Items Disclosed on the Internet under Laws and Regulations and the Articles of Incorporation

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

The 17th Term (From March 1, 2021 to February 28, 2022)

PR TIMES, Inc.

Notes to consolidated financial statements and notes to non-consolidated financial statements are provided to shareholders by posting them on the Company's website (https://prtimes.co.jp) in accordance with relevant laws and regulations and with 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: 1

Name of consolidated subsidiary: THE BRIDGE, Inc.

THE BRIDGE, Inc., which was established on March 19, 2021, is included in the scope of consolidation from the fiscal year ended February 28, 2022.

2) Status of non-consolidated subsidiaries Not applicable.

(2) Matters concerning application of the equity method

Not applicable.

(3) Matters concerning the business year of consolidated subsidiaries

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

(4) Matters concerning accounting policies

1) Basis and method for valuation of assets

Basis and method for valuation of securities

Available-for-sale securities

Securities without fair values: Stated at cost determined by the moving-average method.

2) Method of Depreciation and amortization 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 - 24 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) Other significant matters for the preparation of the consolidated financial statements

Consumption taxes: National and local consumption taxes are accounted for under the tax-exclusive method.

2. Note concerning changes in the method of presentation

(Application of Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied from the consolidated financial statements for the current fiscal year, and notes on accounting estimates are provided in the consolidated financial statements.

3. Notes concerning accounting estimates

Impairment of non-current assets

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

Impairment losses: ¥11,182 thousand

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

For details, see “4. Notes to the consolidated statement of income.”

4. Notes to the consolidated statement of income

Impairment losses:

In the current fiscal year, the Group recorded impairment losses on the following asset groups.

| Venue | Use | Type of assets |
|---|---|---|
| Head office (Minato-ku, Tokyo) | Business assets | Software |

The Group, in principle, groups business assets by the smallest unit that generates independent cash flows, primarily based on business categories.

In the current fiscal year, the Tayori business continued to underperform the initial plan. Therefore, the book value of the asset group related to this business was reduced to the recoverable value, and the amount of the reduction was recorded as impairment losses (¥11,182 thousand) in extraordinary losses.

The recoverable amount is measured based on the value in use, and since the value in use based on future cash flows is negative, the recoverable amount is evaluated as zero.

5. 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 | – | – | 13,457,200 |

(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 | 424,931 | 94,254 | 488,338 | 30,847 |

Notes: 1. The increase in the number of treasury shares of 94,254 shares was due to 94,200 shares being added from market purchases based on resolution of the Board of Directors and an increase of 54 shares resulting from the purchase of shares of less than one unit.

2. The decrease of treasury shares of 488,338 shares was due to a decrease of 3,938 shares due to restricted share-based stock compensation and a decrease of 484,400 shares due to the exercise of stock options.

(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: 265,600 shares

(4) Dividends of surplus

Not applicable.

6. 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, which are operating receivables, are exposed to the credit risk of customers. Notes and accounts payable – trade, which are operating payables, 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, 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.

・ 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

The fair value of financial instruments includes values based on market prices and, in cases where market prices are not available, values that have been reasonably calculated. Since variable factors have been incorporated in the calculation of the values, these values may fluctuate due to the adoption of different assumptions.

(2) Fair value of financial instruments

The carrying values of financial instruments stated on the consolidated balance sheet on February 28, 2022, the fair values, and the differences between them are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included.

(Thousands of yen)

| | | Carrying amount* on consolidated balance sheet | Fair value* | Difference |
|---|---|---|---|---|
| 1) | Cash and deposits | 3,344,256 | 3,344,256 | – |
| 2) | Notes and accounts receivable – trade | 578,895 | 578,895 | – |
| 3) | Leasehold and guarantee deposits | 232,385 | 232,385 | – |
| 4) | Notes and accounts payable – trade | (49,777) | (49,777) | – |
| 5) | Lease obligations (including those due within one year) | (4,129) | (4,129) | – |
| 6) | Income taxes payable | (413,026) | (413,026) | – |

*Values recorded as liabilities are presented in parentheses.

Notes: Method of calculating fair value of financial instruments

1) Cash and deposits and 2) Notes and accounts receivable – trade
Since these are settled in the short-term, the fair values approximate the book values, so they are stated at the book values.

3) Leasehold and guarantee deposits
The fair value of leasehold and guarantee deposits is calculated based on the present value of future cash flows discounted at a risk-free interest rate, after estimating the timing of return.

4) Notes and accounts payable – trade

Since notes and accounts payable – trade are settled in the short-term, the fair values approximate the book values and are therefore stated at the book values.

5) Lease obligations

The fair value of lease obligations is calculated based on the present value of the total amount of principal and interest discounted at the interest rate that would be applied if similar lease transactions were conducted.

6) Income taxes payable

Since income taxes payable are settled in the short-term, the fair values approximate the book values, so they are stated at the book values.

7. Notes on per share information

| | |
|---|---|
| (1) Net assets per share | ¥278.52 |
| (2) Earnings per share | ¥96.96 |

8. Significant events after the reporting period

Not applicable.

9. Other notes

Notes on business combinations and business divestitures

(Company split resulting from the establishment of a subsidiary)

(1) Overview of transaction

1) Name of target business and its business lines

| | |
|---|---|
| Name of business | Operation of "BRIDGE," a media business for start-ups, run by the Company |
| Business description | Operation of "BRIDGE," a media business for start-ups, and all businesses peripheral to this. |

2) Date of business combination

May 6, 2021

3) Legal form of business combination

Company split in which the Company is the splitting company and THE BRIDGE, Inc. is the successor company (simplified absorption-type company split)

4) Name of company after the business combination

THE BRIDGE, Inc.

5) Other matters concerning the overview of the transaction

In February 2015, the Company formed an alliance with "BRIDGE (former name: THE BRIDGE)" to begin, in earnest, the development of measures for a start-up. In January 2016, the Company invested in BRIDGE, and in April 2018, the Company was the recipient in a business transfer. During the three years since then, the business has been continuing to post articles as media operated by the Company while continuing to look for challenging new ways to contribute to the start-up ecosystem. However, with the extension of current circumstances, there is a risk that the role of "BRIDGE" will be diminished, and aiming to grow the business independently as an independent corporation so that it can now take on the challenge, in a fully-fledged manner, of transforming these three years of trial and error into a new business, the Company decided to clarify the responsibilities of management.

(2) Overview of the accounting treatment applied

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the Company treated the business combination as a transaction under common control.

Notes for other additional information

(Accounting estimates of the impact of the COVID-19 pandemic)

The Group has determined the accounting estimates based on information available at the time of the preparation of the consolidated financial statements. Although the COVID-19 pandemic is not currently causing any significant impact to the Group's businesses or financial results, the Group will continue to pay close attention to trends going forward as there are many uncertainties with regard to when COVID-19 will come under control, etc.

## 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 | Stated at cost determined by the moving-average method. |
| Available-for-sale securities | |
| Securities without fair values | Stated at cost determined by the moving-average method. |

(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 - 24 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) Other significant matters that served as a basis for the preparation of the non-consolidated financial statements

| | |
|---|---|
| Consumption taxes | National and local consumption taxes are accounted for under the tax-exclusive method. |

2. Note concerning changes in the method of presentation

(Application of Accounting Standard for Disclosure of Accounting Estimates)

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied from the non-consolidated financial statements for the current fiscal year, and notes on accounting estimates are provided in the non-consolidated financial statements.

3. Notes concerning accounting estimates

Impairment of non-current assets

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

Impairment losses: ¥11,182 thousand

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

For details, see “5. Notes to the non-consolidated statement of income (2) Impairment losses.”

4. Notes to the non-consolidated balance sheet

Monetary claims to subsidiaries and affiliates are as follows.

| | |
|---|---|
| Accounts receivable – trade | ¥631 thousand |
| Accounts receivable – other | ¥110 thousand |
| Accounts payable – other | ¥220 thousand |

5. Notes to the non-consolidated statement of income

(1) Transactions with subsidiaries and affiliates

| | |
|---|---|
| Operating transactions | |
| Operating income | ¥5,896 thousand |
| Operating expenses | ¥4,450 thousand |
| Non-operating transaction | ¥1,100 thousand |

(2) Impairment losses

In the current fiscal year, the Company recorded impairment losses on the following asset groups.

| Location | Use | Type of assets |
|---|---|---|
| Head office (Minato-ku, Tokyo) | Business assets | Software |

The Company, in principle, groups business assets by the smallest unit that generates independent cash flows, primarily based on business categories.

In the current fiscal year, the Tayori business continued to underperform the initial plan. Therefore, the book value of the asset group related to this business was reduced to the recoverable value, and the amount of the reduction was recorded as impairment losses (¥11,182 thousand) in extraordinary losses.

The recoverable amount is measured based on the value in use, and since the value in use based on future cash flows is negative, the recoverable amount is evaluated as zero.

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

Matters concerning the type and number of treasury shares

Common stock: 30,847 shares

7. 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 | 4,513 |
| Provision for bonuses | 20,974 |
| Accrued expenses | 15,470 |
| Enterprise taxes payable | 21,311 |
| Impairment losses | 13,330 |
| Excess depreciation | 23,206 |
| Asset retirement obligations | 5,834 |
| Loss on valuation of investment securities | 3,123 |
| Loss on valuation of shares of subsidiaries and associates | 5,353 |
| Share-based payment expenses | 3,097 |
| Other | 2,752 |
| Total deferred tax assets | 118,968 |

8. 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.

9. 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 5.92% | President and CEO of the Company | Exercise of share acquisition rights (Note) | 83,232 | – | – |
| Officer | Akihiro Mishima | Directly owned 0.84% | Director of the Company | Exercise of share acquisition rights (Note) | 83,694 | – | – |

Note: These represent the exercise of share acquisition rights as stock options that were granted based on the resolution at the meeting of the Board of Directors held on March 16, 2017, in the current fiscal year. Transaction amount listed above are amounts paid upon the exercise of share acquisition rights in the current fiscal year.

10. Notes on per share information

(1) Net assets per share ¥278.91

(2) Earnings per share ¥97.37

11. Significant events after the reporting period

Not applicable.

12. Other notes

Notes on business combinations and business divestitures

(Company split resulting from the establishment of a subsidiary)

For details, see “Notes to Consolidated Financial Statements; 9. Other Notes – Notes on business combinations and business divestitures (Company split resulting from the establishment of a subsidiary).”

Notes for other additional information

(Accounting estimates of the impact of the COVID-19 pandemic)

For details, see “Notes to Consolidated Financial Statements; 9. Other Notes – Notes for other additional information (Accounting estimates of the impact of the COVID-19 pandemic).”