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Items to be provided electronically at the convocation of the 19th Annual General Meeting of Shareholders

# Notes to Consolidated Financial Statements
# Notes to Non-Consolidated Financial Statements

The 19th Term (From March 1, 2023 to February 29, 2024)

PR TIMES Corporation

The Notes to Consolidated Financial Statements and the Notes to Non-Consolidated Financial Statements are omitted from the documents to be delivered to shareholders who have requested for the delivery of documents (document stating items to be provided electronically) in accordance with laws and regulations and Article 14 of the Articles of Incorporation.

**Notes to Consolidated Financial Statements**

1. Notes concerning significant matters that served as a basis for the preparation of the consolidated financial statements

(1) Scope of consolidation

1) Status of consolidated subsidiaries

Number of consolidated subsidiaries: 3

Name of consolidated subsidiary: THE BRIDGE, Inc.
glucose inc.
NAVICUS Co., Ltd.

In the current fiscal year, the Company acquired shares of glucose inc. and NAVICUS Co., Ltd. and made them subsidiaries, and therefore included them to the scope of consolidation.

2) Status of non-consolidated subsidiaries

Name of non-consolidated subsidiary: PR TIMES Inc.

Reason for exclusion from scope of consolidation: This non-consolidated subsidiary is excluded from the scope of consolidation because it is small in size and its total assets, net sales, net profit or loss (as calculated by equity method), and retained earnings (as calculated by equity method) have no material impact on the consolidated financial statements.

(2) Matters concerning application of the equity method

1) Status of non-consolidated subsidiaries and affiliates accounted for by the equity method:

Not applicable.

2) Status of non-consolidated subsidiaries and affiliates not accounted for by the equity method:

Company name: PR TIMES Inc.

Reason for not applying the equity method: The company is excluded from the scope of equity-method affiliates because its net profit or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method) have a minimal effect on the consolidated financial statements and are not significant in relation to the consolidated financial statements.

(3) Matters concerning the business year of consolidated subsidiaries

The settlement date of all consolidated subsidiaries is the same as the consolidated settlement date.

In the current fiscal year, glucose inc. has changed its settlement date from the end of March to the end of February, and NAVICUS Co., Ltd. from the end of September to the end of February, aligning their settlement date with the consolidated settlement date.

Due to these changes to the settlement date, the business results of glucose inc. for the 11 months from April 1, 2023 to February 29, 2024, and those of NAVICUS Co., Ltd. for the three months from December 1, 2023 to February 29, 2024 are consolidated for the current fiscal year. These changes have a minimal effect on the consolidated financial statements.

(4) Matters concerning accounting policies

1) Basis and method for valuation of assets

Basis and method for valuation of securities

Available-for-sale securities

Non-marketable equity securities, etc. Mainly stated at cost determined by the moving-average method.

Investments in capital of investment partnerships, etc., are stated by adding gains or deducting losses in an amount corresponding to the Company's equity interest in the partnerships, etc., based on the most recent financial statements available.

2) Depreciation and amortization method for non-current assets

Property, plant and equipment (Excluding leased assets): Depreciated by the declining balance method.

However, the straight-line method is applied to facilities attached to buildings and structures acquired on and after April 1, 2016.

The range of useful lives is principally as follows.

Buildings and structures 8 - 15 years

Tools, furniture and fixtures 4 - 10 years

Intangible assets (excluding leased assets)

| | |
|---|---|
| Software for internal use | Amortized over the period of internal use (5 years) using the straight-line method. |

Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated to a residual value of zero using the straight-line method over the term of the lease.

3) Basis for allowances and provisions

| | |
|---|---|
| Allowance for doubtful accounts | To prepare for possible losses on uncollectable receivables, an amount is provided according to the historical percentage of uncollectable receivables for general receivables, and for specific receivables with concerns regarding collectability, an estimated uncollectable amount is recorded based on investigation of the possibility of collection for each individual account. |
| Provision for bonuses | To prepare for the payment of bonuses to employees, the Company records the amount to be paid in the current fiscal year out of the estimated amount to be paid. |
| Provision for shareholder benefit program | To prepare for costs incurred based on the shareholder benefit program, the Company records the amount expected to be incurred in the following fiscal year and later. |

4) Basis for recording revenues and expenses

The Group's main service is "PR TIMES," a press release distribution business. Other services include "PR TIMES"-related services and SaaS services for businesses.

i) "PR TIMES"

"PR TIMES" provides a mechanism for user companies to distribute information about their products and services as press releases on the "PR TIMES" website. For pay-as-you-go plans, the performance obligation is satisfied when delivery is completed, and revenue is recognized at that time. For fixed-rate plans, revenue is recognized equally over the contract period, as performance obligations are satisfied over the contract period.

ii) Services related to "PR TIMES"

As for services related to "PR TIMES," we provide PR partner services and other services to help companies spread news of announcements of new products and services, events, and campaigns by planning and implementing measures to more effectively obtain publicity and spread the news via social networking services (SNS). At the start of the contract, the Company determines whether the performance obligation is to be satisfied over the term of the contract, and if it does not fall under such obligation, the performance obligation is deemed to be satisfied at a certain point in time, at which point revenue is recognized.

iii) SaaS services for businesses

As for SaaS services for businesses, the Company provides SaaS products such as "Jooto," a task and project management tool, and "Tayori," a customer support tool, as tools to help user companies improve operational efficiency. For these services, revenue is recognized equally over the contract period, as performance obligations are satisfied over the contract period.

5) Amortization method and amortization period for goodwill

Goodwill is amortized equally over a reasonable number of years within 20 years by estimating the period in which its effect is produced on a case-by-case basis.

2. Note concerning changes in accounting policy

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. This change has no impact on the consolidated financial statements.

3. Note concerning changes in the method of presentation

(Consolidated balance sheet)

"Investments in capital," which had been included in "Other" under Investments and other assets until the previous fiscal year, is presented separately from the current fiscal year due to its increased importance in terms of amount.

The amount of "Investments in capital" in the previous fiscal year was ¥31,526 thousand.

"Accounts payable - other" (¥327,888 thousand in the current fiscal year), which had been presented separately until the previous fiscal year, is included in "Other" under Current liabilities from the current fiscal year due to its decreased importance in terms of amount.

4. Notes concerning accounting estimates

The following is a list of items for which an amount has been recorded in the consolidated financial statements for the current fiscal year due to an accounting estimate and which may have a material effect on the consolidated financial statements for the following fiscal year.

(1) Valuation of investment securities

1) Amount recorded in consolidated financial statements for the current fiscal year

| | |
|---|---|
| Investment securities (unlisted stocks) | ¥180,866 thousand |
| Loss on valuation of investment securities | ¥14,625 thousand |

2) Information concerning details of accounting estimates related to identified items

Non-marketable equity securities, etc., are recorded at acquisition cost, which reflects the excess earning power of the investee's future growth at the time of acquisition. However, if the investee's business does not progress as planned and the excess earning power at the time of acquisition is impaired and the real value declines significantly, an impairment loss is recognized.

For investment securities for which no impairment loss has been recognized, the Group has determined that there has been no significant decline in the real value reflecting excess earning power at the time of acquisition, comprehensively considering the deviation between budget and actual results, performance trends, progress in business plans, and recent financing status of the investee.

There is uncertainty in the business plans of the investees used in the estimates, and a significant decline in the real value of the investments may require impairment accounting, which may affect the consolidated financial statements for the following fiscal year.

(2) Valuation of goodwill

1) Amount recorded in consolidated financial statements for the current fiscal year

| | |
|---|---|
| Goodwill | ¥252,005 thousand |

2) Information concerning details of accounting estimates related to identified items

Goodwill acquired through business combinations is recorded as the difference between the acquisition cost and the fair value of the identifiable assets and liabilities of the acquiree at the time of the business combination, which represents the future excess earning power expected from the acquiree's future business developments, and is amortized regularly over the period of its expected benefit using the straight-line method.

When valuing goodwill, the Company estimates future excess earning power based on the assumption that the forecasts of orders in and after the following period included in the acquiree's business plan are reasonable, considering the future prospects of the industry to which the acquiree belongs.

There is uncertainty in the business plans of the acquiree used in the estimates, and an event that necessitates a revision of the business plans may require impairment accounting, which may affect the consolidated financial statements for the following fiscal year.

5. Notes to the consolidated balance sheet

Amount of receivables and contract assets under Notes and accounts receivable - trade and contract assets arising from contracts with customers

| | |
|---|---|
| Notes receivable - trade | ¥431 thousand |
| Accounts receivable - trade | ¥727,811 thousand |
| Contract assets | ¥3,870 thousand |

6. Notes to the consolidated statement of income

Revenue arising from contracts with customers

Regarding net sales, revenues arising from contracts with customers and other revenues are not presented separately. The amounts of revenues arising from contracts with customers are as described in "11. Notes on revenue recognition, (1) Information that disaggregates revenue arising from contracts with customers."

7. Notes to the consolidated statement of changes in equity

(1) Matters concerning the type and total number of shares issued

| Type of shares | Number of shares at beginning of current fiscal year | Current fiscal year Increase in number of shares | Current fiscal year Decrease in number of shares | Number of shares at end of current fiscal year |
|---|---|---|---|---|
| Common stock | 13,457,200 | 5,049 | – | 13,462,249 |

Note: The increase in the number of shares issued of 5,049 shares was due to an increase of 1,049 shares due to restricted share-based remuneration and an increase of 4,000 shares due to the exercise of stock options.

(2) Matters concerning the type and number of treasury shares

| Type of shares | Number of shares at beginning of current fiscal year | Current fiscal year Increase in number of shares | Current fiscal year Decrease in number of shares | Number of shares at end of current fiscal year |
|---|---|---|---|---|
| Common stock | 46,904 shares | 20,220 shares | 44,248 shares | 22,876 shares |

Notes: 1. The increase in the number of treasury shares of 20,220 shares was due to 20,000 shares being added from market purchases based on resolution of the Board of Directors, an increase of 184 shares resulting from the gratis acquisition of restricted stock, and an increase of 36 shares resulting from the purchase of shares of less than one unit.

2. The decrease of treasury shares of 44,248 shares was due to a decrease of 21,277 shares due to restricted share-based remuneration, a decrease of 2,000 shares due to the exercise of stock options, and a decrease of 20,971 shares due to third-party allotment.

(3) Type and number of shares subject to share acquisition rights at the end of the current fiscal year (excluding those for which the first day of the exercise period has not arrived)

Common stock: 207,200 shares

(4) Dividends of surplus

Not applicable.

8. Notes on financial instruments

(1) Matters concerning the status of financial instruments

1) Policy for financial instruments

The Group's basic policy is to use its own funds to procure working capital that is the foundation of its business operations. However, when short-term working capital is required due to changes in the scale of business, the Company procures it through bank loans and factoring of operating receivables. In the event of medium- to long-term capital needs based on new business plans and related capital investment plans, the Company procures the necessary funds mainly through bank loans.

It is the Company's policy not to engage in speculative transactions, such as derivative transactions, unless there is a clear objective to avoid risks associated with foreign currency denominated business transactions.

2) Nature and risk of financial instruments

Notes and accounts receivable - trade, and contract assets, which are operating receivables, are exposed to the credit risk of customers.

Investment securities are unlisted stocks and are exposed to credit risk of the issuers.

Investments in capital are investments in capital of investment partnerships, etc., and exposed to internal risks including the management and financial conditions of the issuer of shares held by the partnerships, etc., and external risks including changes in market trends and regulatory restrictions.

Leasehold and guarantee deposits are related to lease contracts mainly for the head office and are exposed to the credit risk of the party to whom they are pledged.

Notes and accounts payable - trade, which are operating payables, and Income taxes payable are due within one year.

3) Risk management related to financial instruments

・ Credit risk management

In accordance with credit management rules, the Group assesses the financial status of each client individually with regard to trade receivables, sets credit limits and manages the balance of receivables, and conducts regular monitoring of clients in order to identify and mitigate concerns about collection due to deterioration in the financial status of clients at an early stage.

For investment securities, the Company periodically monitors the financial conditions of the issuers and reviews its holdings on an ongoing basis.

For investments in capital, the Company monitors the financial and management conditions of the partnerships, etc., by periodically obtaining their financial statements and checks if there is any change made to partnership contracts, etc.

The Company endeavors to assess the creditworthiness of leasehold and guarantee deposits at the time of contract signing and renewal, and whenever necessary.

・ Management of liquidity risk associated with funding

In order to maintain liquidity, the Group manages liquidity risk by conducting budget variance analysis based on annual budgets and periodically verifying changes in the balance of funds on hand on a monthly basis.

4) Supplementary explanation of the fair value of financial instruments

Since variable factors have been incorporated in the calculation of the fair value of financial instruments, these values may fluctuate due to the adoption of different assumptions or other factors.

(2) Fair value of financial instruments

The carrying values of financial instruments stated on the consolidated balance sheet on February 29, 2024, the fair values, and the differences between them are as follows. Non-marketable equity securities, etc. are not subject to fair value disclosure (see *1). Cash and deposits, Notes and accounts receivable - trade, and contract assets, Notes and accounts payable – trade, and Income taxes payable are omitted from the notes because they are settled in a short period of time and their fair value approximates their book value.

(Thousands of yen)

| | Carrying amount on consolidated balance sheet*2 | Fair value*2 | Difference |
|---|---|---|---|
| Leasehold and guarantee deposits | 124,588 | 115,911 | (8,676) |

*1 The carrying values of non-marketable equity securities, etc., stated on the consolidated balance sheet are as follows. Investments in capital of investment partnerships, etc., are not subject to fair value disclosure in accordance with paragraph 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).

(Thousands of yen)

| Item | Carrying amount on consolidated balance sheet |
|---|---|
| Unlisted stocks | 180,866 |
| Investments in capital of investment partnerships, etc. | 78,550 |

*2 The "carrying amount on consolidated balance sheet" and "fair value" include the unamortized balance of the portion of leasehold and guarantee deposits that are not expected to be collected in the foreseeable future.

(3) Matters concerning the breakdown of the fair value of financial instruments by level, etc.

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

Level 1 fair value: Fair value calculated based on quoted prices in active markets for identical assets or liabilities subject to such fair value calculations as one of the inputs to the calculation of observable fair value

Level 2 fair value: Fair value calculated using inputs related to the calculation of observable fair value other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs for unobservable fair value calculations

When multiple inputs that have a significant impact on the fair value are used, the fair value is classified into the level of the lowest-priority input used in the calculation of fair value.

1) Financial instruments carried on the consolidated balance sheet at fair value: None applicable.

2) Financial instruments other than those recorded on the consolidated balance sheets at fair value:

(Thousands of yen)

| Item | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Leasehold and guarantee deposits | – | 115,911 | – | 115,911 |

Note: Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Leasehold and guarantee deposits

Leasehold and guarantee deposits are classified as Level 2 fair value based on the present value of future cash flows discounted using an appropriate index such as government bond yields corresponding to the remaining period.

9. Notes on per share information

(1) Net assets per share ¥421.20

(2) Earnings per share ¥86.60

10. Significant events after the reporting period

Not applicable.

11. Notes on revenue recognition

(1) Information that disaggregates revenue arising from contracts with customers

The following information disaggregates revenue arising from contracts with customers.

The Group previously only had one segment, the "Press Release Distribution Business." However, in the current fiscal year, the Company acquired all shares of glucose inc. and 70% of the issued shares of NAVICUS Co. Ltd., and newly added them to the scope of consolidation. With these additions, the Group began disclosing information that disaggregates revenue arising from contracts with customers for the system development business and social media marketing support business, which are not included in the reportable segments, in the "Other" category.

(Thousands of yen)

| | Reportable segment | Other* | Total |
|---|---|---|---|
| | Press release distribution business | | |
| "PR TIMES" and services related to "PR TIMES" | 6,356,712 | – | 6,356,712 |
| SaaS services for businesses | 211,344 | – | 211,344 |
| Other | – | 268,909 | 268,909 |
| Revenue arising from contracts with customers | 6,568,057 | 268,909 | 6,836,966 |
| Other revenue | – | – | – |
| Net sales to external customers | 6,568,057 | 268,909 | 6,836,966 |

*Note: The "Other" category represents the system development business and the social media marketing support business, which are not included in the reportable segments.

(2) Information that provides a basis for understanding revenue arising from contracts with customers
The basis for understanding revenue arising from contracts with customers is described in "1. Notes concerning significant matters that served as a basis for the preparation of the consolidated financial statements, (4) Matters concerning accounting policies, (iv) Basis for recording revenues and expenses."

(3) Information for understanding the amount of revenue in the current and subsequent fiscal years
1) Balance of contract assets and contract liabilities, etc.

(Thousands of yen)

| | Beginning of current fiscal year | End of current fiscal year |
|---|---|---|
| Receivables arising from contracts with customers | 654,379 | 728,242 |
| Contract assets | – | 3,870 |
| Contract liabilities | 240,137 | 209,916 |

Contract assets relate to the rights of consolidated subsidiaries to consideration for completed contracts as of the fiscal year end, which remains unclaimed. Contract assets are reclassified as receivables arising from contracts with customers when the rights of consolidated subsidiaries to consideration become unconditional.
Contract liabilities mainly relate to advances received from customers who use the "PR TIMES" subscription plan for press release distribution services. Contract liabilities are relieved upon recognition of revenue.
The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period is ¥240,137 thousand. There were no significant changes in the balance of contract liabilities during the current fiscal year.

2) Transaction price allocated to remaining performance obligations
The Group applies the practical expedient method and omits the transaction price allocated to the remaining performance obligations, since there are no material contracts with an initially expected contract term of more than one year. Moreover, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

12. Other notes
Notes for other additional information
On May 29, 2023, the National Tax Agency announced its view that the "economic gain at the time of exercise shall be taxed as wages" for the tax treatment of trust-type stock options.
For share acquisition rights issued by the Company, the fourth and sixth series of share acquisition rights fall under trust-type stock options. Of these, as the exercise period has commenced for the fourth series of share acquisition rights and the Company had tax withholding obligations with respect to those who have exercised their rights, the Company made tax payments of income tax withheld for the current fiscal year. In addition,

the exercise period for the sixth series of share acquisition rights did not commence, and this series of acquisition rights was cancelled pursuant to a resolution at the Board of Directors meeting held on July 13, 2023.

Notes on business combinations and business divestitures
(Business combination through acquisition)

(1) Overview of business combination

1) Name of acquiree and its business description

Name of acquiree: glucose inc.

Business description: Development of a wide range of applications and online services from the development of IoT devices and systems and services that incorporate AI (deep learning) to media, EC, etc.

2) Primary reason for business combination

The Company has stated its mission of "Towards an age where information inspires hearts and minds," and seeks to realize a society in which the news focuses on the positive information of "people who carry out actions" and individuals are encouraged to have an optimistic outlook.

By adding glucose inc. (hereinafter "glucose") to the Group, the Company believes that it will combine the customer base and networks of "PR TIMES" and "BRIDGE" with the prototype assembly and service development capabilities of glucose, start the commissioned development business for new projects, make the desires of "people who carry out actions" concrete, and provide integrated support from product development to PR. Furthermore, the Company anticipates that it will enhance the speed and quality of development and implementation with a sense of purpose that is easy to make uniform, and contribute to business growth by switching externally outsourced development to development within the Group. Moreover, the Company believes that creating a system for secondment between the Company and glucose and changing the intentionality of engineers will prevent turnover and lead to the creation of opportunities for innovation and enhancement of recruitment capabilities, and has concluded the share transfer agreement.

3) Date of business combination

March 31, 2023

4) Legal form of business combination

Acquisition of shares

5) Name of company after business combination

No change.

6) Percentage of voting rights acquired

100%

7) Main basis for determining acquiring company

The Company acquired the shares in consideration for cash.

(2) Period of the acquiree's results included in the consolidated financial statements

From April 1, 2023 to February 29, 2024)

(3) Acquisition cost of acquiree and components thereof by consideration type

(Thousands of yen)

| | | |
|---|---|---|
| Consideration for the acquisition: | Cash | 238,029 |
| Acquisition cost: | | 238,029 |

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

1) Amount of goodwill

¥154,842 thousand

2) Reason for recognition

Future excess earning power expected from future business developments.

3) Amortization method and amortization period

Equal amortization over five years

(5) Amount and breakdown of assets acquired and liabilities assumed as of the date of business combination

| | (Thousands of yen) |
|---|---|
| Current assets | 83,176 |
| Non-current assets | 17,746 |
| Total assets | 100,923 |
| Current liabilities | 15,027 |
| Non-current liabilities | 2,709 |
| Total liabilities | 17,736 |

(6) Estimated amount of impact on the consolidated statement of income for the current fiscal year, assuming the business combination had been completed on the start date of the current fiscal year, and method of calculating the estimated amount
Not stated due to the insignificance of the estimated amount of the impact.

(Business combination through acquisition)
(1) Overview of business combination
1) Name of acquiree and its business description
Name of acquiree: NAVICUS Co., Ltd.
Business description: Social media marketing support, social media advertising operation support, and agent sales of social media analysis tools.
2) Primary reason for business combination
While the Company raises the press release distribution service “PR TIMES” to the point where it can be called social information infrastructure, the creation of new businesses that will lead to the realization of the Company’s mission even using other means of disseminating information has become an issue for the Company. Many of the clients who form the customer base of “PR TIMES” are persons in charge of public relations and executives who face various public relations issues, and the Company believes that they have great needs for social media operation support.
Therefore, the Company has concluded a share transfer agreement based on its belief that through launching a social media marketing support business and leveraging the business synergy between the Company and NAVICUS Co., Ltd., the Group will be able to offer public relations support for social media marketing, in addition to press releases, and that the Group will be able to support its customers’ public relations activities in a more well-rounded way.
3) Date of business combination
December 1, 2023
4) Legal form of business combination
Acquisition of shares
5) Name of company after business combination
No change.
6) Percentage of voting rights acquired
70%
7) Main basis for determining acquiring company
The Company acquired the shares in consideration for cash and treasury shares through third-party allotment.

(2) Period of the acquiree’s results included in the consolidated financial statements
From December 1, 2023 to February 29, 2024

(3) Acquisition cost of acquiree and components thereof by consideration type

| | | (Thousands of yen) |
|---|---|---|
| Consideration for the acquisition: | Cash | 34,999 |
| | Treasury shares | 35,000 |
| Acquisition cost: | | 70,000 |

(4) Amount of goodwill, reason for recognition, amortization method and amortization period
1) Amount of goodwill
¥132,158 thousand
2) Reason for recognition
Future excess earning power expected from future business developments.

3) Amortization method and amortization period
Equal amortization over five years

(5) Amount and breakdown of assets acquired and liabilities assumed as of the date of business combination

| | (Thousands of yen) |
|---|---|
| Current assets | 98,196 |
| Non-current assets | 10,498 |
| Total assets | 108,695 |
| Current liabilities | 64,841 |
| Non-current liabilities | 106,012 |
| Total liabilities | 170,853 |

(6) Estimated amount of impact on the consolidated statement of income for the current fiscal year, assuming the business combination had been completed on the start date of the current fiscal year, and method of calculating the estimated amount

| | (Thousands of yen) |
|---|---|
| Net sales | 311,730 |
| Operating loss | 61,985 |

(Method of calculating the estimated amount)
The estimated amount of the impact is calculated based on the information on net sales and profit or loss of the acquiree for the period up to the date of the business combination, assuming the business combination had been completed on the start date of the current fiscal year (from March 1, 2023 to November 30, 2023). In addition, the estimated amount of the impact is calculated by assuming goodwill recognized at the time of business combination had incurred at the beginning of the current fiscal year.
These notes have not received audit certification.

**Notes to Non-Consolidated Financial Statements**

1. Notes regarding matters concerning significant accounting policies

(1) Basis and method for valuation of assets

Basis and method for valuation of securities

Shares of subsidiaries and associates: Mainly stated at cost determined by the moving-average method.

Available-for-sale securities

Non-marketable equity securities, etc.: Mainly stated at cost determined by the moving-average method.

Investments in capital of investment partnerships, etc., are stated by adding gains or deducting losses in an amount corresponding to the Company's equity interest in the partnerships, etc., based on the most recent financial statements available.

(2) Depreciation and amortization method for non-current assets

1) Property, plant and equipment (excluding leased assets)

Depreciated by the declining balance method.

However, the straight-line method is applied to facilities attached to buildings and structures acquired on and after April 1, 2016.

The range of useful lives is principally as follows.

Buildings and structures 8 - 15 years

Tools, furniture and fixtures 4 - 10 years

2) Intangible assets (excluding leased assets)

Software for internal use

Amortized over the period of internal use (5 years) using the straight-line method.

3) Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated to a residual value of zero using the straight-line method over the term of the lease.

(3) Basis for allowances and provisions

1) Allowance for doubtful accounts: To prepare for possible losses on uncollectable receivables, an amount is provided according to the historical percentage of uncollectable receivables for general receivables, and for specific receivables with concerns regarding collectability, an estimated uncollectable amount is recorded based on investigation of the possibility of collection for each individual account.

2) Provision for bonuses: To prepare for the payment of bonuses to employees, the Company records the amount to be paid in the current fiscal year out of the estimated amount to be paid.

3) Provision for shareholder benefit program: To prepare for costs incurred based on the shareholder benefit program, the Company records the amount expected to be incurred in the following fiscal year and later.

(4) Basis for recording revenues and expenses

The Company's main service is "PR TIMES," a press release distribution business. Other services include "PR TIMES"-related services and SaaS services for businesses.

i) "PR TIMES"

"PR TIMES" provides a mechanism for user companies to distribute information about their products and services as press releases on the "PR TIMES" website. For pay-as-you-go plans, the performance obligation is satisfied when delivery is completed, and revenue is recognized at that time. For fixed-rate plans, revenue is recognized equally over the contract period, as performance obligations are satisfied over the contract period.

ii) Services related to "PR TIMES"

As for services related to "PR TIMES," we provide PR partner services and other services to help companies spread news of announcements of new products and services, events, and campaigns by planning and implementing measures to more effectively obtain publicity and spread the news via social networking services (SNS). At the start of the contract, the Company determines whether the performance obligation is to be satisfied over the term of the contract, and if it does not fall under such

obligation, the performance obligation is deemed to be satisfied at a certain point in time, at which point revenue is recognized.

iii) SaaS services for businesses

As for SaaS services for businesses, the Company provides SaaS products such as "Jooto," a task and project management tool, and "Tayori," a customer support tool, as tools to help user companies improve operational efficiency. For these services, revenue is recognized equally over the contract period, as performance obligations are satisfied over the contract period.

2. Note concerning changes in accounting policy

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement are to be applied prospectively. This change has no impact on the non-consolidated financial statements.

3. Note concerning changes in the method of presentation

(Balance sheet)

"Accounts receivable - other" (¥1,325 thousand in the current fiscal year), which had been presented separately until the previous fiscal year, is included in "Other" under Current assets from the current fiscal year due to its decreased importance in terms of amount.

4. Notes concerning accounting estimates

The following is a list of items for which an amount has been recorded in the non-consolidated financial statements for the current fiscal year due to an accounting estimate and which may have a material effect on the non-consolidated financial statements for the following fiscal year.

(1) Valuation of investment securities

1) Amount recorded on non-consolidated financial statements for the current fiscal year

Investment securities (unlisted stocks) ¥180,866 thousand

Loss on valuation of investment securities ¥14,625 thousand

2) Information concerning details of accounting estimates related to identified items

Details have been omitted since this information is presented in "Notes to Consolidated Financial Statements; 4. Notes concerning accounting estimates."

(2) Valuation of shares of subsidiaries and associates

1) Amount recorded on non-consolidated financial statements for the current fiscal year

Shares of subsidiaries and associates ¥333,033 thousand

Note: Loss on valuation of shares of subsidiaries and associates was not recorded for the current fiscal year.

2) Information concerning details of accounting estimates related to identified items

For non-marketable shares of subsidiaries and associates, if the real value that reflects the excess earning power of the issuer company of the shares is deemed to have significantly declined compared to the acquisition cost, recoverability is reviewed through the investee's business plan, etc., and a reduction to the amount of net assets per share multiplied by the number of shares held is recorded as a valuation loss. In addition, loss on valuation of shares of subsidiaries and associates may be recorded if the investee's poor business performance in the future causes losses that are not reflected in the current carrying amount.

5. Notes to the non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment

| | |
|---|---|
| Buildings and structures | ¥32,123 thousand |
| Tools, furniture and fixtures | ¥100,594 thousand |
| Leased assets | ¥8,105 thousand |

(2) Receivables from and payables to subsidiaries and affiliates (excluding those presented separately)

| | |
|---|---|
| Short-term monetary claims | ¥61,086 thousand |
| Short-term monetary obligations | ¥8,549 thousand |

(3) Receivables from directors

Long-term monetary claims ¥166,872 thousand

6. Notes to the non-consolidated statement of income

Transactions with subsidiaries and affiliates

Operating transactions

| | |
|---|---|
| Net sales | ¥9,204 thousand |
| Purchase of goods | ¥7,929 thousand |
| Selling, general and administrative expenses | ¥72,744 thousand |
| Non-operating transaction | ¥208 thousand |

7. Notes to the non-consolidated statement of changes in equity

Matters concerning the type and number of treasury shares

Common stock: 22,876 shares

8. Notes on tax effect accounting

Breakdown of the main factors resulting in deferred tax assets and deferred tax liabilities

| Deferred tax assets | (Thousands of yen) |
|---|---|
| Allowance for doubtful accounts | 9,872 |
| Provision for bonuses | 15,861 |
| Accrued expenses | 18,066 |
| Enterprise taxes payable | 23,498 |
| Impairment losses | 218 |
| Depreciation | 5,969 |
| Asset retirement obligations | 12,274 |
| Loss on valuation of investment securities | 22,727 |
| Loss on valuation of shares of subsidiaries and associates | 5,353 |
| Share-based payment expenses | 12,677 |
| Other | 25,624 |
| Subtotal deferred tax assets | 152,144 |
| Valuation allowance | (6,151) |
| Total deferred tax assets | 145,992 |

9. Notes on non-current assets used under lease

In addition to the non-current assets recorded on the balance sheet, some office equipment and other items are used under finance lease contracts that do not transfer ownership.

10. Notes to transactions with related parties

Officers and individual shareholders

| Position | Name of the company or person | Ownership (owned) ratio of voting rights, etc. (%) | Relationship with related party | Transaction details | Transaction amount (thousands of yen) | Item | Ending balance (thousands of yen) |
|---|---|---|---|---|---|---|---|
| Officer | Takumi Yamaguchi | Directly owned 6.01 | President and CEO of the Company | Disposal of treasury shares as a result of contribution in kind of monetary compensation claims*1 | 14,703 | – | – |
| Officer | Akihiro Mishima | Directly owned 0.87 | Director of the Company | Advances of expenses*2 | 166,872 | Investments and other assets, other (long-term accounts receivable - other) | 166,872 |

*Notes: 1. Contribution in kind of monetary compensation claims in connection with the restricted share-based remuneration.
2. This pertains to the advances of income tax withheld in connection with the exercise of the fourth series of share acquisition rights, which were granted based on a resolution at the Board of Directors meeting held on March 16, 2017. For details, see "Notes to Consolidated Financial Statements; 12. Other notes; Notes for other additional information."

11. Notes on per share information

| | | |
|---|---|---|
| (1) | Net assets per share | ¥423.26 |
| (2) | Earnings per share | ¥88.23 |

12. Significant events after the reporting period
Not applicable.

13. Notes on revenue recognition
Information that forms the basis for understanding revenue arising from contracts with customers is omitted because the same information is presented in "Notes to Consolidated Financial Statements; 11. Notes on revenue recognition."

14. Other notes
Notes for other additional information
Details have been omitted since this information is presented in "Notes to Consolidated Financial Statements; 12. Other notes; Notes for other additional information."

Notes on business combinations and business divestitures
Details have been omitted since this information is presented in "Notes to Consolidated Financial Statements; 12. Other notes; Notes on business combinations and business divestitures."