

The 40th Annual General Meeting of Shareholders
(Matters Subject to Measures for Electronic Provision Omitted from the Document Sent
to Shareholders)

Notes to the Consolidated Financial Statements

Notes to the Non-Consolidated Financial Statements

(from April 1, 2024 to March 31, 2025)

transcosmos inc.

The items above have not been included in the documents sent to shareholders who have requested the delivery of such documents in accordance with laws and regulations as well as the rules of Article 14 of the Articles of Incorporation of the Company.

Notes to the Consolidated Financial Statements

Basis of preparation of consolidated financial statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 64

The names of principal consolidated subsidiaries

J-Stream Inc., APPLIED TECHNOLOGY CO., LTD., transcosmos Korea Inc., transcosmos CC China

Changes in our consolidated subsidiaries during the fiscal year under review are as follows:

(Newly included)

- TRANSCOSMOS SYSTEMS & INFORMATION (SUZHOU) CO., LTD. (newly acquired)

(Excluded)

- Hottech digital technology (Tianjin) Co., Ltd. (liquidated)
- Wakayama Planet K.K. (liquidated)
- Transcosmos Digital Marketing Cayman Co., Ltd. (liquidated)

(2) Names of principal non-consolidated subsidiaries

Transcosmos Philippines inc. and others

(Reason for exclusion from the scope of consolidation)

All non-consolidated subsidiaries are small in size, and each item of their total assets, net sales, profit or loss (calculated according to our equity interest) and retained earnings (calculated according to our equity interest) is not substantial, and do not have a material impact on the consolidated financial statements.

2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 11

Names of principal non-consolidated subsidiaries and associates accounted for by the equity method
UNQ HOLDINGS LIMITED

(2) Unconsolidated subsidiaries and other companies to which the equity method is not applied

(Transcosmos Philippines inc. and others) are excluded from the scope of application of the equity method as their impact on profit or loss (amount proportional to the ownership) and retained earnings (amount proportional to the ownership) is infinitesimal, and has low importance as a whole.

(3) For those subsidiaries accounted for by the equity method that have different account closing dates from the Company, financial statements are stated according to the fiscal year of the respective companies.

3. Fiscal year, etc. of the consolidated subsidiaries

Following are the consolidated subsidiaries with different account closing dates from the Company.

(Account closing date: December 31)

- APPLIED TECHNOLOGY CO., LTD.
- transcosmos Information Creative Japan Inc.
- caramo, Inc.
- transcosmos America, Inc.
- TRANSCOSMOS OMNICONNECT, LLC
- transcosmos Korea Inc.
- transcosmos Information Creative (China) Co., Ltd.
- transcosmos Design Development (Dalian) Co., Ltd.
- transcosmos Information System (Benxi) Co., Ltd.
- Daqing transcosmos design development Co., Ltd.
- transcosmos business service outsourcing Suzhou Co., Ltd.
- Suzhou transcosmos Information Creative Co., Ltd
- Shanghai transcosmos Interactive Services Co., Ltd.
- transcosmos China
- Jinan transcosmos Information Creative Co., Ltd.
- Neijiang transcosmos Interactive Services Co., Ltd.
- Shenzhen Transcosmos Information Creative Co., Ltd
- TRANSCOSMOS SYSTEMS & INFORMATION (SUZHOU) CO., LTD.
- transcosmos Taiwan Inc.
- Shine Harbour Ltd.
- Transcosmos Information Creative Holdings
- TRANSCOSMOS INTERNATIONAL PTE. LTD.
- TRANSCOSMOS (MALAYSIA) SDN. BHD.
- PT. transcosmos Commerce
- TRANSCOSMOS ZERO PTE. LTD.
- TRANSCOSMOS FINANCIAL HOLDINGS PTE. LTD.
- transcosmos(Thailand)Co., Ltd.
- TCT Holdings Co., Ltd.
- TCT Services Co., Ltd.
- transcosmos artus company limited
- Astropolis Inc.
- transcosmos Asia Philippines inc.
- Transcosmos Vietnam Co., Ltd.
- Transcosmos Information Systems Group Limited
- Transcosmos Information Systems Limited
- Transcosmos Information Systems Inc (Philippines)
- Transcosmos Information Systems Inc (USA)
- Transcosmos information Systems Kft
- transcosmos Poland sp. z.o.o.
- Helpmagic Ltd

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries as of its account closing date. In the case of significant transactions that took place between the account closing dates of the consolidated subsidiaries and the consolidated account closing date, necessary adjustments are made for consolidation purposes.

Transcosmos technology Vietnam co., ltd. has changed its fiscal year end from December 31 to March 31. Note that the Company has adopted a method whereby the business results for the subsidiary for the three months from January 1, 2025 to March 31, 2025 are adjusted through the consolidated financial statements; therefore, the accounting period for the current fiscal year is 15 months. The impact of this change on the business results is immaterial.

(Account closing date: September 30)

• CAREER INCUBATION, INC.

The consolidated financial statements are prepared based on the financial statements of each of the consolidated subsidiaries prepared on the basis of the provisional closing of accounts as of the consolidated account closing date.

4. Significant accounting policies

(1) Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

Shares of non-consolidated subsidiaries and affiliates without application of the equity method:
Stated at cost using the moving-average method

Other available-for-sale securities

Securities other than shares without a market price, etc.

Market value method based on the market price as of the consolidated account closing date.
(Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

Shares without a market price, etc.

Stated at cost using the moving-average method

Investments in capital of limited liability partnership for investment, etc.

The evaluation is based on the Company's and its subsidiaries' holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

(2) Standards and methods of valuation of inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Merchandise and finished goods Mainly the gross average method

Work in process Specific cost method

Supplies Mainly stated at cost using the last-purchase-price method

(3) Depreciation methods for non-current assets

Property, plant and equipment

(excluding leased assets)..... Buildings

a Buildings acquired on or before March 31, 1998
Depreciated using the old declining-balance method.

b Buildings acquired between April 1, 1998 and March 31, 2007

Depreciated using the old straight-line method.

c Buildings acquired on or after April 1, 2007
Depreciated using the straight-line method.

Facilities attached to buildings and structures

a Facilities attached to buildings and structures
acquired on or before March 31, 2007

Depreciated using the old declining-balance method.

- b Facilities attached to buildings and structures acquired between April 1, 2007 and March 31, 2016
Depreciated using the declining-balance method.
 - c Facilities attached to buildings and structures acquired on or after April 1, 2016
Depreciated using the straight-line method.
- Property, plant and equipment other than those in the above
- a Property, plant and equipment other than those in the above acquired on or before March 31, 2007
Depreciated using the old declining-balance method.
 - b Property, plant and equipment other than those in the above acquired on or after April 1, 2007
Depreciated using the declining-balance method.
- Overseas consolidated subsidiaries mainly use the straight-line method.
- In addition, items acquired on or before March 31, 2007, are depreciated using the straight-line method over five years starting the fiscal year following the fiscal year when the final depreciable limit is reached.

Intangible assets
(excluding leased assets)..... Depreciated mainly using the straight-line method.
As for software for in-house use, the straight-line method is used with a useful life of five years. Software for commercial sale is depreciated based on the quantity expected to be sold within three years after being put on the market. If the amount of depreciation is less than the amount of even installment based on the remaining life, it is depreciated with the amount not less than the even installment.

Leased assets Finance leases other than those for which the ownership of the leased assets is deemed to transfer to the lessee. These lease transactions are accounted for by straight-line method based on lease period of useful lives with residual values of zero.

(4) Standards of accounting for significant allowances, accruals and reserves

Allowance for doubtful accounts Allowance for estimated uncollectible is calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.

Provision for bonuses Accrued bonuses for employees of the Company and consolidated subsidiaries are calculated based on the estimates of bonus obligations for the current fiscal term.

(5) Other important issues which are bases for preparing consolidated financial statements

1) Translation of significant foreign-currency-denominated assets and liabilities into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rate as of the end of the fiscal term, and the resulting exchange differences are credited or charged to income. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate as of the account closing date of each company. The resulting exchange differences

have been recorded as a component of “foreign currency translation adjustment” and “non-controlling interests” in the section of Net Assets.

2) Basis for recording significant revenues and expenses

The Group has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and relevant ASBJ regulations and recognizes that 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 principal business of the Group is outsourcing business offered by the Company and outsourcing business provided by Group companies in Japan and abroad, and the Group recognizes revenues over time or at a point in time by the method of performance obligation satisfaction. A large majority of the Company’s revenue is recognized over time.

For performance obligations satisfied over time, the Group estimates progress towards satisfaction of performance obligations and recognizes revenue based on the progress over time. The method for estimating progress towards satisfaction of performance obligations is as follows.

- For operations in which an acceptance certificate or the like indicating work performed is obtained each month from a customer who will then be billed in accordance therewith, since work performed indicated on the acceptance certificate or the like faithfully depicts the amount of services transferred, revenue is recognized on its basis (output method). Records of the quantity of services performed are based on the client’s system and the Group’s system, and the person in charge of the Group’s system reports the quantity of services performed to the client monthly.
- For operations under contracts, if progress cannot be directly estimated but if performance made toward the satisfaction of performance obligations can be reasonably measured, then progress is calculated at the proportion of actual cost to estimated total cost (input method). If performance made toward the satisfaction of performance obligations cannot be reasonably measured, revenue is recognized only on the basis of actual cost.

For the sale of merchandise and finished goods, revenue is recognized at the time when they are delivered to a customer since, at that point, performance obligations are satisfied as a result of the transfer of the control of merchandise and finished goods to the customer.

3) Method and period of amortization of goodwill and negative goodwill

Goodwill is amortized by straight-line method over five and ten years. If any circumstance arises which prevents the effect of amortization of goodwill, amount of amortization will be decreased accordingly.

5. Changes in accounting policies

Application of the Accounting Standard for Current Income Taxes

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”), etc. from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Guidance of 2022”). This will have no impact on the consolidated financial statements.

In addition, for changes related to the revised treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the current fiscal year. This will have no impact on the consolidated financial statements.

6. Change in presentation

(Consolidated statement of income-related)

“45 million yen in loss on investments in investment partnerships” (29 million yen in the current fiscal year) under non-operating expenses, which was presented separately in the previous fiscal year, is included in “Other” in non-operating expenses in the current fiscal year because it has decreased in significance in terms of amount.

“Gain on change in equity” (82 million yen in the previous fiscal year), which was included in “Other” in extraordinary income in the previous fiscal year, is presented separately in the current fiscal year because it has increased in significance in terms of amount.

“114 million yen in loss on retirement of non-current assets” (68 million yen in the current fiscal year) under extraordinary losses, which was presented separately in the previous fiscal year, is included in “Other” in extraordinary losses in the current fiscal year because it has decreased in significance in terms of amount. “Loss on valuation of shares of subsidiaries and associates” (18 million yen in the previous fiscal year), which was included in “Other” in extraordinary losses in the previous fiscal year, is presented separately in the current fiscal year because it has increased in significance in terms of amount.

7. Notes concerning accounting estimates

1. Goodwill and goodwill included in shares of subsidiaries and associates or investments in capital of subsidiaries and associates

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

| Account | Amount (Millions of yen) |
|---|--------------------------|
| Goodwill | 619 |
| Goodwill included in shares of subsidiaries and associates or investments in capital of subsidiaries and associates | 199 |

(2) Information relating to the contents of accounting estimates

Since the Group evaluates the excess earning power, etc. of unlisted investee companies based on its medium- to long-term business plan in consideration of the company’s business potential at the time of investment, goodwill, which is the valuation of excess earning power, etc., is included in the acquisition cost.

Regarding such goodwill, in accordance with the “Accounting Standard for Impairment of Non-current Assets,” the Group examines whether there is any indication that an asset may be impaired. When such an indication of impairment is identified, the Group compares the undiscounted future cash flows of the goodwill over the remaining amortization period calculated based on future business plans with its book value, and determines whether the impairment loss need to be recognized or not. If it is determined that an impairment loss needs to be recognized, the book value of the goodwill is reduced to its recoverable amount and the reduced amount is recognized as an impairment loss. In addition, if the goodwill is included in shares of subsidiaries and associates or investments in capital of subsidiaries and associates, it is recognized as share of loss of entities accounted for using equity method.

In the case of goodwill included in shares of subsidiaries and associates or investments in capital of subsidiaries and associates, in the evaluation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates on the financial statements, for the unconsolidated subsidiaries and associates which require recognition of an impairment loss due to damage to excess earning power, etc., if the book value after the impairment treatment on the financial statements is less than the investment value under the equity method, the investment value under the equity method will be reduced by the amount of the difference to the extent of reaching the unamortized amount of goodwill under the equity method.

Since the business performance of the unconsolidated subsidiaries and associates is affected by the uncertain future economic conditions and business conditions of the company, if there is a large deviation from the business plan that is the basis for determining whether goodwill is impaired or not and calculating the recoverable amount, it may have a significant impact on the consolidated financial statements for the following fiscal years.

Note to the Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment 32,483 million yen

Notes to the Consolidated Statement of Changes in Shareholders' Equity

1. Total number of shares issued

(shares)

| Class of shares | Number of shares at the beginning of the current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--|---|---|--|
| Common stock | 48,794,046 | - | 4,930,930 | 43,863,116 |

(Outline of causes for changes)

Details of number of shares decreased are as follows.

Decrease due to cancellation of treasury shares on May 24, 2024 4,930,930 shares

2. Treasury shares

(shares)

| Class of shares | Number of shares at the beginning of the current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--|---|---|--|
| Common stock | 11,321,012 | 147 | 4,930,930 | 6,390,229 |

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 147 shares

Details of number of shares decreased are as follows.

Decrease due to cancellation of treasury shares on May 24, 2024 4,930,930 shares

3. Dividends

(1) Dividends paid

| Resolution | Class of shares | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|--|-----------------|---|--------------------------|----------------|----------------|
| Annual General Meeting of Shareholders held on June 25, 2024 | Common stock | 3,035 | 81 | March 31, 2024 | June 26, 2024 |

- (2) Dividends with an effective date falling in the following fiscal year, among distributions with record dates belonging to the current fiscal year

| Resolution | Class of shares | Source of dividends | Total amount of dividends (millions of yen) | Dividend per share (yen) | Record date | Effective date |
|--|-----------------|---------------------|---|--------------------------|----------------|----------------|
| Annual General Meeting of Shareholders held on June 25, 2025 | Common stock | Retained earnings | 3,972 | 106 | March 31, 2025 | June 26, 2025 |

Notes on financial instruments

1. Matters related to the status of financial instruments

(1) Policy on financial instruments

The Group makes investments in stocks based upon the request of business promotions including business or capital tie-up, or invests excess funds in financial instruments such as deposits whose principles are secured, as a basic policy. In order to obtain funding, the Company selects the most adequate financial instruments, including bank borrowings, bonds payable, or stock issuance, depending on the situations. And derivatives are used in interest rate swap, currency swap and currency forward transactions to hedge against market risks and the Company has a policy not to use derivatives for speculation.

(2) Details, risks and risk management of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to customers' credit risks. With regard to these risks, we manage maturities and balances for each business partner and strive to find out early and mitigate concerns for collection due to deteriorating financial circumstances. Investment securities mainly consists of stocks related to operations and capital alliances. Although these are exposed to market fluctuation risk and issuers' credit risks, we grasp the market prices and obtain issuers' financial statements on a regular basis and we grasp the market prices and obtain issuers' financial statements on a regular basis. At the same time, we properly review the values of investment and make efforts to collect the investment values.

Most of accounts payable - trade and accrued expenses, which are operating payables, have payment due dates that are less than one year away. Short-term borrowings out of borrowings is mainly financing for operational transactions; long-term borrowings (less than five years as a general rule) is financing for long-term investments such as capital investments.

As to operational debts and borrowings, the Group manages them by having each company prepare monthly cash flow plans in order not to detract from the creditability of the Group. The Group also has commitment-line contracts in place in order to ensure to fulfill all obligations.

2. Matters related to fair values of financial instruments

The recorded amounts on the consolidated financial statements, fair values, and the difference of these as of March 31, 2025 are as follows.

(Millions of yen)

| | Recorded amount on consolidated balance sheet* | Fair value* | Difference |
|---|--|-------------|------------|
| (1) Investment securities | | | |
| Other available-for-sale securities | 1,095 | 1,095 | - |
| (2) Shares of subsidiaries and associates | 8,014 | 3,590 | (4,423) |
| (3) Bonds payable | (209) | (204) | 4 |
| (4) Convertible-bond-type bonds with share acquisition rights | (10,034) | (10,025) | 9 |
| (5) Long-term borrowings | (6,210) | (6,157) | 53 |

(*1) “Cash and deposits” are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in the short term.

(*2) Notes receivable - trade and accounts receivable - trade included in “Notes and accounts receivable - trade, and contract assets,” “Accounts payable - trade” “Short-term borrowings” and “Accrued expenses” are omitted because their fair values approximate their book values since they are settled in the short term.

(*3) Shares without a market price, etc. are included in neither “(1) Investment securities” nor “(2) Shares of subsidiaries and associates.” The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

| Category | Current fiscal year (Millions of yen) |
|---------------------------------------|--|
| Unlisted equity securities | 6,390 |
| Investments in capital of partnership | 714 |

(*4) “(3) Bonds payable” and “(5) Long-term borrowings” respectively include “current portion of bonds payable” and “current portion of long-term borrowings”

(*5) Items recorded in Liabilities are marked with ().

3. Matters related to breakdown of fair values of financial instruments by levels

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value: Fair values measured at (unadjusted) quoted prices for identical assets or liabilities in active markets

Level 2 fair value: Fair values measured by using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair values measured by using significant unobservable inputs

If multiple inputs are used that significantly affect fair value measurement, a fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

(1) Financial assets and liabilities whose fair value is the amount recorded on the consolidated balance sheet

| Category | Fair value (millions of yen) | | | |
|-------------------------------------|------------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Other available-for-sale securities | | | | |
| Stocks | 1,095 | - | - | 1,095 |

(2) Financial assets and liabilities whose fair value is not the amount recorded on the consolidated balance sheet

| Category | Fair value (millions of yen) | | | |
|---|------------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Shares of subsidiaries and associates | 3,590 | - | - | 3,590 |
| Bonds payable | - | (204) | - | (204) |
| Convertible-bond-type bonds with share acquisition rights | - | (10,025) | - | (10,025) |
| Long-term borrowings | - | (6,157) | - | (6,157) |

Note: Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

Investment securities and Shares of subsidiaries and associates

Listed stocks are evaluated by using their quoted price. Since listed stocks are traded in active markets, their fair values are categorized into Level 1.

Bonds payable

The fair values of bonds payable are measured based upon the present values obtained by discounting the total amount of principals and interests at a rate with term to maturity and credit risk taken into account, and classified as Level 2.

Convertible-bond-type bonds with share acquisition rights

With regard to the fair values of bonds payable issued by the Company, prices provided by banks are used and classified as Level 2.

Long-term borrowings

The fair values of long-term borrowings are measured based upon the present values obtained by discounting the total amount of principals and interests at a rate with term to maturity and credit risk taken into account, and classified as Level 2.

Notes on revenue recognition

1. Information on disaggregation of revenue

Information on disaggregation of revenue from contracts with customers

(Millions of yen)

| | Reportable segments | | | Total |
|---------------------------------------|---------------------|--------------------------------------|--------------------------------------|---------|
| | Parent Company | Domestic Subsidiaries and Affiliates | Overseas Subsidiaries and Affiliates | |
| Japan | 239,089 | 36,134 | 5,465 | 280,690 |
| South Korea | - | - | 41,893 | 41,893 |
| China | 131 | 0 | 27,658 | 27,790 |
| Southeast Asia | 2,974 | 44 | 17,904 | 20,923 |
| Other | 761 | - | 3,790 | 4,551 |
| Revenue from contracts with customers | 242,956 | 36,179 | 96,712 | 375,849 |
| Other revenue | - | - | - | - |
| Net sales to external customers | 242,956 | 36,179 | 96,712 | 375,849 |

Note: Revenue from contracts with customers is disaggregated by countries or regions on the basis of locations of customers.

2. Basic information for understanding revenue

This information is omitted as information of the same content is indicated in “4. Significant accounting policies, (5) Other important issues which are bases for preparing consolidated financial statements, 2) Basis for recording significant revenues and expenses” in Notes to Consolidated Financial Statements.

3. Information for understanding the amount of revenue for the current fiscal year and fiscal years that follow

| | Current fiscal year (Millions of yen) |
|---|--|
| Receivables from contracts with customers (Balance at the beginning of the fiscal year) | 65,834 |
| Receivables from contracts with customers (Balance at the end of the fiscal year) | 67,009 |
| Contract assets (Balance at the beginning of the fiscal year) | 1,923 |
| Contract assets (Balance at the end of the fiscal year) | 2,497 |

A contract asset is revenue recognized by the input method that pertains to the right of the Company and its consolidated subsidiaries to consideration for ongoing contract work, etc. at the end of the fiscal year. Contract liabilities are included in “Advances received” in the consolidated balance sheet and primarily pertain to advances received for performance obligations to deliver goods or services to clients. The opening balance of contract liabilities for this consolidated fiscal year is generally recognized as revenue within one year and is reversed.

Notes concerning per share data

| | |
|-------------------------------|--------------|
| 1. Net assets per share | 3,166.17 yen |
| 2. Profit per share | 302.41 yen |
| 3. Diluted earnings per share | 283.35 yen |

Note concerning significant subsequent events

Not applicable.

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Standards and methods of valuation of securities

Shares of subsidiaries and affiliates

Stated at cost using the moving-average method

Other available-for-sale securities

Securities other than shares without a market price, etc.

Market value method based on the market price as of the account closing date. (Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

Shares without a market price, etc.

Stated at cost using the moving-average method

Investments in capital of limited liability partnership for investment, etc.

The evaluation is based on the Company's holding ratio of the net asset of the limited liability partnership for investment, etc., in which the Company invests, in the most recent fiscal year.

2. Standards and methods of valuation of inventories

The cost method (method to reduce book value from lower profitability) is adopted as the standard for valuation.

Merchandise Gross average method

Work in process Specific cost method

Supplies Cost using the last-purchase-price method

3. Depreciation methods for non-current assets

Property, plant and equipment

(excluding leased assets) Buildings

a Buildings acquired on or before March 31, 1998
Depreciated using the old declining-balance method.

b Buildings acquired between April 1, 1998 and March 31, 2007

Depreciated using the old straight-line method.

c Buildings acquired on or after April 1, 2007

Depreciated using the straight-line method.

Facilities attached to buildings and structures

a Facilities attached to buildings and structures
acquired on or before March 31, 2007

Depreciated using the old declining-balance method.

b Facilities attached to buildings and structures
acquired between April 1, 2007 and March 31, 2016
Depreciated using the declining-balance method.

c Facilities attached to buildings and structures
acquired on or after April 1, 2016

Depreciated using the straight-line method.

Property, plant and equipment other than those in the
above

- a Property, plant and equipment other than those in the above acquired on or before March 31, 2007
Depreciated using the old declining-balance method.
- b Property, plant and equipment other than those in the above acquired on or after April 1, 2007
Depreciated using the declining-balance method.
In addition, items acquired on or before March 31, 2007 are depreciated using the straight line method over five years starting the fiscal year following the fiscal year when the final depreciable limit is reached.

Intangible assets

- (excluding leased assets) Depreciated using the straight-line method. As for software for in-house use, the straight-line method is used with a useful life of five years.
- Leased assets Finance leases other than those for which the ownership of the leased assets is deemed to transfer to the lessee. These lease transactions are accounted for by straight-line method based on lease period of useful lives with residual values of zero.

4. Standards of accounting for allowances, accruals and provisions

- Allowance for doubtful accounts Allowance for estimated uncollectible is calculated using historical data for general receivables and individually considering the probability of collection for doubtful receivables.
- Provision for bonuses Accrued bonuses for employees are calculated based on the estimates of bonus obligations for the current fiscal term.
- Provision for loss on guarantees To prepare for losses arising from fulfilling guarantee obligations of associates, the Company appropriates the estimated cost of losses for guarantee obligations highly likely to be required for fulfilling such obligations, taking into consideration the recoverability by exercising right of indemnity.
- Provision for loss on support to subsidiaries and associates To prepare for loss on support for associates, estimated losses are recorded in consideration of the financial state of the associates.

5. Basis for recording revenues and expenses

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations and recognizes 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 principal business of the Company is outsourcing business, and the Company recognizes revenues over time or at a point in time by the method of performance obligation satisfaction. A large majority of the Company’s revenue is recognized over time. For performance obligations satisfied over time, the Company estimates progress towards satisfaction of performance obligations and recognizes revenue based on the progress over time. The method for estimating progress towards satisfaction of performance obligations is as follows.

- For operations in which an acceptance certificate or the like indicating work performed is obtained each month from a customer who will then be billed in accordance therewith, since work performed

indicated on the acceptance certificate or the like faithfully depicts the amount of services transferred, revenue is recognized on its basis (output method). Records of the quantity of services performed are based on the client's system and the Company's system, and the person in charge of the Company's system reports the quantity of services performed to the client monthly.

- For operations under contracts, if progress cannot be directly estimated but if performance made toward the satisfaction of performance obligations can be reasonably measured, then progress is calculated at the proportion of actual cost to estimated total cost (input method). If performance made toward the satisfaction of performance obligations cannot be reasonably measured, revenue is recognized only on the basis of actual cost.

For the sale of merchandise, revenue is recognized at the time when they are delivered to a customer since, at that point, performance obligations are satisfied as a result of the transfer of the control of merchandise to the customer.

6. Other important issues which are bases for preparing non-consolidated financial statements

Standard for translation of assets and liabilities denominated in foreign currencies into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the spot exchange rate as of the end of the fiscal term, and the resulting exchange differences are credited or charged to income.

7. Changes in accounting policies

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "Revised Guidance of 2022"). This will have no impact on the non-consolidated financial statements.

8. Change in presentation

(Non-consolidated statement of income-related)

"Gain on liquidation of subsidiaries and associates" (126 million yen in the previous fiscal year), which was included in "Other" in extraordinary income in the previous fiscal year, is presented separately in the current fiscal year because it has increased in significance in terms of amount.

"59 million yen in loss on retirement of non-current assets" (21 million yen in the current fiscal year) and "50 million yen in loss on valuation of shares of subsidiaries and associates" (21 million yen in the current fiscal year), which were presented separately as extraordinary losses in the previous fiscal year, are now included in "Other" under extraordinary losses due to their lack of material significance.

9. Notes concerning accounting estimates

1. Valuation of shares of subsidiaries and associates or investments in capital of subsidiaries and associates acquired by investment in unlisted companies

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

| Account | Amount (Millions of yen) |
|---|--------------------------|
| Shares of subsidiaries and associates (Investment in unlisted companies) | 17,191 |
| Investments in capital of subsidiaries and associates (Investment in unlisted companies) | 648 |

(2) Information relating to the contents of accounting estimates

Since the Company evaluates the excess earning power, etc. of unlisted investee companies based on its medium- to long-term business plan in consideration of the company's business potential at the time of investment, the valuation amount of the excess earning power, etc. is included in the acquisition cost.

Regarding the valuation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates, in accordance with the "Procedure for Impairment of Shares, etc.," which is an internal rules based on the "Accounting Standards for Financial Instruments," for the investee company whose financial condition has deteriorated to a certain extent compared to the book value, considering the risk of valuation loss of the stock or investment due to damage to the excess earning power, etc., the Company examines at the end of every fiscal year whether these unconsolidated subsidiaries and associates successfully achieved the business plan, whether their excess earning power, etc. is damaged, and whether the net asset value of the Investment in stocks or the Investment decreased significantly according to the risk. After considering these points in the valuation loss examination process, the Company determines whether the impairment loss need to be recognized or not. When the actual results have not achieved the business plan, and the factors for the failure are not temporary, or temporary but it is unlikely that, in its plan for the next fiscal years, the value of equity in the net assets will reach the book value within a certain period (generally 5 years), and the excess earning power of the investee company is judged as impaired, the Company recognizes valuation loss for the difference between the book value for these Investment in stocks or Investment and the value of equity in the net assets.

Since the business performance of the unconsolidated subsidiaries and associates is affected by the uncertain future economic conditions and financial conditions of the company, if there is a large deviation from the business plan that is the basis for calculating the value of the excess earning power, etc., it may have a significant impact on the financial statements for the following fiscal years.

Notes to the Non-Consolidated Balance Sheet

| | | |
|----|--|-----------------|
| 1. | Liabilities for guarantees | |
| | Guarantee on deposit obligations from subsidiaries and associates | |
| | Tci-Business-Service Co., Ltd. | ¥6,890 million |
| | | <hr/> |
| | Total | ¥6,890 million |
| | In addition to the above, the Company has provided a joint guarantee on the store-opening contract of caramo, Inc., its associate. | |
| 2. | Accumulated depreciation of property, plant and equipment | ¥17,244 million |
| 3. | Monetary receivables from and monetary payables to subsidiaries and associates (excluding separate line item) | |
| | Short-term monetary receivables from subsidiaries and associates | ¥2,711 million |
| | Short-term monetary payables to subsidiaries and associates | ¥1,830 million |

Notes to the Non-Consolidated Statement of Income

| | |
|--|-----------------|
| Transactions with subsidiaries and associates | |
| Net sales | ¥1,297 million |
| Net purchase | ¥12,722 million |
| Transactions other than operating transactions | ¥1,119 million |

Notes to the Non-Consolidated Statement of Changes in Shareholders' Equity

Treasury shares

(shares)

| Class of shares | Number of shares at the beginning of the current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at the end of the current fiscal year |
|-----------------|--|---|---|--|
| Common stock | 11,321,012 | 147 | 4,930,930 | 6,390,229 |

(Outline of causes for changes)

Details of number of shares increased are as follows.

Increase due to purchase of shares less than one unit: 147 shares

Details of number of shares decreased are as follows.

Decrease due to cancellation of treasury shares on May 24, 2024 4,930,930 shares

Notes concerning tax effect accounting

1. Details by primary causes of deferred tax assets and deferred tax liabilities

Deferred tax assets:

| | |
|---|------------------------|
| Allowance for doubtful accounts | ¥3,603 million |
| Loss on valuation of shares of subsidiaries and associates | ¥2,948 million |
| Book value adjustment of investment securities for tax purposes | ¥2,375 million |
| Provision for bonuses | ¥1,549 million |
| Book value adjustment of shares of subsidiaries and associates for tax purposes | ¥1,183 million |
| Loss on valuation of investment securities | ¥724 million |
| Provision for loss on guarantees | ¥370 million |
| Accrued enterprise tax | ¥254 million |
| Accrued social insurance expenses | ¥240 million |
| Provision for loss on support to subsidiaries and associates | ¥212 million |
| Accounting depreciation in excess of tax depreciation | ¥152 million |
| Other | ¥890 million |
| Sub-total | ¥14,504 million |
| Provision for devaluation | ¥(11,794) million |
| Total of deferred tax assets | ¥2,710 million |
| Deferred tax liabilities: | |
| Valuation difference on available-for-sale securities | ¥(137) million |
| Other | ¥(139) million |
| Total of deferred tax liabilities | ¥(276) million |
| Net of deferred tax assets | ¥2,434 million |

2. Revision of amounts of deferred tax assets and deferred tax liabilities following the change in the tax rate for income taxes - current

Due to the enactment of the “Act on Partial Revision of the Income Tax Act” (Act No. 13 of 2025) by the Diet on March 31, 2025, the “Special Corporation Tax for National Defense” will be imposed from the fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in the fiscal years beginning on April 1, 2026 are calculated by changing the statutory effective tax rate from 30.62% to 31.52%.

The impact of this change on the non-consolidated financial statements is immaterial.

Notes concerning transactions with related parties

1. Parent company and major corporate shareholders, etc.

Not applicable.

2. Subsidiaries, affiliates, etc.

| Attribution | Name of company, etc. | Share capital or investments in capital | Description of business or occupation | Percentage of owning (owned) voting rights, etc. (%) | Relationship with related parties | Type of transaction | Transaction amount (millions of yen) | Account | Balance as of the end of the fiscal year (millions of yen) |
|-------------|--|---|---------------------------------------|--|-----------------------------------|-----------------------------------|--------------------------------------|--|--|
| Subsidiary | Tci-Business-Service Co., Ltd. | ¥100 million | Domestic subsidiaries and associates | Owning Direct 100.0 | Borrowing of funds | Borrowing of funds (Note 1) | 2,300 | Short-term borrowings from subsidiaries and associates | 5,800 |
| | | | | | | Repayment of funds | 1,200 | | |
| | | | | | Liabilities for guarantees | Guarantee of obligations (Note 2) | 6,890 | - | - |
| Subsidiary | transcosmos America, Inc. | \$58 million | Overseas subsidiaries and associates | Owning Direct 100.0 | Loan of funds | Loan of funds (Note 1) | 615 | Long-term loans receivable from subsidiaries and associates (Note 3) | 2,661 |
| Subsidiary | TCT Services Co., Ltd. | 1 million Thai baht | Overseas subsidiaries and associates | Owning Direct 49.0 Indirect 51.0 | Loan of funds | - | - | Long-term loans receivable from subsidiaries and associates (Note 4) | 2,597 |
| Subsidiary | transcosmos Asia Philippines inc. | 45 million Philippine peso | Overseas subsidiaries and associates | Owning Direct 100.0 | Loan of funds | Loan of funds (Note 1) | 175 | Long-term loans receivable from subsidiaries and associates (Note 5) | 1,548 |
| Subsidiary | Transcosmos Information Systems Group Limited. | GBP 220 thousand | Overseas subsidiaries and associates | Owning Direct 100.0 | Loan of funds | Loan of funds (Note 1) | 99 | Long-term loans receivable from subsidiaries and associates (Note 6) | 3,140 |

Terms and conditions of transactions and the policies on determination thereof:

- Notes:
- The interest rate is determined logically in consideration of market interest rates.
 - This is a guarantee on deposit obligations from the subsidiaries and associates.
 - During the current fiscal year, provision of allowance for doubtful accounts of 572 million yen was provided for long-term loans receivable from subsidiaries and associates. At the end of the current fiscal year, the balance of the same provision stood at 2,661 million yen.
 - During the current fiscal year, provision of allowance for doubtful accounts of 147 million yen was provided for long-term loans receivable from subsidiaries and associates. At the end of the current fiscal year, the balance of the same provision stood at 2,597 million yen.
 - During the current fiscal year, provision of allowance for doubtful accounts of 158 million yen was provided for long-term loans receivable from subsidiaries and associates. At the end of the current fiscal year, the balance of the same provision stood at 1,548 million yen.
 - During the current fiscal year, provision of allowance for doubtful accounts of 136 million yen was provided for long-term loans receivable from subsidiaries and associates. At the end of the current fiscal year, the balance of the same provision stood at 3,140 million yen.
 - Transactional amounts and balances as of the end of the fiscal year are recorded exclusive of consumption taxes.
 - Percentages of owning (owned) voting rights, etc. are rounded off to the nearest first decimal place.

3. Brother companies

Not applicable.

4. Directors and primary individual shareholders

Not applicable.

Notes on revenue recognition

This information that serves as the foundation for understanding earnings is omitted as information of the same content is indicated in “Notes on revenue recognition” in Notes to the Consolidated Financial Statements.

Notes concerning per share data

| | |
|-------------------------------|--------------|
| 1. Net assets per share | 1,885.04 yen |
| 2. Profit per share | 187.67 yen |
| 3. Diluted earnings per share | 175.71 yen |

Note concerning significant subsequent events

Not applicable.