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## Extraordinary General Meeting of Shareholders Reference Documents for Extraordinary General Meeting— Supplementary Volume

Content of Financial Statements, etc. for the Most Recent Business Year (ended March 2025) for  
Toho System Science Co., Ltd.

### R&D COMPUTER CO.,LTD.

\*The above matters are not stated in the document to be delivered to shareholders who have requested delivery of the document in accordance with laws and regulations and Article 14 of the Articles of Incorporation. In addition, at this Extraordinary General Meeting of Shareholders, regardless of whether or not a request for the delivery of a written document is made, a written document containing the items to be provided in electronic measures that excluded above matters will be sent to all shareholders in a uniform manner.

## **Business Report**

(April 1, 2024 - March 31, 2025)

### **I. Current Status of the Company**

#### **1. Business conditions for the fiscal year under review**

##### **(1) Business progress and results**

In the fiscal year under review, the Japanese economy continued on a moderate recovery trend, as economic activity normalized due to the effects of various policies under an improving employment and income environment. On the other hand, there are growing concerns about an economic downturn due to ongoing price increases and the impact of trade policies overseas, and the outlook remains uncertain.

According to the Service Industry Activity Survey (preliminary report for February 2025) by the Ministry of Internal Affairs and Communications, net sales in the information and communications sector (major category) and in information services (middle category), to which the Company belongs, respectively increased by 11.1% and 12.2% year on year, and both have shown steady growth. In addition, according to the Bank of Japan Tankan (March 2025 survey), planned software investment for fiscal 2025 increased by 4.3% compared with the previous fiscal year, remaining only slightly positive. However, corporate IT investment has been shifting toward transforming business processes and business systems through DX (digital transformation), and continues to show an expanding trend.

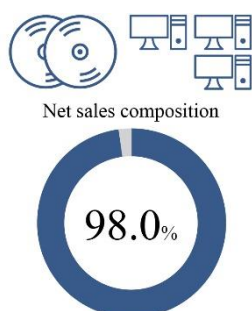
Under this environment, the Company, based on its “Long-Term Management Vision 2030” (2022–2030) and “Medium-Term Management Plan” (2022–2027), worked on the following priority measures under the slogan, “Create the future together with our customers”:

- 1) Strengthening of sales capabilities
- 2) Strengthening of development capabilities
- 3) Focusing on digital business
- 4) Business portfolio reform
- 5) Building a service business
- 6) Promotion of management conscious of cost of capital and stock price, and enhancement of corporate governance
- 7) Promotion of sustainability management
- 8) Consideration of business expansion through M&A

As a result of the above, the business results for the fiscal year under review were as follows: net sales were 17,342 million yen (up 6.5% year on year), operating profit was 1,658 million yen (up 5.3% year on year), ordinary profit was 1,627 million yen (up 2.8% year on year), and profit was 1,194 million yen (up 10.4% year on year).

Business results by type of business segment are as follows.

## Software Development



Net sales: 16,991 million yen (up 6.9% year on year)

### (a) Financial Solutions

By combining knowledge of financial operations and IT technologies, which is a strength of the Company, we have worked to support our customers in creating new businesses and optimizing IT costs. The business results in each area are as follows, and net sales in financial solutions were 12,296 million yen (up 3.4% year on year).

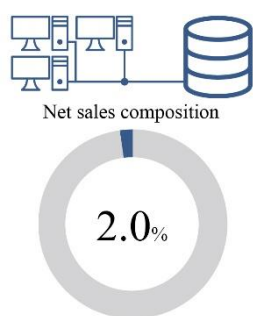
Area	Net sales (year on year)	Net sales increase/decrease factors
Banking	2,979 million yen (up 13.4%)	Promotion of DX at major banks Expansion of internet banking and next-generation RTGS projects
Securities	1,219 million yen (down 6.7%)	End of support for smartphone/internet-based securities projects
Life insurance	2,482 million yen (down 1.4%)	Suspension of a large-scale core system renewal project
Non-life insurance	4,145 million yen (down 4.0%)	End of a core system renewal project Expansion of project revision support
Other financial	1,469 million yen (up 31.4%)	Expansion of DX projects in the card/credit area Continuation of core system renewal projects for government agencies

### (b) Non-financial Solutions

To respond to strong needs for DX support, we have focused on a technology-oriented approach when receiving orders and have worked to improve operational efficiency and marketing support for corporate customers and to improve service levels for consumers. In the public sector, the move to put administrative procedures online continued. In the transportation, medical welfare, and information service sectors, we made progress in acquiring new customers and developing adjacent areas. As a result, net sales in non-financial solutions were 4,695 million yen (up 17.1% year on year).

As a result of the above, net sales in Software Development were 16,991 million yen (up 6.9% year on year).

## Information System Service, etc.



Net sales: 351 million yen (down 8.2% year on year)

Although cloud-based system operation and monitoring services for a mobile securities company continued, operation and maintenance services for life insurance and other areas decreased, and net sales in Information System Service, etc. were 351 million yen (down 8.2% year on year).

(2) Status of capital expenditures

Total capital expenditures carried out in the fiscal year under review amounted to 23,051 thousand yen, consisting mainly of 6,239 thousand yen of expenses for interior work and other items at the head office and 3,786 thousand yen of expenses for investment in internal systems.

(3) Status of fund procurement

There are no applicable matters.

(4) Status of transfer of business, absorption-type company split, or incorporation-type company split

There are no applicable matters.

(5) Status of acquisition of business of other companies

There are no applicable matters.

(6) Status of succession to rights and obligations related to the business of other corporations, etc. through absorption-type merger or absorption-type company split

There are no applicable matters.

(7) Status of acquisition or disposal of shares or other equity interests or stock acquisition rights, etc. of other companies

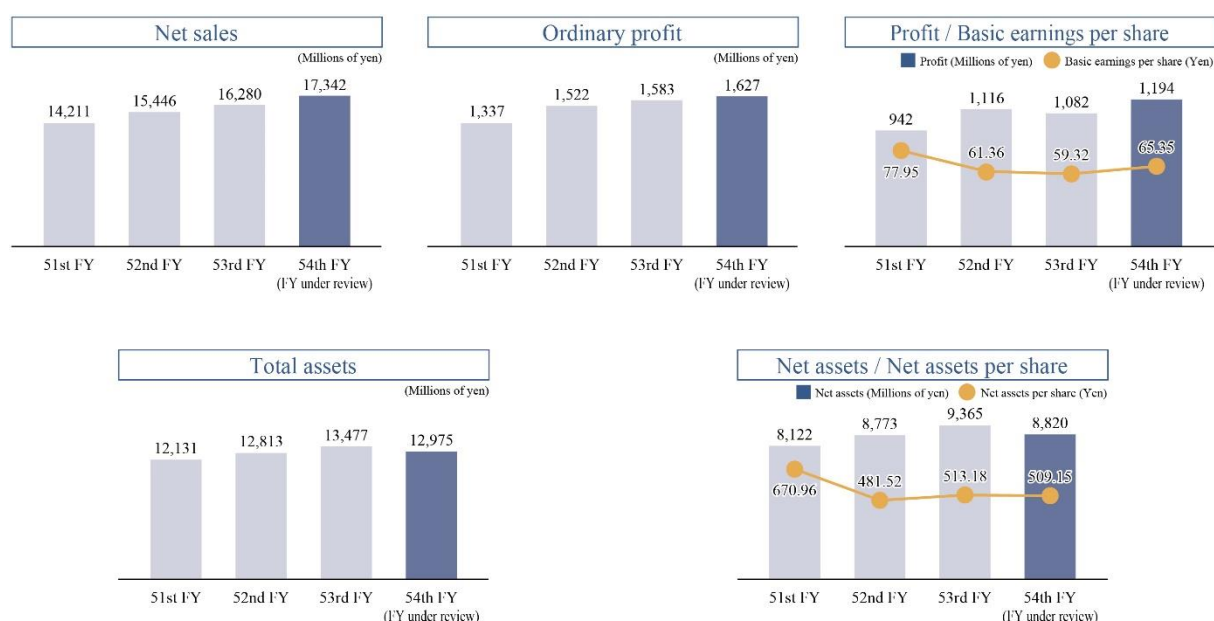
There are no applicable matters.

## 2. Status of assets and profit or loss

(Thousands of yen)

Category	51st fiscal year FYE March 31, 2022	52nd fiscal year FYE March 31, 2023	53rd fiscal year FYE March 31, 2024	54th fiscal year FYE March 31, 2025 (fiscal year under review)
Net sales	14,211,055	15,446,315	16,280,472	17,342,598
Ordinary profit	1,337,297	1,522,151	1,583,414	1,627,234
Profit	942,733	1,116,619	1,082,065	1,194,944
Basic earnings per share	77.95 yen	61.36 yen	59.32 yen	65.35 yen
Total assets	12,131,513	12,813,045	13,477,096	12,975,071
Net assets	8,122,803	8,773,699	9,365,684	8,820,852
Net assets per share	670.96 yen	481.52 yen	513.18 yen	509.15 yen

- Notes: 1. Figures presented are rounded down to the nearest thousand yen. Basic earnings per share and net assets per share are rounded to two decimal places.
2. The Company conducted a 1.5-for-1 share split of its common stock, effective September 1, 2023. Basic earnings per share and net assets per share are calculated on the assumption that this share split had been conducted at the beginning of the 52nd fiscal year.



### 3. Status of important parent company and subsidiaries

#### (1) Relationship with parent company

There are no applicable matters.

#### (2) Status of important subsidiaries

There are no applicable matters.

### 4. Issues to be addressed

#### (1) Improvement of recurring revenue in non-financial sectors

The Company has further strengthened its financial solutions, which are one of its strengths, and has actively promoted the provision of solutions in non-financial sectors where needs for DX support are strong, in order to further expand its earnings base. In the fiscal year under review, while handling large financial solutions projects, we expanded sales by promoting business transformation across a wide range of areas, including the public service sector, where we mainly promoted the online processing of administrative procedures, as well as the transportation, medical welfare, and information service sectors, where DX investment has been strong.

Going forward, in order to secure stable revenue through risk-control management, we will further strengthen our mutually beneficial strategic relationships with NS Solutions Corporation and R&D COMPUTER CO., LTD., with which we have concluded business alliance agreements. By promoting the expansion of maintenance services in non-financial sectors, we will work to reform our business portfolio and further expand our business.

#### (2) Focusing on digital business

We have received orders for projects under the following keywords: “generative AI,” which automatically generates various types of digital content; “cloud construction,” which serves as the core of DX platforms; “agile development,” which can be regarded as a standard process in DX development; and “data acquisition, storage, and analysis,” which supports data-driven management.

Going forward, in order to shift to high value-added businesses by accurately capturing highly uncertain social conditions, we will focus on development areas that provide high added value for customers, such as the utilization of data and internet service businesses, and will work to secure further sales and profit.

#### (3) Expansion of service business

In order to establish new revenue models, we have worked to move away from a man-month business model and, in addition to highly volatile labor-intensive contract development, to create service-based businesses that can be expected to secure stable revenue. Specifically, we have promoted initiatives such as operation businesses for securities services that use smartphones, the provision of disaster-prevention systems as services, the provision of solutions through integration with other companies' products, including those from overseas, and research and development that uses generative AI and the metaverse.

Going forward, in addition to these unique strategies, we will create new subscription-type business models while building mutually beneficial strategic relationships not only within the Company but also with partner companies, in order to provide business value to customers, and will work to secure further sales and profit.

(4) Expansion of end-user transactions

In order to promote high value-added business, we have strengthened the intake of system development orders from end users and support for customer operations through employee substitution. Going forward, as customers accelerate the in-house development of their systems, we will seek to further strengthen relationships with existing customers and actively promote the acquisition of new end users. To achieve this, we will use the sales management system that we have recently built to conduct strategic sales activities, and we will focus on proposal-based sales aimed at providing new business value, such as solving customer issues and creating added value, which are essential in the DX era, thereby working to improve our corporate competitiveness.

(5) Drastic improvement of software quality and productivity

In order to provide high-quality software, we have ensured thorough project monitoring by our PMO and worked to improve quality. Going forward, through continuous improvement activities, we will detect early warning signs of unprofitable projects and improve low-profit projects, and will work to improve profitability. Furthermore, by using generative AI to automate software development processes and optimize internal business processes, we will achieve a drastic improvement in productivity and work to secure further sales and profit.

(6) Promotion of management conscious of cost of capital and stock price

While making use of the assets and capabilities we have built up to date, we have actively promoted shareholder return measures, such as M&A investments aimed at strengthening alliances and tender offers for our own shares, in addition to various measures for business expansion on a standalone basis. We have also strengthened our public relations and investor relations activities by creating opportunities for dialogue through shareholder communications and financial results briefings, and by translating disclosure materials into English.

Going forward, in order to expand our business dramatically, we believe that it is essential not only to secure and develop DX talent but also to capture new business areas and technology areas. We aim to achieve 10% growth on a standalone basis and will actively promote further M&A investments, with the goal of achieving sales of 30.0 billion yen by fiscal 2027 and 50.0 billion yen by fiscal 2030. In addition, we aim to maintain our continued and stable listing on the Prime Market and to be selected as a component of the next-generation TOPIX, and by allocating capital strategically and efficiently, we will maximize growth investments and balance shareholder returns, thereby achieving long-term value creation.

(7) Drastic strengthening of human capital

With the aim of “creating a workplace and organization where all employees can work with vitality,” we have worked to improve the work environment. As a result, we obtained the highest three-star “Eruboshi” certification from the Ministry of Health, Labour and Welfare, as a company certified for promoting the active participation of women. In addition, in order to further improve employee job satisfaction and production efficiency, we recently established the Human Resources Development Division.

Going forward, while continuing to promote DE&I, we will use the human capital management system that we have now built to seamlessly connect recruitment, training, and practice, and by updating employees’ capabilities early and dramatically, we will foster a sense of growth among employees and work to achieve dramatic business growth.

(8) Strengthening of governance and promotion of environmental management

We have worked to build a highly effective management structure and improve the functions of the Board of Directors, in order to continuously and stably comply with the continued listing criteria of the Prime Market. In addition, as part of promoting environmental management, the Sustainability Committee, which promotes ESG activities aimed at creating new value and contributing to society, has set KPIs and carried out activities to achieve them, while also promoting dialogue with investors through our sustainability website. The Company has decided to promote its response to climate change by using the CDP (Carbon Disclosure Project), an international non-profit organization addressing global environmental issues, and recently obtained a “B” score, which is higher than in the previous evaluation.

Going forward, in order to realize our Long-Term Management Strategy “Vision 500” and the New Medium-Term Management Plan 2027, we will continue to strengthen governance and, as part of our response to CDP, we will consider value chain engagement activities and implement energy-saving activities to achieve carbon neutrality, thereby working to further enhance our corporate value.

5. Principal business activities (as of March 31, 2025)

Category	Description of business
Software Development	We are engaged in software development mainly for financial users such as insurance, securities, and banking, and for the communications industry.
Information System Service, etc.	We are engaged in operation management and other services for users’ computers.

6. Principal place of business (as of March 31, 2025)

Name	Location
Head Office	1-12-14 Koishikawa, Bunkyo-ku, Tokyo, Japan

7. Status of employees (as of March 31, 2025)

Number of employees	Increase/decrease from end of previous fiscal year	Average age	Average years of service
633 persons	Increase of 19 persons	36.9 years	13.0 years

Note: The number of employees is the number of personnel at work and includes contract employees (23 persons) and part-time employees (3 persons), but does not include an employee seconded to another company (1 person).

## II. Status of Shares (as of March 31, 2025)

1. Total number of shares authorized to be issued 72,000,000 shares
2. Total number of issued shares 17,324,618 shares  
(excluding 3,474,370 treasury shares)
3. Number of shareholders 10,740 persons
4. Major shareholders (Top 10)

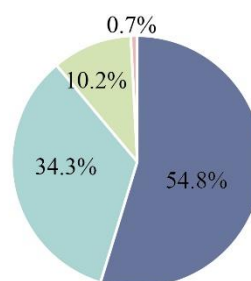
Shareholder name	Number of shares held	Shareholding ratio
	Shares	%
UH Partners 3, Inc.	1,712,200	9.9
TOHO SYSTEM SCIENCE Employee Shareholding Association	1,598,493	9.2
UH Partners 2, Inc.	1,264,500	7.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,072,400	6.2
BIPROGY Inc.	877,500	5.1
NS Solutions Corporation	584,700	3.4
Kazuhiko Watanabe	539,270	3.1
HIKARI TSUSHIN, K.K.	533,850	3.1
Seiji Shinohara	373,210	2.2
Nomura Research Institute, Ltd.	368,100	2.1

Note: The shareholding ratio is calculated by subtracting treasury shares from the total number of issued shares.

### Ref: Number of shares by shareholder type

■ Individuals and others	9,491,280 shares
■ Other domestic corporations	5,936,536 shares
■ Financial institutions and securities companies	1,775,942 shares
■ Foreign corporations, etc.	120,860 shares

\*Treasury shares (3,474,370 shares) are not included



5. Status of shares delivered to company officers as compensation for execution of duties during the fiscal year under review

The details of share-based remuneration delivered during the fiscal year are as follows.

Category	Number of shares	Number of recipients
Directors (excluding Outside Directors)	7,914 shares	3 persons

### III. Status of Stock Acquisition Rights, etc.

There are no applicable matters.

### IV. Status of Company Officers

#### 1. Status of Directors and Corporate Auditors (as of March 31, 2025)

Positions in the Company	Name	Responsibilities and significant concurrent positions
President Representative Director	Tomoyasu Kosaka	President
Director	Kazuhisa Sasanuma	Managing Executive Officer; General Manager, Sales & Development Headquarters
Director	Masayo Sunaga	Managing Executive Officer; General Manager, Corporate Planning Headquarters
Director	Kazuhiko Watanabe	
Director	Toshiya Yanase	
Director	Shinichi Nakamori	
Director	Hiroyuki Morita	Outside Director, SOHGO SECURITY SERVICES CO., LTD.
Full-time Corporate Auditor	Naoki Tanabe	
Corporate Auditor	Kei Kinoshita	Managing Executive Officer, General Manager of Digital System Division, MS&AD Systems Company, Limited
Corporate Auditor	Hiroki Hyodo	

- Notes:
1. Director Hiroyuki Morita was newly elected and assumed office at the 53rd Annual General Meeting of Shareholders held on June 21, 2024.
  2. Directors Toshiya Yanase, Shinichi Nakamori, and Hiroyuki Morita are Outside Directors.
  3. Corporate Auditors Kei Kinoshita and Hiroki Hyodo are Outside Corporate Auditors.
  4. Directors Toshiya Yanase, Shinichi Nakamori, and Hiroyuki Morita, and Corporate Auditors Kei Kinoshita and Hiroki Hyodo are independent officers as stipulated by the Tokyo Stock Exchange.
  5. Director Bunmei Shimojima retired upon the expiration of his term of office at the conclusion of the 53rd Annual General Meeting of Shareholders held on June 21, 2024.

#### 2. Outline of the contents of limited liability agreements

There are no applicable matters.

#### 3. Outline of the contents of indemnity agreements

There are no applicable matters.

#### 4. Outline of the contents of directors and officers liability insurance agreements

The Company has entered into a directors and officers liability insurance agreement with an insurance company under Article 430-3, Paragraph 1 of the Companies Act. In the event of a claim for damages submitted by a shareholder or a third party, etc., the said insurance agreement shall compensate for damages including compensation for damages and legal expenses to be borne by the insureds. However, the above insurance policy does not cover damages arising from the insured's acts committed with the knowledge that they violate laws and regulations, etc.

The insured persons under this directors and officers liability insurance agreement are the Company's Directors, Corporate Auditors, executive officers, and other persons responsible for business execution, and the Company bears the full amount of the insurance premiums for all the insured persons.

#### 5. Amount of remuneration, etc. of Directors and Corporate Auditors

##### (1) Matters related to the policy for determining the details of individual remuneration, etc. of Directors

The Company has established, by resolution of the Board of Directors, a policy for determining the details of individual remuneration, etc. of Directors (the "Policy for Determination"). The outline of the Policy for Determination is that our basic policy is to adopt a remuneration system that is linked to shareholder interests so that it functions sufficiently as an incentive for the sustainable enhancement of corporate value, and to set the remuneration of each Director at an appropriate level based on each Director's role and responsibilities. Specifically, the remuneration of full-time Directors consists of basic remuneration (monetary remuneration) and share-based remuneration (non-monetary remuneration). For part-time Directors and Outside Directors, who have a supervisory function, only basic remuneration is paid in light of their duties.

The basic remuneration of Directors is fixed monthly remuneration. The President, Representative Director comprehensively evaluates factors such as each Director's responsibilities and roles and determines the amounts. After deliberation and recommendations by the Corporate Governance Committee, which is an advisory committee to the Board of Directors, the Board of Directors resolves the amounts within the limit of remuneration approved at the General Meeting of Shareholders. For share-based remuneration, the Board of Directors resolves the number of shares to be allotted to each Director, which is calculated based on the Share-based Remuneration Rules resolved by the Board of Directors, after deliberation and recommendations by the Corporate Governance Committee.

With respect to the individual remuneration, etc. of Directors for the fiscal year under review, the Board of Directors has judged that the contents are in line with the Policy for Determination, since the President, Representative Director, to whom the Board of Directors entrusted the decision, decided such remuneration, etc. after deliberation and recommendations by the Corporate Governance Committee.

- (2) Matters related to resolutions of the general meeting of shareholders on remuneration, etc. of Directors and Corporate Auditors

The amount of monetary remuneration for Directors was resolved at the 39th Annual General Meeting of Shareholders held on June 24, 2010, to be up to 300,000 thousand yen per year (of which the portion for Outside Directors is up to 20,000 thousand yen per year). (However, this does not include salaries paid to Directors in their capacity as employees.) The number of Directors at the conclusion of such Annual General Meeting of Shareholders was six (including one Outside Director). Separately from such monetary remuneration, at the 48th Annual General Meeting of Shareholders held on June 21, 2019, it was resolved that the total amount of monetary compensation claims to be paid as compensation, etc. related to restricted stock shall be up to 40,000 thousand yen per year. The number of Directors (excluding Outside Directors) at the conclusion of such Annual General Meeting of Shareholders was three.

The amount of monetary remuneration for Corporate Auditors was resolved at the 28th Annual General Meeting of Shareholders held on June 24, 1999, to be up to 50,000 thousand yen per year. The number of Corporate Auditors at the conclusion of such Annual General Meeting of Shareholders was one.

- (3) Matters related to delegation concerning the determination of individual remuneration, etc. of Directors

With respect to basic remuneration of individual Directors, the President, Representative Director Tomoyasu Kosaka is delegated, based on a resolution of the Board of Directors, the authority to determine its specific details. The delegated authority is the authority to determine the specific amount of individual remuneration. The reason for delegating this authority is that it is considered reasonable to delegate it to the President, Representative Director, who is familiar with the overall operations of the Company.

- (4) Total amount of remuneration, etc. of Directors and Corporate Auditors

Officer category	Total amount of remuneration, etc. (Thousands of yen)	Total amount by type of remuneration, etc. (Thousands of yen)		Number of officers covered (Persons)
		Basic remuneration (monetary remuneration)	Share-based remuneration (non-monetary remuneration)	
Directors (of whom Outside Directors)	112,590 (16,800)	97,500 (16,800)	15,090 (-)	8 (4)
Corporate Auditors (of whom Outside Corporate Auditors)	20,400 (7,200)	20,400 (7,200)	-	3 (2)

- Notes: 1. The above number of recipients includes one Director who retired upon the expiration of his term of office at the conclusion of the 53rd Annual General Meeting of Shareholders held on June 21, 2024.
2. The amount of share-based remuneration (non-monetary remuneration) represents the amount of expenses recorded in the fiscal year under review under the restricted stock compensation system.

(5) Content of non-monetary remuneration, etc.

Non-monetary remuneration of Directors consists of restricted stock compensation. The Company has established Type I Restricted Stock (“Type I”) and Type II Restricted Stock (“Type II”), which have different transfer restriction periods. Through the restricted stock, Directors share the benefits and risks of stock price fluctuations with shareholders, and their motivation to contribute to stock price increases and corporate value improvement has been further enhanced.

Type I serves as a long-term incentive to promote shared value with shareholders via stock ownership and to achieve sustainable corporate value enhancement. The transfer restriction period for Type I is a period between 20 years and 30 years, as determined by the Board of Directors of the Company. Type II serves as a medium-term incentive to improve the Company’s medium-term performance and stock price as represented in the Medium-Term Management Plan. The transfer restriction period for Type II is a period between three years and five years, as determined by the Board of Directors of the Company.

6. Matters related to outside officers

(1) Status of significant concurrent positions, etc.

Outside Director Hiroyuki Morita is an Outside Director of SOHGO SECURITY SERVICES CO., LTD. There are no important transactions or other relationships between that company and the Company.

Outside Corporate Auditor Kei Kinoshita is a Managing Executive Officer of MS&AD Systems Company, Limited. There are no important transactions or other relationships between that company and the Company.

(2) Relationships with specified entities such as major business partners

There are no applicable matters.

(3) Main activities in the fiscal year under review

Status of attendance and statements at meetings of the Board of Directors and the Board of Corporate Auditors

Category	Name	Main activities
Outside Director	Toshiya Yanase	He attended 18 of 18 meetings of the Board of Directors held during the fiscal year under review and, from an objective standpoint independent from the management team responsible for business execution, asked questions and provided advice as appropriate. We expect him to use his experience as a corporate manager to provide advice on the Company's management and appropriate supervision of business execution. In the fiscal year under review, at meetings of the Board of Directors, he provided advice on management policies and management strategies based on his own knowledge and experience.
Outside Director	Shinichi Nakamori	He attended 18 of 18 meetings of the Board of Directors held during the fiscal year under review and, from an objective standpoint independent from the management team responsible for business execution, asked questions and provided advice as appropriate. We expect him to use his experience as a corporate manager to provide advice on the Company's management and appropriate supervision of business execution. In the fiscal year under review, at meetings of the Board of Directors, he provided advice on management policies and management strategies based on his own knowledge and experience.
Outside Director	Hiroyuki Morita	He attended 14 of 14 meetings of the Board of Directors held after he assumed office and, from an objective standpoint independent from the management team responsible for business execution, asked questions and provided advice as appropriate. We expect him to use his experience as a corporate manager to provide advice on the Company's management and appropriate supervision of business execution. In the fiscal year under review, at meetings of the Board of Directors, he provided advice on management policies and management strategies based on his own knowledge and experience.
Outside Corporate Auditor	Kei Kinoshita	He attended 17 of 18 meetings of the Board of Directors held during the fiscal year under review and, in order to ensure the appropriateness of the decision-making of the Board of Directors, asked questions and provided advice as appropriate. He also attended 18 of 19 meetings of the Board of Corporate Auditors held during the fiscal year under review, where he exchanged opinions on audit results and discussed important matters related to audits.
Outside Corporate Auditor	Hiroki Hyodo	He attended 18 of 18 meetings of the Board of Directors held during the fiscal year under review and, in order to ensure the appropriateness of the decision-making of the Board of Directors, asked questions and provided advice as appropriate. He also attended 19 of 19 meetings of the Board of Corporate Auditors held during the fiscal year under review, where he exchanged opinions on audit results and discussed important matters related to audits.

## V. Status of Accounting Auditor

### 1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### 2. Amount of remuneration, etc. of the Accounting Auditor for the fiscal year under review

Amount of remuneration, etc. as Accounting Auditor for the fiscal year under review 25,000 thousand yen

Total amount of cash and other property benefits payable by the Company to the Accounting Auditor 25,000 thousand yen

Notes: 1. The amount of remuneration, etc. of the Accounting Auditor for the fiscal year under review includes remuneration, etc. for audits under the Financial Instruments and Exchange Act.

2. The Board of Corporate Auditors, based on the “Practical Guidelines for Cooperation with Accounting Auditors” published by the Japan Audit & Supervisory Board Members Association, confirmed the actual audit hours by audit item and the changes in remuneration amounts under past audit plans, as well as the status of the Accounting Auditor’s performance of duties. After examining the appropriateness of the audit plan and remuneration for the fiscal year under review, the Board of Corporate Auditors gave its consent to the remuneration, etc. of the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

### 3. Policy on decisions on dismissal or non-reappointment of Accounting Auditor

- (1) If the Board of Corporate Auditors judges that it is necessary, for example when there is an impediment to the execution of duties by the Accounting Auditor, it will decide the content of proposals to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the Accounting Auditor.
- (2) If the Board of Corporate Auditors finds that the Accounting Auditor falls under any item of Article 340, Paragraph 1 of the Companies Act, it will dismiss the Accounting Auditor with the unanimous consent of the Corporate Auditors. In this case, a Corporate Auditor selected by the Board of Corporate Auditors will report the fact of the dismissal and the reasons for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

## **VI. Company Systems and Policies**

### **1. Systems for ensuring the appropriateness of operations**

The Company has established the systems necessary to ensure the appropriateness of the Company's operations and financial reporting, based on the Companies Act and the Regulations for Enforcement of the Companies Act, as follows.

- (1) Systems to ensure that the execution of duties by Directors and employees conforms to laws, regulations, and the Articles of Incorporation

The Company (TSS) has established the "TSS Corporate Code of Conduct," which consists of the "TSS Basic Philosophy" and the "TSS Principles of Corporate Conduct," as a code for Directors and employees to act in compliance with laws, regulations, the Articles of Incorporation, and corporate ethics.

The Company has also established the "Reporting and Consultation Rules," and has established and operates the "TSS Helpline" as an internal reporting system and the "Partner Hotline" as an external reporting system.

- (2) Systems for retention and management of information related to the execution of duties by Directors

The Company has established the "Document Retention Rules," and retains and manages information related to the execution of duties by Directors in the form of documents.

The retention period for documents is specified for each responsible department in a "Document Retention List." Important documents are retained and managed for long periods, with minutes of General Meetings of Shareholders, minutes of meetings of the Board of Directors, and approval documents retained permanently, and documents related to General Meetings of Shareholders retained for ten years.

- (3) Rules and other systems for managing risk of loss

The Company has established the "Risk Management Rules" and identifies business risks and controls risks in an integrated manner. The Company has also established the Internal Control Committee, which conducts internal control at the company-wide level in areas such as compliance, internal control systems related to financial reporting, and risk management.

The Company has established specialized committees to deal with individual risks related to quality, information security, protection of personal information, and other matters, and these committees identify and respond to risks.

- (4) Systems to ensure that the execution of duties by Directors is carried out efficiently

As the basis for the systems to ensure that the execution of duties by Directors is carried out efficiently, the Board of Directors holds regular meetings once a month.

In addition, from the viewpoint of separating management and execution and clarifying responsibilities and authority, the Company has introduced an executive officer system. Under this system, Directors are the persons who make the highest-level management decisions, and executive officers are the persons who are responsible for the execution of operations in each business division.

- (5) Matters related to employees who assist Corporate Auditors, and matters related to the independence of employees who assist Corporate Auditors from Directors

If the Corporate Auditors request that employees be assigned to assist them in their duties, the Board of Directors, after consultation with the Corporate Auditors, will designate employees from the Finance and Accounting Department or the General Affairs Department as employees who assist the Corporate Auditors.

During the period specified by the Corporate Auditors as the period in which assistance is required, the authority to direct the designated employees is deemed to be delegated to the Corporate Auditors, and such employees do not receive instructions or orders from Directors.

- (6) Systems for reporting by Directors and employees to Corporate Auditors, and other systems to ensure the effectiveness of audits by Corporate Auditors

Directors and employees report to the Corporate Auditors, as appropriate, on important matters that affect the Company's operations or business performance.

The Corporate Auditors may, at any time and as necessary, request reports from Directors and employees.

To understand important decision-making processes and the status of execution of operations, the Corporate Auditors attend meetings of the Board of Directors and other important meetings, inspect important documents related to the execution of operations, such as approval documents, and request explanations from Directors and employees.

In addition, based on the independence and authority provided in the "Rules of the Board of Corporate Auditors" and the "Standards for Audits by Corporate Auditors," the Company ensures the effectiveness of audits. The Corporate Auditors hold regular meetings with the Representative Director and seek to accomplish their audit duties while maintaining close coordination with the internal audit division and the Accounting Auditor.

- (7) Systems to ensure that persons who report to Corporate Auditors do not receive disadvantageous treatment on the grounds of such reporting

The Company does not give any disadvantageous treatment to persons who report to the Corporate Auditors on the grounds that they have made such reports.

In addition, for persons who have made reports, the Company pays the greatest possible attention to the protection of the reporting person and to confidentiality, in accordance with reporting and consultation rules.

- (8) Matters related to the policy on processing expenses or liabilities arising in connection with the execution of duties by Corporate Auditors

When a Corporate Auditor requests the Company to make an advance payment of expenses or other payments that arise in connection with the execution of his or her duties, the Company promptly processes the relevant expenses or liabilities, unless they are recognized as unnecessary for the execution of the duties of the Corporate Auditor.

In addition, the Company prepares a budget every year for ordinary expenses that arise in connection with the execution of duties by Corporate Auditors.

(9) Systems to ensure the reliability and appropriateness of financial reporting

The Company has established the Accounting Rules and other rules, and has built the necessary internal control environment in accordance with applicable laws and regulations, including the Financial Instruments and Exchange Act, and with accounting standards.

In addition, the Company manages the risk that fraud or error may occur in financial reporting and, by making prevention and checking functions work effectively, seeks to prepare accurate financial statements and to ensure the reliability and appropriateness of financial reporting.

(10) Basic approach and systems for eliminating anti-social forces

The Company takes a firm stand against anti-social forces and has no relationships with them at all. If unjust demands or other interventions occur, the relevant departments respond in a coordinated and organized manner, in close cooperation with the police and other external specialist organizations, and the Company never provides any benefits.

2. Overview of the operation of systems for ensuring the appropriateness of operations

The overview of the operation of the above systems for ensuring the appropriateness of operations in the fiscal year under review is as follows.

(1) Initiatives related to compliance

- 1) From the viewpoint of further enhancing the effectiveness of the compliance framework, which is an important pillar of the internal control system, the Company has established the Compliance Committee, which held 12 meetings during the fiscal year under review. At this committee, we formulated the “Action Promotion Policy and Implementation Plan” and worked on the following four compliance items as priority measures: (i) education to improve compliance awareness, (ii) operation of mechanisms that enable audit functions to be exercised, (iii) improving the effectiveness of compliance and risk management, and (iv) use of reporting and consultation systems. Major initiatives included company-wide training to raise employee awareness, making employees aware of risks of compliance violations, checking to prevent fraud, clarifying risk response processes, using internal and external reporting and consultation systems, and conducting questionnaire surveys of partner companies.
- 2) The Internal Control Committee, chaired by the President, Representative Director, held five meetings during the fiscal year under review. At this committee, reports were made on (i) the status of reporting and compliance with laws and regulations, (ii) the labor situation, (iii) the status of promotion by the Compliance Committee, (iv) the status of operation of internal control systems related to financial reporting, (v) the results of company-wide risk assessments under the Risk Management Rules, and (vi) evaluations of the IT environment (once per year) under the Information System Management Rules.

(2) Risk management

Based on the “Risk Management Rules,” the Company identified business risks that could occur at the Company using a “Business Risk Checklist,” and assessed and responded to risks. In the fiscal year under review, the “Business Risk Evaluation Review Meeting” was held four times, and the relevant departments confirmed and evaluated policies for responding to risks and the status of such responses, and reported the results to the Internal Control Committee. In addition, to address individual risks, four meetings of the Quality Control Committee and four meetings of the Security Committee (information security and protection of personal information) were held during the same fiscal year.

(3) Execution of duties by Directors

In the fiscal year under review, the Board of Directors held 18 meetings in total, consisting of 11 regular meetings and seven extraordinary meetings. At meetings of the Board of Directors, the Directors deliberated and resolved important management matters as stipulated by laws, regulations, the Articles of Incorporation, and the Rules of the Board of Directors, and supervised the execution of duties by Directors.

(4) Execution of duties by Corporate Auditors

- 1) In the fiscal year under review, the Board of Corporate Auditors held 19 meetings in total, consisting of 12 regular meetings and seven extraordinary meetings. At meetings of the Board of Corporate Auditors, the Corporate Auditors discussed and decided audit policies and audit plans, and audited the status of execution of duties by Directors and the status of compliance with laws, regulations, the Articles of Incorporation, and other rules.
- 2) The Corporate Auditors met with the Accounting Auditor at the end of each quarter, received reports on audit results, and exchanged opinions on important matters related to internal control and management.
- 3) The Corporate Auditors attended meetings of the Board of Directors and other meetings, and regularly exchanged opinions with the Representative Director, Directors, and executive officers.
- 4) The Corporate Auditors received periodic reports on the results of internal audits from the internal audit division, and conducted audits while coordinating with that division.

(5) Status of implementation of internal audits

The internal audit division conducted audits covering all operations based on the internal audit plan, and reported the results to the President, Representative Director.

## **Non-consolidated Balance Sheet**

(As of March 31, 2025)

(Thousands of yen)

Account	Amount	Account	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>11,420,690</b>	<b>Current liabilities</b>	<b>2,021,500</b>
Cash and deposits	9,166,329	Accounts payable - trade	852,650
Trade receivables and contract asset	2,183,756	Accounts payable - other	113,661
Work in process	1,242	Accrued expenses	148,748
Prepaid expenses	64,096	Income taxes payable	307,380
Other	11,845	Accrued consumption taxes	179,157
Allowance for doubtful accounts	(6,580)	Provision for bonuses	381,043
<b>Non-current assets</b>	<b>1,554,381</b>	Other	38,858
<b>Property, plant and equipment</b>	<b>86,231</b>	<b>Non-current liabilities</b>	<b>2,132,718</b>
Buildings	68,267	Provision for retirement benefits	2,110,716
Tools, furniture and fixtures	17,964	Other	22,001
<b>Intangible assets</b>	<b>25,344</b>	<b>Total liabilities</b>	<b>4,154,218</b>
Software	21,093	<b>Net assets</b>	
Telephone subscription right	94	<b>Shareholders' equity</b>	<b>8,474,297</b>
Other	4,156	<b>Share capital</b>	<b>526,584</b>
<b>Investments and other assets</b>	<b>1,442,804</b>	<b>Capital surplus</b>	<b>737,116</b>
Investment securities	580,984	Legal capital surplus	531,902
Long-term prepaid expenses	676	Other capital surplus	205,214
Deferred tax assets	742,125	<b>Retained earnings</b>	<b>8,976,471</b>
Leasehold deposits	104,022	Legal retained earnings	10,500
Other	20,671	Other retained earnings	8,965,971
Allowance for doubtful accounts	(5,675)	Retained earnings brought forward	8,965,971
		<b>Treasury shares</b>	<b>(1,765,874)</b>
		<b>Valuation and translation adjustments</b>	<b>346,554</b>
		Valuation difference on available-for-sale securities	346,554
		<b>Total net assets</b>	<b>8,820,852</b>
<b>Total assets</b>	<b>12,975,071</b>	<b>Total liabilities and net assets</b>	<b>12,975,071</b>

(Figures presented are rounded down to the nearest thousand yen.)

## Non-consolidated Statement of Income

(April 1, 2024 - March 31, 2025)

(Thousands of yen)

Account	Amount	
<b>Net sales</b>		<b>17,342,598</b>
<b>Cost of sales</b>		<b>14,271,514</b>
<b>Gross profit</b>		<b>3,071,084</b>
<b>Selling, general and administrative expenses</b>		<b>1,412,385</b>
<b>Operating profit</b>		<b>1,658,698</b>
<b>Non-operating income</b>		
Interest and dividend income	6,967	
Insurance claim income	3,000	
Commission for insurance office work	684	
Gain on forfeiture of unclaimed dividends	866	
Other	320	11,839
<b>Non-operating expenses</b>		
Loss on retirement of non-current assets	22	
Commission for purchase of treasury shares	43,268	
Other	12	43,302
<b>Ordinary profit</b>		<b>1,627,234</b>
<b>Profit before income taxes</b>		<b>1,627,234</b>
Income taxes-current	493,015	
Income taxes-deferred	(60,724)	432,290
<b>Profit</b>		<b>1,194,944</b>

(Figures presented are rounded down to the nearest thousand yen.)

## Non-consolidated Statement of Changes in Equity

(April 1, 2024 - March 31, 2025)

(Thousands of yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings
						Retained earnings brought forward
Balance at beginning of period	526,584	531,902	88,524	620,426	10,500	8,502,549
Changes during period						
Dividends of surplus						(731,522)
Profit						1,194,944
Purchase of treasury shares						
Disposal of treasury shares			116,690	116,690		
Net changes in items other than shareholders' equity						
Total changes during period	–	–	116,690	116,690	–	463,422
Balance at end of period	526,584	531,902	205,214	737,116	10,500	8,965,971

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	8,513,049	(596,184)	9,063,874	301,809	301,809	9,365,684
Changes during period						
Dividends of surplus	(731,522)		(731,522)			(731,522)
Profit	1,194,944		1,194,944			1,194,944
Purchase of treasury shares		(1,187,873)	(1,187,873)			(1,187,873)
Disposal of treasury shares		18,184	134,874			134,874
Net changes in items other than shareholders' equity				44,745	44,745	44,745
Total changes during period	463,422	(1,169,689)	(589,576)	44,745	44,745	(544,831)
Balance at end of period	8,976,471	(1,765,874)	8,474,297	346,554	346,554	8,820,852

(Figures presented are rounded down to the nearest thousand yen.)

## **Notes to the Non-consolidated Financial Statements**

### **I. Matters Related to Significant Accounting Policies**

#### **1. Basis and method of valuation of securities**

##### **Available-for-sale securities**

Securities other than shares, etc. without market value

The fair value method is applied. (Valuation differences are processed by the method of directly including the entire amount in net assets, and the cost of securities sold is calculated by the moving-average method.)

Shares, etc. without market value

The cost method based on the moving-average method is applied.

#### **2. Basis and method of valuation of inventories**

##### **Work in process**

The cost method based on the specific identification method is applied. (For the carrying amount on the balance sheet, the method of writing down book value due to decreased profitability is applied.)

#### **3. Depreciation methods for non-current assets**

##### **(1) Property, plant and equipment**

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

The main useful lives are as follows.

Buildings: 8 to 18 years

Tools, furniture and fixtures: 2 to 15 years

##### **(2) Intangible assets**

The straight-line method is applied.

Software for internal use is amortized by the straight-line method over its useful life within the Company (five years).

#### **4. Basis for recording provisions**

##### **(1) Allowance for doubtful accounts**

To provide for losses due to bad debts of receivables, the Company records the estimated uncollectible amount for general receivables by applying a provision rate determined in consideration of past bad-debt experience and other factors, and for doubtful receivables and distressed receivables, the Company examines collectibility on an individual basis and records the estimated uncollectible amounts.

(2) Provision for bonuses

To provide for bonus payments to employees, the Company records the amount of estimated bonuses that is attributable to the fiscal year under review.

(3) Provision for loss on orders received

To provide for future losses related to contracts for orders received, the Company records, for those contracts for which a loss is expected as of the end of the fiscal year under review and for which the amount of loss can be reasonably estimated, the amount of losses expected to occur in or after the following fiscal year.

(4) Provision for retirement benefits

To provide for retirement benefits to employees, the Company records an amount based on the estimated retirement benefit obligations as of the end of the fiscal year under review.

1) Method of attributing the expected retirement benefit amount to periods of service

In calculating retirement benefit obligations, the benefit formula standard is used as the method of attributing the expected retirement benefit amounts to periods of service.

2) Method of accounting for actuarial differences and past service costs

Past service costs are accounted for as expenses by the straight-line method over a fixed number of years (five years) that is within the average remaining service period of employees at the time of occurrence.

Actuarial differences are accounted for as expenses by the straight-line method over a fixed number of years (ten years) that is within the average remaining service period of employees at the time of occurrence, starting from the fiscal year following the year in which they arise.

5. Basis for recording revenue and expenses

The main performance obligations in the Company's principal businesses that generate revenue from contracts with customers, and the usual timing at which these performance obligations are satisfied (the usual timing for recognizing revenue), are as follows.

For software development, the performance obligation is to deliver the deliverables specified in the contracts with customers to those customers. When control of the deliverables specified in the contracts with customers is transferred to the customers over a certain period of time, the Company applies a method of recognizing revenue over a certain period of time as it satisfies its performance obligations to transfer the deliverables to the customers. The progress in satisfying the performance obligations is measured based on the ratio of cost of sales incurred up to the end of each reporting period to the total estimated cost of sales.

When the period from the transaction commencement date under the contract to the time when the performance obligation is expected to be fully satisfied is very short, the Company applies an alternative treatment and does not recognize revenue over a period of time, but recognizes revenue at the time when the performance obligation is fully satisfied.

## II. Notes to the Non-consolidated Balance Sheet

- Amounts of receivables and contract assets arising from contracts with customers included in trade receivables and contract asset

Trade receivables	2,183,075 thousand yen
Contract asset	680 thousand yen

- Accumulated depreciation directly deducted from assets

Accumulated depreciation of property, plant and equipment	167,022 thousand yen
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## III. Notes to the Non-consolidated Statement of Changes in Equity

- Matters related to the classes and total number of issued shares, and the classes and number of treasury shares

Class of shares	Number of shares at beginning of the fiscal year under review (Shares)	Number of shares increased during the fiscal year under review (Shares)	Number of shares decreased during the fiscal year under review (Shares)	Number of shares at end of the fiscal year under review (Shares)
Issued shares				
Common shares	20,798,988	—	—	20,798,988
Total	20,798,988	—	—	20,798,988
Treasury shares				
Common shares	2,548,608	1,003,450	77,688	3,474,370
Total	2,548,608	1,003,450	77,688	3,474,370

(Summary of reasons for changes)

Treasury shares

Increase due to tender offer	1,000,000 shares
Increase due to purchase of shares constituting less than one unit	3,450 shares
Disposal of treasury shares as restricted stock compensation	77,688 shares

- Matters related to dividends

### (1) Dividends paid

Resolution	Class of shares	Total dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2024	Common shares	365,007	20.00	March 31, 2024	June 24, 2024
Meeting of the Board of Directors held on October 31, 2024	Common shares	366,514	20.00	September 30, 2024	December 6, 2024

- Dividends for which the record date falls in the fiscal year under review and the effective date of dividends falls in the following fiscal year

A proposal for such dividends is scheduled to be submitted as an agenda item at the 54th Annual General Meeting of Shareholders to be held on June 25, 2025.

Planned resolution	Class of shares	Source of dividends	Total dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders to be held on June 25, 2025	Common shares	Retained earnings	433,115	25.00	March 31, 2025	June 26, 2025

#### IV. Notes Related to Retirement Benefits

##### 1. Overview of retirement benefit plans adopted

The Company has adopted a lump-sum retirement benefit plan based on its retirement benefit rules to provide retirement benefits to employees. The Company also uses a point system and does not incorporate an expected rate of salary increase in the basis for calculation.

##### 2. Defined benefit plans

###### (1) Reconciliation of beginning and ending balances of retirement benefit obligations

Beginning balance of retirement benefit obligations	2,014,970 thousand yen
Service cost	139,839 thousand yen
Interest cost	20,149 thousand yen
Actuarial differences incurred	21,752 thousand yen
Retirement benefits paid	(84,077) thousand yen
Ending balance of retirement benefit obligations	2,112,634 thousand yen

###### (2) Reconciliation of ending balance of retirement benefit obligations and provision for retirement benefits recorded on the balance sheet

Retirement benefit obligations under the lump-sum retirement benefit plan	2,112,634 thousand yen
Unrecognized actuarial differences	(1,918) thousand yen
Net amount of liabilities and assets recorded on the balance sheet	2,110,716 thousand yen
Provision for retirement benefits	2,110,716 thousand yen
Net amount of liabilities and assets recorded on the balance sheet	2,110,716 thousand yen

###### (3) Retirement benefit expenses and amounts of other components

Service cost	139,839 thousand yen
Interest cost	20,149 thousand yen
Amount of actuarial differences recognized as expenses	3,541 thousand yen
Retirement benefit expenses related to defined benefit plans	163,530 thousand yen

###### (4) Matters related to actuarial assumptions used as the basis for calculation

Discount rate	1.0%
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## V. Notes Related to Tax-effect Accounting

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

Deferred tax assets	
Provision for retirement benefits	663,687 thousand yen
Provision for bonuses	116,599 thousand yen
Accrued legal welfare expenses	17,891 thousand yen
Depreciation	766 thousand yen
Accrued enterprise tax	24,292 thousand yen
Golf club membership	13,003 thousand yen
Share-based payment expenses	33,873 thousand yen
Long-term accounts payable - other	6,930 thousand yen
Other	40,479 thousand yen
Subtotal of deferred tax assets	917,524 thousand yen
Valuation allowance	(16,034) thousand yen
Total deferred tax assets	901,490 thousand yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(159,364) thousand yen
Total deferred tax liabilities	(159,364) thousand yen
Net deferred tax assets	742,125 thousand yen

2. Breakdown of principal factors causing the difference between the statutory effective tax rate and the burden rate of income taxes after applying tax-effect accounting

Statutory effective tax rate	30.6%
(Adjustments)	
Items such as entertainment expenses that are permanently non-deductible for tax purposes	1.0%
Special tax credits	(4.0)%
Adjustment of year-end deferred tax assets due to change in tax rate	(1.2)%
Other	0.2%
Burden rate of income taxes after applying tax-effect accounting	26.6%

3. Adjustment of amounts of deferred tax assets and deferred tax liabilities due to change in rates of income taxes

The “Act Partially Amending the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted by the Diet on March 31, 2025, and as a result, the “Special Defense Corporation Tax” will be imposed for fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences, etc. that are expected to be reversed in fiscal years beginning on or after April 1, 2026 have been calculated using a statutory effective tax rate changed from 30.6% to 31.5%.

As a result of this change, net deferred tax assets (after deducting the amount of deferred tax liabilities) increased by 14,848 thousand yen, income taxes - deferred recorded for the fiscal year under review increased by 19,402 thousand yen, and valuation difference on available-for-sale securities decreased by 4,553 thousand yen.

## VI. Notes Related to Financial Instruments

### 1. Matters related to the status of financial instruments

The Company limits fund management to deposits, etc., and covers fund procurement needs with its own funds. The Company does not engage in derivative transactions.

Trade receivables, which are operating receivables, are exposed to the credit risk of customers. For this risk, the Company manages due dates and balances for each counterparty.

Investment securities consist mainly of shares of companies with which the Company has business relationships, and for listed shares, the Company determines their fair value on a quarterly basis.

Accounts payable - trade, which are operating payables, mostly have payment due dates within one month.

### 2. Matters related to fair values, etc. of financial instruments

The carrying amounts on the balance sheet, fair values, and the differences between them as of March 31, 2025 are as follows. Shares, etc. without market value are not included in the following table. In addition, notes on cash are omitted, and notes on deposits, trade receivables, and accounts payable - trade are also omitted because they are settled in a short period of time and their fair values approximate their carrying amounts.

(Thousands of yen)

	Carrying amount on the balance sheet	Fair value	Difference
Investment securities			
Available-for-sale securities	579,304	579,304	—
Total assets	579,304	579,304	—

Note: Shares, etc. without market value

(Thousands of yen)

Category	Carrying amount on the balance sheet
Unlisted shares	1,680

These are not included in “Available-for-sale securities.”

3. Matters related to breakdown of fair values of financial instruments by appropriate category, etc.

The fair values of financial instruments are classified into the following three levels, depending on the observability and significance of the inputs used to measure fair value.

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

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

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

When multiple inputs that have a significant effect on the measurement of fair value are used, fair value is classified into the level with the lowest priority in the fair value measurement among the levels to which those inputs belong.

Financial assets and financial liabilities whose carrying amounts on the balance sheet are based on fair value

(Thousands of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	579,304	—	—	579,304
Total assets	579,304	—	—	579,304

Note: Description of valuation techniques and inputs used to measure fair values

Investment securities

Listed shares are measured using quoted market prices. Since listed shares are traded in an active market, their fair values are classified as Level 1 fair values.

## VII. Notes Related to Revenue Recognition

### 1. Disaggregated information on revenue arising from contracts with customers

(Thousands of yen)

	Reportable segment	Information System Service, etc.	Total
	Software Development		
Financial solutions	12,296,381	351,147	12,647,528
Non-financial solutions	4,695,069	—	4,695,069
Revenue from contracts with customers	16,991,451	351,147	17,342,598
Other revenue	—	—	—
Net sales to external customers	16,991,451	351,147	17,342,598

### 2. Information forming the basis for understanding revenue

In the Software Development business, the Company mainly develops software with customer-specific specifications, and its performance obligation is to deliver the deliverables specified in the contracts with customers to those customers. When control of the deliverables specified in the contracts with customers is transferred to the customers over a certain period of time, the Company applies a method of recognizing revenue over a certain period of time as it satisfies its performance obligation to transfer the deliverables to the customers.

This is because the software that the Company develops has customer-specific specifications, and therefore creates assets that cannot be used for other purposes, and because the Company has an enforceable right to receive consideration for the completed portion. In addition, because there is a direct relationship between the transfer of deliverables to the customer and the labor hours (that is, the costs) that the Company invests, the progress in satisfying the performance obligation is measured based on the ratio of cost of sales incurred up to the end of each reporting period to the total estimated cost of sales.

When the period from the transaction commencement date under the contract to the time when the performance obligation is expected to be fully satisfied is very short, the Company applies an alternative treatment and does not recognize revenue over a period of time, but recognizes revenue at the time when the performance obligation is fully satisfied.

Consideration for transactions related to software development is generally received within three months after the deliverables are accepted by the customer. Therefore, the Company does not adjust receivables under contracts with customers for significant financing components.

The Company presents “Financial solutions” and “Non-financial solutions” as disaggregated information, but the method of recognizing revenue is the same for both.

3. Information for understanding the amounts of revenue in the fiscal year under review and in and after the following fiscal year

(1) Balances of contract assets and contract liabilities, etc.

(Thousands of yen)

	Fiscal year under review
	Balance at end of period
Receivables arising from contracts with customers	2,183,075
Contract assets	680
Contract liabilities	—

(2) Transaction price allocated to remaining performance obligations

The total amount of the transaction price allocated to remaining performance obligations and the periods in which revenue is expected to be recognized are as follows.

(Thousands of yen)

	Fiscal year under review
Within one year	2,719
More than one year and within two years	—
More than two years and within three years	—
More than three years	—
Total	2,719

## VIII. Notes Related to Per Share Information

1. Net assets per share 509.15 yen
2. Profit per share 65.35 yen

## IX. Notes Related to Significant Subsequent Events

There are no applicable matters.

## Audit Report of the Accounting Auditor

### Independent Auditor's Report

May 20, 2025

To the Board of Directors

TOHO SYSTEM SCIENCE CO., LTD.

Ernst & Young ShinNihon LLC

Tokyo Office

Designated Limited  
Liability and  
Engagement Partner

Certified Public  
Accountant

Seiji Kuzunuki

Designated Limited  
Liability and  
Engagement Partner

Certified Public  
Accountant

Kaori Onuma

#### Opinion

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, the financial statements of TOHO SYSTEM SCIENCE CO., LTD. ("the Company") for the 54th fiscal year from April 1, 2024 to March 31, 2025, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements, as well as the supplementary schedules thereto (collectively, the "Financial Statements, etc.>").

In our opinion, the Financial Statements, etc. present fairly, in all material respects, the financial position and the results of operations for the period covered by the Financial Statements, etc. in conformity with accounting principles generally accepted in Japan.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are described in the section "Responsibilities of the Auditor for the Audit of the Financial Statements, etc." We are independent of the Company in accordance with the rules on professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The Other Information consists of the business report and the supplementary schedules thereto. Management is responsible for preparing and disclosing the Other Information. The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the Directors' execution of their duties with respect to the development and operation of the process for reporting the Other Information.

The Other Information is not included within the scope of our audit opinion on the Financial Statements, etc., and we do not express an opinion on the Other Information.

In connection with our audit of the Financial Statements, etc., our responsibility is to read the Other Information and, in doing so, to consider whether there is a material inconsistency between the Other Information and the Financial Statements, etc. or the knowledge we obtained in the course of our audit, and also to pay attention to whether there are indications that the Other Information may contain a material misstatement other than such material inconsistency.

If, based on the work performed, we conclude that the Other Information contains a material misstatement, we are required to report that fact.

We have nothing to report with respect to the Other Information.

Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Financial Statements, etc.

Management is responsible for preparing and fairly presenting the Financial Statements, etc. in accordance with accounting principles generally accepted in Japan. This responsibility includes developing and operating internal controls that management determines are necessary to enable the preparation and fair presentation of

Financial Statements, etc. that are free from material misstatement, whether due to fraud or error. In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. on a going concern basis, and, when disclosure of matters related to going concern is required by accounting principles generally accepted in Japan, disclosing those matters. The responsibility of the Corporate Auditors and the Board of Corporate Auditors is to monitor the Directors' execution of their duties with respect to the development and operation of the financial reporting process.

Responsibilities of the Auditor for the Audit of the Financial Statements, etc.

The auditor's responsibility is, based on the audit that the auditor has performed, to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Financial Statements, etc. from an independent standpoint in the auditor's report. Misstatements can arise from fraud or error and are considered material if it is reasonably expected that they would, individually or in the aggregate, influence the decisions of users of the Financial Statements, etc.

In conducting an audit in accordance with auditing standards generally accepted in Japan, the auditor exercises professional judgment and maintains professional skepticism throughout the audit, and performs the following:

- Identifies and assesses the risks of material misstatement of the Financial Statements, etc., whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains sufficient appropriate audit evidence that provides a basis for the auditor's opinion. The selection and application of audit procedures are a matter of the auditor's judgment.
- Although the purpose of an audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of internal controls, the auditor, in performing risk assessment, considers internal controls relevant to the audit in order to design audit procedures that are appropriate for the circumstances.
- Evaluates the appropriateness of the accounting policies adopted by management and the method of their application, and evaluates the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Concludes on whether management's use of the going concern basis in preparing the Financial Statements, etc. is appropriate, and, based on the audit evidence obtained, concludes on whether there is any material uncertainty related to events or conditions that may create significant doubt about the Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the notes to the Financial Statements, etc. that describe the material uncertainty related to the going concern basis. If the notes to the Financial Statements, etc. concerning the material uncertainty are not adequate, the auditor is required to express a qualified opinion on the Financial Statements, etc. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report; however, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluates whether the presentation of the Financial Statements, etc. and the notes complies with accounting principles generally accepted in Japan, and also evaluates whether the presentation, structure, and content of the Financial Statements, etc., including the related notes, properly present the underlying transactions and accounting events.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors on the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal controls identified in the course of the audit, and any other matters required to be reported under the auditing standards. The auditor also reports to the Corporate Auditors and the Board of Corporate Auditors that the auditor has complied with the rules on professional ethics regarding independence in Japan, and reports any matters that are reasonably considered to affect the auditor's independence, as well as, where applicable, measures taken to eliminate threats to independence or safeguards applied to reduce such threats to an acceptable level.

Relationships Involving Interests

There are no relationships involving interests between the Company and our firm or the engagement partners that are required to be described under the Certified Public Accountants Act.

## Audit Report of the Board of Corporate Auditors

### Audit Report

In regard to the Directors' execution of their duties for the 54th fiscal year from April 1, 2024 to March 31, 2025, the Board of Corporate Auditors has prepared this Audit Report after deliberations based on the audit reports prepared by each Corporate Auditor and reports as follows.

1. Method and Contents of Audits by Corporate Auditors and the Board of Corporate Auditors
  - (1) The Board of Corporate Auditors determined the audit policies and division of duties, etc. and received reports from each Corporate Auditor regarding the implementation status and results of their audits, in addition to which it received reports from the Directors, etc. and the Accounting Auditor regarding the status of the execution of their duties and requested explanations as necessary.
  - (2) In compliance with the standards for audits by Corporate Auditors established by the Board of Corporate Auditors and in accordance with the audit policies and division of duties, etc., each Corporate Auditor communicated with the Directors, including Outside Directors, executive officers, the internal audit division, and other employees, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
    - (i) The Corporate Auditors attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees, etc. regarding the status of the execution of their duties, requested explanations as necessary, viewed important decision-making documents and contracts, etc., and inspected the status of operations and assets at the head office. Additionally, the Corporate Auditors regularly exchanged opinions with the Representative Director, Directors, and executive officers.
    - (ii) In regard to the content of resolutions of the Board of Directors regarding the development of systems to ensure that the Directors' execution of their duties complies with laws, regulations, and the Articles of Incorporation and other systems provided for in Article 100, Paragraph 1 and Paragraph 3 of the Regulations for Enforcement of the Companies Act as systems necessary to ensure the appropriateness of operations of the stock company, as well as the systems developed pursuant to those resolutions (i.e., internal control systems) stated in the business report, the Corporate Auditors periodically received reports from Directors and employees, etc. regarding the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto.
    - (iii) The Corporate Auditors oversaw and verified whether the Accounting Auditor maintained an independent position and conducted an appropriate audit, received reports from the Accounting Auditor on the status of the execution of its duties, and requested explanations as necessary. Additionally, the Corporate Auditors received notification from the Accounting Auditor that, in accordance with the "Quality Control Standards for Audits" (Business Accounting Council), etc., it had developed systems in order to ensure that its duties are appropriately performed (i.e., notification of the matters stated in the items of Article 131 of the Regulations for Corporate Accounting) and requested explanations as necessary. Furthermore, based on the above, the Corporate Auditors examined the appropriateness of the evaluation of, and the decisions on the appointment and dismissal of, the Accounting Auditor.

Using the methods above, the Board of Corporate Auditors examined the business report, the supplementary schedules thereto, the financial statements (i.e., the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements), and the supplementary schedules to the financial statements for the fiscal year.

2. Audit Results

(1) Results of audit of business report, etc.

- (i) We find that the business report and the supplementary schedules thereto accurately present the status of the Company in accordance with laws, regulations, and the Articles of Incorporation.
- (ii) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the Articles of Incorporation in relation to the Directors' execution of their duties.
- (iii) We find the content of the resolutions of the Board of Directors regarding internal control systems to be reasonable. Additionally, we find that initiatives for the development and operation of the internal control systems are being carried out continuously in response to changes in the management environment, and we do not find any matters that should be commented upon in regard to the statements in the business report or the Directors' execution of their duties relating to the internal control systems, including internal control over financial reporting.

(2) Results of audit of financial statements and supplementary schedules thereto

We find the methods and results of the audit by the Accounting Auditor, Ernst & Young ShinNihon LLC, to be reasonable.

May 21, 2025

TOHO SYSTEM SCIENCE CO., LTD.; Board of Corporate Auditors

Full-time Corporate Auditor	Naoki Tanabe [Seal]
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Outside Corporate Auditor	Kei Kinoshita [Seal]
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Outside Corporate Auditor	Hiroki Hyodo [Seal]
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