Annual Securities Report

The 30th Fiscal Year From April 1, 2024 to March 31, 2025

Digital Arts Inc.

Annual Securities Report

1. This document is a printed output of the annual securities report under Paragraph 1, Article 24 of the Financial Instruments and Exchange Act with data provided using the Electronic Disclosure for Investors' NETwork (EDINET) as set forth in Article 27-30-2 of the said Act, with the table of contents and page numbers attached.
2. This document includes the Independent Auditors' Audit Report attached to the Annual Securities Report provided using the method described above and the Internal Control Audit Report and the confirmation letter, both of which were provided together with the Annual Securities Report described above, at the end hereof.

Contents

[Cover]

[Document Filed]	Annual Securities Report
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2025
[Fiscal Year]	30th fiscal year (from April 1, 2024 to March 31, 2025)
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Part I. Corporate Information

Section I. Corporate Summary

1. Key Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Fiscal Year		26th fiscal year	27th fiscal year	28th fiscal year	29th fiscal year	30th fiscal year
Year end		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Millions of yen)	6,825	9,051	10,436	11,512	9,982
Ordinary profit	(Millions of yen)	2,991	4,135	4,429	4,443	4,562
Profit attributable to owners of parent	(Millions of yen)	2,059	2,900	3,062	4,377	3,183
Comprehensive income	(Millions of yen)	2,063	2,910	3,067	4,387	3,182
Net assets	(Millions of yen)	10,062	12,159	14,173	15,998	17,365
Total assets	(Millions of yen)	14,856	19,341	21,149	22,518	22,627
Net assets per share	(Yen)	715.79	863.96	1,007.27	1,162.40	1,274.46
Basic profit per share	(Yen)	146.90	206.71	218.12	315.46	232.79
Diluted profit per share	(Yen)	143.45	202.03	213.92	310.30	228.83
Capital ratio	(%)	67.6	62.7	66.9	71.0	76.6
Return on equity	(%)	22.0	26.2	23.3	29.1	19.1
Price earnings ratio	(Times)	65.96	35.90	23.38	13.90	28.69
Cash flows from operating activities	(Millions of yen)	5,221	6,169	3,147	2,830	2,817
Cash flows from investing activities	(Millions of yen)	(830)	(978)	(867)	1,012	(1,107)
Cash flows from financing activities	(Millions of yen)	(671)	(810)	(1,051)	(2,545)	(2,096)
Cash and cash equivalents at end of period	(Millions of yen)	11,382	15,773	17,018	18,339	17,952
Number of employees [Average number of part-time employees, etc.]	(Persons)	295 [19]	324 [22]	353 [31]	252 [37]	272 [41]

(Notes) 1. An impact of the transfer of all of the shares of consolidated subsidiary Digital Arts Consulting Inc., owned by the Company at the end of the previous fiscal year, was an approximately 2,196 million yen reduction of net sales in the consolidated fiscal year under review.

2. The significant increase in profit attributable to owners of parent in the 29th fiscal year was mainly attributable to the posting of a gain on sales of shares of subsidiaries.

3. The figures in parentheses in the number of employees section (which are not included in the totals) indicate the annual average number of part-time employees (temporary staff, etc.).

4. In the 29th fiscal year, the number of employees decreased by 101. The main reason for this was that the Company sold all shares of Digital Arts Consulting Inc., a consolidated subsidiary, on March 29, 2024, excluding it from the scope of consolidation.

5. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 27th fiscal year and the accounting standard, etc. are applied to major management indicators, etc. from the 27th fiscal year.

(2) Financial Data of the Reporting Company

Fiscal Year		26th fiscal year	27th fiscal year	28th fiscal year	29th fiscal year	30th fiscal year
Year end		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Millions of yen)	6,074	8,003	8,984	9,304	9,972
Ordinary profit	(Millions of yen)	2,964	4,052	4,407	4,348	4,569
Profit	(Millions of yen)	2,044	2,832	3,048	4,536	3,187
Share capital	(Millions of yen)	713	713	713	713	713
Number of issued shares	(Shares)	14,133,000	14,133,000	14,133,000	14,133,000	14,133,000
Net assets	(Millions of yen)	10,078	12,097	14,091	16,091	17,463
Total assets	(Millions of yen)	14,751	19,138	20,780	22,595	22,713
Net assets per share	(Yen)	717.78	860.82	1,002.92	1,169.18	1,281.69
Dividend per share [Interim dividend per share]	(Yen)	55 [25]	70 [30]	75 [35]	80 [40]	85 [40]
Basic profit per share	(Yen)	145.81	201.83	217.15	326.90	233.13
Diluted profit per share	(Yen)	142.38	197.26	212.97	321.55	229.16
Capital ratio	(%)	68.3	63.1	67.8	71.2	76.8
Return on equity	(%)	21.8	25.6	23.3	30.1	19.0
Price earnings ratio	(Times)	66.46	36.76	23.49	13.41	28.65
Dividend payout ratio	(%)	37.7	34.7	34.5	24.5	36.5
Number of employees [Average number of part-time employees, etc.]	(Persons)	236 [19]	254 [22]	246 [31]	252 [37]	272 [41]
Total shareholder return [Benchmark index: TOPIX (Tokyo Stock Price Index)]	(%) (%)	208.7 [142.1]	161.6 [145.0]	113.5 [153.4]	99.9 [216.8]	150.9 [213.4]
Year high	(Yen)	10,990	10,680	8,140	6,560	7,000
Year low	(Yen)	4,345	5,660	4,940	4,030	3,420

(Notes) 1. The significant increase in profit for the 29th fiscal year was attributable to the posting of a gain on sales of shares of subsidiaries.

2. The decline in the payout ratio for the 29th fiscal year was because of an increase in profit as a result of the posting of an approximately 2,154 million yen gain on sales of shares of subsidiaries under extraordinary income which is not directly related to business. Excluding this extraordinary income, the payout ratio is 36.6%.

3.The figures in parentheses in the number of employees section (which are not included in the totals) indicate the annual average number of part-time employees (temporary staff, etc.).

4. Year high and year low indicate stock prices on the First Section of the Tokyo Stock Exchange on or before April 3, 2022 and on the Prime Market of the Tokyo Stock Exchange on or after April 4, 2022.

5. The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the 27th fiscal year and the accounting standard, etc. are applied to major management indicators, etc. from the 27th fiscal year.

6. Of the 85 yen dividend per share for the 30th fiscal year, the year-end dividend of 45 yen is a matter to be resolved at the Annual Shareholders' Meeting to be held on June 23, 2025.

2. Corporate History

Month/Year	Description
June 1995	Digital Arts Inc. is incorporated (capital: 10 million yen) in Minato-ku, Tokyo and commences operations to develop and market software for the internet
August 1998	Digital Arts Inc. develops the first web filtering software in Japan and launches initiatives to accumulate information on harmful websites
January 2000	Digital Arts Inc. increases capital to 40 million yen
January 2000	Digital Arts Inc. relocates head office to Kita-Aoyama, Minato-ku, Tokyo
March 2000	Digital Arts Inc. increases capital to 491 million yen
May 2000	Digital Arts Inc. launches NET iScope, an internet monitoring service
September 2002	Digital Arts Inc. is listed on Nasdaq Japan of the Osaka Securities Exchange (currently JASDAQ Standard) Digital Arts Inc. increases capital to 552.2 million yen
September 2004	Digital Arts Inc. transfers NET iScope (internet monitoring service) business to shift corporate focus to filtering software
October 2004	Digital Arts Inc. begins operations at Kyushu Branch Office (currently Kyushu Sales Office)
February 2005	Digital Arts Inc. acquires patent in 22 countries and regions for internet access control involving filtering technology
October 2005	Digital Arts Inc. relocates head office to Nagatacho, Chiyoda-ku, Tokyo
August 2006	Digital Arts Inc. begins operations at Osaka Sales Office (currently Kansai Sales Office)
November 2007	Digital Arts Inc. begins operations at Nagoya Sales Office (currently Chubu Sales Office)
February 2008	Digital Arts Inc. is certified as a Privacy Mark enterprise
January 2009	Digital Arts Inc. begins operations at Sapporo Sales Office (currently Hokkaido Sales Office)
December 2009	Digital Arts Inc. begins operations at Tohoku Sales Office
April 2011	Digital Arts America, Inc. is established as a US subsidiary Digital Arts Europe Ltd. is established as a UK subsidiary
November 2011	Digital Arts Inc. relocates head office to Otemachi, Chiyoda-ku, Tokyo
February 2012	Digital Arts Inc. is listed on the Second Section of the Tokyo Stock Exchange
March 2013	Digital Arts Inc. is listed on the First Section of the Tokyo Stock Exchange
November 2015	Digital Arts Asia Pacific Pte. Ltd. is established as a Singapore subsidiary
February 2016	UK subsidiary changes trade name to FinalCode Europe Ltd. Singapore subsidiary changes trade name to FinalCode Asia Pacific Pte. Ltd.
April 2016	Digital Arts Consulting Inc. is established
October 2016	Digital Arts Inc. begins operations at Chushikoku Sales Office
December 2018	UK subsidiary changes trade name to Digital Arts Europe Limited Singapore subsidiary changes trade name to Digital Arts Asia Pacific Pte. Ltd.
March 2020	Digital Arts Inc. acquires certification for the ISO/IEC 27001:2013 (JIS Q 27001:2014) international standard for information security management systems (ISMS).
November 2020	Digital Arts Inc. acquires certification for the ISO/IEC 27017:2015 (JIS Q 27017:2016) international standard that specializes in cloud security.
December 2021	Digital Arts Inc.'s DigitalArts@Cloud is registered in the "Information system Security Management and Assessment Program" (ISMAP).
April 2022	Moves from the Tokyo Stock Exchange's First Section to the Prime Market as a result of the revision of market segments of the Tokyo Stock Exchange.
March 2024	Transferred all shares of Digital Arts Consulting Inc

3. Business Summary

The Digital Arts Group is comprised of Digital Arts Inc. and its three consolidated subsidiaries and is principally engaged in internet security, email security and the planning, development, sale, etc. of file encryption and remote deletion solutions.

Business positioning of Digital Arts Inc. and its consolidated subsidiaries

Company name	Principal business
Digital Arts Inc.	Planning, development and sale of internet security software and appliance products
Digital Arts Asia Pacific Pte. Ltd.	Sale of FinalCode (file encryption and remote deletion solutions)

In the world of the Internet, we are endlessly inundated with all kinds of information. Although using the Internet has made it much easier to gather information, methods of controlling information posted on the Internet and providing protection from prevention of malware infection from threat sites have yet to be established and Internet users run a very high risk of information leakage and unauthorized removal of information via the Internet is extremely high. Meanwhile, email, though an essential business tool, also poses many security challenges, such as data leakage due to transmission errors, spoofed messages and phishing emails, and risks of malware infection resulting from receiving files. Additionally, personal information, data from outsourcing parties and other electronic data, which are now part of important management assets, are also exposed to growing risks of data leaks due to insiders' unauthorized taking out of information, theft or loss of devices, email transmission errors via email storage and other operational errors. In addition, with the recent increase in the use of cloud services, measures for dealing with attacks on cloud services through unauthorized access are necessary.

In response to issues and risks similar to the above that many enterprises and other organizations face, the Group proposes White Operation to protect its customers from known and unknown threats and attacks, using databases that encompass more than 99% (internal research) of domestically searchable URLs and information about email messages from senders that are deemed safe and the Group's unique attack prevention functions. White Operation is provided in i-FILTER Ver. 10 and m-FILTER Ver. 5 and in both software and cloud services. Moreover, the Group has been expanding its line of solutions that are able to handle increasingly diverse security threats, including the IRM Solution FinalCode with electronic data encryption and tracking functions provided as both software and a cloud service, the data protection and file transfer solution f-FILTER that securely transfers important information, and the single sign-on and ID management solution StartIn based on the Group's unique multi-factor authentication method.

The Digital Arts Group has no business segments that need to be reported on separately and therefore has only one reportable segment: the Security Business.

Main Products

User category	Main products	Company name
Enterprise Sector	- i-FILTER (web security) - m-FILTER (mail security) - D-SPA (Secure Proxy Appliance) - FinalCode (file encryption and tracking solution) -DigitalArts@Cloud (Comprehensive cloud security covering web browsing, email and files) -Desk (Chat/online conference tool) -f-FILTER (Data protection and file transfer solution) -StartIn (Single sign-on and ID management solution), etc.	Digital Arts Inc. Digital Arts Asia Pacific Pte. Ltd. *The company sells and supports only FinalCode (a file encryption and remote deletion solution).
Public Sector	- i-FILTER (web security) - m-FILTER (mail security) - D-SPA (Secure Proxy Appliance) - FinalCode (file encryption and tracking solution) -DigitalArts@Cloud (Comprehensive cloud security covering web browsing, email and files) -Desk (Chat/online conference tool) -f-FILTER (Data protection and file transfer solution) -StartIn (Single sign-on and ID management solution), etc.	Digital Arts Inc.
Consumer Sector	- i-FILTER (Web filtering software)	Digital Arts Inc.

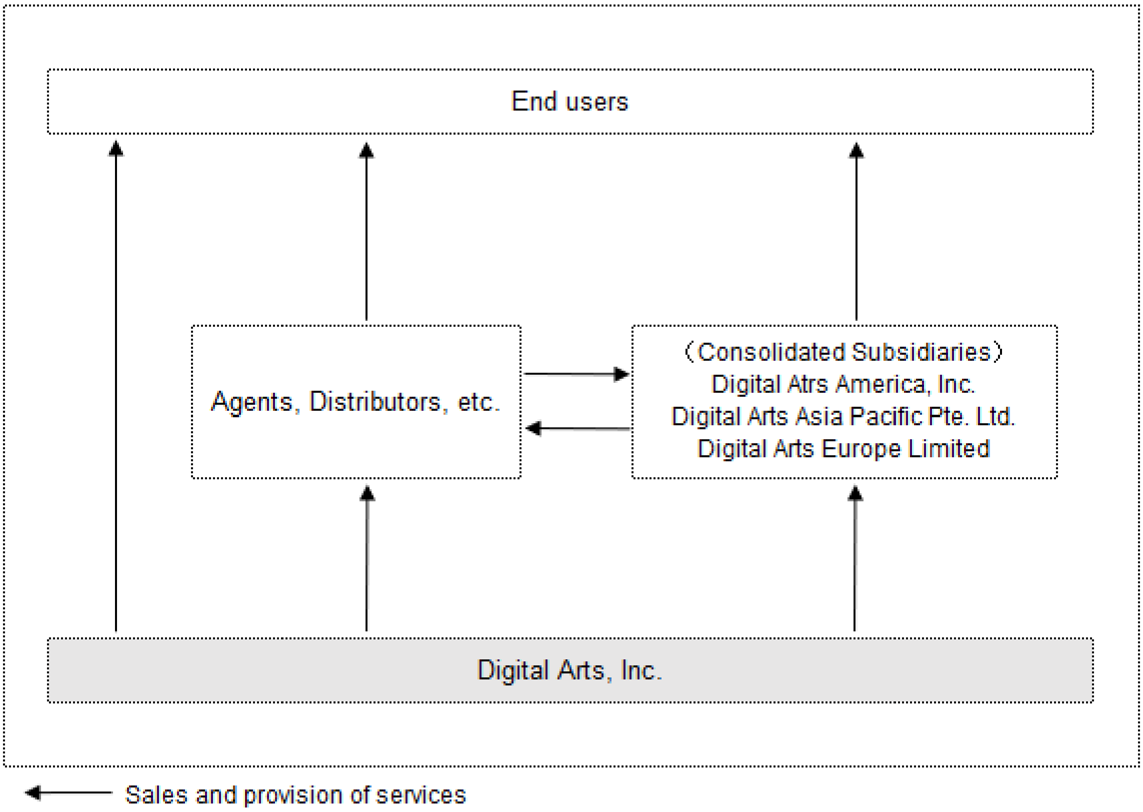
Features of Main Products

Main products	Features
i-FILTER	Web filtering to counter information leaks and targeted attacks Web filtering uses a whitelist database to block access to dangerous URLs not registered in the database. It categorizes adult websites and other websites with inappropriate content for working and learning environments and stops users from viewing them in line with the policy of the organization in question. Main Applications - Protection against targeted attacks - Protection against watering hole attacks - Protection against phishing - Internet access control - Access log monitoring
m-FILTER	m-FILTER possesses email filtering, email archiving and antispam capabilities, protecting against targeted attacks and information leaks such as mis-transmission, promoting internal control through the storage and management of all emails, and improving business efficiency through protection against spam emails. Email filtering is a function that only allows users to receive safe emails, preventing them from receiving targeted emails by storing safe senders in a whitelist database and determining the safety of senders and also identifying fake email attachments and emails. It also stops intentional and accidental information leaks by forwarding messages to a sender’s manager for approval or delaying transmission for a certain period. Main Applications - Protection against targeted emails - Prevention of e-mail mis-transmission - Email archiving - Protection against spam emails - Protection against phishing emails

Main products	Features
FinalCode	Password-less encryption service for tracking and remotely controlling files Enables designation of file recipients, configuration of permissions, access log monitoring by file owner, permission changes after file distribution and remote file deletion Main Applications - Protection against leakage of confidential information - Protection against internal fraud - Protection against supply chain attacks - File encryption and access control - File tracking - Remote file deletion
D-SPA	Appliance comprising both hardware and i-FILTER software Pre-built, pre-configured and ready-to-run appliance that saves time and labor by removing the need to select and purchase hardware, operating systems and applications separately
DigitalArts@Cloud	Comprehensive cloud security covering web browsing, email, files and communication. A solution covering both measures against external attacks and measures against internal leaks and providing automatic encryption of internal business files and control over files offered to outsiders in the form of cloud services. An integrated report screen provides a one-stop comprehensive display about the possibilities of external attacks from web browsing, email and files and internal data leaks. Main Applications - Web Security - Mail Security - File Security
Desk	A chat/online conference system that allows communication only within a company/organization or with users invited by the user. The “comfort/convenience” of being able to communicate wherever there is an Internet environment, and the implementation of communication in a closed environment within the organization eliminates the risk of information leaks due to communication with uninvited users outside the organization. Main Applications - Call - Text chat - Online meetings
f-FILTER	Solution that protects important information and ensures the secure transfer of files using five information leakage prevention functions: DLP functions, file safety determination functions, manager approval functions, antivirus functions and file access authority management functions. Through multilayer inspection before file transfer, files that contain malware and important information are identified and problems are blocked. After file transfer, only designated users can access the file. Leakage to third parties can be prevented by confirming access logs. This product can be integrated with i-FILTER and m-FILTER. Main applications - Information leakage prevention at the time of and before and after file transfer - PPAP countermeasures - Network DLP measures
StartIn	In addition to ID management and single sign-on which are available with ordinary IDaaS solutions, the use of location information authentication using GPS, third-party certification in which a third party (manager, etc.) is included in certification systems and periodic authentication in which applications are periodically used for authentication enables high-strength authentication and safe and secure ID management. Main applications - Measures to prevent unauthorized access - Single sign-on - ID management

Main products	Features
i-FILTER	Filtering software mainly for families, libraries, internet cafes, etc. Protects users of smartphones, tablets and computers from dangers of the Internet by restricting access to harmful websites. Main Applications - Web filtering - Web usage reporting - Restriction of time spent online

The Group’s business organization chart is as follows



4. Related Companies

Company name	Address	Share capital (Millions of yen)	Principal business	Percentage of voting rights (%)	Relationship
(Consolidated Subsidiaries) Digital Arts America, Inc.	4675 Stevens Creek Blvd. Suite 100 Santa Clara, CA 95051, USA	24	Security business	100.0	Sale of the Company’s products Business outsourcing Concurrent directorships
Digital Arts Asia Pacific Pte. Ltd. *1	8 Temasek Boulevard #35-02A Suntec Tower Three Singapore 038988	258	Security business	100.0	Sale of the Company’s products Business outsourcing Concurrent directorships
Digital Arts Europe Limited	Centrum House, 36 Station Road, Egham, Surrey TW20 9LF United Kingdom	23	Security business	100.0	Sale of the Company’s products Business outsourcing Concurrent directorships

(Note) They fall under the category of a specified subsidiary.

5. Employment Data

(1) Consolidated Basis

As of March 31, 2025

Category	Number of employees (persons)
Security business	272 (41)
Total	272 (41)

(Notes) 1. The figures in parentheses in the number of employees section (which are not included in the totals) indicate the annual average number of part-time employees (temporary staff, etc.).

2. Segment information is omitted because the Digital Arts Group operates in one segment only (the security business) and has no other business segments.

(2) The Reporting Company

As of March 31, 2025

Number of employees (persons)	Average age (years old)	Average length of service in years (years)	Average annual salary (thousand yen)
272(41)	34.3	6.8	6,183

(Notes) 1. The figures in parentheses in the number of employees section (which are not included in the totals) indicate the annual average number of part-time employees (temporary staff, etc.).

2. Segment information is omitted because the Digital Arts Group operates in one segment only (the security business) and has no other business segments.

3. Average annual salary includes any bonuses and extra wages.

(3) Relationship with Labor Union

A labor union has not been established, but amicable labor-management relations have been maintained.

(4) Percentage of female employees in management positions, percentage of eligible male employees taking childcare leave, and wage gap between male and female employees

Reporting company

Fiscal year under review		
Percentage of female employees in management positions (%) (*1)	Percentage of eligible male employees taking childcare leave (%) (*2)	Wage gap between male and female regular employees (%) (*1)
8.1	60.0	81.1

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015)

2. Percentage of eligible male employees taking childcare leave under Article 71-4-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor, No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

Section II. Business Summary

1. Management Policy, Operating Environment and Business Issues to Be Considered

Matters concerning the future stated below are based on the Group's assessments as of the end of the fiscal year under review.

(1) Management Policy

With "For Internet convenience, safety and security" as its corporate philosophy, the Digital Arts Group aims to provide peace of mind, safety and comfort as a software maker, to realize an Internet society in which all kinds of people, things and experiences are connected via the Internet, enabling creative and innovative advances that enrich people's lives.

(2) Management Strategies, etc.

In accordance with the corporate philosophy described above, the Group aims to grow into a comprehensive security provider in the medium term and launched a medium-term management plan covering the three years from April 2024 to March 2027. The Group will focus on three initiatives for growth, to meet increasingly diverse and sophisticated security needs and to realize the provision of total security and further brand penetration.

Initiatives for growth

- Growth of security business
- Increase of public sector market share
- Investment in personnel to carry out new measures

(3) Objective Indicators for Judging Status of Achievement of Management Goals

The Group has formulated a medium-term management plan which terminates in the fiscal year ending March 31, 2027, aiming to grow into a comprehensive security provider in the medium term, and has adopted the contract amount growth rate, the net sales growth rate, the operating margin, and return on equity (ROE) as objective indicators for judging the status of achievement of these management goals. Since our core products have a contract period of one year or longer, the Group and its distributors conduct sales activities with the objective of achieving growth in the contract amount. Accordingly, we attach importance to the contract amount growth rate as well as to other commonly used management indicators.

As for the management indicators under the medium-term management plan, we will work to be able to achieve the following targets.

(Millions of yen)

	Fiscal Year Ended March 31, 2025 (Plan)	Fiscal Year Ending March 31, 2026 (Plan)	Fiscal Year Ending March 31, 2027 (Plan)
Consolidated net sales	10,720	12,550	15,000
Consolidated operating profit	5,130	6,150	7,800
Consolidated operating margin	47.9%	49.0%	52.0%

(4) Operating Environment and Business and Financial Issues to Be Addressed

In the security industry, where the Group operates, cyberattacks are becoming increasingly diverse and sophisticated as cloud computing becomes ubiquitous and DX progresses. Accordingly, the number of security threats that businesses, public organizations and households are exposed to has remained large. The need for products which enable comprehensive security measures is expected to grow. Amid these circumstances, the Group has set a goal of growing into a comprehensive security provider in the medium term under its corporate philosophy: For Internet convenience, safety and security. At present, the Group is implementing the Medium-Term Management Plan (the fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027), which was formulated based on the results of its examination of changes in the current internal and external business environments. This Medium-Term Management Plan defines three priority initiatives: the growth of the security business, the increase of public sector market share, and investment in personnel to carry out new measures. In the first year of the Medium-Term Management Plan (the fiscal year ended March 31, 2025), the

Group achieved growth in the contract amount that exceeded the growth rate of the security product market. The Group will continue seeking to make progress in its priority initiatives and achieve the targets for the second year of the plan. To achieve the growth of the security business, the Group will release new products which make it possible to realize zero trust security and drive cross-selling and up-selling strategies on an ongoing basis to achieve growth. To increase public sector market share, the Group aims to increase both its market share in terms of orders and sales per existing customer in projects for the second phase of the GIGA School Concept. Further, regarding the Group's investment in personnel to carry out new measures, it will invest in engineers who will enable the in-house development of products with competitive advantages. It will also continue to provide incentives to sales personnel directly promoting products to large and medium-sized corporate customers and invest in the development, recruitment, etc. of these personnel to achieve the goals of increasing net sales and operating profit and further increasing the operating margin.

The Group recognizes that it should address the following issues to achieve continued growth and its net sales and profit targets in the fiscal year ending March 31, 2026, the second year of its Medium-Term Management Plan (the fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027).

(i) Stable and continuous growth of existing business

The Group has maintained long-standing relationships and achieved stable and continuous growth by sincerely addressing and meeting the requirements of its users and distributors. We will continue to put our relationships with our users and distributors first and strive to strengthen our products and improve our services with the aim of achieving stable and continuous growth.

(ii) Identification of new needs

Threat areas were limited in previous ICT environments, but now many devices are connected to the internet. While this increases convenience, it has expanded the areas where there are threats to information security in ICT environments. In this environment, the Group will predict potential future needs through sales and development activities and market research and identify new needs by expanding its product lineup and services through the research and development of new solutions.

(iii) Securing and developing human resources

The Group recognizes that securing and developing talented human resources is important for its growth in the medium and long term. The Group therefore continuously reviews its personnel programs to ensure that it offers attractive levels of pay, a fair evaluation program and a full lineup of employee training programs and we also strive to attract and retain talented human resources by actively engaging in both new graduate and mid-career recruitment. It is also a priority for us that existing employees increase their productivity and acquire knowledge and skills, and we seek to develop human resources by supporting employees to gain qualifications and by providing internal position-based training and training delivered by outside specialists.

(iv) Sustainability initiatives

Based on its corporate philosophy, the Group has established a “Sustainability Committee” for the purpose of preserving the global environment and realizing a sustainable society. It identifies important issues (materiality) and examines efforts to address them based on the Sustainability Policy, and also discloses them on its website. In addition to the mitigation of environmental impacts and the improvement of efficiency in our business activities, we will implement initiatives to address environmental issues such as climate change and pollution through awareness and action on the part of each employee. Further, through our business activities, we will reduce as far as possible economic losses to companies and public bodies resulting from information leakages and also engage in various social contribution activities to realize safe and secure internet usage for children and a satisfying online learning environment.

(v) Promotional and awareness-raising activities

To promote the Group’s products and services, we believe it is important to foster an accurate understanding of security threats associated with the Internet and the importance of security measures to combat them. Accordingly, we offer the “D-Alert Cyber-risk Information Service” free of charge. Using our product functions to detect threats, D-Alert informs Internet users who are suspected to have been infected with malware or shown maliciously falsified web pages. We also disseminate information about the latest security trends based on research and analysis conducted by specialist team in our development division, on the “Digital Arts Security Reports” section of our website, to promote awareness about security threats. In addition, at the request of local governments and schools throughout Japan, the Group holds seminars and lectures and provides information to users of smartphones and other mobile devices to help increase their digital literacy, and also stresses the importance of filtering.

2. Approach to Sustainability and Sustainability Initiatives

Since its establishment, the Group has advocated solutions to social issues and has pursued numerous initiatives as a domestic security software manufacturer to preserve the global environment and realize a sustainable society based on the corporate philosophy of “For Internet convenience, safety and security.”

Further, through our business activities, we reduce as far as possible economic losses to companies and public bodies resulting from information leakages, while addressing global environmental issues such as climate change and environmental pollution and engaging in various social contribution activities to realize safe and secure internet usage for children and a satisfying online learning environment.

The Group’s approaches and initiatives concerning sustainability are described below.

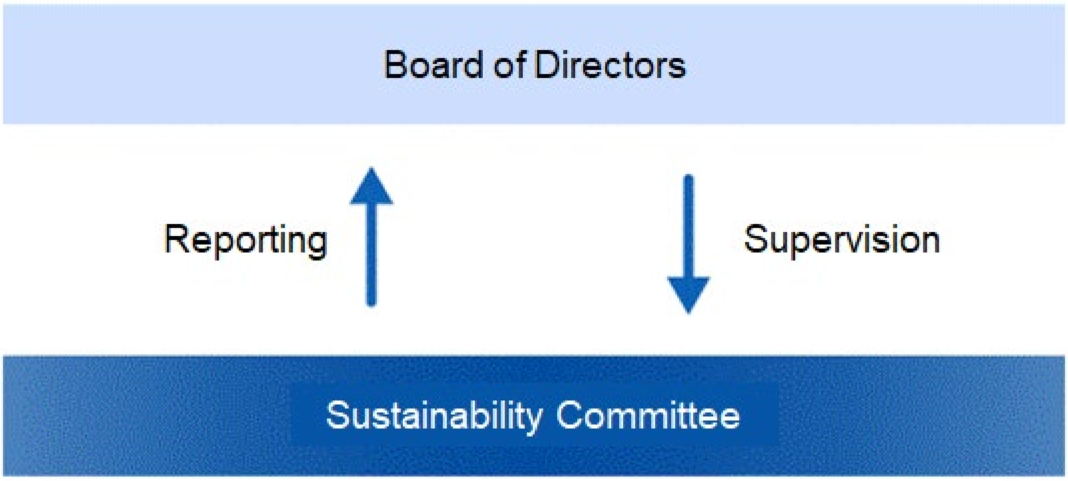
(1) Materiality

Under its corporate philosophy, the Group has identified materiality (important issues) of SDGs and ESG consisting of four groups and 14 items in order to promote sustainability management. Based on the identified materiality, we will conduct company-wide activities to achieve the management plan centered on the information security business. Moreover, through dialogue with our stakeholders, we will improve our company-wide activities and contribute to the realization of a sustainable society.

(2) Governance

The Group established the Sustainability Committee in April 2022 to strengthen its efforts to realize a sustainable society. The Committee is chaired by the President and Representative Director and convenes the heads of major divisions to deliberate and decide on overall sustainability policies, targets and plans, as well as to review and discuss the promotion of these plans. The Board of Directors receives reports from the Committee and monitors and oversees the efforts to address issues and the goals set.

■ Sustainability promotion structure



(3) Environment Initiatives

Recognizing climate change as one of the most important issues in its sustainability management, the Group is working to appropriately address climate change-related risks and seize growth opportunities through dialogue and collaboration with diverse stakeholders in order to contribute to a decarbonized society as outlined in the long-term goals of SDGs and the Paris Agreement.

(i) Strategy

The Group performed a scenario analysis based on risks and opportunities to be created by climate change, which are illustrated by examples in the TCFD recommendations. The Group selected two scenarios for the analysis because it is necessary to select and set scenarios for multiple temperature ranges, including a 2°C or lower scenario. One is the 1.5 °C scenario, in which the impact of the transition is realized. The other is the 4°C scenario, in which the physical impact of climate change is realized.

Key climate change risks and opportunities

	Climate change risks and opportunities		Global change	Conceivable scenario	Risks	Opportunities	Time of occurrence
1.5°C climate change scenario	Transition risks and opportunities	Policies and legal restrictions	Tougher environmental regulations related to GHG emissions	Increase in transition costs due to requirements for switching to renewable energy	△		Medium to long term
			Introduction of carbon taxes and emissions trading	Increase in cost resulting from introduction of carbon taxes and emissions trading	△		Medium to long term
		Markets and technologies	Rapid progress in transition to low-carbon/decarbonization	Increase in capital expenditures for the reduction of power consumption	△		Medium to long term
			Rising electricity prices	Increase in power usage costs and data center outsourcing costs due to the abolishment of coal-fired power and imbalance of power supply and demand	○		Medium to long term
			Cyber risks associated with the proliferation of electronic devices	Increase in demand for security against cyber-attacks due to DX and high-efficiency electronics for decarbonization		○	Medium to long term
		Reputation	Increased environmental awareness among business partners	Decrease in transactions due to lack of efforts to address climate change	○		Medium to long term
4°C climate change scenario	Physical risks and opportunities	Chronic	Changes in precipitation and weather patterns (Rise in average temperatures)	Generation of capital investment costs to strengthen disaster BCPs at key locations	△		Long term
				Decline in data center function due to rising average temperatures	△		Long term
		Acute	Greater seriousness and higher frequency of abnormal weather (typhoons, bush fires, flooding, and rainstorms)	Discontinuation of business activities of the Company and its suppliers due to power outages caused by natural disasters	○		Long term
				Damage to offices and data centers located at low elevations Increased cost of cooling water due to flooding, etc.	○		Long term

◎: Great impact ○: Some impact △: Minor impact

■ Impact of the introduction of carbon taxes

A possible financial impact of climate change risks will be the introduction of carbon taxes, a result of governments tightening their environmental regulations. Therefore, the Company calculated the effect of the introduction of carbon taxes in 2030 and 2050 in the 4°C scenario and 1.5°C or lower scenario by assuming that GHG emissions are equivalent to the fiscal 2021 level. In addition, the Company estimated values using one scenario from the International Energy Agency (IEA), one from the International Renewable Energy Agency (IRENA), and the carbon price as of April 2022 (carbon cap-and-trade system, carbon tax, and energy taxation). In addition, it is expected that the impact will be alleviated at the time the carbon taxes are introduced because the Company plans to reduce its GHG emissions by introducing renewable energy and through other initiatives.

	1.5℃ or lower scenarios		4℃ scenario	
	Carbon tax value (Yen/t-CO2)	Cost increase resulting from the introduction of carbon taxes	Carbon tax value (Yen/t-CO2)	Cost increase resulting from the introduction of carbon taxes
2030	Approx. 10,000 yen	Approx. 2.7 million yen	Approx. 2,000 yen	Approx. 500,000 yen
2050	Approx. 17,000 yen	Approx. 4.5 million yen	Approx. 4,000 yen	Approx. 1.1 million yen

* Assumptions
- Reference scenario: STEPS Scenario (a scenario in which measures already introduced or announced officially are implemented), IEA (2021), World Energy Outlook 2021
- Our greenhouse gas emissions (fiscal 2021): Approx. 258 t-CO2

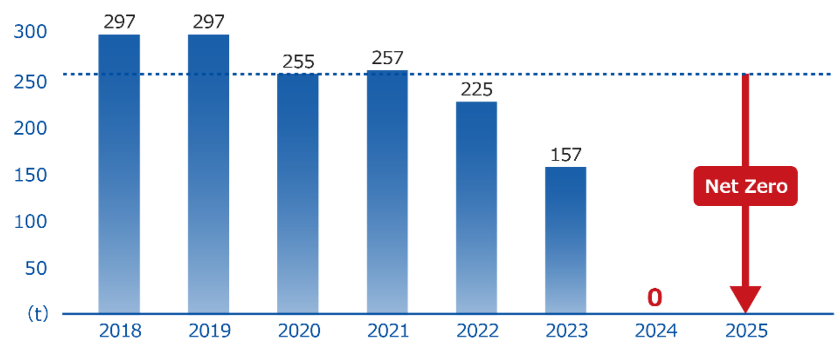
(ii) Risk management

Under its risk management system, the Group exercises integrated management in relation to business risks that might arise as a result of its business activities to prevent risks and deal with any risks that arise, based on the Risk Management Regulations established by the Board of Directors. In addition, the Sustainability Committee formulates basic policies on environmental issues and manages risks associated with climate change, identifies issues for the Group, discusses the necessary measures, and periodically monitors the progress of these measures. For climate change-related risks, we have analyzed scenarios and identified climate change risks and opportunities in order to understand and assess the impact of climate change. The identified risks and opportunities will be discussed and deliberated under the promotion system led by the Sustainability Committee, and reports and recommendations will be made to the Board of Directors regarding the status of risk management and the determination of significant risks.

(iii) Indicators and targets

In fiscal 2021, the Company's Scope 1 GHG emissions (direct emissions from operations) were zero (0) while its Scope 2 emissions (indirect emissions from electricity consumption and emissions from steam and heat) were 257 tons. The Company set the target of reducing its Scope 2 GHG emissions to effectively zero in fiscal 2025. To achieve this target, the Company virtually transitioned to all of the electricity it used in its business activities being from renewable energy sources in fiscal 2024 by utilizing the Non-Fossil Certificate system. The Company also offset the greenhouse gas emissions from the other energy it uses, such as steam and heat, using the J-Credit Scheme. Due to these initiatives, the Company achieved net zero GHG emissions in fiscal 2024. The Group will strive to reduce GHG emissions by conserving energy including electricity internally, introducing renewable energy that does not involve the use of fossil fuels, and proactively utilizing the J-Credit Scheme, which is a government certification scheme, with the goal of establishing a carbon-free society.

Reduction target for GHG (greenhouse gas) emmisons



※Aggregation period : Fiscal 2018 - Fiscal 2024
GHG emissions were determined by measuring the consumption of electricity, chilled water, and steam at the head office and each sales office and using the following coefficients.
- For head office : Emission coefficient for electricity (0.000457[t-CO2/kWh]) and emission coefficient for chilled water and steam (0.0577[t-CO2/GJ])
- For sales offices : National average coefficient for fiscal 2019 (0.000455 [t-CO2/kWh])

(4) Initiatives for Society

The Group aims to develop leaders who drive innovation and human resources who demonstrate diverse abilities to solve social issues through its business, and its basic policy is to promote the ability and growth of each and every employee of the Group. In addition, we have set “respect for humanity” as one of our important values, and aim to be a company where diverse human resources with different ways of thinking can fully demonstrate their individuality and abilities, regardless of nationality, religion, marital status, gender, sexual orientation or gender identity, disability, etc.

(i) Securing human resources

a. Strategy

Believing that not only its own sustainable growth but also the sustainable growth of its employees in sync with the management strategy will lead to the increase of the Company's competitive power, the Company aims to secure talented human resources and increase and optimize its performance. To secure talented human resources, the Company is working to build a framework for stably securing versatile human resources, including talented engineers who support the development of the Company’s own products, talented salespeople who help enhance our customers' successes and leaders who lead innovation to solve social issues through business. Moreover, the Company is actively working to hire new graduates in tandem with the mid-career recruiting described above with the goal of strengthening its organizational capabilities while a fostering corporate culture and improve individual employees’ skills.

b. Indicators and targets

Under the newly formulated Medium-term Management Plan (from April 2024 to March 2027) which concludes in the fiscal year ending March 31, 2027, the Company focuses on three priority areas for achieving future growth: the growth of the security business, the expansion of its share in the public sector market and investment in human resources to implement new measures. Regarding investing in human resources to implement new measures, the Company plans to introduce incentive plans to improve production and it is strategically implementing recruitment activities to increase the number of employees with the aim of increasing its workforce approximately 1.5 fold by the end of the fiscal year ending March 31, 2027.

(ii) Human resources development

a. Strategy

Aiming to build a comprehensive training environment, we are working to launch and enhance in-house training for each job level, training for each skill, and support systems for acquiring qualifications. We strive to create an environment in which employees can steadily improve their skills by implementing an internal training cycle that includes the development and execution of educational plans and individual training and following up on practical implementation in the workplace after training is conducted. In addition, to further accelerate the growth of our employees, we are working to "develop human resources who are committed to self-growth." Specifically, we have created a system and culture that encourages proactive career development and skill acquisition by starting career design training and introducing company-wide examples of personal development activities and awards.

b. Indicators and targets

Going forward, we will use the developed job-specific skill requirements to provide more practical in-house training for each job level and education for each skill, using total training hours and training hours per employee as indicators.

(5) Governance Initiatives

Based on its corporate governance, the Group believes that it is important to “engage in speedy decision-making and clarify the roles and responsibilities incidental to this,” “maintain objective checking systems both internally and externally” and “ensure timely and fair disclosure” in order to gain the support of all stakeholders and realize the sustainable enhancement of corporate value based on its corporate philosophy. The Group will work to ensure sound management under an organizational structure that can flexibly respond to changes in the business environment, ensure thorough compliance, and continuously enhance corporate governance (refer to “Section IV. Information on the Reporting Company - 4. Corporate Governance”).

3. Business and Other Risks

Material risks recognized by management as risks that could materially affect the financial condition, operating results and cash flows of consolidated companies included in the Business Summary, Financial Information and other sections of this Annual Securities Report are as follows. These forward-looking statements are being made at the determination of the Group as of the date of submission of this Annual Securities Report (June 20, 2025).

(a) Risks related to changes in the sales situation and operating environment of major distributors affecting the Group

The Group's products are mostly sold to users through its distributors. Client sales conditions and changes in management climate (such as M&A or bankruptcy) could lead to a significant fluctuation in the Group's net sales. Major distributors also handle the products of the Group's competitors. The Group, therefore, endeavors to expand net sales by reaching out effectively to distributors. However, there is a risk that competitors' products may be given preference over the Group's products. Furthermore, any changes in the sales situation or operating environment (such as M&A or bankruptcy) of major distributors that cause delayed or uncollectable payment of debt could also significantly impact the Group's performance and financial standing.

(b) Risks associated with changes in the national budget and local government policies affecting the Group's product sales to schools and local municipalities

The Group's product sales to public schools and local municipalities may be significantly impacted by fluctuations in the national budget and its distribution to local municipalities, as well as the budget expenditures of these municipalities.

(c) Risks related to internet regulations, free services provided by NPOs and other organizations, and services mounted on future OSs at no cost

In the event internet regulations move forward to allow government or NPOs to offer initiatives similar to the Group's web filtering software at low or no cost, the Group may have no choice but to amend the Group's business model and earning model.

It is also possible that, in the future, services similar to the Group's web filtering software may be mounted on computer OSs at a very low or no cost, and although the quality of such "service" may be inferior to the web filtering solutions offered by the Group, users may actively choose to use these "services." Such instances may significantly impact the Group's performance and financial standing.

(d) Risks of specializing in the security business

The Group is dedicated to the security business, which involves developing and selling web filtering software and email filtering software. Future declines in security market demands due to deteriorating economic climate and other factors may significantly impact the Group's performance and financial standing.

(e) Risks related to fluctuation in the Group's quarterly net sales results

There is an inclination that the Group's fourth quarter earnings are higher compared to other quarters in terms of net sales for the full fiscal year. This is mainly attributable to the common practice by private enterprises and public sectors to place orders for IT products in March, at the end of their fiscal year. The Group takes this seasonal factor into account when making its full year plans and is continuing to pursue to maintain and expand the current sales level. However, the Group's performance and financial standing may see a significant impact if the Group fails to acquire orders as planned for the relevant period for any reason, or experiences delays in receiving orders due to matters related to the client and distributors. If products for which most of the contract price is subject to deferred revenue recognition account for a higher percentage of total sales than products for which the majority of the contract price is recognized at contract inception or if temporary special demand arises as a result of change in the law or government initiatives, there is a risk that the Group's quarterly financial results will fluctuate.

(f) Risks associated with laws and regulations

Although the Group is subject to various laws and regulations governing its corporate activities, we believe that there are no specific legal regulations that have a significant impact on our business continuity as of the date of submission of this document. However, if business development is restricted by amendments to existing laws and regulations or the application of new legal regulations governing our business in the future or if it becomes necessary to take countermeasures, it may have an impact on our group's business and performance.

(g) Risks associated with the future decline of internet use in business, schools and homes

The internet is a technology that developed rapidly on a global scale, and today, is considered an indispensable form of information infrastructure. Currently, the Group's net sales is mainly composed of products and services related to the internet, therefore, if the existence of the internet fades or the use of internet declines in the Group's target markets of "Business/Enterprise," "School," "Government," and "Home," this may have a significant impact on the Group's performance and financial standing.

(h) Limitation in protecting intellectual property rights (including patents)

The Group takes appropriate measures both domestically and overseas to protect any and all independently developed technology and know-how, however, there are certain areas in the world where the Group's intellectual property rights may have no or limited protection due to legal restrictions. For this reason, the Group may not be able to completely prevent its competitors from analyzing and researching the Group's proprietary technologies and providing similar products to the market. While the Group pays utmost attention to avoid infringing intellectual property rights and copyrights when offering new products and services, there may be a risk at some future point where other parties may deem that the Group is infringing on their intellectual property rights and copyrights.

(i) Risks associated with the Group's technology obsolescence and deterioration of technological innovation

The Group conducts development activities to upgrade technology and enhance quality for current/future products and services. However, if the products and services provided by the Group became obsolete or the Group's technological innovation deteriorated, the Group may lose its competitive edge against other products and services on the market. This may have a significant impact on the Group's future performance and financial standing.

(j) Risks associated with bugs and defects on products offered by the Group

The Group develops and markets various products around the framework of "web filtering software." Countless quality controls are performed in course of developing and marketing software in order to take all possible means to ensure that the program operates properly. However, software bugs (defects) unexpected at the time of launch may be confirmed post-launch, and in such circumstances, the Group promptly releases update patches to correct the issue. However, if such bug issues prevent the Group from providing services, if the Group requires a long period of time to resolve the issue, or if the issue could not be resolved, this could lead to a reduction of sales, goods being returned and to a decline in the Group's credibility, which may significantly impact the Group's business performance and financial standing.

(k) Risks associated with issues in the mainstay system (server) owned by the Group

The Group's services essentially take the form of providing URL information, antivirus information for detecting malware and other information from servers administered by the Group. The Group positions these servers as the most critical mainstay system and makes every effort to provide consistent service by taking necessary safeguards, such as server duplication and backups. However, servers are hardware and problems such as unexpected shutdown, malfunction, and loss of material information (such as URL database, client data and technological information that are at the core of the Group's service) may result in service suspension. The Group's service may also be interrupted due to suspension of business at the facility where the Group's server is located, problems with internet service providers, telecommunication carriers and other cloud services, and information security incidents such as the leakage of information due to cyberattacks, including ransomware attacks and zero-day attacks by third parties that exploit system vulnerabilities, and the theft of material data made by means of hacking or unauthorized access to an internal system. The Group has acquired the Privacy Mark and developed a system in compliance with Information Security Management System (ISMS) requirements. However, in the event the Group's service is suspended due to such issues, this suspension could lead to a decline in the Group's credibility, which may significantly impact the Group's business performance and financial standing.

(l) Reliance on key management, and securing/developing talent

The Group's operation is heavily dependent on key management personnel, such as CEO Toshio Dogu. In the event these management personnel take an extended leave due to illness or injury, leaves the Group or dies, such factors may have a significant impact on the Group's performance and financial standing. Moreover, in the security market, the core business of the Group, new security measures such as "zero trust security" are appearing at a rapid rate. Under these conditions, it is increasingly necessary to secure human resources who possess advanced expertise in order to establish and expand business. However, each year it is becoming more difficult to secure human resources due to a strong willingness to hire among companies, including those in the same industry, compounded with declines in the working population due to Japanese declining birthrate and aging population. To address this, in addition to the ongoing hiring of around 30 new graduates each year, the Group aggressively recruits engineers and other necessary talent as mid-career hires to strengthen its software development capabilities. Whether graduate recruits or mid-career hires, new employees are provided with systematic human resource development training once they join the Company, and the Company implements a range of initiatives to boost employee skills and motivation including evaluation, promotion, advancement and wage systems based on the human resource philosophy. In addition, by assigning each individual to duties according to their aptitude, the Company works to develop an environment where each employee can fully demonstrate their extensive experience and abilities. However, if plans to secure, retain or develop the human resources needed by the Group do not proceed as planned due to changes in the employment environment or other factors, there may be an impact on the future growth of the Group.

(m) Risks pertaining to merger and acquisitions, and assignment/acquisition of business rights

Digital Arts Inc. is a public company listed on the Prime Section of Tokyo Stock Exchange, where CEO Toshio Dogu is the largest shareholder with 2,256,457 shares (which account for approximately 16.0%, including shares held by the shareholders' association made up of directors) out of 14,133,000 issued and outstanding shares (including treasury shares) as of March 31, 2025. As a public company, the possibilities of mergers and acquisitions cannot be denied, and the entire or part of the Group or its business rights may be acquired, merged or assigned at some point in the future. Such factors may significantly impact the Group's performance and financial standing. Similar impact would be seen if the Group performs mergers and acquisitions, or acquires business rights.

(n) Risks associated with natural disaster, disaster, terrorist activities, war, the spread of infections and power outage

The Group's business performance and business activities may be significantly affected due to unforeseen situations, such as disasters, including earthquakes and other acts of God, terrorist activities or the outbreak of war at home or abroad, and the spread of infections such as influenza and COVID-19. In addition, insufficient power supply due to nationwide/regional power outage or problems in the buildings where the Group performs its business may cause the Group to suspend its business activities and services, and may, in turn, significantly impact its business performance and financial position.

(o) Effect of foreign exchange

The Group is affected by fluctuations in US dollar-yen exchange rate because it uses servers provided by a foreign enterprise as part of its basis for offering cloud services. More specifically, the yen's depreciation against the US dollar may adversely effect the Group's business performance (increase costs)

(p) Impact regarding external information management

To address the recent increase in the sophistication of cyberattacks and the increasing subtlety of business fraud, the Group has established information security management systems (ISMS) and is implementing initiatives encompassing the entire Company and its supply chain, including the use of information management enhancement measures, security systems for the early discovery and defeat of cyberattacks, the enhancement of employees' knowledge and awareness through in-house training, the development of incident response plans and measures to maintain and improve the usefulness of the foregoing. However, there are risks in which the Group's information systems and its operations that depend on these systems may be suspended due to incidents such as the leakage, alteration or destruction of information created by the Group through its business activities and information entrusted to the Group by customers and suppliers, other groups and individuals (including employees), which may be a result of unauthorized access by a third party, or employees (including officers, regular employees and related people from outsourcing contractors) leaking information intentionally or by gross negligence. In addition, while the promotion of the use of cloud systems has facilitated the digital transformation of business activities and increased convenience, it has led to increased risks that the Group cannot directly manage. Moreover, changes in employees' working styles and the business environment may alter threats to the Company's information management, making its previous initiatives outdated and bringing new risks. If these risks are realized, the business performance and financial standing of the Company may be affected in the short term, due to the suspension of production and shipments caused by interruptions of important operations or damages caused by the leakage of the sensitive information of customers or related parties. The company may be affected over the medium-to long-term in ways such as the decline of its competitiveness due to the leakage of corporate strategies and new technologies and the loss of sales opportunities due to damage to the Group's corporate image.

(q) Impact of deferred tax assets

At the end of the consolidated fiscal year under review, approximately 0.1 billion yen was posted under deferred tax assets. The Group determines the recoverability of deferred tax assets by estimating taxable income based on earning power in the future. Estimates of future taxable income are based on business plans and intra-group transaction prices. Business plans are formulated mainly on assumptions regarding the sales volume and sales prices in relation to major customers in each business segment, projected operating profit margin, estimated fixed costs depending on the scale of sales and projected exchange rates. The Group reviews business plans in response to changes in the management environment, works to maintain management performance and considers necessary tax strategies. However, any changes in key assumptions in business plans in the future may trigger the reversal of deferred tax assets.

4. Analysis of Financial Conditions, Operating Results and Cash Flows by the Management

(1) Overview of operating results, etc.

An overview of the financial condition, operating results and cash flows (hereinafter operating results, etc.) of the Digital Arts Group (Digital Arts Inc. and its consolidated subsidiaries) during the consolidated fiscal year under review is as follows.

(i) Financial condition and operating results

During the consolidated fiscal year under review (from April 1, 2024 to March 31, 2025), in the security industry where the Digital Arts Group (the "Group") operates, there was an increase in demand for the development of security measures guidelines and security products, mainly due to companies, public institutions and households using ICT equipment for business and educational purposes having an increasing awareness of security amid frequently occurring data leakage incidents due to increasingly sophisticated and diverse cyberattacks, such as ransomware attacks, unauthorized access to networks and phishing. This trend is expected to expand and continue in the future, given that attacks against supply chains and other security incidents are more likely to happen across a broad area irrespective of the size or industry of the company or organization.

At the end of the previous fiscal year, the Company transferred all of the shares it owned in Digital Arts Consulting Inc. (DAC), a consolidated subsidiary engaged in the security consulting business. That produced an impact of a decrease in net sales for the consolidated fiscal year under review of around 2,196 million yen. Reflecting these developments, the Group re-established its Medium-Term Management Plan (fiscal year ending March 31, 2025 through fiscal year ending March 31, 2027), taking advantage of a change in a business situation that enabled it to focus on product expansion as a general Japan-made security manufacturer this fiscal year. This plan defines three priority areas: growth of the security business, increased public sector market share and investment in personnel to execute new measures. Accordingly, the Group started pursuing a number of different initiatives in the current fiscal year. In the enterprise sector market, the Group pursued a product strategy responding to demand for both cloud and on-premises environments to successfully capture the demand for Web and mail cloud security products, for continued on-premises measures and for the shift from discontinued on-premises products from other companies to the Group's products. In addition, it achieved solid results via its cross-selling and up-selling strategy to provide new products and optional products that provide added value to mainstay products. As a result of these efforts, the Group continued to grow solidly. In the public sector market, the Group achieved the substantial growth of its market share in orders for projects for the second phase of GIGA School Concept by broadly advertising i-FILTER, a product with a competitive advantage. In addition, the Group steadily acquired projects for security improvements for local governments and for Next-Generation School Affairs DX projects, which have constant demand, to achieve the rapid growth of contracts. Following these efforts in the individual markets, the number of users of the Group's original White Operation reached 13.65 million licenses (from the end of the previous fiscal year to increase 1.03 million active users) and we continued to receive 0 malware infection reports during the period.

With regard to expenses, DAC's cost of sales and personnel expenses declined following the exclusion of DAC from consolidation. However, communication expenses increased as a result of larger-than-expected orders for cloud service editions of products in projects for the public sector market. As a result, the cost of sales increased. In association with the revision of the personnel recruitment policy, the Group controlled its selling, general and administrative expenses. Total expenses were lower than initially planned.

As a result of the above, the financial condition and operating results for the consolidated fiscal year under review are as follows.

a. Financial condition

(Assets)

Total assets at the end of the consolidated fiscal year under review increased 109 million yen from the end of the previous fiscal year to 22,627 million yen. This was due mainly to growth of 105 million yen in software.

(Liabilities)

Total liabilities in the consolidated fiscal year under review declined 1,257 million yen from the end of the previous consolidated fiscal year to 5,262 million yen. This was due mainly to decreases of 336 million yen in advances received and 965 million yen in income taxes payable.

(Net assets)

Net assets in the consolidated fiscal year under review increased 1,367 million yen from the end of the previous consolidated fiscal year to 17,365 million yen. This was mainly due to an increase in earnings retained due to the recording of profit attributable to owners of parent, which outweighed a decrease in dividends paid.

b. Operating results

As a result, contracts for the consolidated fiscal year under review amounted to 10,570 million yen (down 2.5% year on year), net sales were 9,982 million yen (down 13.3% year on year), operating profit reached 4,558 million yen (up 3.0% year on year), ordinary profit came to 4,562 million yen (up 2.7% year on year), and profit attributable to owners of parent was 3,183 million yen (down 27.3% year on year). Excluding the effect of DAC transfer, contracts were up 22.3% year on year, net sales were up 7.2% year on year. Also, excluding the profit on stock transfer of DAC, profit attributable to owners of parent was up 4.3% year on year.

Overview of Consolidated Business Result

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025	Change	% Change
Contracts The figure in square brackets [ ] represents the result excluding DAC.	10,838 [8,641]	10,570	(267) [＋1,928]	(2.5) [＋22.3]
Net sales The figure in square brackets [ ] represents the result excluding DAC.	11,512 [9,315]	9,982	(1,529) [＋666]	(13.3) [＋7.2]
Operating profit	4,427	4,558	＋131	＋3.0
Ordinary profit	4,443	4,562	＋119	＋2.7
Profit attributable to owners of parent The figure in square brackets [ ] represents gain of sales excluding DAC.	4,377 [3,053]	3,183	(1,194) [＋130]	(27.3) [＋4.3]

The following describes business performance in separate markets.

Enterprise Sector Market

In the enterprise sector market, i-FILTER captured the demand for cloud security measures such as local breakout communication control, the provision of static IP addresses and cloud access security brokers (CASB), for the replacement of discontinued on-premises products from other companies and for continued on-premises measures such as hybrid operation of cloud and on-premises systems. In addition, sales of optional product Anti-Virus & Sandbox were strong. Thus, the Group continued its significant growth. The popularization of cloud-type mail services brought about needs for cloud-based security measures such as protection from malware, the prevention of the incorrect sending of email and email archiving. The m-FILTER product earned high marks for its comprehensive functions responding to the diverse needs of customers regarding email security measures, and that enabled the Group to firmly acquire new m-FILTER projects. In addition, progress was steady regarding the new product f-FILTER, mainly in the acquisition of projects related to PPAP issue solutions due to the provision of the product together with m-FILTER as a set. Meanwhile, the transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year produced an impact of decreasing net sales by around 2,196 million yen.

As a result, contracts in the enterprise sector market amounted to 5,016 million yen (down 24.7% year on year), net sales stood 4,783 million yen (down 25.9% year on year). Excluding the effect of DAC transfer, contracts in the enterprise sector market were up 12.4% year on year, net sales were up 12.3% year on year.

Public Sector Market

In the public sector market, proposals regarding projects for the second phase of GIGA School Concept began. The Group broadly advertised i-FILTER, a product with a competitive advantage, in its sales and marketing activities to secure a much larger market share in terms of orders than the first phase. In addition, the Group proposed comprehensive solutions conforming to the Information system Security Management and Assessment Program (ISMAP) and the Guidelines for IT Security Policy in Education in projects for security improvements for local governments and for Next-Generation School Affairs DX projects. In so doing, the Group steadily received projects and achieved the rapid growth of contracts. While most contract amounts for on-premises products, which are products sold as licenses, are recorded as sales at the time of shipment, sales of cloud service products, orders for which are received mainly in projects for the GIGA School Concept and Next-Generation School Affairs DX, are recorded on a monthly prorated basis through the period during which relevant services are provided. During this fiscal year under review, sales were not recorded as anticipated because orders for cloud service products increased more than planned.

As a result, contracts in the public sector market reached 5,146 million yen (up 36.9% year on year), net sales amounted to 4,788 million yen (up 3.3% year on year).

Consumer Sector Market

In the consumer sector market, the Group stepped up its sales promotion activities for multi-year package products and carried out sales promotion measures for products for Internet cafes. However, orders decreased given that demand for filtering products for children appeared to come to an end.

As a result, contracts in the consumer sector market totaled 408 million yen (down 2.5% year on year), net sales amounted to 409 million yen (down 2.1% year on year).

Contrasts for the consolidated fiscal year under review (April 1, 2024 - March 31, 2025)

	Enterprise	Public	Consumer	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31,2025	5,016	5,146	408	10,570
Year ended March 31, 2024	6,659	3,760	418	10,838

(Yen amounts are rounded down to millions, unless otherwise noted.)

(Note) Regarding the contract amount in the enterprise sector market, the transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year has an impact of lowering the contract amount for the consolidated fiscal year under review by around 2,196 million yen.

Net sales for the consolidated fiscal year under review (April 1, 2024 - March 31, 2025)

	Enterprise	Public	Consumer	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31,2025	4,783	4,788	409	9,982
Year ended March 31, 2024	6,456	4,637	418	11,512

(Yen amounts are rounded down to millions, unless otherwise noted.)

(Note) Regarding the net sales in the enterprise sector market, the transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year has an impact of lowering the contract amount for the consolidated fiscal year under review by around 2,196 million yen.

(ii) State of cash flows

In the consolidated fiscal year under review, cash and cash equivalents decreased 387 million yen from the end of the previous consolidated fiscal year to 17,952 million yen. Cash flows in each category are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,817 million yen (2,830 million yen in the previous year), mainly due to income taxes paid, while income before income taxes and minority interests amounted to 4,563 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,107 million yen (1,102 million yen used in the previous year), mainly due to the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 2,096 million yen (2,545 million yen in the previous fiscal year), primarily due to dividends paid and purchase of treasury shares.

(iii) Results for production, orders received and sales

a. Results of production

	Fiscal year under review (from April 1, 2024 to March 31, 2025) (Millions of yen)	Change YoY (%)
Enterprise Sector Market	4,267	69.9
Public Sector Market	4,729	103.8
Consumer Sector Market	412	98.5
Total	9,409	84.9

(Notes) 1. The amount of money is based on selling prices.

2. Segment information is omitted because the Group operates in one segment only (the security business).

b. Results of orders received

Not applicable as the Group does not build products to order.

c. Results of sales

	Fiscal year under review (from April 1, 2024 to March 31, 2025) (Millions of yen)	Change YoY (%)
Enterprise Sector Market	4,783	74.1
Public Sector Market	4,788	103.3
Consumer Sector Market	409	97.9
Total	9,982	86.7

(Notes) 1. There are no export sales.

2. Segment information is omitted because the Group operates in one segment only (the security business).
3. The results of sales by major customer and the ratio of sales by major customer to total sales in the fiscal year are as follows.

Customer	Previous fiscal year (from April 1, 2023 to March 31, 2024)		Fiscal year under review (from April 1, 2024 to March 31, 2025)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Daiwabo Information System Co., Ltd.	2,856	24.8	3,074	30.8
SB C&S Corp.	1,994	17.3	1,887	18.9

(2) Details of analysis and examination concerning the state of operating results, etc. from the perspective of the management

The details of understanding, analysis and examination concerning the state of operating results , etc. for the Group from the perspective of the management are as follows. Matters concerning the future stated below are based on assessments as of the end of the fiscal year under review.

(i) Significant accounting policies and accounting estimates

The Group’s consolidated financial statements were prepared in accordance with Generally Accepted Accounting Principles in Japan (JGAAP). In preparing these consolidated financial statements, the Group was required to make estimates and forecasts that might affect its financial condition, operating results and cash flows at the end of the consolidated fiscal year under review. The Company always bases its estimates and forecasts on assumptions that it believes to be reasonable based on past results and conditions. Due to the uncertain nature of estimates, in some cases actual results may vary from these estimates.

(ii) Details of understanding, analysis and examination concerning the state of operating results, etc. for the fiscal year under review

The Group’s operating results, etc. in the consolidated fiscal year under review are as follows.

a. State of operating results, etc.

(Net sales)

Consolidated net sales for the fiscal year under review stood at 9.982 million yen, down 1,529 million yen compared to the previous consolidated fiscal year (down 13.3% year on year).This decrease is attributed to the transfer of shares of Digital Arts Consulting Inc. held by the Company, which had a negative impact of approx. 2,196 million yen on net sales, more than offsetting the strong performance of projects for the second phase of the GIGA School Concept and the steady progress in the cross-selling and up-selling strategies that combine optional products and new products in the enterprise sector market with mainstay products. Excluding the effect of the transfer, net sales were up 7.2% year on year.

(Cost of sales, gross profit)

Cost of sales during the consolidated fiscal year under review stood at 2,948 million yen, down 1,635 million yen compared to the previous consolidated fiscal year (down 35.7% year on year). Meanwhile, gross profit stood at 7,033 million yen, up 105 million yen compared to the previous consolidated fiscal year (up 1.5% year on year). In the consolidated fiscal year under review, gross profit surged thanks to a decrease in the cost of sales due to the exclusion of Digital Arts Consulting Inc. from the scope of consolidation which more than offset an increase in communication expenses attributed to cloud server expenses associated with the expansion of sales of cloud service products and the impact of exchange rates, an increase in expenses for new product development, and higher personnel expenses attributable to the increase in the number of development personnel, among other factors.

(Selling, general and administrative expenses, operating profit)

Selling, general and administrative expenses were 2,474 million yen, down 26 million yen compared to the previous consolidated fiscal year (down 1.0% year on year). Meanwhile, operating profit stood at 4,558 million yen, up 131 million yen compared to the previous consolidated fiscal year (up 3.0% year on year). In the consolidated fiscal year under review, operating profit increased due to a decrease in personnel and other expenses attributable to exclusion of Digital Arts Consulting Inc. from consolidation, despite an increase in hiring expenses.

(Ordinary profit)

In the consolidated fiscal year under review, ordinary profit amounted to 4,562 million yen (up 2.7% year on year), mainly due to the recording of non-operating income such as gain on forfeiture of unclaimed dividends of 1 million yen.

(Profit attributable to owners of parent)

Profit attributable to owners of parent decreased 27.3% year on year, to 3,183 million yen.

b. Analysis of objective indicators for judging status of achievement of management goals

Objective indicators used in the consolidated fiscal year under review are as shown below.

The main reason for the discrepancy between the contract amount growth rate and the net sales growth rate is that a large part of the amount of the contract for traditional mainstay license sales products is recorded as sales in a lump at the time of shipment, while sales are recorded on a monthly pro-rata basis throughout the service period for cloud service products.

	Previous fiscal year (from April 1, 2023 to March 31, 2024)	Fiscal year under review (from April 1, 2024 to March 31, 2025)
Contract amount growth rate (%) *The figure in square brackets [ ] represents the result excluding DAC.	6.4	(2.5) [22.3]
Net sales growth rate (%) *The figure in square brackets [ ] represents the result excluding DAC.	10.3	(13.3) [7.2]
Operating margin (%)	38.5	45.7
Return on equity (ROE) (%)	29.1	19.1

c. Analysis of capital resources and liquidity

The Group's basic capital policy is to aim for sustainable improvement in corporate value by comprehensively considering securing enough internal reserves to enable prompt investment in growing areas and returning profits to shareholders.

At the end of the consolidated fiscal year under review, the Group had no outstanding interest-bearing debt whilst cash and cash equivalents stood at 18,339 million yen.

A major component of the Group's demand for working capital is personnel expenses to secure and develop the talented human resources necessary to provide high added value solutions. When allocating internal reserves, the Group will give priority to securing and developing human resources, and we will maintain the stable and continuous growth of existing business while also actively striving to identify new needs.

d. Factors that have a significant impact on operating results

As stated in "Section II. Business Summary 3. Business and Other Risks"

5. Important Contracts Affecting Management of the Company, etc.

Not applicable.

6. Research and Development

The Group's research and development activities are conducted by the Company's Development Department, which conducts investigations, comparisons and analysis to improve the usability of the Company's products and examines ways to improve existing products. The Company's Development Department also investigates, researches and develops technologies for products and services for coming fiscal years and conducts activities for bringing new products and services to market.

In the consolidated fiscal year under review total research and development expenses were 17 million yen.

Section III. Properties

1. Summary of Capital Investment, etc.

In the consolidated fiscal year under review, the Group made capital investment totaling 79 million yen. This mainly consisted of office equipment. Meanwhile, the Group made investments in intangible assets totaling 1,046 million yen, mainly for software development.

2. Major Facilities

Major facilities of the Company are as follows. (The major facilities of the Company are shown because this report omits segment information.)

(1) The Reporting Company

(As of March 31, 2025)

Branch name (location)	Description of equipment	Book value							Number of employees (Persons)
		Buildings		Vehicles (Millions of yen)	Furniture and fixtures (Millions of yen)	Land		Total (thousand yen)	
		Area (m^2)	Amount (Millions of yen)			Area (m^2)	Amount (Millions of yen)		
Headquarters (Chiyoda-ku, Tokyo)	Administration, development and sales facility	1,626.42 (1,626.42)	16	10	113	-	-	140	243(41)
Recreational facility (Atami, Shizuoka Prefecture)	Recreational facility	71.85	64	-	0	27.60	26	90	-

(Notes) 1. The figure in parentheses in the Buildings section is included in the total and is the area that is leased.
2. The figures in parentheses in the number of employees section (which are not included in the totals) indicate the annual average number of part-time employees (temporary staff, etc.)
3. Other branches are the Hokkaido Sales Office (1 employee), the Tohoku Sales Office (1 employee), the Chubu Sales Office (8 employees), the Kansai Sales Office (12 employees), the Chushikoku Sales Office (3 employees), and the Kyushu Sales Office (4 employees).

3. Plans for Capital Investment, Disposals of Properties, etc.

(1) New Construction of Important Facilities, etc.

None in particular

(2) Retirement of Important Facilities, etc.

None in particular

Section IV. Information on the Reporting Company

1. Stock Information

(1) Total Number of Shares, etc.

(i) Total Number of Shares

Classification	Total number of shares authorized to be issued (shares)
Common share	45,036,000
Total	45,036,000

(ii) Issued Shares

Classification	Number of shares issued as of the end of fiscal year (shares) (March 31, 2025)	Number of shares issued as of the filing date (shares) (June 20, 2025)	Stock exchange on which the Company is listed or financial instruments association where the Company is licensed	Description
Common share	14,133,000	14,133,000	Tokyo Stock Exchange Prime Market	Number of shares in trading unit 100
Total	14,133,000	14,133,000	-	-

(Note) The figures in the “Number of shares issued as of the filing date” column do not include the number of shares issued upon the exercise of share acquisition rights between June 1, 2025 and the filing date of this Annual Securities Report.

(2) Information on the Share Acquisition Rights, etc.

(i) Details of Stock Option Plans

Share acquisition rights issued in accordance with the Companies Act are as follows.

i) Resolution of the Board of Directors Meeting held on November 12, 2015

	As of the end of the fiscal year (March 31, 2025)	As of the end of the month before the filing date (May 31, 2025)
Category and number of persons subject to grants	Four directors, 151 employees	
Number of share acquisition rights	1,520	1,518
Number of share acquisition rights that are own share options	-	-
Class of shares to be acquired upon exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be acquired upon exercise of share acquisition rights	152,000 shares	151,800 shares
Amount to be paid upon exercise of share acquisition rights	2,034 yen per share	Same as on the left
Exercise period of share acquisition rights	From July 1, 2017 to May 31, 2027	Same as on the left
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount capitalized as common shares	Issue price: 2,036 yen Amount capitalized as common shares: 1,018 yen	Same as on the left
Conditions for exercise of share acquisition rights	*2	Same as on the left
Matters regarding transfer of share acquisition rights	Any transfer of share acquisition rights is subject to approval by the Board of Directors of the Company.	Same as on the left
Matters regarding substitute payment	-	-
Matters regarding grant of share acquisition rights accompanying reorganization	*5	Same as on the left

(Notes) 1. The share acquisition rights were issued with a charge of 200 yen per share acquisition right.

2. Conditions for exercise of share acquisition rights

(1) Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each

item below in the fiscal year ended March 31, 2017, the fiscal year ended March 31, 2018, or the fiscal year ended March 31, 2019.

(a) If operating profit exceeds 1.5 billion yen, 20% of share acquisition rights can be exercised.
(b) If operating profit exceeds 2.0 billion yen, 50% of share acquisition rights can be exercised.
(c) If operating profit exceeds 2.5 billion yen, 100% of share acquisition rights can be exercised.

In the items above, the operating profit stated in the consolidated statements of income in the Company's annual securities report (or the statements of income if no consolidated statements of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors. Any fraction of less than one share acquisition right arising in the number of the share acquisition rights that can be exercised by each holder of share acquisition rights when calculating the percentage that can be exercised shall be rounded down.

(2) The holder of the share acquisition rights must continue to be a director or an employee of the Company to exercise share acquisition rights. Provided, however, this provision shall not apply to holders who have retired due to expiration of their terms of office, or holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that the Board of Directors may deem appropriate.
(3) Exercise of the share acquisition rights by heirs of holders of the share acquisition rights shall not be permitted.
(4) Share acquisition rights may not be exercised when doing so would cause the total number of shares of the Company outstanding after exercise of such rights to exceed the number of shares authorized at the time of the exercise.
(5) Share acquisition rights may not be exercised in less than one unit.

3. The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the share acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

If the Company performs a merger or company split, or reduces its share capital, or any other similar matter where the adjustment of the number of shares granted becomes necessary, after the allotment date of the share acquisition rights, the number of shares granted shall, to a reasonable extent, be adjusted as appropriate.

4. The value of assets to be contributed upon exercise of the share acquisition rights shall be an amount obtained by multiplying the amount to be paid in per share (the "Exercise Price") by the number of shares granted.
The Exercise Price shall be 2,034 yen, which is equal to the closing price of the Company's stock in regular trading on the Tokyo Stock Exchange on November 11, 2015, which is the day before the date of the resolution of the Board of Directors concerning the issuance of the share acquisition rights.

(1) If the Company conducts a stock split or stock consolidation, the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

(2) If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of share acquisition rights and the transfer of treasury shares through the exchange of shares), the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid per share}}{\text{Market price per share prior to the issuance}}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

In the above formula, the "number of shares outstanding" shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the "number of shares to be newly issued" shall be read as the "number of treasury shares to be disposed of."

(3) If the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the Exercise Price becomes necessary, after the allotment date of the share acquisition rights, the Company may, to a reasonable extent, adjust the Exercise Price as appropriate.

5. If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "Reorganization"), the Company

shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in “a” through “e” of Article 236, Paragraph 1, Item 8 of the Companies Act (the “Reorganized Company”) to the holders of the share acquisition rights as of the effective date of the relevant Reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such share acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be allotted
The same number as the number of share acquisition rights held by the holder of the share acquisition rights shall be allotted in each case.

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
To be determined as follows, taking the terms and conditions of the Reorganization into consideration.
If the Company conducts Reorganization with respect to common shares of the Company after the allotment date, the number of shares granted shall be adjusted according to the following formula and any fraction of less than one share resulting from the adjustment shall be rounded down.
Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

(4) Value of assets to be contributed upon exercise of each share acquisition right
The value of assets to be contributed upon exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying the exercise price after Reorganization, obtained through adjustment taking into consideration, among other matters, the terms and conditions of the Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of each of such share acquisition rights as determined in accordance with (3) above.

(5) Exercise period of share acquisition rights
From and including the later of the commencement date of the period during which the share acquisition rights may be exercised as provided for separately or the effective date of the Reorganization, to and including the expiration date of the period during which the share acquisition rights may be exercised as provided for separately.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of share acquisition rights
To be determined as follows.
(i) The amount by which the stated share capital increases through the issuance of shares upon the exercise of share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.
(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(7) Restriction on acquisition of share acquisition rights by transfer
Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.

(8) Clause on the acquisition of share acquisition rights
If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company’s Board of Directors in the case when the approval of the Company’s general meeting of shareholders is not required), the Company may acquire all share acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.

ii) Resolution of the Board of Directors Meeting held on November 10, 2016 (9th series of share acquisition rights)

	As of the end of the fiscal year (March 31, 2025)	As of the end of the month before the filing date (May 31, 2025)
Category and number of persons subject to grants	Three directors, 96 employees	
Number of share acquisition rights	3,008	3,008
Number of share acquisition rights that are own share options	-	-
Class of shares to be acquired upon exercise of share acquisition	Common share	Same as on the left

rights		
Number of shares to be acquired upon exercise of share acquisition rights	300,800 shares	300,800 shares
Amount to be paid upon exercise of share acquisition rights	2,639 yen per share	Same as on the left
Exercise period of share acquisition rights	From July 1, 2018 to May 31, 2028	Same as on the left
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount capitalized as common shares	Issue price: 2,663 yen Amount capitalized as common shares: 1,332 yen	Same as on the left
Conditions for exercise of share acquisition rights	*2	Same as on the left
Matters regarding transfer of share acquisition rights	Any transfer of share acquisition rights is subject to approval by the Board of Directors of the Company.	Same as on the left
Matters regarding substitute payment	-	-
Matters regarding grant of share acquisition rights accompanying reorganization	*5	Same as on the left

(Notes) 1. The share acquisition rights were issued with a charge of 2,400 yen per share acquisition right.

2. Conditions for exercise of share acquisition rights

(1) Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each item below in the fiscal year ended March 31, 2018, the fiscal year ended March 31, 2019, or the fiscal year ended March 31, 2020.

(a) If operating profit exceeds 2.0 billion yen, 20% of share acquisition rights can be exercised.

(b) If operating profit exceeds 2.5 billion yen, 50% of share acquisition rights can be exercised.

(c) If operating profit exceeds 2.8 billion yen, 100% of share acquisition rights can be exercised.

In the items above, the operating profit stated in the consolidated statements of income in the Company's annual securities report (or the statements of income if no consolidated statements of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors. Any fraction of less than one share acquisition right arising in the number of the share acquisition rights that can be exercised by each holder of share acquisition rights when calculating the percentage that can be exercised shall be rounded down.

(2) The holder of the share acquisition rights must continue to be a director or an employee of the Company to exercise share acquisition rights. Provided, however, this provision shall not apply to holders who have retired due to expiration of their terms of office, or holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that the Board of Directors may deem appropriate.

(3) Exercise of the share acquisition rights by heirs of holders of the share acquisition rights shall not be permitted.

(4) Share acquisition rights may not be exercised when doing so would cause the total number of shares of the Company outstanding after exercise of such rights to exceed the number of shares authorized at the time of the exercise.

(5) Share acquisition rights may not be exercised in less than one unit.

3. The number of shares granted shall be adjusted according to the following formula if the Company conducts a stock split (includes allotment of the common shares of the Company without consideration; hereinafter the same) or a stock consolidation after the allotment date of the share acquisition rights. Provided, however, that such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the share acquisition rights that have not yet been exercised at the time of adjustment, and any fraction less than one share arising from the adjustment shall be rounded down.

Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

If the Company performs a merger or company split, or reduces its share capital, or any other similar matter where the adjustment of the number of shares granted becomes necessary, after the allotment date of the share acquisition rights, the number of shares granted shall, to a reasonable extent, be adjusted as appropriate.

4. The value of assets to be contributed upon exercise of the share acquisition rights shall be an amount obtained by multiplying the amount to be paid in per share (the "Exercise Price") by the number of shares granted.

The Exercise Price shall be 2,639 yen, which is equal to the closing price of the Company's stock in regular trading on the Tokyo Stock Exchange on November 9, 2016, which is the day before the date of the resolution of the Board of Directors concerning the issuance of the share acquisition rights.

(1) If the Company conducts a stock split or stock consolidation, the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\textit{Exercise price after adjustment} = \textit{Exercise price before adjustment} \times \frac{1}{\textit{Ratio of split (or consolidation)}}$$

(2) If the Company issues new common shares or disposes of its treasury shares at a price below the market price of its common shares (excluding the case of the issuance of new shares and the disposal of treasury shares upon exercise of share acquisition rights and the transfer of treasury shares through the exchange of shares), the Exercise Price shall be adjusted according to the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\textit{Exercise price after adjustment} = \textit{Exercise price before adjustment} \times \frac{\textit{Number of shares outstanding} + \dfrac{\textit{Number of shares newly issued} \times \textit{Amount to be paid per share}}{\textit{Market price per share prior to the issuance}}}{\textit{Number of shares outstanding} + \textit{Number of shares newly issued}}$$

In the above formula, the "number of shares outstanding" shall be the amount obtained by subtracting the number of treasury shares pertaining to the common shares of the Company from the total number of shares outstanding pertaining to the common shares of the Company. If the Company undertakes the disposal of treasury shares pertaining to its common shares, the "number of shares to be newly issued" shall be read as the "number of treasury shares to be disposed of."

(3) If the Company performs a merger with another company, company split, or any other similar matter where the adjustment of the Exercise Price becomes necessary, after the allotment date of the share acquisition rights, the Company may, to a reasonable extent, adjust the Exercise Price as appropriate.

5. If the Company conducts a merger (limited to the case where the Company is dissolved due to the merger), an absorption-type or incorporation-type company split, or a share exchange or transfer (collectively, the "Reorganization"), the Company shall, in each of the above cases, allot share acquisition rights of the relevant company from among those listed in "a" through "e" of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") to the holders of the share acquisition rights as of the effective date of the relevant Reorganization. Provided, however, that the foregoing shall be on the condition that the allotment of such share acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be allotted
The same number as the number of share acquisition rights held by the holder of the share acquisition rights shall be allotted in each case.

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
To be determined as follows, taking the terms and conditions of the Reorganization into consideration.
If the Company conducts Reorganization with respect to common shares of the Company after the allotment date, the number of shares granted shall be adjusted according to the following formula and any fraction of less than one share resulting from the adjustment shall be rounded down.
Number of shares granted after adjustment = Number of shares granted before adjustment x Ratio of split (or consolidation)

(4) Value of assets to be contributed upon exercise of each share acquisition right
The value of assets to be contributed upon exercise of each share acquisition right to be allotted shall be the amount obtained by multiplying the exercise price after Reorganization, obtained through adjustment taking into consideration, among other matters, the terms and conditions of the Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of each of such share acquisition rights as determined in accordance with (3) above.

(5) Exercise period of share acquisition rights
From and including the later of the commencement date of the period during which the share acquisition rights may be exercised as provided for separately or the effective date of the Reorganization, to and including the expiration date of the period during which the share acquisition rights may be exercised as provided for separately.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of share acquisition rights
To be determined as follows.

(i) The amount by which the stated share capital increases through the issuance of shares upon the exercise of share acquisition rights shall be one-half (1/2) of the upper limit of the increase in the amounts of stated share capital and other items calculated pursuant to the provisions of Article 17, Paragraph 1 of the Company Accounting Ordinance. Any fraction of less than one yen arising from the calculation shall be rounded up.

(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(7) Restriction on acquisition of share acquisition rights by transfer
Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Company.

(8) Clause on the acquisition of share acquisition rights
If a proposal for a merger agreement under which the Company is to be the dissolving company, a company split agreement or a company split plan under which the Company is to be the splitting company, or a share exchange agreement or share transfer plan under which the Company is to be a wholly-owned subsidiary is approved by resolution of the general meeting of shareholders (or if a resolution is made by the Company's Board of Directors in the case when the approval of the Company's general meeting of shareholders is not required), the Company may acquire all share acquisition rights without consideration on a date to be separately determined by the Board of Directors of the Company.

iii) Resolution of the Board of Directors Meeting held on August 30, 2021 (11th series of share acquisition rights)

	As of the end of the fiscal year (March 31, 2025)	As of the end of the month before the filing date (May 31, 2025)
Category and number of persons subject to grants	16 employees	
Number of share acquisition rights	540	540
Number of share acquisition rights that are own share options	-	-
Class of shares to be acquired upon exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be acquired upon exercise of share acquisition rights	54,000 shares	54,000 shares
Amount to be paid upon exercise of share acquisition rights	8,310 yen per share	Same as on the left
Exercise period of share acquisition rights	From July 1, 2036 to June 30, 2038	Same as on the left
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount capitalized as common shares	Issue price: 15,071 yen Amount capitalized as common shares: 7,536 yen	Same as on the left
Conditions for exercise of share acquisition rights	*2	Same as on the left
Matters regarding transfer of share acquisition rights	Any transfer of share acquisition rights is subject to approval by the Board of Directors of the Company.	Same as on the left
Matters regarding substitute payment	-	-
Matters regarding grant of share acquisition rights accompanying reorganization	*5	Same as on the left

(Notes) 1. The share acquisition rights were issued with a charge of 2,000 yen per share acquisition right.

2. Conditions for exercise of share acquisition rights

(1) Persons who have received an allotment of stock acquisition rights ("Stock Acquisition Rights Holders") may exercise their stock acquisition rights in the period from July 1, 2036 to June 30, 2038 only, if the Company's operating profit for any of the fiscal years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2036 exceeds 14,736 million yen. Moreover, operating profit shall be defined as operating profit as stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of operating profit to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.

(2) Stock Acquisition Rights Holders must be directors, corporate auditors, or employees of the Company or its subsidiaries at the time they exercise their stock acquisition rights. Provided, however, this provision shall not apply to Stock Acquisition Rights Holders who have retired due to the expiration of their terms of office, or stock acquisition right holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that its Board of Directors may deem appropriate.

(3) In the event of the death of a Stock Acquisition Rights Holder, the exercise of these rights by his/her heirs shall not be permitted.

(4) Other conditions shall be as set forth in the stock acquisition right allotment agreement to be concluded between the

Company and the Stock Acquisition Rights Holders.

3. The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares per stock acquisition right.

   After the date of the allotment of the Stock Acquisition Rights (the "Allotment Date"), if the Company conducts a stock split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.

   Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split

   In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company. Any fractions less than one (1) share resulting from the above adjustment shall be rounded down.

4. The amount to be paid upon exercise of this stock acquisition right shall be the amount obtained by multiplying the amount to be paid in per share issued or transferred through the exercise of the stock acquisition right (the "Issue Amount") by the Number of Shares Granted.

   The Exercise Price shall be 8,310 yen. The Exercise Price is equal to the closing price of the Company's common stock on the Tokyo Stock Exchange on August 27, 2021.

   If any of the reasons shown below arise after the Allotment Date, the Exercise Price shall be adjusted accordingly.

   (1) If the Company conducts a stock split or a reverse stock split of its common stock, the Exercise Price shall be adjusted according to the following formula, and any fraction of less than one yen arising from the adjustment shall be rounded up to the nearest one yen.

$$\begin{array}{c}\textit{Exercise price}\\ \textit{after adjustment}\end{array} = \begin{array}{c}\textit{Exercise price}\\ \textit{before adjustment}\end{array} \times \frac{1}{\textit{Ratio of split or reverse split}}$$

   (2) In the event that the Company issues new shares of common stock of the Company or disposes of treasury stock at a price lower than the market price (excluding sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (request for sale of shares constituting less than one unit by shareholders constituting less than one unit), or the case of conversion of securities convertible into or can be converted into shares of common stock of the Company or the case of the exercise of stock acquisition rights to claim delivery of shares of common stock of the Company (including those attached to bonds with stock acquisition rights)), the Exercise Price shall be adjusted according to the following formula, and any fraction less than one (1) yen arising from the adjustment shall be rounded up to the nearest one yen.

$$\begin{array}{c}\textit{Exercise price}\\ \textit{after adjustment}\end{array} = \begin{array}{c}\textit{Exercise price}\\ \textit{before adjustment}\end{array} \times \frac{\begin{array}{c}\textit{Number of shares}\\ \textit{outstanding}\end{array} + \dfrac{\begin{array}{c}\textit{Number of shares}\\ \textit{newly issued}\end{array} \times \begin{array}{c}\textit{Amount to be paid}\\ \textit{per share}\end{array}}{\textit{Fair market value per share}}}{\textit{Number of shares outstanding} + \textit{Number of shares newly issued}}$$

   The "number of shares already issued" in the above formula shall be the number obtained by subtracting the number of treasury shares held by the Company from the total number of issued shares of the Company, and in the case of disposal of treasury shares, the "number of shares newly issued" shall be replaced with the "number of shares to be disposed of" and the "amount to be paid per share" with the "amount to be disposed of per share."

   (3) In the event of a merger of the Company, a corporate split, or in any other cases where the adjustment of the exercise price is necessary in accordance with these cases, the exercise price shall be adjusted to the extent necessary and reasonable.

5. If the Company engages in a merger (only if the Company ceases to exist after the merger), absorption-type company split or incorporation-type company split (in each case only if the Company is the split company), or a stock exchange or stock transfer (in each case only if the Company becomes a wholly-owned subsidiary) (hereinafter collectively referred to as

“Reorganization Actions”), the Company shall deliver to Stock Acquisition Right Holders who hold any stock acquisition rights remaining (hereinafter referred to as the “Remaining Stock Acquisition Rights”) directly before the effective date of the Reorganization Actions (effective date of absorption-type merger in case of absorption type merger, date of incorporation of joint stock company established by consolidation-type merger in case of consolidation-type merger; effective date of absorption-type split in case of absorption-type split; date of incorporation of company established by incorporation-type split in case of incorporation-type split; effective date of stock exchange in case of stock exchange; or date of incorporation of parent company established by stock transfer in case of stock transfer; the same applies hereinafter) the stock acquisition rights of the relevant stock companies listed in Article 236, paragraph 1, No.8 -(a) through (e) of the Companies Act (hereinafter referred to as the “Reorganized Company”). Provided, however, that the foregoing shall be on the condition that the allotment of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be allotted
The Number of Stock Acquisition Rights shall be the same as the number of remaining stock acquisition rights held by the Stock Acquisition Rights Holders

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
It shall be determined in accordance with the following, taking into consideration the terms and conditions of the Reorganization Actions.
The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the “Number of Shares Granted”) shall be 100 shares per stock acquisition right. After the date of the allotment of the Stock Acquisition Rights (the “Allotment Date”), if the Company conducts a stock split (including the gratis allotment of the Company’s common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.
Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split
In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company.
Any fractions less than one share resulting from the above adjustment shall be rounded down.

(4) Value of assets to be contributed upon exercise of each share acquisition right
The value of assets to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of the Exercise Price provided for in 6. above taking into consideration factors such as the terms and conditions of the Reorganization Actions, by the number of shares of the Reorganized Company to be issued upon exercise of each of such stock acquisition right as determined in accordance with (3) above.

(5) Exercise period of share acquisition rights
The period shall be from July 1, 2036 to June 30, 2038.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of share acquisition rights
(i) The amount of share capital to be increased due to the issuance of shares upon the exercise of the Stock Acquisition Rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen.

(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(7) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.

(8) Clause on the acquisition of share acquisition rights

(i) In the event that the Stock Acquisition Rights Holder is unable to exercise the stock acquisition rights due to the provisions of (2) above or the stock acquisition right allotment agreement before exercising the rights, the Company may acquire such stock acquisition rights without consideration on a date separately determined by the Board of Directors of the Company.

(ii) If any of the following proposals, a, b, c, d or e, are approved at a general meeting of shareholders of the Company (or approved by the Board of Directors of the Company if a resolution of a general meeting of shareholders is not required), the Company may acquire the stock acquisition rights without consideration on a date separately determined by its Board of Directors of the Company.

a. Proposal for the approval of a merger agreement under which the Company is to be dissolved

b. Proposal for the approval of a company split agreement or company split plan under which the Company is to be split

c. Proposal for the approval of a stock exchange agreement or stock transfer plan under which the Company is to become a wholly owned subsidiary

d. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval regarding the acquisition of all outstanding shares of stock through a transfer

e. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning a requirement for the Company's approval regarding the acquisition through a transfer of shares issued upon the exercise of these stock options or concerning the acquisition by the Company of all shares issued upon the exercise of stock options by resolution of the Company's General Meeting of Shareholders.

iv) Resolution of the Board of Directors Meeting held on August 30, 2021 (12th series of share acquisition rights)

	As of the end of the fiscal year (March 31, 2025)	As of the end of the month before the filing date (May 31, 2025)
Category and number of persons subject to grants	55 employees	
Number of share acquisition rights	775	750
Number of share acquisition rights that are own share options	-	-
Class of shares to be acquired upon exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be acquired upon exercise of share acquisition rights	77,500 shares	75,000 shares
Amount to be paid upon exercise of share acquisition rights	8,310 yen per share	Same as on the left
Exercise period of share acquisition rights	From July 1, 2041 to June 30, 2043	Same as on the left
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount capitalized as common shares	Issue price: 15,792 yen Amount capitalized as common shares: 7,896 yen	Same as on the left
Conditions for exercise of share acquisition rights	*2	Same as on the left
Matters regarding transfer of share acquisition rights	Any transfer of share acquisition rights is subject to approval by the Board of Directors of the Company.	Same as on the left
Matters regarding substitute payment	-	-
Matters regarding grant of share acquisition rights accompanying reorganization	*5	Same as on the left

(Notes) 1. The share acquisition rights were issued with a charge of 2,700 yen per share acquisition right.

2. Conditions for exercise of share acquisition rights

(1) Persons who have received an allotment of stock acquisition rights ("Stock Acquisition Rights Holders") may exercise their stock acquisition rights in the period from July 1, 2041 to June 30, 2043 only, if the Company's operating profit for any of the fiscal years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2041 exceeds 20,630 million yen. Moreover, operating profit shall be defined as operating profit as stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of operating profit to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.

(2) Stock Acquisition Rights Holders must be directors, corporate auditors, or employees of the Company or its subsidiaries at the time they exercise their stock acquisition rights. Provided, however, this provision shall not apply to Stock Acquisition Rights Holders who have retired due to the expiration of their terms of office, or stock acquisition right holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that its Board of Directors may deem appropriate.

(3) In the event of the death of a Stock Acquisition Rights Holder, the exercise of these rights by his/her heirs shall not be permitted.

(4) Other conditions shall be as set forth in the stock acquisition right allotment agreement to be concluded between the Company and the Stock Acquisition Rights Holders.

3. The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares per stock acquisition right.

After the date of the allotment of the Stock Acquisition Rights (the "Allotment Date"), if the Company conducts a stock split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split

In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company.

Any fractions less than one share resulting from the above adjustment shall be rounded down.

4. The amount to be paid upon exercise of this stock acquisition right shall be the amount obtained by multiplying the amount to be paid in per share issued or transferred through the exercise of the stock acquisition right (the "Issue Amount") by the Number of Shares Granted.

The Exercise Price shall be 8,310 yen. The Exercise Price is equal to the closing price of the Company's common stock on the Tokyo Stock Exchange on August 27, 2021.

If any of the reasons shown below arise after the Allotment Date, the Exercise Price shall be adjusted accordingly.

(1) If the Company conducts a stock split or a reverse stock split of its common stock, the Exercise Price shall be adjusted according to the following formula, and any fraction of less than one yen arising from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or reverse split}}$$

(2) In the event that the Company issues new shares of common stock of the Company or disposes of treasury stock at a price lower than the market price (excluding sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (request for sale of shares constituting less than one unit by shareholders constituting less than one unit), or the case of conversion of securities convertible into or can be converted into shares of common stock of the Company or the case of the exercise of stock acquisition rights to claim delivery of shares of common stock of the

Company (including those attached to bonds with stock acquisition rights)), the Exercise Price shall be adjusted according to the following formula, and any fraction less than one (1) yen arising from the adjustment shall be rounded up to the nearest one (1) yen.

$$\textit{Exercise price after adjustment} = \textit{Exercise price before adjustment} \times \frac{\textit{Number of shares outstanding} + \dfrac{\textit{Number of shares newly issued} \times \textit{Amount to be paid per share}}{\textit{Fair market value per share}}}{\textit{Number of shares outstanding} + \textit{Number of shares newly issued}}$$

The "number of shares already issued" in the above formula shall be the number obtained by subtracting the number of treasury shares held by the Company from the total number of issued shares of the Company, and in the case of disposal of treasury shares, the "number of shares newly issued" shall be replaced with the "number of shares to be disposed of" and the "amount to be paid per share" with the "amount to be disposed of per share."

(3) In the event of a merger of the Company, a corporate split, or in any other cases where the adjustment of the exercise price is necessary in accordance with these cases, the exercise price shall be adjusted to the extent necessary and reasonable.

5. If the Company engages in a merger (only if the Company ceases to exist after the merger), absorption-type company split or incorporation-type company split (in each case only if the Company is the split company), or a stock exchange or stock transfer (in each case only if the Company becomes a wholly-owned subsidiary) (hereinafter collectively referred to as "Reorganization Actions"), the Company shall deliver to Stock Acquisition Right Holders who hold any stock acquisition rights remaining (hereinafter referred to as the "Remaining Stock Acquisition Rights") directly before the effective date of the Reorganization Actions (effective date of absorption-type merger in case of absorption type merger, date of incorporation of joint stock company established by consolidation-type merger in case of consolidation-type merger; effective date of absorption-type split in case of absorption-type split; date of incorporation of company established by incorporation-type split in case of incorporation-type split; effective date of stock exchange in case of stock exchange; or date of incorporation of parent company established by stock transfer in case of stock transfer; the same applies hereinafter) the stock acquisition rights of the relevant stock companies listed in Article 236, paragraph 1, No.8 -(a) through (e) of the Companies Act (hereinafter referred to as the "Reorganized Company"). Provided, however, that the foregoing shall be on the condition that the allotment of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be allotted
The Number of Stock Acquisition Rights shall be the same as the number of remaining stock acquisition rights held by the Stock Acquisition Rights Holders

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights
It shall be determined in accordance with the following, taking into consideration the terms and conditions of the Reorganization Actions.
The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares per stock acquisition right. After the date of the allotment of the Stock Acquisition Rights (the "Allotment Date"), if the Company conducts a stock split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split

In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company.

Any fractions less than one share resulting from the above adjustment shall be rounded down.

(4) Value of assets to be contributed upon exercise of each share acquisition right

The value of assets to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of the Exercise Price provided for in 6. above taking into consideration factors such as the terms and conditions of the Reorganization Actions, by the number of shares of the Reorganized Company to be issued upon exercise of each of such stock acquisition right as determined in accordance with (3) above.

(5) Exercise period of share acquisition rights

The period shall be from July 1, 2041 to June 30, 2043.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of share acquisition rights

(i) The amount of share capital to be increased due to the issuance of shares upon the exercise of the Stock Acquisition Rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen.

(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(7) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.

(8) Clause on the acquisition of share acquisition rights

(i) In the event that the Stock Acquisition Rights Holder is unable to exercise the stock acquisition rights due to the provisions of (2) above or the stock acquisition right allotment agreement before exercising the rights, the Company may acquire such stock acquisition rights without consideration on a date separately determined by the Board of Directors of the Company.

(ii) If any of the following proposals, a, b, c, d or e, are approved at a general meeting of shareholders of the Company (or approved by the Board of Directors of the Company if a resolution of a general meeting of shareholders is not required), the Company may acquire the stock acquisition rights without consideration on a date separately determined by its Board of Directors of the Company.

a. Proposal for the approval of a merger agreement under which the Company is to be dissolved

b. Proposal for the approval of a company split agreement or company split plan under which the Company is to be split

c. Proposal for the approval of a stock exchange agreement or stock transfer plan under which the Company is to become a wholly owned subsidiary

d. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval regarding the acquisition of all outstanding shares of stock through a transfer

e. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning a requirement for the Company's approval regarding the acquisition through a transfer of shares issued upon the exercise of these stock options or concerning the acquisition by the Company of all shares issued upon the exercise of stock options by resolution of the Company's General Meeting of Shareholders.

v) Resolution of the Board of Directors Meeting held on December 10, 2024 (13th series of share acquisition rights)

	As of the end of the fiscal year (March 31, 2025)	As of the end of the month before the filing date (May 31, 2025)
Category and number of persons subject to grants	4 employees	
Number of share acquisition rights	32	32
Number of share acquisition rights that are own share options	-	-
Class of shares to be acquired upon exercise of share acquisition rights	Common share	Same as on the left
Number of shares to be acquired upon exercise of share acquisition rights	3,200 shares	3,200 shares
Amount to be paid upon exercise of share acquisition rights	1 yen per share	Same as on the left
Exercise period of share acquisition rights	From December 25, 2025 to December 24, 2030	Same as on the left
Issue price for shares that will be issued through the exercise of share acquisition rights and the amount capitalized as common shares	Issue price: 5,738 yen Amount capitalized as common shares: 2,869 yen	Same as on the left
Conditions for exercise of share acquisition rights	*1	Same as on the left
Matters regarding transfer of share acquisition rights	Any transfer of share acquisition rights is subject to approval by the Board of Directors of the Company.	Same as on the left
Matters regarding substitute payment	-	-
Matters regarding grant of share acquisition rights accompanying reorganization	*4	Same as on the left

(Notes) 1. Conditions for exercise of share acquisition rights

(1) Stock Acquisition Rights Holders must be directors, corporate auditors, operating officers, or employees of the Company or its subsidiaries at the time they exercise their stock acquisition rights. However, this provision shall not apply to Stock Acquisition Rights Holders who have retired due to the expiration of their terms of office, or stock acquisition right holders who have retired upon reaching the mandatory retirement age or for other legitimate reasons that its Board of Directors may deem appropriate.

(2) In the event of the death of a Stock Acquisition Rights Holder, the exercise of these rights by his/her heirs shall not be permitted.

(3) Other conditions shall be as set forth in the stock acquisition right allotment agreement to be concluded between the Company and the Stock Acquisition Rights Holders.

2. The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares per stock acquisition right. After the date of the allotment of the Stock Acquisition Rights (the "Allotment Date"), if the Company conducts a stock split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split

In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company. Any fractions less than one share resulting from the above adjustment shall be rounded down.

3. The amount to be paid upon the exercise of this stock acquisition rights shall be 1 yen per share issued through the exercise of the stock acquisition rights multiplied by the Number of Shares Granted.

4. If the Company engages in a merger (only if the Company ceases to exist after the merger), absorption-type company split or incorporation-type company split (in each case only if the Company is the split company), or a stock exchange or stock transfer (in each case only if the Company becomes a wholly-owned subsidiary) (hereinafter collectively referred to as "Reorganization Actions"), the Company shall deliver to Stock Acquisition Right Holders who hold any stock acquisition

rights remaining (hereinafter referred to as the "Remaining Stock Acquisition Rights") directly before the effective date of the Reorganization Actions (effective date of absorption-type merger in case of absorption type merger, date of incorporation of joint stock company established by consolidation-type merger in case of consolidation-type merger; effective date of absorption-type split in case of absorption-type split; date of incorporation of company established by incorporation-type split in case of incorporation-type split; effective date of stock exchange in case of stock exchange; or date of incorporation of parent company established by stock transfer in case of stock transfer; the same applies hereinafter) the stock acquisition rights of the relevant stock companies listed in Article 236, paragraph 1, No.8 -(a) through (e) of the Companies Act (hereinafter referred to as the "Reorganized Company"). Provided, however, that the foregoing shall be on the condition that the allotment of such stock acquisition rights by the Reorganized Company in accordance with each of the following items is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(1) Number of share acquisition rights of the Reorganized Company to be allotted

The Number of Stock Acquisition Rights shall be the same as the number of remaining stock acquisition rights held by the Stock Acquisition Rights Holders

(2) Class of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

Common shares of the Reorganized Company

(3) Number of shares of the Reorganized Company to be issued upon exercise of share acquisition rights

It shall be determined in accordance with the following, taking into consideration the terms and conditions of the Reorganization Actions.

The class of shares to be issued upon the exercise of the stock acquisition rights shall be the common stock of the Company, and the number of shares to be issued upon exercise of the stock acquisition rights (the "Number of Shares Granted") shall be 100 shares per stock acquisition right. After the date of the allotment of the Stock Acquisition Rights (the "Allotment Date"), if the Company conducts a stock split (including the gratis allotment of the Company's common stock; hereinafter the same shall apply for any description of a stock split) or a reverse stock split of its common stock, the Number of Shares Granted shall be adjusted for the Stock Acquisition Rights that have not been exercised at the time of the stock split or reverse stock split by the following calculation formula.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or reverse stock split

In addition to the above, if unavoidable circumstances arise that require the adjustment of the Number of Shares Granted, the Company may adjust the Number of Shares Granted as deemed necessary by the Board of Directors of the Company.

Any fractions less than one share resulting from the above adjustment shall be rounded down.

(4) Value of assets to be contributed upon exercise of each share acquisition right

The value of assets to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying the exercise price after reorganization, obtained through adjustment of the Exercise Price provided for in 4. above taking into consideration factors such as the terms and conditions of the Reorganization Actions, by the number of shares of the Reorganized Company to be issued upon exercise of each of such stock acquisition right as determined in accordance with (3) above.

(5) Exercise period of share acquisition rights

The period shall be from December 25, 2025 to December 24, 2030.

(6) Matters concerning share capital and legal capital surplus to be increased due to issuance of shares upon exercise of share acquisition rights

(i) The amount of share capital to be increased due to the issuance of shares upon the exercise of the Stock Acquisition Rights shall be half of the maximum amount of increase in share capital, etc., that is calculated pursuant to Article 17, Paragraph 1 of the Corporate Accounting Rules, and any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen.

(ii) The amount by which the legal capital surplus increases through the issuance of shares upon the exercise of share acquisition rights shall be the upper limit of the increase in the amounts of stated share capital and other items described in (i) above, less the increase in the amount of stated share capital set out in (i) above.

(7) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Reorganized Company.

(8) Clause on the acquisition of share acquisition rights

(i) In the event that the Stock Acquisition Rights Holder is unable to exercise the stock acquisition rights due to the provisions of (2) above or the stock acquisition right allotment agreement before exercising the rights, the Company may acquire such stock acquisition rights without consideration on a date separately determined by the Board of Directors of the Company.

(ii) If any of the following proposals, a, b, c, d or e, are approved at a general meeting of shareholders of the Company (or approved by the Board of Directors of the Company if a resolution of a general meeting of shareholders is not required), the Company may acquire the stock acquisition rights without consideration on a date separately determined by its Board of Directors of the Company.

a. Proposal for the approval of a merger agreement under which the Company is to be dissolved

b. Proposal for the approval of a company split agreement or company split plan under which the Company is to be split

c. Proposal for the approval of a stock exchange agreement or stock transfer plan under which the Company is to become a wholly owned subsidiary

d. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning the requirement for the Company's approval regarding the acquisition of all outstanding shares of stock through a transfer

e. Proposal for the approval of a change to the Company's Articles of Incorporation to establish provisions concerning a requirement for the Company's approval regarding the acquisition through a transfer of shares issued upon the exercise of these stock options or concerning the acquisition by the Company of all shares issued upon the exercise of stock options by resolution of the Company's General Meeting of Shareholders.

(ii) Information on Shareholder Rights Plans

Not applicable.

(iii) Status of Share Acquisition Rights and Other Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds, etc.

Not applicable.

(4) Changes in the Total Number of Issued Shares and the Amount of Share Capital and Other

Date	Change in the total number of issued shares	Balance of the total number of issued shares	Change in common stock (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
April 1, 2013 *1	13,991,670	14,133,000	-	713	-	700

(Note) The Company conducted a 100-for-1 common shares split on April 1, 2013 based on a resolution at the meeting of the Board of Directors held on February 28, 2013. This stock split increased the number of shares outstanding to 14,133,000 shares, an increase of 13,991,670 shares.

(5) Shareholders Composition

As of March 31, 2025

Category	Status of shares (one unit of stock: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	-	13	22	38	171	10	4,275	4,529	-
Share ownership (units)	-	35,098	1,267	13,603	45,373	15	45,822	141,178	15,200
Ownership percentage of shares (%)	-	24.86	0.90	9.63	32.14	0.01	32.46	100.00	-

(Note) Of 530,296 treasury shares, 5,302 units are included in the "Individuals and others" column, while 96 shares are included in the "Number of shares less than one unit" column.

(6) Major Shareholders

As of March 31, 2025

Name	Address	Share ownership (shares)	Ratio (%) of the number of owned shares to the total number of outstanding shares (excluding treasury shares)
Toshio Dogu	Minato-ku, Tokyo	2,256,457	16.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	2,065,900	15.19
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,198,600	8.81
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NEW YORK 10286, U.S.A. (1-4-5 Marunouchi, Chiyoda-ku, Tokyo)	1,153,766	8.48
BNYMSANV RE BNYMSANVDUB RE BNYMGO UCITS ETF SOLUTIONS PLC (Standing proxy: MUFG Bank, Ltd.)	70 SIR JOHN ROGERSON'S QUAY DUBLIN 2 IRELAND (1-4-5 Marunouchi, Chiyoda-ku, Tokyo)	766,402	5.63
DAM Corporation	1-3-1 Minami-Aoyama, Minato-ku, Tokyo	710,000	5.22
THE BANK OF NEW YORK MELLON 140040 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	310,593	2.28
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY,MA 02171,U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	280,900	2.07
Hikari Tsushin K.K.	Hikari West Gate Bldg., 1-4-10 Nishi-Ikebukuro, Toshima-ku, Tokyo	217,200	1.60

Name	Address	Share ownership (shares)	Ratio (%) of the number of owned shares to the total number of outstanding shares (excluding treasury shares)
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/ LUXEMBOURG FUNDS/UCITS ASSETS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	33 RUE DE GASPERICH, L-5826 HOWALD-HESPERANGE, LUXEMBOURG (3-11-1 Nihonbashi chuo-ku Tokyo)	192,500	1.42
Total	-	9,152,318	67.28

(Notes) 1. The number of shares held by Mr. Toshio Dogu includes his shares of stock in Digital Arts Inc.'s officers' shareholding association.

2. The number of shares pertaining to the trust services of Master Trust Bank of Japan, Ltd. (Trust Account) could not be confirmed by the Company and is, therefore, omitted.

3. The number of shares pertaining to the trust services of Custody Bank of Japan, Ltd. (Trust Account) could not be confirmed by the Company and is, therefore, omitted.

4. In addition to the forgoing, the Company holds 530,296 treasury shares.

5. The content of reports on large shareholders whose shareholdings could not be confirmed as of March 31, 2025 (change reports) is as follows.

(1) The large shareholding report (change report) made available for public inspection on June 19, 2024 reports that BlackRock Japan Co., Ltd. held the following shares as of June 14, 2024. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of March 31, 2025, and therefore, the following is not taken into consideration in the above status of major shareholders.
The content of the large shareholding report (change report) concerned is given below.

Name	Address	Number of share certificates, etc. held (shares)	Ownership ratio of share certificates (%)
BlackRock Japan Co., Ltd.	1-8-3 Marunouchi, Chiyoda-ku, Tokyo	228,700	1.62
BlackRock Financial Management, Inc.	251 Little Falls Dr, Wilmington DE, USA	50,600	0.36
BlackRock Asset Management Ireland Limited	#21 Ballsbridge Park Ballsbridge, Dublin, Republic of Ireland	95,100	0.67
BlackRock Fund Advisors	400 Howard St, San Francisco, CA, USA	257,900	1.82
BlackRock Institutional Trust Company, N.A.	400 Howard St, San Francisco, CA, USA	79,900	0.57
total	—	712,200	5.04

(2) The large shareholding report (change report) made available for public inspection on July 5, 2024 reports that Rheos Capital Works Inc.held the following shares as of June 28, 2024. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of March 31, 2025, and therefore, the following is not taken into consideration in the above status of major shareholders.
The content of the large shareholding report (change report) concerned is given below.

Name	Adress	Number of share certificates, etc. held (shares)	Ownership ratio of share certificates (%)
Rheos Capital Works Inc.	1-11-1 Marunouchi, Chiyoda-ku, Tokyo	555,100	3.93
Total	—	555,100	3.93

(3) The large shareholding report (change report) made available for public inspection on April 7, 2025 reports that Mizuho Securities Co., Ltd. held the following shares as of March 31, 2025. However, the Company has confirmed no beneficial ownership of the number of shares held in the name of this party as of March 31, 2025, and therefore, the following is not taken into consideration in the above status of major shareholders.
The content of the large shareholding report (change report) concerned is given below.

Name	Adress	Number of share certificates, etc. held (shares)	Ownership ratio of share certificates (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	16,955	0.12
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	736,000	5.21
Total	―	752,955	5.33

(7) Information on Voting Rights

(i) Issued Shares

As of March 31, 2025

Category	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	-	-	-
Shares with restricted voting right (treasury shares, etc.)	-	-	-
Shares with restricted voting right (others)	-	-	-
Shares with full voting right (treasury shares, etc.)	Common shares 530,200	-	-
Shares with full voting right (others)	Common shares 13,587,600	135,876	-
Shares less than one unit	Common shares 15,200	-	-
Number of issued shares	14,133,000	-	-
Total number of voting rights	-	135,876	-

(ii) Treasury Shares, etc.

As of March 31, 2025

Number of shares held under own name	Number of shares held under the name of others	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)	Number of shares held under own name	Number of shares held under the name of others
Digital Arts Inc.	1-5-1 Otemachi, Chiyoda-ku, Tokyo, Japan	530,200	-	530,200	3.75
Total	-	530,200	-	530,200	3.75

2. Information on Acquisition, etc. of Treasury Shares

Class of shares　　Acquisition of common shares under Article 155 (iii) of the Companies Act

(1) Acquisition of treasury shares resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury shares resolved at the Board of Directors meetings

Category	Number of shares (shares)	Total amount (yen)
Status of resolution at meeting of Board of Directors (June 12, 2024) (Acquisition period: June 13, 2024 to September 12, 2024)	140,000	500,000,000
Treasury shares acquired before this fiscal year	-	-
Treasury shares acquired during this fiscal year	113,400	499,875,000
Total number and total value of treasury shares still to be acquired based on resolution	26,600	125,000
Ratio of treasury shares yet to be acquired as of March 31, 2025 (%)	19.0	0.0
Treasury shares acquired during the current period	-	-
Ratio of treasury shares yet to be acquired as of June 20, 2025 (%)	19.0	0.0

(Notes) 1. Treasury shares were purchased from the market of the Tokyo Stock Exchange.

2. Acquisition of treasury shares based on the above resolution was completed on August 22, 2024.

Category	Number of shares (shares)	Total amount (yen)
Status of resolution at meeting of Board of Directors (February 10, 2025) (Acquisition period: February 12, 2025 to May 12, 2025)	90,000	500,000,000
Treasury shares acquired before this fiscal year	-	-
Treasury shares acquired during this fiscal year	38,900	243,925,000
Total number and total value of treasury shares still to be acquired based on resolution	51,100	256,075,000
Ratio of treasury shares yet to be acquired as of March 31, 2025 (%)	56.8	51.2
Treasury shares acquired during the current period	38,200	255,779,000
Ratio of treasury shares yet to be acquired as of June 20, 2025 (%)	14.3	0.1

(Notes) 1. Treasury shares were purchased from the market of the Tokyo Stock Exchange.

2. Acquisition of treasury shares based on the above resolution was completed on May 12, 2025.

(3) Details of acquisition of treasury shares not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings.

Category	Number of shares (shares)	Total amount (yen)
Treasury shares acquired during this fiscal year	140	731,010
Treasury shares acquired during the current period	-	

(Note) Treasury shares acquired during the current period do not include the number of shares acquired through purchases of shares constituting less than one full unit between June 1, 2025 and June 20, 2025.

(4) Status of the disposition and holding of acquired treasury shares

Category	Current business year		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury shares which were offered to subscribers	-	-	-	-
Acquired treasury shares which were canceled	-	-	-	-
Acquired treasury shares which were transferred due to merger, share exchange, share issuance or company split	-	-	-	-
Other *	1,774	8,056,402	200	947,313
Total number of treasury shares held	530,296	-	568,296	-

(Notes) 1. The figure in "Other" in the fiscal year under review is the disposal of treasury shares, which is restricted stock remuneration (number of shares: 1,774; Total disposition amount: 8,056,402 yen).
2. Total number of treasury shares held in the current period does not include the number of shares held through the exercise of share acquisition rights or purchases of shares constituting less than one full unit between June 1, 2025 and June 20, 2025.
3. Total number of treasury shares held in the current period does not include the number of shares held through the exercise of share acquisition rights that were acquired between June 1, 2025 and the date of submission of this Annual Securities Report.

3. Dividend Policy

We aim to continuously increase our corporate value and also consider the return of profits to shareholders to be an important management goal. From this perspective, we have decided to make decisions on dividends of surplus, etc. based on our operating environment and the following policy. The basic dividend policy we have adopted is progressive. Under it, the amount of dividends either remains flat or increases, and we aim to achieve a consolidated dividend payout ratio of at least 50%, comprehensively taking into consideration such factors as the results of our operations and financial condition in each fiscal year and our future prospects.
We will use our internal reserves to strengthen our financial condition, invest in business areas with future growth potential and to finance capital expenditures and R&D spending.

Our Articles of Incorporation state that we may, by resolution of the Board of Directors, pay interim dividends with a record date of September 30 each year, and our dividend forecast for the year ending March 31, 2026 is 95 yen per share (which includes an interim dividend of 45 yen including a 30th anniversary dividend of 5 yen and an year-end dividend of 50 yen). Dividends of surplus for the current business year are as shown below.

Resolution date	Total amount of dividends (Million yen)	Dividend per share (yen)
Resolution of the Board of Directors Meeting held on October 30, 2024	545	40
Resolution of the Annual General Shareholders Meeting held on June 23, 2025	612	45

4. Corporate Governance

(1) Corporate Governance

(i) Corporate Governance Policy

The Company's corporate governance policy consists of "engaging in speedy decision-making and clarifying the roles and responsibilities incidental to this," "maintaining objective checking systems both internally and externally" and "ensuring timely and fair disclosure" and we will endeavor to continue maintaining and strengthening this approach in the future.

(ii) Overview of the corporate governance structure and reasons for its adoption

A. Overview of the corporate governance structure

We transitioned to a company with an Audit & Supervisory Board based on a resolution of the 21st Annual General Meeting of Shareholders held on June 24, 2016. We have set up the Audit & Supervisory Board composed of a major of Outside Directors. Directors who are Audit & Supervisory Board Members including Outside Directors have expertise in fields such as finance, law and business management to conduct audits not only on legality but also on appropriateness.

The status of major activities is as follows.

(1) Board of Directors

The Board of Directors is comprised of the following five Directors, of whom three (60%) are Outside Directors. As business execution body, it holds meetings once a month in principle to make decisions on important matters that are fundamental to management.

Toshio Dogu (Chairman, Representative Director, President & CEO, Internal Director)
Takuya Matsumoto (Internal Director)
Hidekazu Kubokawa (Audit & Supervisory Board Member, Outside Director)
Masataka Uesugi (Audit & Supervisory Board Member, Outside Director)
Chise Kuwayama (Audit & Supervisory Board Member, Outside Director)

As a proposed resolution (matter to be resolved) at the Annual Shareholders' Meeting to be held on June 23, 2025, the Company has proposed the election of 2 Directors (excluding Directors who are Audit and Supervisory Board Members). If this proposed resolution is approved, there will be 5 Directors (including 3 Outside Directors).

The Company held a total of 13 meetings of the Board of Directors during the fiscal year under review, and the attendance of individual Directors is as follows:

Name	Number of meetings convened	Number of meetings attended
Toshio Dogu	13	13
Takuya Matsumoto	13	13
Hidekazu Kubokawa	13	13
Masataka Uesugi	13	13
Chise Kuwayama	13	13

Major matters considered at meetings of the Board of Directors included basic policies concerning the management of the Company, important business execution matters, matters authorized by resolutions of the General Meeting of Shareholders, and matters stipulated by laws, regulations and the Articles of Incorporation of the Company. Sustainability-related matters discussed by the Sustainability Committee that are disclosed on the Company’s website, as well as the contents of the Skill Matrix, Annual Securities Report, Corporate Governance Report, Quarterly Reports, and other disclosure information are reported to the Board of Directors for discussion prior to disclosure, and discussions are also held regarding the executive remuneration system and the results of the questionnaire on the effectiveness evaluation of the Board of Directors.

In addition to the above, regular monthly meetings of the Board of Directors are held to report on financial results, product development, and the progress of internal controls.

(2) Audit & Supervisory Board

The Audit & Supervisory Committee is composed of the following three directors who are all outside directors. Of the three, Masataka Uesugi chairs the committee. An administrative organization for the Committee has been established as part of the framework that enables the collecting of information from the directors, the sharing of information at important internal meetings, and the promotion of cooperation between people in charge of internal audits and the Audit & Supervisory Committee. Members of the Audit & Supervisory Committee attend meetings of the Board of Directors and conduct other tasks, including audits and the supervision of directors' execution of their duties by using internal control systems, receiving reports from people in charge of internal audits and interviewing related parties. It holds meetings once a month in principle to deliberate important matters specified in the Audit & Supervisory Board Rules in accordance with the Standards for Audits and Supervision by the Audit & Supervisory Board and endeavors to strengthen audits and supervision.

Hidekazu Kubokawa (Audit & Supervisory Board Member, Outside Director)

Masataka Uesugi (Audit & Supervisory Board Member, Outside Director)

Chise Kuwayama (Audit & Supervisory Board Member, Outside Director)

As a proposed resolution (matter to be resolved) at the Annual Shareholders' Meeting to be held on June 23, 2025,

the Company has proposed the election of 1 Director who is an Audit and Supervisory Board Member). If this proposed resolution is approved, there will be 3 Audit and Supervisory Board Members (All 3 will be Outside Directors.).

(3) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is comprised of the following four Directors, of whom three are Outside Directors. The Committee holds at least one meeting a year, in principle, and deliberates and reports on matters regarding the nomination of and remuneration for Directors, among other matters.

Toshio Dogu (Chairperson, Representative Director, President & CEO, Internal Director)

Hidekazu Kubokawa (Audit & Supervisory Board Member, Outside Director)

Masataka Uesugi (Audit & Supervisory Board Member, Outside Director)

Chise Kuwayama (Audit & Supervisory Board Member, Outside Director)

The Company held one meeting of the Nomination and Remuneration Advisory Committee during the fiscal year under review, and the attendance of individual members is as follows:

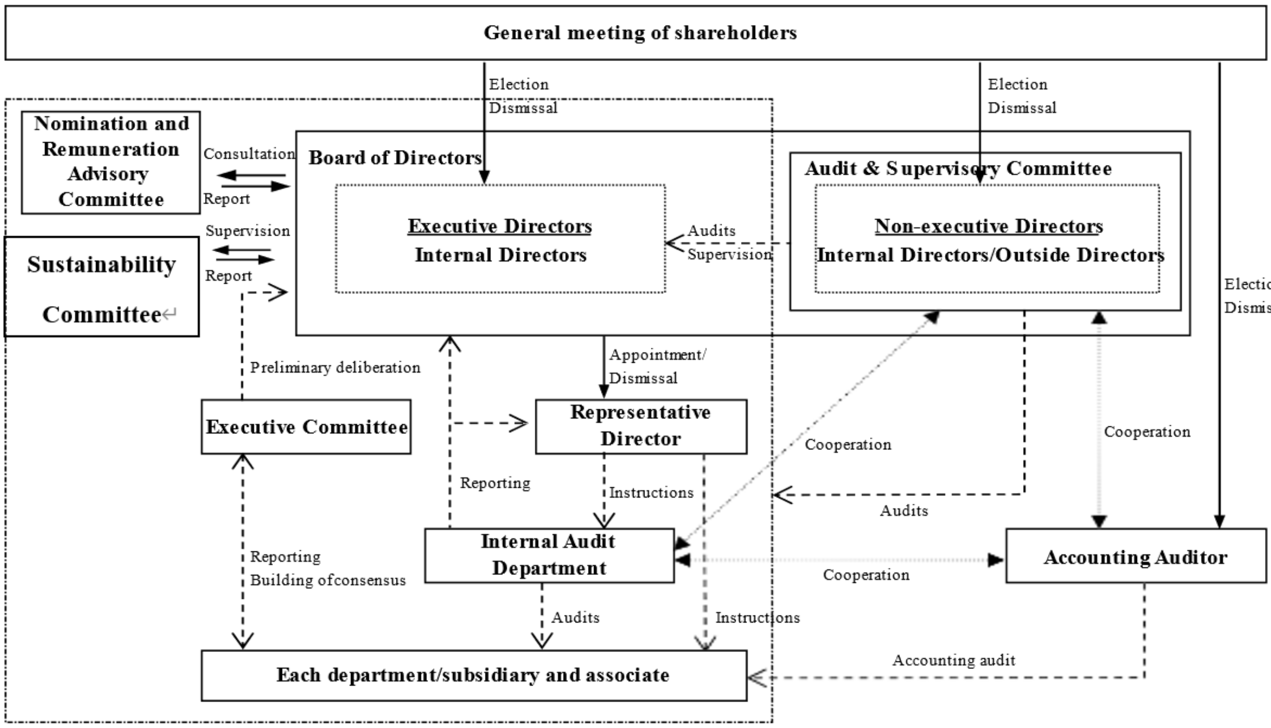
Name	Number of meetings convened	Number of meetings attended
Toshio Dogu	1	1
Hidekazu Kubokawa	1	1
Masataka Uesugi	1	1
Chise Kuwayama	1	1

Major matters considered at meetings of the Nomination and Remuneration Advisory Committee included matters concerning the selection of candidates for Directors at the General Meeting of Shareholders and the remuneration system for the Company’s Executive Directors, etc. The results of the discussions held by the Nomination and Remuneration Advisory Committee are reported to the Board of Directors.

(4) Other

The Company holds meetings of the Executive Committee once a month. Serving as a body preceded by the Board of Directors, it consists of the Representative Director, Directors (excluding Directors who are Audit & Supervisory Board Members) and General Managers of individual Departments. It determines individual management strategies based on the prior deliberations and decision-making of the Board of Directors and reviews the status of business execution. In addition, it holds meetings of the Management Reporting and Liaison Committee once a week in principle. Composed of General Managers of separate Departments and Sections and higher-ranking members, it reports on the state of progress of operations in each division and builds consensus. These meeting bodies clarify their respective roles and responsibilities and seek to enrich discussions at the Board of Directors and give shape to its decisions. We have also established functional departments responsible for clarifying the segregation of duties and ensuring checks and balances to maintain corporate governance.

An overview of the Group’s management organization and systems for maintaining corporate governance are as shown in the following figure.



(Note) The Executive Committee includes the Management Reporting and Liaison Committee.

B. Reasons for adoption of the corporate governance structure

The Board of Directors and the Executive Committee are responsible for most of the important decision-making related to execution of the Company's business. The Board of Directors, which consists of five Directors, three of whom are Outside Directors, holds meetings in principle once a month and also meets on an ad hoc basis whenever necessary. To complement managerial judgments on other important matters, the Executive Committee, which consists of the Representative Director, Directors (excluding Directors who are Audit & Supervisory Board Members) and General Managers of individual Departments, holds meetings once a month to make decisions related to business execution and to review the status of business execution.

Directors who are Audit & Supervisory Board Members receive reports on the status of execution of duties from Directors (excludes Directors who are Audit & Supervisory Board Members) and from employees, etc., asks them for explanations where necessary and views important resolution documentation in accordance with the audit policy and audit plan, etc. specified by the Audit & Supervisory Board. They work closely with the Accounting Auditor, the Internal Audit Department and others to maintain and improve the efficiency of corporate management and ensure legality. We believe, therefore, that this structure allows us to ensure management objectivity.

We adopted our current structure based on the judgment that it further strengthens corporate governance by rationalizing decision-making and execution of duties by Directors and ensuring effective audits and supervision.

(iii) Other matters related to corporate governance

A. Status of development of internal control system

a. Systems to ensure that the Group's Directors and employees execute duties in compliance with laws and regulations and the Articles of Incorporation

(1) The Group considers compliance to be its highest priority and establishes rules relating to compliance to ensure that the Group's officers and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation and healthy social norms, implements initiatives such as providing training and a whistleblowing system, and develops systems under which any problems that arise are reported to the Company's Board of Directors and Audit & Supervisory Board.

(2) The Company is required to convene a meeting of the Board of Directors once a month, in principle, and on an ad hoc basis whenever necessary. At meetings of the Board of Directors, the Company makes decisions about the execution of the Group's important business and also supervises the execution of duties by Directors. The Company also seeks to ensure that Directors and employees comply with laws and regulations, the Articles of Incorporation, various regulations and stipulated business processes and it also works to strengthen risk management system and seeks to enhance internal control systems.

(3) The Company establishes the Internal Audit Department and builds a system of internal control through internal audits. The Internal Audit Department regularly conducts internal audits of the Group's business management and all its business activities, evaluates and verifies the state of compliance with laws and regulations, the Articles of Incorporation, various rules and stipulated business processes and reports to the Company's Board of Directors and to the Audit & Supervisory Board in a timely manner.

(4) For the purpose of strengthening independence, objectivity and accountability of the Board of Directors' functions related to Directors' nomination, remuneration and others, the Company sets up a voluntary Nomination and Remuneration Advisory Committee consisting of independent Outside Directors and other committee members as an advisory body subordinate to the Board of Directors. In response to consultation from the Board of Directors, the Nomination and Remuneration Advisory Committee discusses matters related to determination of candidates for Directors, selection of the Representative Directors and Directors with portfolio and remuneration of Directors and others and submits a report on the results to the Board of Directors.

b. Systems for storage and management of information relating to the execution of duties by the Company's Directors

(1) In accordance with the Document Management Rules, the Company records, stores and manages information relating to the execution of duties by Directors in the form of paper or electronic means, including the minutes of meetings of the Board of Directors and other important meetings and documents approved by each Director in accordance with the Rules on Administrative Authority. Directors may view these documents, etc. at any time.

(2) To ensure the effectiveness of internal audits, the Company establishes rules setting out the management method and storage period of important documents (including electronic media) relating to the execution of duties by Directors and stores and manages them in accordance with these rules.

c. Rules and other systems relating to management of loss risks of the Group

(1) To establish systems relating to management of loss risks of the Group, the Company establishes rules relating to the Group's risk management and raises awareness of these rules among Directors and employees.

(2) The Company establishes the Internal Audit Department. It regularly examines the appropriateness of the audit items and audit methods used in the Group's business audits and revises audit items and audit methods if necessary.

d. Systems to ensure the effective and efficient execution of duties by the Group's Directors

(1) To ensure the effective and efficient execution of duties by Directors, the Group formulates a business plan every fiscal year and verifies progress through monthly performance assessments.

(2) Regarding the execution of routine duties by Directors, the Board of Directors delegates authority for the execution of duties to employees in accordance with the Rules on Administrative Authority and Rules on the Segregation of Duties and these employees assume responsibility for efficient execution of the delegated duties.

e. Systems for reporting to the Company matters related to the execution of duties by the Group's Directors

(1) The Company conducts internal audits of its individual divisions and subsidiaries performed by the Internal Audit Department in accordance with the Internal Audit Rules, establishes internal control systems within the Group, and reports on the nature and frequency of risks within individual divisions and subsidiaries and their impact on the Company and others to the Board of Directors and the Audit & Supervisory Board of the Company in a timely manner.

(2) The Company makes it mandatory for each Group company to regularly report to the Company on its operating results, financial condition and certain other important matters related to management.

f. Matters related to Directors and employees to assist the duties of the Audit & Supervisory Board

Upon a request from the Audit & Supervisory Board for the assignment of employees required to assist the duties of the Audit & Supervisory Board, the Company promptly assigns the appropriate personnel.

g. Matters related to the independence of Directors and employees required to assist the duties of the Audit & Supervisory

Board from Directors (excludes said Directors and Directors who are Audit & Supervisory Board Members) and matters for ensuring the effectiveness of instructions to Directors and employees required to assist the duties of the Audit & Supervisory Board

(1) Employees required to assist the duties of the Audit & Supervisory Board are only under the command of the Audit & Supervisory Board with respect to the work they are instructed to do by the Audit & Supervisory Board.

(2) The Company will listen to the opinions of the Audit & Supervisory Board before determining matters such as personnel transfers and personnel evaluations of employees required to assist the duties of the Audit & Supervisory Board.

h. Systems for reporting to the Audit & Supervisory Board

(1) The Company's Directors report the status of execution of their duties at meetings of the Board of Directors attended by Audit & Supervisory Board Members and other important meetings as and when necessary.

(2) The Directors and employees of the Group report to the Company's Audit & Supervisory Board any violations of laws and regulations and any fact that might be damaging to the Company immediately upon discovery thereof.

(3) The division in charge of the Group's whistleblowing system regularly reports to the Audit & Supervisory Board the status of whistleblowing reports by Group officers and employees.

i. Systems to ensure that persons are not treated disadvantageously for making reports to the Audit & Supervisory Board Members

The Company does not permit Group officers or employees who have made reports to the Audit & Supervisory Board to be treated disadvantageously and makes this known to all officers and employees of the Group.

j. Matters regarding policy on handling advance payment or repayment of expenses resulting from execution of duties by Audit & Supervisory Board Members (only expenses related to the execution of duties of the Audit & Supervisory Board) or other expenses or debts arising from said execution of duties

If the Company receives a request for advance payment, etc., of expenses under the provisions of Article 399-2, Paragraph 4 of the Companies Act in relation to the performance of duties by a Member of the Audit & Supervisory Board, the Company, after discussions at the division in charge, immediately settles said expenses or debts, except where it is determined that said costs or debts were not necessary for the performance of duties by a Member of the Audit & Supervisory Board.

k. Other systems used to ensure that the Audit & Supervisory Board can conduct audits effectively

(1) The Representative Director regularly holds meetings with the Audit & Supervisory Board to exchange views on matters such as issues to be addressed by the Company, the status of development of the environment for audits by Audit & Supervisory Board Members and important audit-related issues.

(2) The Audit & Supervisory Board, the Internal Audit Department and the Accounting Auditor seek to improve the quality of audits by strengthening their cooperation through the mutual exchange of information and opinions where necessary.

l. Systems for eliminating antisocial forces

The Group maintains a firm stance to respond, as an organization, to any unjustified demands by antisocial forces and develops internal systems so that it does not have any business relationship or any other relationship whatsoever with antisocial forces.

B. Status of improvement of risk management system

The Company establishes Risk Management Rules and exercises integrated management in relation to business risks that might arise as a result of its business activities to prevent risks and deal with any risks that arise.

As a body preceded by the Board of Directors, the Executive Committee quickly grasps and discusses business risks, including the possibility of risks emerging, and makes reports to the Board of Directors where necessary.

The Audit & Supervisory Board conducts audits to assess whether the Board of Directors makes policy decisions and conducts monitoring and supervision in relation to business risks in an appropriate manner.

C. Status of development of systems for ensuring the appropriateness of operations of subsidiaries

The Company and Group companies have formulated a Corporate Code of Conduct based on the Group's management philosophy and make group-wide efforts to increase the corporate value of the entire group.

Regarding the business management of Group companies, Directors of the parent company serve concurrently as Directors of subsidiaries and are involved in important decision-making and gain an understanding of important information relating to their business. The Audit & Supervisory Board and persons in charge of internal audits also monitor Group companies and the Affiliated Company Management Rules stipulate systems through which Group companies seek approval from and report to the Company.

D. Quorum of Directors

The Articles of Incorporation of the Company stipulate that the Company shall have not more than six Directors (excluding Audit & Supervisory Board Members) and that it shall have not more than four Directors who are Audit & Supervisory Board Members.

E. Requirements for resolutions of the election of Directors

The Articles of Incorporation of the Company stipulate that resolutions for the election of the Directors shall be made by a majority of voting rights of the shareholders in attendance who hold one-third (1/3) or more of the total voting rights of the shareholders who can exercise such rights. The Articles of Incorporation of the Company stipulate that resolutions for the election of Directors shall not be by cumulative voting.

F. Decision-making body for acquisition of treasury shares

To facilitate a flexible capital policy, the Articles of Incorporation of the Company stipulate that the Company may, by the resolution of the Board of Directors, acquire its own shares pursuant to Article 165, Paragraph 2 of the Companies Act.

G. Interim dividends

The Articles of Incorporation of the Company stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends with a record date of September 30 of each year, pursuant to Article 454, Paragraph 5 of the Companies Act. The aim is to enable flexibility in regard to return of profit to shareholders.

H. Content and outline of agreements for limitation of liability

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company concludes agreements with Directors who are Audit & Supervisory Board Members to limit the liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for compensation of damages under these agreements is the amount set forth in laws and regulations. Limitation of liability is allowed only if a Director who is an Audit & Supervisory Board Member was performing the duties said to be the cause of damages, in good faith and without gross negligence.

I. Exemption of Directors from liability

The Articles of Incorporation of the Company stipulate that the Company may, by resolution of the Board of Directors, exempt any Director prescribed in Article 423, Paragraph 1 of the Companies Act (including former directors) from liabilities to the extent provided in laws and regulations, for the reasonable limitation of Directors' liability.

J. Requirement for special resolutions of general shareholders meetings

The Articles of Incorporation of the Company stipulate that a special resolution of general meetings of shareholders as stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by a two-thirds (2/3) majority vote of shareholders present at the meeting, at which shareholders representing at least one-third (1/3) of the total voting rights of all shareholders who are entitled to vote are present. The purpose is to relax the quorum for special resolutions at general meetings of shareholders to ensure the meetings proceed smoothly.

(2) Officers

(i) List of Officers

a. As of June 20, 2025 (the date of submission of the securities report), the status of our company's officers is as follows.

Men:4 persons, Women:1 person (Women's percentage to total number of officers: 20%)

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Representative Director, President, CEO and General Manager-Corporation Planning	Toshio Dogu	February 17, 1968	October 1997 November 2005 December 2006 April 2011 June 2012 May 2013 October 2013 October 2013 April 2014 November 2015 September 2016	Representative Director, President & CEO, Digital Arts Inc. Representative Director, President & CEO, IQS' Co., Ltd. Representative Director, President & CEO, DAM Corporation (incumbent) Director, President & CEO, Digital Arts America, Inc. (incumbent) Director, Digital Arts Investment, Inc. Representative Director, President & CEO, Polkast Japan LLC Representative Director, President & CEO, DA Corporation (incumbent) Representative Director, President & CEO, DM Corporation (incumbent) Director, President & CEO, FinalCode, Inc. Director, Digital Arts Asia Pacific Pte. Ltd. (incumbent) Director, Digital Arts Europe Limited (incumbent)	*2	2,256,457
Director, General Manager-Development	Takuya Matsumoto	November 4, 1976	April 1999 April 2003 April 2014 October 2016 June 2017 December 2017 April 2018	Joined COMAS Co., Ltd. Joined Digital Arts Inc., Development Associate General Manager-Development General Manager-Development Director, General Manager-Development Director, General Manager-Development, General Manager-New Development Director, General Manager-Development (incumbent)	*2	3,390
Director (Audit & Supervisory Board Member)	Hidekazu Kubokawa	February 20, 1953	November 1976 July 1986 February 1989 March 2000 June 2005 June 2006 June 2016	Joined Chuo Audit Corporation (currently PricewaterhouseCoopers Japan LLC) Founded Kubokawa CPA Office (currently Yotsuya Partners Accounting Firm), Representative Partner (incumbent) Outside Audit & Supervisory Board Member, SoftBank Corp. Japan (currently SoftBank Group Corp.) Outside Auditor, Digital Arts Inc. Outside Corporate Auditor, Kyoritsu Printing Co., Ltd. (incumbent) Outside Auditor, Pado Corporation (currently Success Holders,inc.) Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent)	*3	3,859
Director (Audit & Supervisory Board Member)	Masataka Uesugi	July 31, 1965	April 1995 April 1999 September 2000 June 2003 June 2007 June 2013 December 2013 November 2014	Joined Emori Kawamori Atsumi Law Office Founded Uesugi Law Office Partner of Amlec Law and Accounting Firm Outside Auditor, Digital Arts Inc. Outside Audit & Supervisory Board Member, jig.jp Inc. (incumbent) Outside Audit & Supervisory Board Member, Commerce One Holdings Inc. (incumbent) Outside Audit & Supervisory Board Member, Ceres Inc. Outside Audit & Supervisory Board Member, Aiming Inc. (incumbent)	*3	3,859

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
			March 2015 March 2016 June 2016 March 2021	Senior Partner, Sakurada Dori Partners (incumbent) Director (Audit & Supervisory Committee Member), Fullcast Holdings Co., Ltd. (incumbent) Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent) Outside Director (Audit & Supervisory Board Member), Ceres Inc. (incumbent)		
Director (Audit & Supervisory Board Member)	Chise Kuwayama	May 2, 1971	April 1995 November 2004 March 2015 March 2015 March 2021 June 2021 June 2022	Joined Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Co., Ltd.) Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Outside Standing Audit and Supervisory Board Member, Ceres Inc. Director of Kuwayama CPA office (incumbent) Outside Director (Full-time Audit and Supervisory Board Member), Ceres Inc. Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent) Outside Standing Audit & Supervisory Board Member, Sony Network Communications Smart Platform, Inc. (currently MEEQ Inc.) (incumbent)	*4	390
Total						2,267,955

(Notes) 1. Audit & Supervisory Board Members Hidekazu Kubokawa, Masataka Uesugi and Chise Kuwayama are Outside Directors.
2. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within one year after the conclusion of the Annual General Meeting of Shareholders held on June 24, 2024.
3. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within two years after the conclusion of the Annual General Meeting of Shareholders held on June 24, 2024.
4. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within two years after the conclusion of the Annual General Meeting of Shareholders held on June 23, 2023.
5. The number of shares held includes shares of stock in Digital Arts Inc.'s officers' shareholding association.

b. As proposed resolutions (matters to be resolved) at the Annual Shareholders' Meeting to be held on June 23, 2025, the Company has proposed the election of two (2) Directors (excluding Directors who are Audit and Supervisory Board Members) and the election of one (1) Director who is an Audit and Supervisory Board Member). If these proposed resolutions are approved, the Company's officers will be as follows. The positions, etc. of the officers described below include the contents of matters to be resolved (positions, etc.) at the meeting of the Board of Directors to be held immediately after the above Annual Shareholders' Meeting.

Men: 4 persons, Women: 1 person (Women's percentage to total number of officers: 20%)

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Representative Director, President, CEO and General Manager-Corporation Planning	Toshio Dogu	February 17, 1968	October 1997 November 2005 December 2006 April 2011 June 2012 May 2013 October 2013 October 2013 April 2014 November 2015 September 2016	Representative Director, President & CEO, Digital Arts Inc. Representative Director, President & CEO, IQS' Co., Ltd. Representative Director, President & CEO, DAM Corporation (incumbent) Director, President & CEO, Digital Arts America, Inc. (incumbent) Director, Digital Arts Investment, Inc. Representative Director, President & CEO, Polkast Japan LLC Representative Director, President & CEO, DA Corporation (incumbent) Representative Director, President & CEO, DM Corporation (incumbent) Director, President & CEO, FinalCode, Inc. Director, Digital Arts Asia Pacific Pte. Ltd. (incumbent) Director, Digital Arts Europe Limited (incumbent)	*2	2,256,457

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Director, General Manager-Development	Takuya Matsumoto	November 4, 1976	April 1999 April 2003 April 2014 October 2016 June 2017 December 2017 April 2018	Joined COMAS Co., Ltd. Joined Digital Arts Inc., Development Associate General Manager-Development General Manager-Development Director, General Manager-Development Director, General Manager-Development, General Manager-New Development Director, General Manager-Development (incumbent)	*2	3,390
Director (Audit & Supervisory Board Member)	Hidekazu Kubokawa	February 20, 1953	November 1976 July 1986 February 1989 March 2000 June 2005 June 2006 June 2016	Joined Chuo Audit Corporation (currently PricewaterhouseCoopers Japan LLC) Founded Kubokawa CPA Office (currently Yotsuya Partners Accounting Firm), Representative Partner (incumbent) Outside Audit & Supervisory Board Member, SoftBank Corp. Japan (currently SoftBank Group Corp.) Outside Auditor, Digital Arts Inc. Outside Corporate Auditor, Kyoritsu Printing Co., Ltd. (incumbent) Outside Auditor, Pado Corporation (currently Success Holders,inc.) Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent)	*3	3,859
Director (Audit & Supervisory Board Member)	Masataka Uesugi	July 31, 1965	April 1995 April 1999 September 2000 June 2003 June 2007 June 2013 December 2013 November 2014 March 2015 March 2016 June 2016 March 2021	Joined Emori Kawamori Atsumi Law Office Founded Uesugi Law Office Partner of Amlec Law and Accounting Firm Outside Auditor, Digital Arts Inc. Outside Audit & Supervisory Board Member, jig.jp Inc. (incumbent) Outside Audit & Supervisory Board Member, Commerce One Holdings Inc. (incumbent) Outside Audit & Supervisory Board Member, Ceres Inc. Outside Audit & Supervisory Board Member, Aiming Inc. (incumbent) Senior Partner, Sakurada Dori Partners (incumbent) Director (Audit & Supervisory Committee Member), Fullcast Holdings Co., Ltd. (incumbent) Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent) Outside Director (Audit & Supervisory Board Member), Ceres Inc. (incumbent)	*3	3,859
Director (Audit & Supervisory Board Member)	Chise Kuwayama	May 2, 1971	April 1995 November 2004 March 2015 March 2015 March 2021 June 2021 June 2022	Joined Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Co., Ltd.) Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Outside Standing Audit and Supervisory Board Member, Ceres Inc. Director of Kuwayama CPA office (incumbent) Outside Director (Full-time Audit and Supervisory Board Member), Ceres Inc. Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent) Outside Standing Audit & Supervisory Board Member, Sony Network Communications Smart Platform, Inc. (currently MEEQ Inc.) (incumbent)	*4	390
Total						2,267,955

(Notes) 1. Audit & Supervisory Board Members Hidekazu Kubokawa, Masataka Uesugi and Chise Kuwayama are Outside Directors.

2. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within one year after the conclusion of the Annual General Meeting of Shareholders held on June 23, 2025.

3. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within two years after the conclusion of the Annual General Meeting of Shareholders held on June 24, 2024.
4. The term of office shall expire at the conclusion of the Annual General Meeting of Shareholders pertaining to the last business year ending within two years after the conclusion of the Annual General Meeting of Shareholders held on June 23, 2025.
5. The number of shares held includes shares of stock in Digital Arts Inc.'s officers' shareholding association.

(ii) Information about Outside Officers

The Company has three outside directors and there are no other special interests between each of them and the Company. The Company elects Outside Directors to ensure the objectivity and neutrality of supervisory functions of management. The Company has not established standards or a policy for judging the independence of Outside Directors, it refers to the requirements for independence stipulated by the Tokyo Stock Exchange when electing Outside Directors. The Outside Directors have the function of auditing the execution of duties by Directors from the perspectives of legality and appropriateness, based on their independence and specialist knowledge. As proposed resolutions (matters to be resolved) for the Annual Shareholders' Meeting to be held on June 23, 2025, the Company has proposed Election of 2 Directors (excluding Directors who are Audit and Supervisory Board Members) and Election of One (1) Director who is an Audit and Supervisory Board Member). If these proposed resolutions are approved and passed, the Company will have 3 Outside Directors and 3 Audit and Supervisory Board Members.

Outside Director Mr. Hidekazu Kubokawa has knowledge in financial affairs and accounting as a certified public accountant and extensive insight in auditing generally, mainly based on his experience as an outside corporate auditor of other companies. The Company has selected him as an outside director based on the expectation that he will contribute to the enhancement of its audit work. The Company has no business relationships with Yotsuya Partners Accounting Firm or Kyoritsu Co., Ltd. at which Mr. Kubokawa holds important concurrent positions.

Outside Director Mr. Masataka Uesugi has knowledge of laws as an attorney and a wide range of insight in the area of audits as a whole, mainly based on his experience as an outside corporate auditor of other companies. The Company has selected him as an outside director based on the expectation that he will contribute to the enhancement of its audit work. The Company has no business relationships with Sakurada Dori Partners, Fullcast Holdings Co., Ltd., Ceres Inc. Aiming Inc., Commerce One Holdings Inc. or jig.jp Co., Ltd. at which Mr. Uesugi holds important concurrent positions.

Outside Director Chise Kuwayama has knowledge in financial affairs and accounting as a certified public accountant and abundant insight in the area of audits as a whole mainly based on her experience as an outside corporate auditor of other companies. The Company has selected her as an outside director based on the expectation that she will contribute to the enhancement of its audit work. The Company has no business relationships with Kuwayama Accounting Office or MEEQ Inc. at which Ms. Kuwayama holds important concurrent positions.

(iii) Mutual Collaboration between Audits or Supervision by Outside Officers, Audits by the Audits & Supervisory Board and Account Audits and Relationship with Internal Control Department

Together with Directors who are Standing Audit & Supervisory Board Members, the Outside Directors receive detailed reports on important events and risk factors as part of the results of internal audits conducted on a regular basis by Internal Auditors. In the case of the accounting auditor's audit of quarterly and annual financial statements, Audit & Supervisory Board Members are required to receive detailed reports on the status of audits from the certified public accountants who performed the operations and assistants involved in the audit operations. Internal Auditors report the status of internal controls, etc. to Outside Directors via the Board of Directors where necessary. The Company has registered Messrs. Hidekazu Kubokawa, Masataka Uesugi and Chise Kuwayama with the Tokyo Stock Exchange as independent officers as defined by the Tokyo Stock Exchange.

(3) Information about Audits

(i) Information about Audits of Audit & Supervisory Board Members

The Company's organization for audits of Audit & Supervisory Board Members is comprised of three Audit & Supervisory Board Members. One of them has been selected to chair the Audit & Supervisory Committee. As a proposed resolution (matter to be resolved) for the Annual Shareholders' Meeting to be held on June 23, 2025, the Company has proposed the election of 1 Director who is an Audit and Supervisory Board Member). If this proposed resolution is approved and passed, there will be 3 Audit and Supervisory Board Members (All 3 will be Outside Audit and Supervisory Board Members.).

Audit & Supervisory Board Member Hidekazu Kubokawa is a certified public accountant and tax accountant, Audit & Supervisory Board Member Masataka Uesugi is an attorney, and Chise Kuwayama is a certified public accountant.

In the fiscal year under review, the Company held meetings of the Audit & Supervisory Board once a month, in principle. Attendance of individual Audit & Supervisory Board Members was as follows.

	Name	Number of meetings convened	Number of meetings attended
Outside Audit & Supervisory Board Member	Hidekazu Kubokawa	12	12
Outside Audit & Supervisory Board Member	Masataka Uesugi	12	12
Outside Audit & Supervisory Board Member	Chise Kuwayama	12	12

Important matters considered at meetings of the Audit & Supervisory Board included the formulation of audit plans, the preparation of audit reports, evaluation of re-appointment of the Accounting Auditor, and agreement on fees paid to the Accounting Auditor.

Although the Company does not have a full-time member of the Audit & Supervisory Committee, an independent administrative organization for the committee has been established within the Company to provide assistance to the committee. Important activities carried out by Audit & Supervisory Board Members included gathering information about the implementation status of internal audits from those in charge, exchanging opinions with/ gathering information from the Accounting Auditor, requesting reports from other relevant departments where necessary, and gathering information about the status of execution of the Company's business.

(ii) Information about Internal Audits

The Company's Internal Audit Department consists of one person in charge of internal audits.

When conducting internal audits, the person in charge of internal audits is required to formulate an annual plan and conduct audits based upon collaboration and the exchange of opinions with the accounting auditor and Audit & Supervisory Board Members. The person in charge of internal audits, who reports directly to the President, systematically conducts internal audits and investigations of all departments of the Company, reports the results to the President and the Audit & Supervisory Board, makes requests for improvements to the audited departments, and conducts follow-ups. Moreover, the results of audits are reported to the Board of Directors every month. In addition, the Internal Audit Department meets with the Internal Control Department as appropriate and makes recommendations for the maintenance and strengthening of controls based on the audit results. With regard to internal control audits based on the Financial Instruments and Exchange Act, the Internal Audit Department conducts detailed audits of Internal Control Department, in cooperation with the Accounting Auditor, to ensure the appropriateness and efficiency of internal control over financial reporting.

(iii) Information about Accounting Audit

A. Name of audit corporation

BDO Sanyu & Co.

B. Tenure

25 years

C. Certified public accountants who execute operations

Mr. Kota Yamamoto

Mr. Hiroaki Nakanishi

D. Composition of assistants with audit operations

The people assisting in the Company's accounting audit operations comprise four certified public accountants, two people who have passed accountant examinations, and one other person.

E. Policy and reasons for selection of audit corporation

If the accounting auditor has committed a serious violation or breach of laws and regulations such as the Companies Act or the Certified Public Accountants Act or if it is deemed difficult for the accounting auditor to conduct an audit properly, the Audit & Supervisory Board examines dismissing or not reappointing the accounting auditor. If, as a result of its examination, the Audit & Supervisory Board judges that it is appropriate to dismiss or not to reappoint the accounting auditor, the Audit & Supervisory Board puts forward a proposal for the dismissal or non-reappointment of the accounting auditor to the general meeting of shareholders. The Audit & Supervisory Board also examines each period whether reappointment of the accounting auditor is appropriate and whether the status of execution of duties, the audit systems, independence, etc. of the accounting auditor are appropriate. If as a result of its examination, no major problems are found, the Audit & Supervisory Board conducts an evaluation of the accounting auditor and judges that reappointment is appropriate

F. Evaluation of audit corporation by Audit & Supervisory Board

The Company's Audit & Supervisory Board conducts an evaluation of the audit corporation by receiving reports from the audited executive divisions, asking the audit corporation about results of inspections by the supervisory authorities and its internal quality control systems and comprehensively examining whether the audit corporation maintains the quality of audits and conducts audits properly through witnessing onsite audits.

(iv) Audit Fees

A. Fees paid to certified public accountants, etc.

Category	Previous fiscal year		Fiscal year under review	
	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	20	-	20	-
Consolidated subsidiaries	-	-	-	-
Total	20	-	20	-

B. Fees paid to other accountants belonging to the same network as the certified public accountants, etc. (excluding A.)

Not applicable.

C. Details of other major fees for audit and attestation services

Not applicable.

D. Policy on determination of audit fees

Regarding the Company's policy on determination of audit fees for certified public accountants, etc., the Company requests only audit services, and audit fees are determined in an appropriate manner, taking into consideration factors such as the duration of the audit, the Company's business scale and the characteristics of its operations.

E. Reasons why the Audit & Supervisory Board consented to the fees, etc. of the accounting auditor

The Audit & Supervisory Board gave consent for the fees, etc. of the accounting auditor proposed by the Board of Directors under Article 399, Paragraphs 1 and 3 of the Companies Act, because, having confirmed the status of execution of duties and actual fees of the accounting auditor in the previous business year by obtaining necessary materials and asking for reports from the Board of Directors, relevant internal divisions and the accounting auditor and having examined the content of the audit plan and the appropriateness of the basis for calculation of estimated fees for the current business year, it judged these fees, etc. to be appropriate.

(4) Compensation to Directors and Executive Officers

(i) Matters Related to Policy for Determining the Amount and Method of Calculation of Compensation to Directors and Executive

Officers

According to the Company's basic policy on remuneration for its Directors (excluding those who are Audit & Supervisory Board Members), a remuneration system must function as an incentive to continuously increase the corporate value as a whole and remuneration for each Director is to be determined at an appropriate level in consideration of their duties. Specifically, the base remuneration for the Company's Directors is fixed on a monthly basis. The Company pays remuneration in overall consideration of the Company's business results, status of management, social circumstances, degree of contribution according to their duties, number of years of service and the levels of remuneration at other companies. The Company's non-monetary remuneration for Directors include (1) the provision of share acquisition rights for the Company's common shares, and (2) the allotment of shares subject to transfer restrictions for a predetermined period and the Company's rules on events for acquisition without contribution (hereinafter referred to as "Shares with Restrictions on Transfer"). In consultation with the Board of Directors, the Nomination and Remuneration Advisory Committee discusses the policy on determination and builds a consensus in the committee. The Board of Directors then makes a decision. The remuneration amount of a Director who is an Audit & Supervisory Board Member is fixed remuneration that takes into consideration factors such as whether the post is full-time or part-time, duties and authority. It is not linked to corporate performance and is determined by resolution of the Audit & Supervisory Board.

Details about the amount of remuneration for individual Directors (excluding Directors who are Audit & Supervisory Board Members) are determined by the President and Representative Director in accordance with a resolution adopted by the Board of Directors to delegate this authority to the President and Representative Director. To ensure the fairness and transparency of the examination process, the Nomination and Remuneration Advisory Committee discusses the proposal on remuneration created by the President and Representative Director within the remuneration limit approved by the General Meeting of Shareholders at the request of the Board of Directors. On the basis of the views coordinated by the committee, the President and Representative Director makes a decision.

The remuneration limit for Directors (excluding Directors who are Audit & Supervisory Board Members) is set at 300 million yen per year, excluding the portion of the employee salary for Directors serving as employees, according to a resolution adopted by the 21st Annual Shareholders' Meeting on June 24, 2016. As of the close of this Annual Shareholders' Meeting, the Company had four Directors, excluding Directors who are Audit & Supervisory Board Members.

Apart from the remuneration mentioned above, a resolution has been adopted according to which the total monetary remuneration claims to Directors (excluding Directors who are Audit & Supervisory Board Members) as remuneration concerned with the Shares with Restrictions on Transfer are capped at 50 million yen per year in overall consideration of the degree of contribution and other factors. With a commission of authority, the Board of Directors makes decisions on the actual allotment of Shares with Restrictions on Transfer in overall consideration of the degree of contribution to the Company and other factors of individual Directors concerned.

The Company's 21st Annual Shareholders' Meeting on June 24, 2016 adopted a resolution to set the limit of remuneration for Directors who are Audit & Supervisory Board Members at 100 million yen per year. As of the close of this Annual Shareholders' Meeting, the Company had three Directors who were Audit & Supervisory Members, including two Outside Directors.

(ii)Total Amount of Remuneration, etc. for Each Executive Officer Category, Total Amount of Remuneration, etc. by Type and Number of Executive Officers

Category of officers	Total amount of remuneration (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)		Number of eligible officers (persons)
		Basic remuneration	Non-monetary remuneration	
Directors (excludes Audit & Supervisory Board Members and Outside Directors)	85	78	7	2
Directors who are Audit & Supervisory Board Members (excludes Outside Directors)	-	-	-	-
Outside Directors	10	10	-	3

(Note) As non-momentary remuneration, etc., restricted stock remuneration is provided to directors (excluding those who are members of Audit & Supervisory Committee).

(iii) Total Amount of Remuneration Paid by Group to Each Officer

Not stated because there are no persons whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(iv) Employees Salary of Officers Who also Hold Employee Posts

Total amount (Millions of yen)	Officers who also hold employee posts (persons)	Description
15	1	Salary as consideration for services rendered.

(5) Information on Shareholdings

Not applicable.

Section V. Financial Information

1. Method of Preparation of Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in compliance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Non-Consolidated Financial Statements").

Because the Company is classified as a company that prepares its financial statements pursuant to special provisions, the non-consolidated financial statements are prepared as provided in Article 127 of the Ordinance on Non-Consolidated Financial Statements.

2. Audit Certification

The Company underwent an audit by BDO Sanyu & Co. of the consolidated financial statements for the consolidated fiscal year (from April 1, 2024 to March 31, 2025) and the non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) in compliance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Specific Efforts to Secure the Appropriateness of the Consolidated Financial Statements, etc.

The Company has undertaken specific measures to secure the appropriateness of its consolidated financial statements, etc. The Company is a member of the Financial Accounting Standards Foundation (FASF) and endeavors to gather information to properly understand accounting standards and develop systems that enable it to ensure the appropriateness of consolidated financial statements.

The Company also actively participates in seminars held by the FASF.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	18,339	17,952
Notes receivable - trade	65	120
Accounts receivable - trade	1,469	1,323
Securities	-	100
Finished goods	0	2
Supplies	2	1
Other	305	611
Total current assets	20,183	20,012
Non-current assets		
Property, plant and equipment		
Buildings	223	228
Accumulated depreciation	(139)	(142)
Buildings, net	83	86
Vehicles	25	25
Accumulated depreciation	(8)	(15)
Vehicles, net	16	10
Tools, furniture and fixtures	506	572
Accumulated depreciation	(421)	(456)
Tools, furniture and fixtures, net	84	116
Land	26	26
Total property, plant and equipment	211	238
Intangible assets		
Software	1,367	1,472
Other	234	311
Total intangible assets	1,602	1,783
Investments and other assets		
Investment securities	100	-
Deferred tax assets	136	107
Other	284	385
Total investments and other assets	521	592
Total non-current assets	2,334	2,515
Total assets	22,518	22,627

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	54	30
Income taxes payable	1,354	389
Provision for bonuses	137	148
Advances received	4,418	4,082
Other	501	558
Total current liabilities	6,467	5,209
Non-current liabilities		
Asset retirement obligations	49	49
Other	3	3
Total non-current liabilities	52	52
Total liabilities	6,519	5,262
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	956	955
Retained earnings	16,029	18,116
Treasury shares	(1,730)	(2,467)
Total shareholders' equity	15,968	17,318
Accumulated other comprehensive income		
Foreign currency translation adjustment	18	17
Total accumulated other comprehensive income	18	17
Share acquisition rights	11	29
Total net assets	15,998	17,365
Total liabilities and net assets	22,518	22,627

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

Consolidated statement of income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	11,512	9,982
Cost of sales	4,583	2,948
Gross profit	6,928	7,033
Selling, general and administrative expenses	*1,2 2,500	*1,2 2,474
Operating profit	4,427	4,558
Non-operating income		
Interest income	0	1
Foreign exchange gains	13	0
Gain on forfeiture of unclaimed dividends	1	1
Gain on sales of supplies	0	1
Miscellaneous income	2	0
Total non-operating income	17	4
Non-operating expenses		
Miscellaneous losses	1	0
Total non-operating expenses	1	0
Ordinary profit	4,443	4,562
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Gain on sale of non-current assets	*3 4	*3 0
Gain on sale of shares of subsidiaries	*4 1,930	-
Total extraordinary income	1,935	0
Extraordinary losses		
Loss on retirement of non-current assets	*5 0	*5 0
Total extraordinary losses	0	0
Profit before income taxes	6,378	4,563
Income taxes - current	2,015	1,350
Income taxes - deferred	(19)	29
Total income taxes	1,995	1,380
Profit	4,383	3,183
Profit attributable to non-controlling interests	5	-
Profit attributable to owners of parent	4,377	3,183

Consolidated statement of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit	4,383	3,183
Other comprehensive income		
Foreign currency translation adjustment	4	(0)
Total other comprehensive income	*1 4	*1 (0)
Comprehensive income	4,387	3,182
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,382	3,182
Comprehensive income attributable to non-controlling interests	5	-

(3) Consolidated statement of changes in equity

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Share capital	Capital surplus	Share capital	Capital surplus	Share capital			
Balance at beginning of period	713	953	12,768	(308)	14,127	14	14	11	20	14,173
Changes during period										
Dividends of surplus			(1,116)		(1,116)					(1,116)
Profit attributable to owners of parent			4,377		4,377					4,377
Purchase of treasury shares				(1,429)	(1,429)					(1,429)
Exercise of share acquisition rights		(0)345		0	0					0
Changes in parent company's interest in transactions with noncontrolling shareholders		2		6	8					8
Net changes in items other than shareholders' equity						4	4	(0)	(20)	(16)
Total changes during period	—	2	3,261	(1,422)	1,841	4	4	(0)	(20)	1,824
Balance at end of period	713	956	16,029	(1,730)	15,968	18	18	11	—	15,998

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

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Share capital	Capital surplus	Share capital	Capital surplus	Share capital		
Balance at beginning of period	713	956	16,029	(1,730)	15,968	18	18	11	15,998
Changes during period									
Dividends of surplus			(1,095)		(1,095)				(1,095)
Profit attributable to owners of parent			3,183		3,183				3,183
Purchase of treasury shares				(744)	(744)				(744)
Restricted stock compensation		(1)		8	6				6
Net changes in items other than shareholders' equity						(0)	(0)	18	17
Total changes during period	—	(1)	2,087	(736)	1,349	(0)	(0)	18	1,367
Balance at end of period	713	955	18,116	(2,467)	17,318	17	17	29	17,365

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	6,378	4,563
Depreciation	886	916
Share-based payment expenses	0	6
Increase (decrease) in provision for bonuses	(19)	11
Interest income	(0)	(1)
Foreign exchange losses (gains)	(16)	(0)
Gain on reversal of share acquisition rights	(0)	(0)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of non-current assets	(4)	(0)
Loss (gain) on sale of shares of subsidiaries	(1,930)	-
Decrease (increase) in trade receivables	(1,073)	(245)
Decrease (increase) in inventories	19	(0)
Increase (decrease) in trade payables	(100)	(24)
Increase (decrease) in accounts payable - other	141	(8)
Decrease (increase) in other current assets	(60)	(38)
Increase (decrease) in other current liabilities	58	10
Other, net	28	(94)
Subtotal	4,308	5,094
Interest and dividends received	0	1
Income taxes paid	(1,478)	(2,279)
Net cash provided by (used in) operating activities	2,830	2,817
Cash flows from investing activities		
Purchase of property, plant and equipment	(75)	(24)
Proceeds from sale of property, plant and equipment	9	0
Purchase of intangible assets	(918)	(1,046)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	*2 1,992	-
Other, net	5	(37)
Net cash provided by (used in) investing activities	1,012	(1,107)
Cash flows from financing activities		
Decrease (increase) in deposits for purchase of treasury shares	-	(256)
Proceeds from disposal of treasury shares	0	-
Purchase of treasury shares	(1,430)	(745)
Dividends paid	(1,115)	(1,094)
Net cash provided by (used in) financing activities	(2,545)	(2,096)
Effect of exchange rate change on cash and cash equivalents	22	(0)
Net increase (decrease) in cash and cash equivalents	1,320	(387)
Cash and cash equivalents at beginning of period	17,018	18,339
Cash and cash equivalents at end of period	*1 18,339	*1 17,952

Notes to consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters.

(Significant matters that serve as the basis for the preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 3

Names of consolidated subsidiaries

Digital Arts America, Inc.
Digital Arts Asia Pacific Pte. Ltd.
Digital Arts Europe Limited

(2) Names, etc. of non-consolidated subsidiaries

There are no applicable matters.

2. Matters related to the application of the equity method

(1) Number of non-consolidated subsidiaries to which the equity method is applied: -

(2) Names, etc. of non-consolidated subsidiaries to which the equity method is not applied

There are no applicable matters.

3. Fiscal years of consolidated subsidiaries

The fiscal year end of all consolidated subsidiaries is the same as the end of the consolidated fiscal year.

4. Matters related to accounting policies

(1) Valuation standards and valuation methods for significant assets

A. Securities

(a) Bonds held for maturity

The amortized cost method (interest method) is applied.

B. Inventories

(a) Finished goods

The gross average cost method is applied. (The balance sheet amount is calculated by the book value write-down method based on reduction in profitability.)

(2) Depreciation/amortization method for significant depreciable/amortizable assets

A. Property, plant and equipment

The declining balance method is applied.

The useful life and the residual value are calculated based on the same standards as those set out in the Corporation Tax Act. The straight-line method is applied for facilities attached to buildings acquired on April 1, 2016 or later.

B. Intangible assets

The straight-line method is applied.

The straight-line method based on the availability period in the company (five years) is used for software in the company. For software for sale in the market, a method based on estimated sales quantities (or revenue) or the remaining lifetime (three years) is used.

C. Long-term prepaid expenses

The straight-line method is applied.

The amortization period is calculated based on the same standards as those set out in the Corporation Tax Act.

(3) Standards for recognition of significant allowances

A. Provision for bonuses

For the payment of employees' bonuses, of the estimated payment amount, the amount to be paid in the consolidated fiscal year under review is posted.

(4) Accounting standards for significant income and expenses

the Company recognizes revenue in the amount expected to be received in exchange for promised goods or services at the point where control over such goods or services moves to customers.

Major performance obligations in major businesses and the normal time to recognize revenue are as described in (Matters concerning revenue recognition).

(5) Standards for translating significant assets or liabilities that are in foreign currency into yen

Monetary claims and obligations in foreign currency are translated into yen using the spot exchange rate on the consolidated settling day, and translation adjustments are treated as a profit or loss. Assets and liabilities at overseas subsidiaries, etc. are translated into yen using the spot exchange rate on the consolidated settling day. Revenue and expense are translated into yen using the average rate during the period, and translation adjustments are included in the foreign currency translation adjustment in net assets.

(6) Scope of funds in the consolidated statement of cash flows

Funds in the consolidated statement of cash flows (cash and cash equivalents) consist of cash on hand, deposits that can be withdrawn as needed, and short-term investments that can be realized easily and only have insignificant value fluctuation risk and whose redemption date arrives within three months of the acquisition date.

(Issued but not yet adopted accounting standards)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of its efforts to ensure the global consistency of Japanese accounting standards, the Accounting Standards Board of Japan conducted reviews based on international accounting standards with an eye toward the development of an accounting standard for leases to recognize assets and liabilities regarding all the leases of a lessee and announced its accounting standard for leases, etc. as a basic policy. Building on the existing single lessee accounting model introduced by IFRS 16, these accounting standards, etc. aim to be simple and highly convenient standards by adopting only the major clauses of IFRS 16, not all of the clauses, and by basically requiring no corrections when using IFRS 16 clauses in individual financial statements.

As an accounting treatment using the expense allotment method for a lessee's leases, a single lessee accounting model is adopted in the same manner as IFRS 16, under which depreciation regarding right of use assets for all leases, regardless of whether a lease is classified as finance or operating, and amount of interest regarding lease liabilities are posted.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impacts of the application of the relevant accounting standards

The impacts of adopting Accounting Standard for Leases, etc. on the consolidated financial statements are being evaluated.

(Change in presentation method)

(Consolidated income statement)

Gain on sales of supplies, which was included in miscellaneous income under non-operating income in the previous consolidated financial year, began to be presented independently in the consolidated financial year under review because it became more important than before. Consolidated financial statements for the previous consolidated financial year were reclassified to reflect this change in presentation method. As a result, the 2 million yen, which was presented as miscellaneous income under non-operating income in the consolidated statement of income for the previous consolidated fiscal year, has been reclassified into 0 million yen as gain on sales of supplies and 2 million yen as miscellaneous income.

(Consolidated Statements of Cash Flows)

Stock compensation expense, which was included in other under cash flows from operating activities in the previous consolidated fiscal year, began to be presented independently in the consolidated fiscal year under review because it became more important than before. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous consolidated fiscal year. As a result, the 28 million yen which was presented as other in cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year has been reclassified into stock compensation expense of 0 million yen and other of 28 million yen.

(Consolidated statement of income)

*1. The major items of selling, general and administrative expenses and the amounts are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Advertising expenses	313 million yen	309 million yen
Salaries and allowances	753	753
Provision for bonuses	73	79

*2. Total amount of research and development expenses included in general and administrative expenses are as follows.

Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
29 million yen	17 million yen

*3. Gain on sales of non-current assets are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Vehicles	4 million yen	- million yen
Tools, furniture, and fixtures	-	0
Total	4	0

*4 A gain on sale of a subsidiary's stock of 1,930 million yen has been recorded as a result of the transfer of shares of Digital Arts Consulting Inc.

*5. The details of loss on retirement of non-current assets are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Buildings	- million yen	0 million yen
Tools, furniture and fixtures	0 million yen	0 million yen
Total	0	0

(Consolidated statement of comprehensive income)

*1. Reclassification adjustment and tax effect related to other comprehensive income

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	4 million yen	(0) million yen
Reclassification adjustment	-	-
Before tax effect adjustment	4	(0)
Tax effect	-	-
Foreign currency translation adjustment	4	(0)
Total other comprehensive income	4	(0)

(Consolidated statement of changes in equity)

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of consolidated fiscal year under review (shares)	Increase in number of shares during consolidated fiscal year under review (shares)	Decrease in number of shares during consolidated fiscal year under review (shares)	Number of shares at end of consolidated fiscal year under review (shares)
Issued shares				
Common shares	14,133,000	-	-	14,133,000
Total	14,133,000	-	-	14,133,000
Treasury shares				
Common shares (Note)	93,833	287,300	1,503	379,630
Total	93,833	287,300	1,503	379,630

(*Note) The increase in the number of common shares in treasury shares, 287,300, is due to the purchase of treasury shares. The decrease in the number of treasury shares, 1,503, includes a decrease of 1,403 shares as a result of the issuance of restricted stock and a decrease of 100 shares due to the exercise of stock options.

2. Matters related to share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Amount at end of fiscal year under review (Millions of yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	End of fiscal year under review	
Reporting company (parent company)	Share acquisition rights as stock options	-	-	-	-	-	11
Total		-	-	-	-	-	11

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 2023	Common shares	561	40	March 31, 2023	June 26, 2023
Board of Directors meeting on October 30, 2023	Common shares	554	40	September 30, 2023	December 4, 2023

(2) Of dividends whose record date is in the consolidated fiscal year under review, those whose effective date in the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Financial source of dividends	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 24, 2024	Common shares	550	Retained earnings	40	March 31, 2024	June 25, 2024

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

1. Class and number of issued shares and class and number of treasury shares

	Number of shares at beginning of consolidated fiscal year under review	Increase in number of shares during consolidated fiscal year under review	Decrease in number of shares during consolidated fiscal year under review	Number of shares at end of consolidated fiscal year under review
Issued shares				
Common shares	14,133,000	-	-	14,133,000
Total	14,133,000	-	-	14,133,000
Treasury shares				
Common shares *	379,630	152,440	1,774	530,296
Total	379,630	152,440	1,774	530,296

(*Note) Factors increasing the number of shares of common stock held as treasury shares by 152,440 shares include a 152,300-share increase due to the purchase of treasury shares based on a resolution of the Board of Directors and an increase of 140 shares due to the purchase of shares constituting less than one full unit. The factor decreasing the number of treasury shares 1,774 shares is the issuance of restricted stock remuneration.

2. Matters related to share acquisition rights and treasury share acquisition rights

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Amount at end of fiscal year under review (Millions of yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	End of fiscal year under review	
Reporting company (parent company)	Share acquisition rights as stock options	-	-	-	-	-	29
Total		-	-	-	-	-	29

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 24, 2024	Common shares	550	40	March 31, 2024	June 25, 2024
Board of Directors meeting on October 30, 2024	Common shares	545	40	September 30, 2024	December 3, 2024

(2) Of dividends whose record date is in the consolidated fiscal year under review, those whose effective date in the next consolidated fiscal year

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Financial source of dividends	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 2025	Common shares	550	Retained earnings	45	March 31, 2025	June 24, 2025

(Consolidated statement of cash flows)

*1. Cash and cash equivalents at the end of the fiscal year and their relationships with items in the consolidated balance sheets

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Cash and deposit account	18,339 million yen	17,952 million yen
Cash and cash equivalents	18,339	17,952

*2 Major breakdown of assets and liabilities of subsidiaries excluded from the scope of consolidation due to the transfer of shares

Consolidated fiscal year under review (April 1, 2023 - March 31, 2024)

The breakdown of the major assets and liabilities of Digital Arts Consulting Inc., which was excluded from the scope of consolidation due to the sale of the company's stock, and the relationship between the sale price of the stock and proceeds from the sale thereof (net) are as follows.

Current assets	631 million yen
Non-current assets	11
Current liabilities	(323)
Non-controlling interests	(26)
Incidental expenses associated with the sale of stock	71
Gain on sales of shares of subsidiaries	1,930
Sale price of stock	2,296
Incidental expenses associated with the sale of stock	(71)
Cash and cash equivalents	(232)
Result: Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,992

Consolidated fiscal year under review (April 1, 2024 - March 31, 2025)

There are no applicable matters.

(Lease transactions)

Not applicable.

(Financial instruments)

1. Matters related to the status of financial instruments

(1) Policy on financial instruments

The Group’s fund management is centered on short-term deposits. The Group also invests in government bonds, which are very safe and highly rated corporations and other bonds.

(2) Description of financial instruments and their risks

Notes and accounts receivable-trade, operating receivables, are exposed to customers’ credit risk.

Investment securities are public and corporate bonds and are exposed to risks of fluctuations in market price.

(3) Risk management system related to financial instruments

(i) Credit risk (risk related to business connections’ contract non-performance) management

The sales management section and administrative department of the Company regularly monitor the status of operating receivables at the main trading partners under the Company's credit management regulations and control the due dates and balances for individual partners. In this way, the Company strives to identify concerns over collections caused by deterioration in partners' financial situation early and mitigate them. The Company conducts similar credit management at consolidated subsidiaries under its credit management regulations.

As for short-term fund management, the Company only uses bank deposits and investments in highly rated funds to avoid as much credit risk as possible.

(ii) Market risk (interest-rate fluctuation risk, etc.) management

The Company determines its fund management portfolio while expecting its financing needs, and avoids market risk as much as possible.

(iii) Management of liquidity risk in financing (risk of failure to pay on due dates)

The Company manages liquidity risk chiefly by having the administrative department create financial plans in a timely manner.

(4) Additional information on matters related to the market prices of financial instruments, etc.

Since calculations of the market prices of financial instruments take variable factors into consideration, calculated market prices may change if different assumptions are used.

2. Matters related to the market prices of financial instruments, etc.

Consolidated balance sheet amounts, market prices and differences between them are as follows: Cash is omitted. Deposits are also omitted because deposits are settled in a short period of time and their market prices are similar to their book values.

Fiscal 2024 (As of March 31, 2024)

	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Bonds held to maturity	100	100	(0)
Total assets	100	100	(0)

Fiscal 2025 (As of March 31, 2025)

	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Bonds held to maturity	100	100	(0)
Total assets	100	100	(0)

(Note) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date

Fiscal 2024 (As of March 31, 2024)

	Within a year (Millions of yen)	More than a year, within five years (Millions of yen)	More than five years, within 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	18,339	-	-	-
Notes receivable - trade	65	-	-	-
Accounts receivable - trade	1,469	-	-	-
Investment securities				
Bonds held to maturity				
Corporate bonds	-	100	-	-
Total	19,874	100	-	-

Fiscal 2025 (As of March 31, 2025)

	Within a year (Millions of yen)	More than a year, within five years (Millions of yen)	More than five years, within 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	17,952	-	-	-
Notes receivable - trade	120	-	-	-
Accounts receivable - trade	1,323	-	-	-
Investment securities				
Bonds held to maturity				
Corporate bonds	100	-	-	-
Total	19,496	-	-	-

3. Breakdown of financial instruments in different appropriate classifications

The fair values of financial instruments are classified into the following three levels according to the observability and importance of inputs used in the calculation of fair values.

Level 1 fair value: fair value calculated using market prices, on an active market, of assets or liabilities whose fair value is calculated of the observable inputs related to the calculation of fair value

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

Level 3 fair value: fair value calculated using inputs that are not observable related to the calculation of fair value

If more than one input that has a significant effect on the calculation of fair value is used, the fair value is classified to the level of inputs whose priority is lowest in the calculation of fair value.

Financial assets and financial liabilities whose consolidated balance sheet amounts are not market prices.

Fiscal 2024 (As of March 31, 2024)

Classification	Market price			(Millions of yen)
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity				
Bonds payable	-	100	-	100
Total assets	-	100	-	100

Fiscal 2025 (As of March 31, 2025)

Classification	Market price			(Millions of yen)
	Level 1	Level 2	Level 3	Total
Securities				
Bonds held to maturity				
Bonds payable	-	100	-	100
Total assets	-	100	-	100

(Note) Explanations about assessment techniques used in the calculation of fair value and inputs related to the calculation of fair value

Securities and Investment securities

Corporate bonds are valued using quoted market prices. Corporate bonds valued by the Company are bonds for which quoted market prices are not readily available because they are not traded frequently and their fair value is classified as level 2 fair value.

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(Securities)

Bonds held to maturity

Fiscal 2024 (As of March 31, 2024)

	Classification	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
Market price exceeds consolidated balance sheet amount	(1) Government bonds, local government bonds, etc. (2) Corporate bonds (3) Other	- - -	- - -	- - -
	Subtotal	-	-	-
Market price does not exceed consolidated balance sheet amount	(1) Government bonds, local government bonds, etc. (2) Corporate bonds (3) Other	- 100 -	- 100 -	- (0) -
	Subtotal	100	100	(0)
Total		100	100	(0)

Fiscal 2025 (As of March 31, 2025)

	Classification	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
Market price exceeds consolidated balance sheet amount	(1) Government bonds, local government bonds, etc. (2) Corporate bonds (3) Other	- - -	- - -	- - -
	Subtotal	-	-	-
Market price does not exceed consolidated balance sheet amount	(1) Government bonds, local government bonds, etc. (2) Corporate bonds (3) Other	- 100 -	- 100 -	- (0) -
	Subtotal	100	100	(0)
Total		100	100	(0)

(Derivatives transactions)

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024) and consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

The Group did not conduct any derivatives transactions.

(Retirement benefits)

1. Outline of the retirement benefits system

The Company and its consolidated subsidiaries have a defined contribution pension plan. While one of the consolidated subsidiaries had a defined contribution pension plan, the Company sold all of its shares of that consolidated subsidiary that it held, excluding it from the scope of consolidation in the consolidated fiscal year under review.

2. Retirement benefit expenses

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

The amount that was required for contribution to the defined contribution pension plan was 60 million yen.

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

The amount that was required for contribution to the defined contribution pension plan was 32 million yen.

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Selling, general and administrative expenses	0 million yen	6 million yen

2. Amount posted as profit due to the forfeiture of unexercised stock options

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Gain on reversal of share acquisition rights	0 million yen	0 million yen

3. Description of stock options, their scale and changes

(1) Description of stock options

	8th Stock options	9th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	Four directors 151 employees	Three directors 96 employees
Stock options by class of shares	Common shares 350,100 shares	Common shares 848,000 shares
Grant date	November 27, 2015	December 13, 2016
Vesting conditions	Being a director or an employee of the reporting company and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company from the grant date (November 27, 2015) to the vesting date (July 1, 2017) Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each item below in the fiscal year ended March 31, 2017, the fiscal year ended March 31, 2018, or the fiscal year ended March 31, 2019. (i) If operating profit exceeds 1.5 billion yen, 20% of share acquisition rights can be exercised (ii) If operating profit exceeds 2.0 billion yen, 50% of share acquisition rights can be exercised (iii) If operating profit exceeds 2.5 billion yen, 100% of share acquisition rights can be exercised In the items above, the operating profit stated in the consolidated statement of income in the Company's annual securities report (or the statements of income if no consolidated statements of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors.	Being a director or an employee of the reporting company and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company from the grant date (December 13, 2016) to the vesting date (July 1, 2018). Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each item below in the fiscal year ended March 31, 2018, the fiscal year ended March 31, 2019, or the fiscal year ended March 31, 2020. (i) If operating profit exceeds 2.0 billion yen, 20% of share acquisition rights can be exercised (ii) If operating profit exceeds 2.5 billion yen, 50% of share acquisition rights can be exercised (iii) If operating profit exceeds 2.8 billion yen, 100% of share acquisition rights can be exercised In the items above, the operating profit stated in the consolidated statement of income in the Company's annual securities report (or the statements of income if no consolidated statement of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors.
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	From the vesting date to May 31, 2027. The person must continue to be a director or an employee of the Company to exercise share acquisition rights.	From the vesting date to May 31, 2028. The person must continue to be a director or an employee of the Company to exercise share acquisition rights.

	11th Stock options	12th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	16 employees	55 employees
Stock options by class of shares	Common shares 69,000 shares	Common shares 137,500 shares
Grant date	September 24, 2021	September 24, 2021
Vesting conditions	Being a director, an auditor, or an employee of the reporting company or its subsidiaries and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company or its subsidiaries from the grant date (September 24, 2021) to the vesting date (June 30, 2036) The share acquisition rights can be exercised only over the period from July 1, 2036 to June 30, 2038, if operating profit exceeds 14,736 million yen in any fiscal year from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2036. Whether the operating profit above is exceeded or not shall be determined in reference to the operating profit stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of the item to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.	Being a director, an auditor, or an employee of the reporting company or its subsidiaries and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company or its subsidiaries from the grant date (September 24, 2021) to the vesting date (June 30, 2041) The share acquisition rights can be exercised only over the period from July 1, 2041 to June 30, 2043, if operating profit exceeds 20,630 million yen in any fiscal year from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2041. Whether the operating profit above is exceeded or not shall be determined in reference to the operating profit stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of the item to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	From July 1, 2036 to June 30, 2038. The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.	From July 1, 2041 to June 30, 2043. The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.

	13th Stock options
Company	Reporting company
Category and number of persons subject to grants	4 employees
Stock options by class of shares	Common shares 3,200 shares
Grant date	December 25, 2024
Vesting conditions	Being a director, an auditor, an executive officer or an employee of the reporting company or its subsidiaries from the grant date (December 25, 2024) to the vesting date (December 24, 2025)
Requisite service period	No requisite service periods are determined.
Exercise period	From December 25, 2025 to December 24, 2030. The person must be a director, an auditor, an executive officer or an employee of the Company or its subsidiaries to exercise share acquisition rights.

(2) Scale of stock options and related changes

The stock options below are those that existed in the fiscal year under review (fiscal year ended March 31, 2025). The number of stock options has been converted to the number of shares.

(i) Number of stock options

	8th Stock options	9th Stock options	11th Stock options	12th Stock options	13th Stock options
Before vesting (shares)					
As of March 31, 2024	-	-	54,000	77,500	—
Granted	-	-	-	—	3,200
Forfeited	-	-	-	12,500	—
Vested	-	-	-	—	—
Yet to be vested	-	-	54,000	65,000	3,200
After vesting (shares)					
As of March 31, 2024	152,000	300,800	-	-	-
Vested	-	-	-	-	-
Exercised	-	-	-	-	-
Forfeited	-	-	-	-	-
Yet to be exercised	152,000	300,800	-	-	-

(ii) Unit price information

	8th Stock options	9th Stock options	11th Stock options	12th Stock options	13th Stock options
Exercise price (yen)	2,034	2,639	8,310	8,310	1
Average stock price when exercised (yen)	-	-	-	-	-
Fair unit value (grant date) (yen)	2	24	6,741	7,482	5,737

4. Method for estimating the fair value of stock options vested during Fiscal 2025 (from April 1, 2024 to March 31, 2025)

13th Stock options

(1) Valuation technique used: Black-Scholes model

(2) Key inputs and method for determining them

Stock volatility *1	37.373%
Expected time remaining *2	3.5 years
Expected dividend *3	80yen per share
Risk-free interest rate *4	0.619%

(*Notes) 1. Calculated based on actual stock prices from June 26, 2021 to December 25, 2024

2. Estimated based on the assumption of exercise midway through the exercise period, since a reasonable estimate is difficult to make due to the lack of data

3. Based on the sum of the year-end dividends paid for the fiscal year ended March 31, 2024 and the interim dividends paid for the fiscal year ended March 31, 2025.

4. Average compound yield of interest-bearing long-term government bonds maturing in three months or less from the end date of the estimated time remaining

5. Method for estimating the number of stock options vested

It is basically difficult to reasonably estimate the number of stock options to be forfeited, and only the actual number of stock options forfeited is reflected. For paid-in stock options with performance conditions, the number of forfeitures of non-vested stock options is estimated taking vesting conditions into consideration.

(Additional information)

Transactions granting employees and others stock acquisition rights which involve considerations with vesting conditions before the applied day of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (PITF No. 36; January 12, 2018) are still accounted for using the previously adopted accounting treatment in accordance with Paragraph 10 (3) of PITF No. 36.

1. Outline of share acquisition rights, which involve considerations, with vesting conditions

Notes are omitted because the same description is given in “3. Description of stock options, their scale and changes” above.

2. Outline of accounting treatment adopted

When share acquisition rights are issued, the amount paid in on the issuance of share acquisition rights will be recorded as share acquisition rights in net assets. When share acquisition rights are exercised, and new shares are issued, the amount paid in on the issuance of share acquisition rights and the amount paid in on the exercise of share acquisition rights will be transferred to share capital and legal capital surplus, respectively.

When share acquisition rights have lapsed, the amount that corresponds to the lapse will be recorded as profit within that accounting period.

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

	Fiscal 2024 (As of March 31, 2024)	Fiscal 2025 (As of March 31, 2025)
Deferred tax assets		
Enterprise taxes payable	68 million yen	22 million yen
Provision for bonuses	42	46
Accrued social insurance premiums	6	7
Asset retirement obligations	14	15
Loss carryforwards	57	58
Loss on valuation of golf club membership	1	1
Other	3	14
Total deferred tax assets	193	165
Valuation allowance	(57)	(58)
Total deferred tax assets	136	107

2. Reconciliation of the statutory tax rate and the actual effective tax rate

Notes are omitted because the difference between the statutory tax rate and the effective tax rate is 5% or less of the statutory tax rate for the consolidated fiscal year under review and for the previous consolidated fiscal year.

3. Modification of the amount of deferred tax assets and liabilities due to changes in corporate taxation rates

The Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and the Special Defense Corporation Tax will be levied starting from the consolidated fiscal year beginning April 1, 2026. Because of this change, the Company has changed the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities resulting from temporary differences between accounting and tax values, etc. that will become deductible from the consolidated fiscal year beginning April 1, 2026. The tax rate has changed from 30.62% to 31.52%. As a result, deferred tax assets for the consolidated fiscal year under review (amount obtained by deducting deferred tax liabilities) increased 5 million yen and income taxes - deferred decreased 5 million yen.

(Asset retirement obligations)

Asset retirement obligations posted in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Obligations of restoration related to lease agreements at the head office and other offices

(2) Method for calculation of the asset retirement obligations

The period of use is estimated to be 1 to 15 years from the acquisition. The discount rate is -0.15% to -1.73%. The amount of asset retirement obligations is calculated based on those assumptions.

(3) Increase/decrease in the asset retirement obligations

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Balance at beginning of fiscal year	48 million yen	49 million yen
Adjustment due to passage of time	0	0
Balance at end of fiscal year	49	49

(Matters concerning revenue recognition)

1. Information on the breakdown of revenue from contracts with customers

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

Below is a breakdown of revenue from contracts with customers.

(Millions of yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	6,456	4,637	418	11,512

(Note) Internal transactions between Group companies are deducted.

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

Below is a breakdown of revenue from contracts with customers.

(Millions of yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	4,783	4,788	409	9,982

(Note) Internal transactions between Group companies are deducted.

2. Basic information for understanding revenue from contracts with customers

The Digital Arts Group is comprised of Digital Arts Inc. and its three consolidated subsidiaries and is principally engaged in internet security, email security and the planning, development, sale, etc. of file encryption and remote deletion solutions.

In sales of security software, software is classified into two types: license products and associated maintenance services, and cloud service products.

Revenue from a license product is recognized when the software product is provided to the customer, at which time the performance obligation is deemed fulfilled. The performance obligation for maintenance services is fulfilled over a certain period, and revenue is recognized over the term of the contract as the performance obligation is being satisfied.

As for the cloud service product, the service performance obligation is satisfied over time, and the transaction price under the contract with the customer is distributed evenly throughout the term of the contract and recognized as revenue.

Revenue is recorded mostly in accordance with the contract with the customer. If the Company pays a rebate according to a transaction amount for a certain period, among other factors, the rebate is deducted from the revenue.

The promised consideration does not include any significant financing component.

3. Information to understand revenue in the fiscal year under review and the next fiscal year and thereafter

(1) Below is the opening and ending balance of contract liabilities arising from contracts with customers.

(Millions of yen)

Contract liabilities	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Balance at beginning of fiscal year	5,187	4,418
Balance at end of fiscal year	4,418	4,082

Advances received in the consolidated balance sheet are all contract liabilities arising from contracts with customers, and advance payments are posted if the related performance obligations are not fulfilled at the end of the fiscal year.

The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is 2,412 million yen. (2,332 million yen in the previous fiscal year)

(2) Transaction prices allocated to outstanding performance obligations

The total amount of transaction prices allocated to outstanding performance obligations and the periods over which revenue is expected to be recognized are as follows.

(Millions of yen)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Within 1 year	3,456	3,760
Over 1 year, within 2 years	1,357	901
Over 2 years, within 3 years	466	683
Over 3 years	371	898
Total	5,651	6,243

(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024) and consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

The Group has only one segment, which is the security business, and segment information is omitted.

Related information

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

1. Information by product/service

The Group has only one product and service category, and information by product/service is omitted.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statement of income, and information by region is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

The Group engages in only one segment, the security business.

(Millions of yen)

Customer name	Net sales
Daiwabo Information System Co., Ltd.	2,856
SB C&S Corp.	1,994

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

1. Information by product/service

The Group has only one product and service category, and information by product/service is omitted.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statement of income, and information by region is omitted.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

The Group engages in only one segment, the security business.

(Millions of yen)

Customer name	Net sales
Daiwabo Information System Co., Ltd.	3,074
SB C&S Corp.	1,887

Transactions with related parties

Transactions between the company submitting consolidated financial statements and related parties

Officers and major individual shareholders of the company submitting consolidated financial statements

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

There are no applicable matters.

Fiscal 2025 (from April 1, 2024 March 31, 2025

There are no applicable matters.

(Special purpose companies subject to disclosure)

There are no applicable matters.

(Per share information)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Net assets per share (yen)	1,162.40	1,274.46
Profit per share (yen)	315.46	232.79
Diluted profit per share Profit (yen)	310.30	228.83

(Note) Base for calculating profit per share and diluted profit per share

Item	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Profit per share		
Profit attributable to owners of parent (Millions of yen)	4,377	3,183
Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common shares (Millions of yen)	4,377	3,183
Average number of common shares during the term (shares)	13,877,851	13,673,529
Diluted profit per share		
Adjustment of profit attributable to owners of parent (Millions of yen)	-	-
Increase in the number of common shares (shares)	230,763	236,833
[Of the increase, the number of share acquisition rights] (shares)	[230,763]	[236,833]
Outline of potential shares that are not included in the calculation of the diluted profit per share because they do not have any diluting effects	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 131,500	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 119,000

(Significant subsequent events)

There are no applicable matters.

(v) Consolidated Supplementary Schedules

Bonds Schedule

Not applicable.

Borrowing Schedule

Not applicable.

Asset Retirement Obligations Schedule

The amount of asset retirement obligations at both the beginning and end of fiscal 2024 are less than 1% of the combined total of liabilities and net assets at the beginning and end of fiscal 2024, and so have been omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

(2) Other

Semi-annual information in the consolidated fiscal year under review, etc.

		Interim consolidated accounting period	Fiscal year under review
Net sales	(Millions of yen)	4,838	9,982
Profit before income taxes Profit per share	(Millions of yen)	2,054	4,563
Profit attributable to owners of parent per share	(Millions of yen)	1,417	3,183
Profit per share	(yen)	103.41	232.79

2. Financial Statements of the Reporting Company

(1) Financial Statements

(i) Balance Sheet

(Millions of yen)

	Fiscal 2024 (As of March 31, 2024)	Fiscal 2025 (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	18,283	17,906
Notes receivable - trade	65	120
Accounts receivable – trade	*1 1,468	*1 1,332
Securities	-	100
Finished goods	0	2
Supplies	2	1
Prepaid expenses	299	351
Other	*1 3	*1 257
Total current assets	20,124	20,063
Non-current assets		
Property, plant and equipment		
Buildings	83	86
Vehicles	16	10
Tools, furniture and fixtures	84	116
Land	26	26
Total property, plant and equipment	211	238
Intangible assets		
Software	1,367	1,472
Software in progress	233	310
Other	0	0
Total intangible assets	1,602	1,783
Investments and other assets		
Investment securities	100	-
Shares of subsidiaries and associates	45	42
Investments in capital	0	-
Long-term prepaid expenses	42	106
Leasehold and guarantee deposits	189	190
Deferred tax assets	227	198
Other	51	88
Total investments and other assets	657	626
Total non-current assets	2,470	2,649
Total assets	22,595	22,713

(Millions of yen)

	Fiscal 2024 (As of March 31, 2024)	Fiscal 2025 (As of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	*1 50	29
Accounts payable - other	*1 319	362
Accrued expenses	56	48
Income taxes payable	1,354	389
Accrued consumption taxes	97	128
Advances received	4,406	4,073
Deposits received	28	16
Provision for bonuses	137	148
Total current liabilities	6,451	5,197
Non-current liabilities		
Asset retirement obligations	49	49
Total non-current liabilities	3	3
Other	52	52
Total liabilities	6,503	5,249
Net assets		
Shareholders’ equity		
Share capital	713	713
Capital surplus		
Legal capital surplus	700	700
Other capital surplus	258	256
Total capital surplus	958	957
Retained earnings		
Other retained earnings		
Retained earnings brought forward	16,139	18,231
Total retained earnings	16,139	18,231
Treasury shares	(1,730)	(2,467)
Share acquisition rights	16,080	17,434
Share acquisition rights	11	29
Total net assets	16,091	17,463
Total liabilities and net assets	22,595	22,713

(ii) Statement of Income

(Millions of yen)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Net sales	*1 9,304	*1 9,972
Cost of sales		
Beginning finished goods inventory	19	0
Cost of Internet service	*1 2,655	*1 2,948
Total	2,674	2,948
Transfer to other account	9	0
Ending finished goods inventory	0	2
Cost of finished goods sold	2,664	2,945
Gross profit	6,639	7,026
Selling, general and administrative expenses	*1 *2 2,309	*1 *2 2,464
Operating profit	4,330	4,562
Non-operating income		
Interest income	0	0
Interest on securities	0	0
Commission income	*1 3	*1 2
Foreign exchange gains	10	0
Supplies	1	1
Gain on forfeiture of unclaimed dividends	0	1
Miscellaneous income	2	0
Total non-operating income	19	6
Non-operating expenses		
Miscellaneous loss	0	0
Total non-operating expenses	0	0
Ordinary profit	4,348	4,569
Extraordinary income		
Gain on sales of non-current assets	*3 4	*3 0
Gain on reversal of share acquisition rights	0	0
Gain on sales of shares of subsidiaries	*4 2,154	-
Total extraordinary income	2,159	0
Extraordinary losses		
Loss on retirement of non-current assets	*5 0	*5 0
Loss on valuation of shares of subsidiaries	16	2
Total extraordinary losses	16	2
Profit before income taxes	6,491	4,566
Income taxes - current	1,979	1,350
Income taxes - deferred	(24)	28
Total income taxes	1,954	1,379
Profit	4,536	3,187

Detailed Statement of Cost of Internet Service

		Fiscal 2024 (from April 1, 2023 to March 31, 2024)		Fiscal 2025 (from April 1, 2024 to March 31, 2025)	
Category	Note number	Amount (Millions of yen)	Composition rate (%)	Amount (Millions of yen)	Composition rate (%)
I. Material cost		167	4.6	181	4.5
II. Labor cost	*1	917	25.5	1,040	25.6
III. Expenses	*2	2,553	70.2	2,842	69.9
Total expenses		3,638	100.0	4,065	100.0
Transfer to other account	*3	982		1,116	
Cost of Internet service		2,655		2,948	

(Note)

Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
*1 Major items in labor cost (Millions of yen) Salaries and allowances 542 Legal welfare expenses 97 Bonuses 63 Provision for bonuses 63 Other salaries 136	*1 Major items in labor cost (Millions of yen) Salaries and allowances 604 Legal welfare expenses 122 Bonuses 73 Provision for bonuses 68 Other salaries 156
*2 Major items in expenses (Millions of yen) Outsourcing expenses 184 Depreciation 834 Rent expenses 92	*2 Major items in expenses (Millions of yen) Outsourcing expenses 187 Depreciation 865 Rent expenses 100
*3 Major items in transfer to other account (Millions of yen) Selling, general and administrative expenses 69 Non-current assets 913 Total 982	*3 Major items in transfer to other account (Millions of yen) Selling, general and administrative expenses 78 Non-current assets 1,038 Total 1,116
4. Costing method The job order cost system based on actual costs is employed for the Company's costing.	4. Costing method Same as on the left

(iii) Statement of Changes in Equity

Fiscal 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity								Share acquisition rights	Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	713	700	255	955	12,719	12,719	(308)	14,080	11	14,091
Changes during period										
Dividends of surplus					(1,116)	(1,116)		(1,116)		(1,116)
Profit					4,536	4,536		4,536		4,536
Purchase of treasury shares							(1,429)	(1,429)		(1,429)
Exercise of share acquisition rights			(0)	(0)			0	0		0
Restricted stock compensation			2	2			6	8		8
Net changes in items other than shareholders' equity									(0)	(0)
Total changes during period	-	-	2	2	3,420	3,420	(1,422)	2,000	(0)	1,999
Balance at end of period	713	700	258	958	16,139	16,139	(1,730)	16,080	11	16,091

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

(Millions of yen)

	Shareholders' equity								Share acquisition rights	Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	713	700	258	958	16,139	16,139	(1,730)	16,080	11	16,091
Changes during period										
Dividends of surplus					(1,095)	(1,095)		(1,095)		(1,095)
Profit					3,187	3,187		3,187		3,187
Purchase of treasury shares							(744)	(744)		(744)
Restricted stock compensation			(1)	(1)			8	6		6
Net changes in items other than shareholders' equity									18	18
Total changes during period	—	—	(1)	(1)	2,091	2,091	(736)	1,354	18	1,372
Balance at end of period	713	700	256	957	18,231	18,231	(2,467)	17,434	29	17,463

Notes

(Notes on the premise of a going concern)

Not applicable.

(Significant accounting policies)

1. Asset valuation standards and valuation method

(1) Valuation standards and valuation methods for securities

Bonds held for maturity

The amortized cost method (interest method) is applied.

Shares of subsidiaries and associates

The moving average cost method is applied.

(2) Valuation standards and valuation method for inventories

Products

The gross average cost method is applied. (The balance sheet amount is calculated by the book value write-down method based on reduction in profitability.)

2. Depreciation method for non-current assets

(1) Property, plant and equipment

The declining balance method is applied.

The useful life and the residual value are calculated based on the same standards as those set out in the Corporation Tax Act. The straight-line method is applied for facilities attached to buildings acquired on April 1, 2016 or later.

(2) Intangible assets

The straight-line method is applied.

The straight-line method based on the availability period in the company (five years) is used for software in the company. For software for sale in the market, a method based on estimated sales quantities (or revenue) or the remaining lifetime (three years) is used.

(3) Long-term prepaid expenses

The straight-line method is applied.

The amortization period is calculated based on the same standards as those set out in the Corporation Tax Act.

3. Standards for translating assets or liabilities that are in foreign currency into yen

Monetary claims and obligations in foreign currency are translated into yen using the spot exchange rate on the settling day, and translation adjustments are treated as a profit or loss.

4. Standards for reporting allowances

Provision for bonuses

For the payment of employees' bonuses, of the estimated payment amount, the amount to be paid in the fiscal year under review is posted.

5. Accounting standards for significant income and expenses

The Company recognizes revenue in the amount expected to be received in exchange for promised goods or services at the point where control over such goods or services moves to customers.

Major performance obligations in major businesses and the normal time to recognize revenue are as described in (Matters concerning revenue recognition).

(Changes in presentation methods)

(Balance sheet)

"Telephone subscription right," which was previously presented on balance sheet as "Telephone subscription right" (0 million yen in the previous fiscal year) under "Intangible assets," began to be included in "Other" (0 million yen in the fiscal year under review) in the fiscal year under review because its importance has decreased.

(Matters related to income statement)

"Gain on sale of supplies" which was previously presented in balance sheet as "Miscellaneous income" (2 million yen in the previous fiscal year), began to be presented as "Gain on sale of supplies" (1 million yen in the fiscal year under review) in the fiscal year under review because its importance has increased.

(Additional information)

Transactions granting employees and others stock acquisition rights which involve considerations with vesting conditions before the applied day of Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (PITF No. 36; January 12, 2018) are still accounted for using the previously adopted accounting treatment in accordance with Paragraph 10 (3) of PITF No. 36.

1. Overview of stock acquisition rights which involve considerations with vesting conditions

Notes are omitted because the same information is given in Section V. Financial Information 1. Consolidated Financial Statements, Notes (Stock options).

2. Outline of accounting treatment adopted

When share acquisition rights are issued, the amount paid in on the issuance of share acquisition rights will be recorded as share acquisition rights in net assets. When share acquisition rights are exercised, and new shares are issued, the amount paid in on the issuance of share acquisition rights and the amount paid in on the exercise of share acquisition rights will be transferred to share capital and legal capital surplus, respectively.

When share acquisition rights have lapsed, the amount that corresponds to the lapse will be recorded as profit within that accounting period.

(Balance sheet)

*1. Monetary claims and monetary liabilities in relation to subsidiaries and associates (excluding those presented on balance sheet)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Short-term monetary claims	2 Million yen	0 million yen
Short-term monetary liabilities	5	-

(Matters related to income statement)

*1. Transactions in relation to subsidiaries and associates are included as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Operating transactions		
Net sales	28 million yen	6 million yen
Purchase of goods	1	-
Selling, general and administrative expenses	42	-
Transactions other than operating transactions	3	2

*2. The approximate percentages of expenses that belong to selling expenses are approximately 14.3% and 13.4% for fiscal 2024 and fiscal 2025, respectively. The approximate percentage of expenses belonging to general and administrative expenses is 85.7% in fiscal 2024 and 86.6% in fiscal 2025.

The major items of selling, general and administrative expenses and the amounts are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Advertising expenses	309 million yen	309 million yen
Salaries and allowances	705	716
Provision for bonuses	73	79
Depreciation	46	51
Bonuses	85	109

*3. The details of gain on sales of non-current assets are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Vehicles	4 million yen	- million yen
Tools, furniture and fixtures	-	0
total	4	0

*4. A gain on sale of a subsidiary's stock of 2,154 million yen has been recorded as a result of the transfer of shares of Digital Arts Consulting Inc.

*5. The details of loss on retirement of non-current assets are as follows.

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Buildings	0 million yen	0 million yen
Tools, furniture and fixtures	-	0
total	0	0

(Securities)

The fair values of shares of subsidiaries and associates (amounts recorded on balance sheets for the fiscal year under review and the previous fiscal year are 42 million yen and 45 million yen respectively) are not stated as their market value is not readily available.

(Tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

(Millions of yen)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Deferred tax assets		
Enterprise taxes payable	68	22
Provision for bonuses	42	46
Accrued social insurance premiums	6	7
Asset retirement obligations	14	15
Loss on valuation of golf club membership	1	1
Loss on valuation of shares of subsidiaries	90	94
Other	3	11
Net deferred tax assets	227	198

2. Reconciliation of the statutory tax rate and the actual effective tax rate

Notes are omitted because the difference between the statutory tax rate and the effective tax rate is 5% or less of the statutory tax rate.

3. Modification of the amount of deferred tax assets and liabilities due to changes in corporate taxation rates

The Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025) was passed by the Diet on March 31, 2025, and the Special Defense Corporation Tax will be levied starting from the fiscal year beginning April 1, 2026. Because of this change, the Company has changed the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities resulting from temporary differences between accounting and tax values that will become deductible from the fiscal year beginning April 1, 2026. The tax rate has changed from 30.62% to 31.52%. As a result, deferred tax assets for the fiscal year under review (amount obtained by deducting deferred tax liabilities) increased 5 million yen and income taxes - deferred decreased 5 million yen.

(Matters concerning revenue recognition)

Basic information for understanding revenue from contracts with customers is omitted because the same information is given in the Consolidated Financial Statements, Notes (Matters concerning revenue recognition).

(Significant subsequent events)

Not applicable.

(iv) Supplementary Schedules

Itemized Account of Property, Plant and Equipment, etc.

(Millions of yen)

Classes of assets	Balance at beginning of period	Net increase in current period	Net decrease in current period	Depreciation in current period	Balance at end of period	Accumulated depreciation
Property, plant and equipment						
Buildings	83	5	0	3	86	142
Vehicles	16	-	-	6	10	15
Tools, furniture and fixtures	84	73	0	42	116	456
Land	26	-	-	-	26	-
Construction in progress	211	79	0	51	238	614
Total property, plant and equipment						
Software	1,367	969	-	864	1,472	-
Software in progress	233	1,043	967	-	310	-
Other	0	-	-	-	0	-
Total intangible assets	1,602	2,013	967	864	1,783	-

(Notes) 1. Major increases during the current period are as follows:

Software 754 million yen (m-FILTER@Cloud, i-FILTER, etc.)

Software in progress 1,043 million yen (i-FILTER@Cloud, i-filter, etc.)

2. Major decreases during the current period are as follows:

(Software in progress)

Decrease indicates transfer to software account due to completion.

Itemized Account of Allowances

(Millions of yen)

Category	Balance at beginning of period	Net increase in current period	Net decrease in current period	Balance at end of period
Provision for bonuses	137	148	137	148

(2) Details of major assets and liabilities

The presentation of this information is omitted due to the ongoing preparation of consolidated financial statements.

(3) Other

Not applicable.

Section VI. Stock Information of the Reporting Company

Fiscal year	From April 1 to March 31
Annual general meeting of shareholders	During June
Record date	March 31
Record date for distribution of surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares less than one unit Handling office Transfer agent Forward office Purchasing and selling fee	Not applicable.
Method of public notice	The Company posts notices in electronic format. However, in the event online announcement becomes impossible due to unavoidable circumstances, announcements will be published in the Nihon Keizai Shimbun. Notices are posted on the Company's website: http://www.daj.jp/ir/stock/notification/
Special benefit for shareholders	Not applicable.

(Note) Holders of shares constituting less than one trading unit do not have any rights except the rights granted by the items listed in Article 189, Paragraph 2 of the Companies Act, the right to make a request pursuant to Article 166, Paragraph 1 of the Companies Act, and the right for allotment of shares for subscription or share acquisition rights for subscription in proportion to the number of shares owned.

Section VII. Reference Information on the Reporting Company

1. Information on Parent Entities of the Reporting Company

The Company does not have a Parent Company, etc. as specified in Article 24-7 (1) of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following documents between the first day of the fiscal year under review and the day of submitting the securities report.

(1) Annual Securities Report and documents attached, and Confirmation Letter

29th fiscal year (from April 1, 2023 to March 31, 2024) Submitted to the Director-General of Kanto Local Finance Bureau on June 25, 2024

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 25, 2024

(3) Semi-annual Report and Confirmation Letter

For the second quarter of the 30th fiscal year (April 1, 2024 to September 30, 2024) Submitted to the Director-General of Kanto Local Finance Bureau on November 8, 2024.

(4) Extraordinary report

Extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance concerning Disclosure of Corporate Businesses Conditions, etc. (results of exercise of voting rights at ordinary general meeting of shareholders).

Submitted to the Director-General of Kanto Local Finance Bureau on June 25, 2024.

(5) Share buyback report

Reports were filed with the Director of the Kanto Finance Bureau as of July 1, 2024, August 1, 2024, August 23, 2024, March 3, 2025, April 1, 2025, May 1, 2025, May 13, 2025..

Part II. Information Concerning Guarantors of the Reporting Company

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

June 20, 2025

The Board of Directors
Digital Arts Inc.

BDO Sanyu & Co.

Tokyo Office

Designated and Engagement Partner	Certified Public Accountant	Kota Yamamoto	Seal
Designated and Engagement Partner	Certified Public Accountant	Hiroaki Nakanishi	Seal

[Audit of Financial Statements]

Audit Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Digital Arts Inc. for the consolidated fiscal year from April 1, 2024 to March 31, 2025 included in the Financial Information, namely, the consolidated balance sheet, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, significant matters that serve as a basis for the preparation of consolidated financial statements, other notes and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Digital Arts Inc. and its consolidated subsidiaries as of March 31, 2025, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles for consolidated financial statements generally accepted in Japan.

Basis for Opinion

We have conducted the audit in accordance with audit standards that are generally considered fair and reasonable in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Issues of the Audit

Key issues of the audit mean issues that we deem particularly important from a professional perspective in auditing consolidated financial statements for the consolidated fiscal year under review. The key issues of the audit are what were addressed in the process of implementing an audit of all consolidated financial statements and forming audit comments. They do not mean that we state our own view on them.

<table>
<tr><th colspan="2">Appropriateness of period attribution of net sales of Digital Arts Inc.</th></tr>
<tr><th>Details of key issues of the audit
and reasons for decision</th><th>How our audit addressed the issues</th></tr>
<tr><td>Digital Arts Inc. mainly sells security software, and its net sales of 9,972 million yen account for 99.9% of consolidated net sales of 9,982 million yen.
[Notes] As described in “Matters concerning revenue recognition, 2. Basic information for understanding revenue from contracts with customers,” sales of security software are mainly divided into license sales products and their maintenance services, and cloud service products, and the timing of satisfaction of performance obligations differs for each of these categories. In addition, since orders for IT products are often received in March, the last month of the fiscal year, by private companies and public organizations, net sales tend to increase in March, the month in which the fiscal year ends. Therefore, there is a potential risk of making a mistake in attributing net sales to a period.
Based on the foregoing, we judged that the appropriateness of period attribution of net sales of Digital Arts Inc. is especially important in the audit of the consolidated financial statements for the fiscal year under review and falls under “Key issues of the audit.”</td><td>In verifying the appropriateness of period attribution of net sales of Digital Arts Inc., we principally performed the following auditing procedures:
(1) Evaluation of internal control
We assessed the design and operation of internal control over the process of recording net sales. In conducting the assessment, we focused in particular on the following:
- Controls whereby the sales department manager reconciles order information entered into the sales management system with the order documents.
- Controls whereby the sales department manager reconciles the license key transmission history with sales data.
(2) Examination of the appropriateness of the period attribution of net sales
To examine the appropriateness of the period attribution of net sales, we performed empirical procedures that included the following:
- For transactions extracted from sales data for the accounting month based on certain criteria, we reconcile order documents and the license key transmission history with the amount of sales posted in line with the date of sales posting and product type.
- Procedures for confirming the balance of accounts receivable - trade from customers.
- Verification of the existence and content of sales return processing after the end of the term.</td></tr>
</table>

Other information

Other information is information included in the annual securities report which is not covered by the consolidated financial statements and non-consolidated financial statements as well as their audit reports. Management's responsibility is to create and disclose the other information. The Audit & Supervisory Board is responsible for overseeing the directors’ performance of duties in terms of developing and implementing a process for reporting such other information.

The subject of the audit opinion on the consolidated financial statements does not include other information, and we do not express an opinion on the other information.

Our responsibilities in auditing the consolidated financial statements are to read through the other information to consider whether there is any major differences between the other information and the consolidated financial statements or the knowledge that we acquire in the process of the audit, and to pay attention to any signs of material errors in information other than those major differences.

We are required to report the facts when we determine that there is a material error in other information based on the procedure that was conducted.

There are no matters to be reported regarding other information.

Responsibilities of Management and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and appropriate presentation of consolidated financial statements in accordance with the Generally Accepted Accounting Principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of consolidated financial statements that are free of any material misstatements due to frauds or errors.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with generally accepted accounting principles of Japan. The Audit & Supervisory Board is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; Design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the auditor's judgment. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We define those matters discussed with the Audit & Supervisory Board which are deemed particularly important in the audit of the consolidated financial statements for the consolidated fiscal year under review as key issues of the audit and state them in the audit report. However, we do not state matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the audit report that would exceed the public interest.

[Internal Control Audit]

Audit Opinion

To conduct audit certification as prescribed in the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the internal control report of Digital Arts Inc. dated March 31, 2025.

We consider that the aforementioned internal control report, in which Digital Arts Inc. indicates that effective internal control is maintained pertaining to financial reporting as of March 31, 2025, properly reflects the evaluation results of internal control over financial reporting in all important respects, in compliance with internal control evaluation standards over financial reporting that are generally considered fair and reasonable in Japan.

Basis for Opinion

We have conducted the internal control audit in accordance with internal control audit standards over internal reporting that are generally considered fair and reasonable in Japan. Our responsibilities under the auditing standards for internal control over financial reporting are further described in the "Auditor’s Responsibilities for the Audit of Internal Control" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the establishment and implementation of internal control as it pertains to financial reporting, as well as the preparation and appropriate presentation of internal control reports, in accordance with internal control evaluation standards over financial reporting that are considered generally fair and reasonable in Japan.

The Audit & Supervisory Board is responsible for overseeing and examining the design and operation of internal control over financial reporting.

It may not be possible, however, to fully prevent or identify the presentation of misstatements due to internal control over financial reporting.

Auditor’s Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control and to issue an auditor’s report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor’s judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and result of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of internal control, the results thereof, material weaknesses in internal control identified during our audit of internal control, and those that were remediated.

We also provide the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Information regarding remuneration

The amounts of fees paid to the accounting auditor and people belonging to the same network for audit services regarding the Company and its subsidiaries and fees for non-audit services are stated under “Information on the Reporting Company, Information on Corporate Governance, etc., (3) Information about Audits.”

Interest Related

There is not any conflict of interest between the Company and its consolidated subsidiaries and BDO Sanyu & Co. or its Engagement Partners which should be disclosed under the provisions of the Certified Public Accountants Act.

(Notes) 1. The above is an electronic copy of what is described in the original audit report that is separately stored by the Company.

2. XBRL data are not within the scope of audits.

Internal Control Audit Report by Independent Auditors

June 20, 2025

The Board of Directors
Digital Arts Inc.

BDO Sanyu & Co.
Tokyo Office

Designated and Engagement Partner	Certified Public Accountant	Kota Yamamoto	Seal
Designated and Engagement Partner	Certified Public Accountant	Hiroaki Nakanishi	Seal

Audit Opinion

To conduct audit certification as prescribed in the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements of Digital Arts Inc. for the 29th fiscal year starting from April 1, 2023 to March 31, 2024 included in the Financial Information, namely, the balance sheet, the income statement, the statement of changes in equity, significant accounting policies, the notes to specific items, and the annexed detailed statements thereto.

We consider that the aforementioned financial statements properly reflect the financial position of Digital Arts Inc. as of March 31, 2024, as well as its financial results in the fiscal year that ended on the same day, in all important respects, in compliance with the Generally Accepted Accounting Principles of Japan.

Basis for Opinion

We have conducted the audit in accordance with audit standards that are generally considered fair and reasonable in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Issues of the Audit

Key issues of the audit mean issues that the auditor deems particularly important from the perspective of a professional specialist in auditing financial statements for the fiscal year under review. The key issues of the audit are what were addressed in the process of implementing an audit of all financial statements and forming audit comments. They do not mean that the we state our own view on them.

Appropriateness of period attribution of net sales

The statement of the details about the key issues of the audit, reasons for the decision and how our audit addressed the issues is omitted, given that it is identical with that on the key issues of the audit in the audit report on the consolidated financial statements (appropriateness of period attribution of net sales).

Other information

Other information is information included in the annual securities report which is not covered by the consolidated financial statements and non-consolidated financial statements as well as their audit reports. Management's responsibility is to create and disclose the other information. The Audit & Supervisory Board is responsible for overseeing the directors' performance of duties in terms of developing and implementing a process for reporting such other information.

The subject of the audit opinion on the financial statements does not include other information, and we do not express an opinion on the other information

Our responsibilities in auditing the financial statements are to read through the other information to consider whether there is any major differences between the other information and the financial statements or the knowledge that we acquire in the process of the audit, and to pay attention to any signs of material errors in information other than those major differences.

We are required to report the facts when we determine that there is a material error in other information based on the procedure that was conducted.

There are no matters to be reported regarding other information.

Responsibilities of Management and Audit & Supervisory Board for the Financial Statements

Management is responsible for the preparation and appropriate presentation of financial statements in accordance with the Generally Accepted Accounting Principles of Japan. Such responsibilities include the establishment and implementation of internal control that management determines is necessary for the preparation and appropriate presentation of financial statements that are free of any material misstatements due to frauds or errors.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with generally accepted accounting principles of Japan.

The Audit & Supervisory Board is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; Design and perform audit procedures responsive to those risks. These audit procedures are selected and performed, depending on the auditor's judgment. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We do not audit financial statements to express an opinion on the effectiveness of internal control. Nevertheless, to implement risk assessments, we examine internal control as it pertains to the preparation and appropriate presentation of financial statements, thereby ensuring that an appropriate audit procedure program is formulated depending on situations.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with auditing standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We define those matters discussed with the Audit & Supervisory Board which are deemed particularly important in the audit of the financial statements for the fiscal year under review as key issues of the audit and state them in the audit report. However, we do not state the matters in the case where publication of these matters is prohibited by laws, ordinances or suchlike or in the very rare case that we judge that they should not be reported on the grounds of reasonably expected disadvantages from the reporting in the audit report that would exceed the public interest.

Information regarding remuneration

Information regarding remuneration is described in the audit report attached to the consolidated financial statements.

Interest Related

There is not any conflict of interest between the company and BDO Sanyu & Co. or its Engagement Partners which should be disclosed under the provisions of the Certified Public Accountants Act.

(Notes) 1. The above is an electronic copy of what is described in the original audit report that is separately stored by the Company.

2. XBRL data are not within the scope of audits.