this accounting standard. As a result, the percentage of change from the actual results for the same period of the previous fiscal year prior to applying the accounting standard is not shown.

(2) Orders

Orders in the nine months under review are as follows.

Segment	Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Finance and Society	19,738,661	—	5,379,880	—
Corporate Solutions	18,882,859	—	4,978,520	—
Operational Infrastructure BPO	18,405,586	—	7,461,425	—
Regional, Overseas, Etc.	8,571,279	—	3,473,483	—
Total	65,598,387	—	21,293,310	—

Notes:

1. Inter-segment transactions have been eliminated.
2. The Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year. As a result, the percentage of change from the actual results for the same period of the previous fiscal year prior to applying the accounting standard is not shown.

Orders under the previous accounting standards for the nine months under review are as follows.

Segment	Order volume (Thousand yen)	Year-on-year change (%)	Order backlog (Thousand yen)	Year-on-year change (%)
Finance and Society	13,598,965	0.1	7,191,102	1.4
Corporate Solutions	17,807,801	4.8	6,371,183	7.7
Operational Infrastructure BPO	10,965,626	29.4	8,808,835	35.7
Regional, Overseas, Etc.	8,571,279	14.4	3,488,596	16.1
Total	50,943,672	9.4	25,859,717	14.9

(3) Sales

Sales in the nine months under review are as follows.

Segment	Sales (Thousand yen)	Year-on-year change (%)
Finance and Society	20,655,089	—
Corporate Solutions	19,773,908	—
Operational Infrastructure BPO	18,576,001	—
Regional, Overseas, Etc.	7,923,388	—
Total	66,928,388	—

Notes:

1. Inter-segment transactions have been eliminated.
2. The Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has recognized revenue in accordance with this accounting standard. As a result, the percentage of change from the actual results for the same period of the previous fiscal year prior to applying the accounting standard is not shown.