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Annual Securities Report

The 31st Fiscal Year From April 1, 2025 to March 31, 2026

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

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Part I. Corporate Information

Section I. Corporate Summary

1. Key Management Indicators, etc.

(1) Consolidated Management Indicators, etc.

Fiscal Year		27th fiscal year	28th fiscal year	29th fiscal year	30th fiscal year	31st fiscal year
Year end		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Millions of yen)	9, 051	10, 436	11, 512	9, 982	10, 835
Ordinary profit	(Millions of yen)	4, 135	4, 429	4, 443	4, 562	4, 840
Profit attributable to owners of parent	(Millions of yen)	2, 900	3, 062	4, 377	3, 183	3, 427
Comprehensive income	(Millions of yen)	2, 910	3, 067	4, 387	3, 182	3, 429
Net assets	(Millions of yen)	12, 159	14, 173	15, 998	17, 365	18, 454
Total assets	(Millions of yen)	19, 341	21, 149	22, 518	22, 627	27, 865
Net assets per share	(Yen)	863. 96	1, 007. 27	1, 162. 40	1, 274. 46	1, 370. 52
Basic profit per share	(Yen)	206. 71	218. 12	315. 46	232. 79	253. 57
Diluted profit per share	(Yen)	202. 03	213. 92	310. 30	228. 83	248. 17
Capital ratio	(%)	62. 7	66. 9	71. 0	76. 6	66. 1
Return on equity	(%)	26. 2	23. 3	29. 1	19. 1	19. 2
Price earnings ratio	(Times)	35. 90	23. 38	13. 90	28. 69	20. 35
Cash flows from operating activities	(Millions of yen)	6, 169	3, 147	2, 830	2, 817	8, 381
Cash flows from investing activities	(Millions of yen)	△978	△867	1, 012	△1, 107	△1, 161
Cash flows from financing activities	(Millions of yen)	△810	△1, 051	△2, 545	△2, 096	△2, 095
Cash and cash equivalents at end of period	(Millions of yen)	15, 773	17, 018	18, 339	17, 952	23, 083
Number of employees [Average number of part-time employees, etc.]	(Persons)	324 (22)	353 (31)	252 (37)	272 (41)	279 (46)

(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 29th fiscal year, was an approximately 2,196 million yen reduction of net sales in the 30th fiscal year.

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.

(2) Financial Data of the Reporting Company

Fiscal Year		27th fiscal year	28th fiscal year	29th fiscal year	30th fiscal year	31st fiscal year
Year end		March 2022	March 2023	March 2024	March 2025	March 2026
Net sales	(Millions of yen)	8, 003	8, 984	9, 304	9, 972	10, 828
Ordinary profit	(Millions of yen)	4, 052	4, 407	4, 348	4, 569	4, 850
Profit	(Millions of yen)	2, 832	3, 048	4, 536	3, 187	3, 439
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)	12, 097	14, 091	16, 091	17, 463	18, 562
Total assets	(Millions of yen)	19, 138	20, 780	22, 595	22, 713	27, 970
Net assets per share	(Yen)	860. 82	1, 002. 92	1, 169. 18	1, 281. 69	1, 378. 56
Dividend per share [Interim dividend per share]	(Yen)	70 (30)	75 (35)	80 (40)	85 (40)	95 (45)
Basic profit per share	(Yen)	201. 83	217. 15	326. 90	233. 13	254. 45
Diluted profit per share	(Yen)	197. 26	212. 97	321. 55	229. 16	249. 02
Capital ratio	(%)	63. 1	67. 8	71. 2	76. 8	66. 3
Return on equity	(%)	25. 6	23. 3	30. 1	19. 0	19. 1
Price earnings ratio	(Times)	36. 76	23. 49	13. 41	28. 65	20. 28
Dividend payout ratio	(%)	34. 7	34. 5	24. 5	36. 5	37. 3
Number of employees [Average number of part-time employees, etc.]	(Persons)	254 (22)	246 (31)	252 (37)	272 (41)	279 (46)
Total shareholder return [Benchmark index: TOPIX (Tokyo Stock Price Index)]	(%) (%)	77. 3 (102. 0)	54. 1 (107. 9)	47. 6 (152. 5)	72. 1 (150. 2)	57. 4 (202. 2)
Year high	(Yen)	10, 680	8, 140	6, 560	7, 000	8, 280
Year low	(Yen)	5, 660	4, 940	4, 030	3, 420	4, 810

(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. Of the 95 yen dividend per share for the 31st fiscal year, the year-end dividend of 50 yen is a matter to be resolved at the Annual Shareholders' Meeting to be held on June 26, 2026.

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
March 2025	Registered three products, m-FILTER Mail Adviser pop-up-type email security software (Microsoft 365 compatible version), a-FILTER integrated authentication platform, and f-FILTER data protection and file transfer, under the security assessment program (ISMAP) for government information systems.
January 2026	Registered two products, i-FILTER@Cloud GIGA School Edition and Harmful Information Countermeasures Edition, under the security assessment program (ISMAP) for government information systems.

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)

At many organizations including companies, public organizations and educational institutions, the Internet, cloud services, email and related systems represent essential social infrastructure required for information gathering, the execution of business operations, communication, educational activities, and so on. However, the Internet is flooded with various information, and is also exposed to threats that can lead to malware infections, phishing, unauthorized access, identity spoofing, information leaks, and so on. Email also faces a large number of security issues, including information leaks due to misdirected emails, the receipt of targeted attack emails or phishing emails, and malware infections that misuse email file attachments or URLs. Additionally, due to the expanded use of cloud services, the widespread adoption of remote system access practices, and the advance of new technologies such as generative AI in business use, security measures that combine services such as authentication, access control, communication control, data protection and log management have become increasingly important..

Operating under this environment, the Group has developed a security business focused on web security, email security, authentication and access control, data protection and related services. With the Group's core products, the i-FILTER web security product and m-FILTER email security product, databases covering searchable URLs in Japan and email address information determined to be safe senders are utilized along with proprietary attack countermeasure features to provide whitelisting, which handles not only known threats but also unknown threats and attack vectors, offered in the form of software and cloud services. The Group has also developed Final Code, an IRM solution incorporating file encryption and tracking management features, the f-FILTER data protection and file transfer solution enabling the safe transfer of important information, the a-FILTER integrated authentication platform providing single sign-on and multi-factor authentication, and the Z-FILTER network security product that provides a combination of communication and access control, cloud service usage management and authentication management. In this way, the Group has enhanced its lineup of solutions to handle a wide range of security issues at companies, public organizations and educational institutions. Going forward, the Group will continue to provide products and services to address diverse security risks associated with Internet usage, email usage, cloud service usage, authentication, access control and data protection, leveraging control technologies for the web, email and other systems based on its proprietary databases and the knowledge developed from large-scale installation and operation as its base, in an effort to support the safe utilization of digital technologies at companies, public organizations, educational institutions and elsewhere.

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) - FinalCode (file encryption and tracking solution) -DigitalArts@Cloud (Comprehensive cloud security covering web browsing, email and files) -f-FILTER (Data protection and file transfer solution) - a-FILTER (Integrated authentication platform) - Z-FILTER (network security), 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) - FinalCode (file encryption and tracking solution) -DigitalArts@Cloud (Comprehensive cloud security covering web browsing, email and files) -f-FILTER (Data protection and file transfer solution) - a-FILTER (Integrated authentication platform) - Z-FILTER (network security), etc.	Digital Arts Inc.
Consumer Sector	- i-filter (Comprehensive security for households)	Digital Arts Inc.

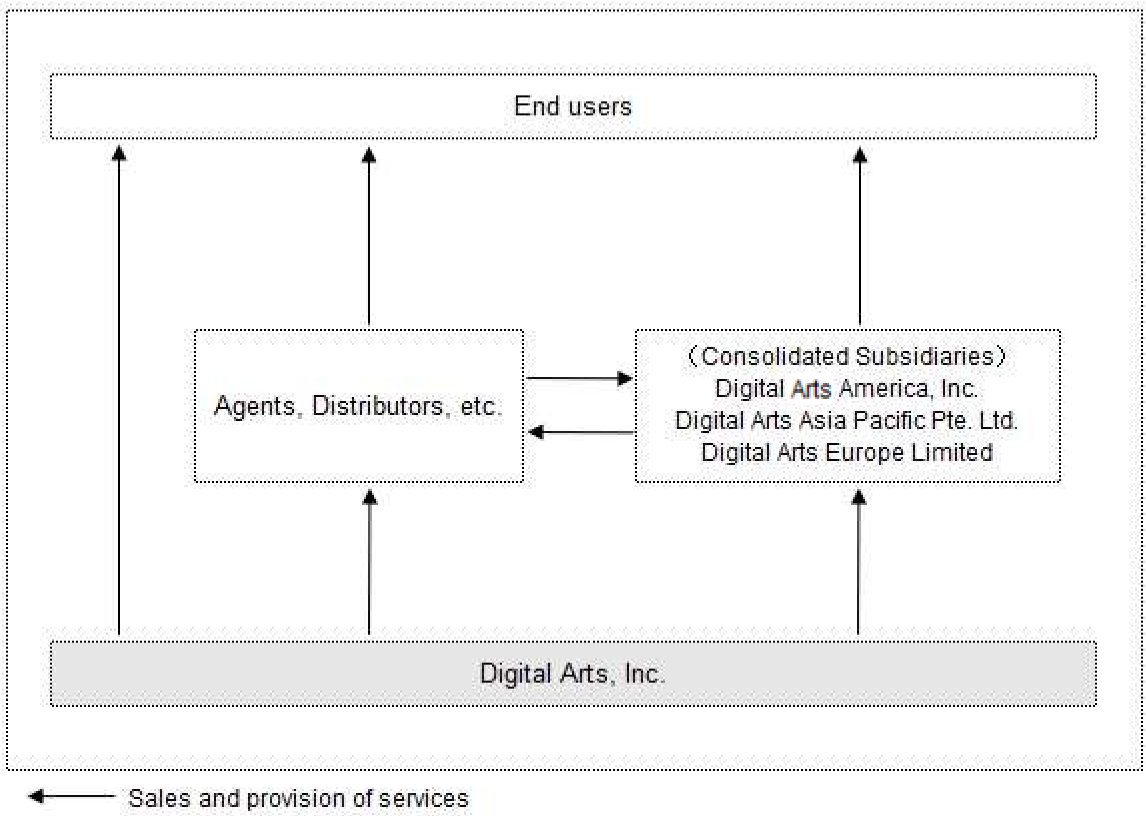
Features of Main Products

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
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
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
a-FILTER	An integrated authentication platform that centrally manages authentication for everything from terminal log-on to cloud service usage, providing single sign-on, multi-factor authentication (MFA), ID synchronization, ID provisioning, log management and other features. The platform supports one-time password-based authentication, push authentication, client certificate authentication, IP address control, location-based authentication, passkey authentication and other protocols, enabling the flexible use of authentication control to suit different users and usage environments. Main applications - Single sign-on - Multi-factor authentication - Terminal log-on authentication - Measures to prevent unauthorized access - ID management, ID synchronization, ID provisioning - Authentication log management

Main products	Features
Z-FILTER	A network security solution that provides ID authentication, terminal control, communication control, cloud service usage visualization, log management and other functions via a single admin screen, supporting security measures in business system usage and cloud service usage both remotely and on-site. The solution supports web access control, remote access control, cloud service usage control, file malware countermeasures, information leak countermeasures and other features, supporting safe cloud usage and the development of telework environments at companies and organizations. Main applications - Remote access countermeasures (transition away from VPNs / adoption of ZTNA) - Internet access control - Cloud service usage visualization and control - Protection against information leaks - Authentication, ID management, etc.
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.

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 whose final year is the fiscal year ending March 31, 2027 and has declared its goal of growing into a comprehensive security provider in the medium term. To determine the status of achievement of management targets set out in the plan, net sales, operating profit and operating margin have been adopted as objective metrics.

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 (Results)	Fiscal Year Ending March 31, 2026 (Results)	Fiscal Year Ending March 31, 2027 (Plan)
Consolidated net sales	9,982	10,835	12,000
Consolidated operating profit	4,558	4,791	5,400
Consolidated operating margin	45.7%	44.2%	45.0%

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

In the security industry of which the Group is a part, the methods employed by cyber attacks have become increasingly varied and sophisticated, due in part to the increasing shift to cloud computing and DX, and the spreading use of AI in business. For this reason, security threats at companies, public organizations and households continue to exist at a high level, and the demand for products and services enabling comprehensive security measures to deal with those threats is expected to grow. 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 driving the implementation of its Medium-Term Management Plan (fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027), which was formulated in light of changes to the external and internal environment. 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 fiscal year ended March 31, 2026, the second year of the Medium-Term Management Plan, the Group achieved growth in the contract amount that exceeded the growth rate of the security product market. To promote the growth of the security business, the Group will work to expand business by continuing to execute cross-selling and upselling strategies in addition to launching new products that support the realization of zero trust security. To increase public sector market share, the Group will aim 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, in terms of investment in personnel to carry out new measures, in addition to investing in engineers to carry out the in-house development of products with a competitive advantage, the Group will offer incentives to sales personnel tasked with strengthening direct sales to large and mid-tier enterprises, and continue to invest in their training and recruitment. By undertaking these measures, the Group will aim to expand net sales and operating profit, while further improving the operating margin.

For the fiscal year ending March 31, 2027, the final year of the Medium-Term Management Plan (fiscal year ended March 31, 2025 to the fiscal year ending March 31, 2027), the Group has revised its plan in light of the recent business environment and trends in financial results. To achieve the revised financial results targets and strengthen its business foundations for the next stage of growth, the Group will tackle the following challenges.

(i) Building a foundation for the enterprise sector market

The Group recognizes the building of a foundation for growth in the enterprise sector market as an important challenge. Growth in the enterprise sector market has ramped up at a slower pace than initially expected, but the Group will endeavor to swiftly understand customer needs and issues and strive to bolster both sales and development capabilities by reinforcing its collaborative arrangements with distributors while expanding engagement with end users. In addition, the Group will also make efforts to strengthen partner sales by sharing the knowledge gained through customer engagement with distributors.

(ii) Handling of new needs

Cyber threats have expanded and become increasingly sophisticated, further raising the importance of information security measures. In addition, due to the widespread adoption of AI, new risks that cannot be adequately handled with conventional security measures alone have emerged. Given this change in the environment, the Group has been working to step up its ability to deal with new needs, such as the risk of information leaks associated with the business use of generative AI services, the unauthorized use of authentication information, and external service usage status visualization and control, in addition to comprehensive security measures that include networks, email, authentication information and endpoints. These security needs are expected to continue to expand in the medium- to long-term going forward.

(iii) Securing and developing human resources

While the Group will promote productivity improvements and business optimization through the business use of AI, it recognizes that the securing and training of talented human resources is an important challenge in realizing medium- to long-term growth. To this end, the Group continually revises its personnel systems to develop attractive salary levels, fair evaluation systems and enhanced employee training programs, and also strives to secure and retain talented human resources by actively pursuing new graduate and mid-career recruitment. It is also a priority of the Group that existing employees increase their productivity and acquire knowledge and skills, and the Group has been working to enhance the development of its human resources by providing support for employees gaining qualifications, and by providing internal position-based training and training delivered by outside specialists.

(iv) Sustainability initiatives

Based on its corporate philosophy, the Group recognizes that preserving the global environment and realizing a sustainable society are important challenges. In keeping with this, the Group has established a "Sustainability Committee," which is tasked with identifying important issues (materiality) based on the Sustainability Policy, and disclosing the details of initiatives to tackle those issues on the Group's website. In addition to the mitigation of environmental impacts and the improvement of efficiency in our business activities, we will advance action to address global environmental issues such as climate change and pollution through self-directed actions on the part of each employee. Further, through our business activities, we will strive to minimize economic losses to companies and public bodies resulting from information leakages, and also engage in various social contribution activities to realize an environment in which children can use the Internet safely and securely, and provide a more enriching online learning environment.

(v) Promotional and awareness-raising activities

The Group believes that to expand the adoption of its products and services, it is important to promote a greater understanding across society of the information 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," which leverages the features of our products to alert users who are suspected to have been infected with malware or shown maliciously falsified web pages free of charge. In addition, we disseminate information based on research and analysis conducted by a specialist team in our development division on the "Digital Arts Security Reports" section of our website, to promote awareness about the latest security trends and information security threats. Further, through seminars and lectures held at the request of local governments and schools throughout Japan, the Group provides information to users of smartphones and other mobile devices to help increase their digital literacy, while also raising awareness about the importance of filtering.

2. Approach to Sustainability and Sustainability Initiatives

The Group's approaches and initiatives concerning sustainability are described below. Matters concerning the future stated below are based on the Group's assessments as of the end of the fiscal year under review.

(1) Sustainability (General)

(i) Approaches to sustainability

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." Through our business activities, we have strived to minimize 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 more enriching online learning environment. In addition, to continually achieve solutions to social issues and the enhancement of corporate value through its business and social contribution activities, in April 2022 the Group established the Sustainability Committee and identified the Group's materiality. Based on the identified materiality, we have pursued initiatives to achieve the management plans centered on the information security business, and engaged in sustainability management to realize a sustainable society through dialogue with our stakeholders.

(ii) Handling of new needs

The Group established the Sustainability Committee in April 2022 to strengthen its efforts to realize a sustainable society. The Sustainability Committee is chaired by the President and Representative Director and comprises the heads of major divisions as its members. The Committee deliberates and decides on sustainability policies, targets and plans, and reviews their promotion The Board of Directors receives periodic reports from the Committee, and oversees efforts to address sustainability issues and progress toward achieving its targets..

■ Sustainability promotion structure

(iii) Strategy

With social issues and societal expectations related to business becoming increasingly diverse, the Group has identified materiality in order to appropriately address issues of particularly high importance. The Group has identified materiality related to the SDGs and ESG consisting of four groups and 14 items, taking into account the Group's corporate philosophy, approaches to sustainability and management challenges while referencing international guidelines and other standards. The Group's materiality in its current form was approved at the Board of Directors meeting held in May 2023 following deliberation by the Sustainability Committee. Note that the Group will revise its materiality as appropriate, taking into account increasingly diverse social issues, a changing external environment and other factors.

■ Four Materiality Groups of the Digital Arts Group

The Four Materiality Groups			Identified materiality	Main SDG contributions
A	Achieve a resilient and valuable digital society	The Group's mission is to continually take on the challenge of solving issues in order to realize a digital society that provides us with dramatic advances in prosperity and convenience. We will continue to provide innovative technologies and services with high added value catering to the needs of a diverse range of stakeholders, and contribute to the realization of a resilient, safe and secure digital society that can adapt to and endure under a variety of environments and conditions.	[1] Development and provision of services that support a next-generation digital society <security-related> [2] Development and provision of services that support a next-generation digital society <non-security-related> [3] Development and provision of security services to realize a safe and secure digital society for all people	9, 16
B	A workplace that produces a wide variety of talent and creates new value	The Group believes that human resources are the driving force behind the continual creation of new value. By building a workplace environment that enables a diverse range of human resources to thrive and cultivating talented human resources, we will build momentum for innovation and continue to provide products and services that satisfy a wide range of stakeholders, including customers.	[4] Respect for human rights [5] Promotion of diversity [6] Labor standards and practices [7] Human resource development [8] Promotion of innovation and strengthening of intellectual property [9] Improved customer satisfaction [10] Social contributions	4, 5, 8, 9, 10, 16
C	Transition to a decarbonized society	The Group recognizes that climate change caused by greenhouse gases is a global issue that needs to be solved. We strive to expand the use of renewable energy, utilize the J-Credit scheme, improve energy efficiency and make effective use of resources in an effort to help realize a decarbonized society.	[11] Climate change initiatives	7, 13
D	Pursuit of governance and information security	We recognize that governance and information security are a key foundation of sustainability management promoting the enhanced corporate value and sustainability of the Group. We will work to enhance our corporate governance framework, ensure management transparency through compliance and risk management, and continue to be a company that earns the trust of society as an information security provider.	[12] Corporate governance [13] Compliance and risk management [14] Information security	10, 16

■ Process to identify materiality

STEP 1 Analysis of the current situation and selection of materiality candidates

Across the supply chain related to the Group's business activities, we identified and specified positive and negative impacts on stakeholders from the perspective of solutions to social issues, using the 169 targets of the SDGs and the assessment items of ESG rating organizations.Initiatives corresponding to those impacts were summarized into approximately 40 items and specified as materiality candidates.

STEP 2 Assessment of materiality importance and setting of responsible departments

Extensive discussions were held with outside experts on the approximately 40 materiality candidate items and their positive or negative impacts, to assess their importance from the long-term perspectives of both management and stakeholders and narrow down the list to 14 items.In the process of the discussions, these items were arranged into four groups to clarify the departments responsible for each materiality item.

STEP 3 Validation by the Sustainability Committee and Executive Committee

The Sustainability Committee further discussed the 14 materiality items across the four groups in light of the Group's corporate philosophy, Medium-Term Management Plan and business strategies to confirm their overall validity, and made additional adjustments based on feedback from outside experts.The Executive Committee confirmed overall validity and deliberated over the materiality items in a similar way.

STEP 4 Board of Directors' approval

The Board of Directors deliberated over, and approved the identification of the 14 materiality items across four groups.Based on these items, the Group will tackle materiality, with the departments responsible taking a central role.

(ⅳ) Risk management

The Group has organized its risk management system to appropriately ascertain and manage risks associated with business operation, including those related to sustainability. 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. The administrative, legal, corporate planning and other departments assess various risks including the items stated in "3. Business and Other Risks" below, consider measures to prevent and mitigate risks, and also formulate response measures and recurrence prevention measures in the event that risks materialize. In addition, the Sustainability Committee sets targets and confirms progress regarding the status of action on sustainability-related risks and opportunities, the details of which are reported to the Executive Committee and Board of Directors for monitoring purposes.

(ⅴ) Indicators and targets

In addressing materiality, the Group sets metrics (KPIs) and targets that are strongly associated with its business activities regarding the items for which it believes quantitative monitoring and disclosure is especially important. These metrics (KPIs) and targets, with fiscal 2025 as the final year, were set following approval at the Board of Directors meeting held in May 2023. Note that materiality, metrics (KPIs) and targets for fiscal 2026 and beyond will be revised as appropriate, taking into account changes in the external and internal environment, the Group's business strategies, and other factors. Also note that sustainability-related metrics and targets are stated for the reporting companies that collectively account for at least 90% of consolidated net sales.

(2) Environment Initiatives

In terms of environmental initiatives, the Group positions action on climate change as one of its key sustainability management challenges. To achieve the decarbonized society described in the SDGs and Paris Agreement, we have been working to appropriately respond to climate-related risks and seize climate-related growth opportunities through dialogue and collaboration with various stakeholders.

(ⅰ) Governance

Governance related to the Group's action on climate change has been incorporated into the overall sustainability governance structure. The Sustainability Committee promotes various measures related to action on climate change, and is tasked with identifying and managing related risks and opportunities. Details are provided under "(ii) Governance" in the "(1) Sustainability (General)" section.

(ⅱ) Strategy

The Group has conducted a scenario analysis of reporting companies in light of the climate change-related risks and opportunities outlined in the TCFD recommendations. As it is regarded as preferable to use multiple temperature scenarios when conducting a scenario analysis, the analysis was performed using two scenarios, namely the "1.5 °C or lower scenario" that assumes progress in the transition to a decarbonized society, and the "4 °C scenario" based on the expanding effects of climate change. In addition, the Sustainability Committee, which was established in April 2022, reviewed the scenario analysis, along with related metrics and targets, and set them in April 2023.

■ Steps in the scenario analysis

STEP	Overview
STEP1 Identification of climate-related risks and opportunities including importance and time spans, and setting of related parameters	- Identification of climate-related risks and opportunities - Assessment of risks and opportunities - Setting of parameters related to risks and opportunities
STEP2 Setting of climate-related scenarios	- In light of the information and other factors determined in STEP 1, assess the existing scenarios and identify scenarios that are strongly related - Setting of climate-related scenarios
STEP3 Assessment of the impact on the organization's business, strategy and finances under each scenario	- Analyze the impact on the organization's business, strategy and finances based on the scenarios set in STEP 2 and the climate-related risks, opportunities and related parameters identified in STEP 1
STEP4 Assessment of the resilience of strategies to deal with climate-related risks and opportunities and consideration of further response measures	- Assessment of the resilience of strategies to deal with climate-related risks and opportunities - Consideration of further response measures

■ Overview of the two scenarios employed

1.5°C scenario ※1

In this scenario, rigorous measures are taken to address climate change and the temperature increase is limited to around 1.5°C above pre-industrial levels as of 2100. Measures to address climate change are strengthened, and transition risks increase regarding political regulation, markets, technology, reputation, and other matters.

4°C scenario ※2

In this scenario, rigorous measures are not taken to address climate change, and the temperature has increased to around 4°C above pre-industrial levels as of 2100. This leads to greater physical risks, including risks related to serious natural disasters, sea level rise, and more frequent abnormal weather.

※1 As the parameters for estimating impact, the RCP2.6 scenario was used referencing information from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IAE).

※2 As the parameters for estimating impact, the RCP8.5 scenario was used, referencing information from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IAE).

■ Key climate change-related risks and opportunities

The key climate change-related risks and opportunities extracted from the scenario analysis results are given below.

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

The introduction of carbon taxes is regarded as a potential financial impact of climate change risks as a result of governments tightening their environmental regulations. Therefore, the Group estimated the monetary impact due to the introduction of carbon taxes at the 2030 and 2050 points in the "1.5 °C or Lower Scenario" and "4 °C Scenario," based on the assumption that greenhouse gas emissions remain around the same as fiscal 2021 levels. The Group estimated values using various scenarios published by the International Energy Agency (IEA) and International Renewable Energy Agency (IRENA), and by referencing the carbon price as of April 2022 (carbon cap-and-trade system, carbon tax, and energy taxation). Note that the Group has been making progress reducing its greenhouse gas emissions since fiscal 2024 through efforts including the introduction of renewable energy, and therefore expects that the financial impact will be alleviated in the event that carbon taxes are actually introduced.

	1.5°C or lower scenarios		4°C 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

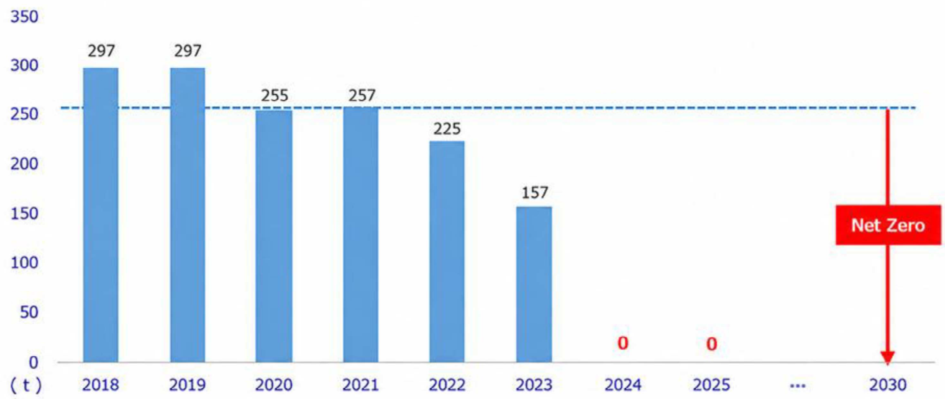
(ⅲ) Risk management

Through its Sustainability Committee, the Group formulates basic policies on environmental issues and manages risks associated with climate change. The Committee identifies climate change-related risks and opportunities through scenario analysis in order to understand and assess the impact that climate change has on the Group. The identified risks and opportunities are discussed and deliberated on an ongoing basis under the promotion system led by the Sustainability Committee, with reports and recommendations made to the Board of Directors regarding the implementation status and matters concerning significant risks. In addition, necessary measures are discussed and their progress is periodically monitored.

(ⅳ) 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 by 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 Company continued these initiatives in fiscal 2025. Looking ahead, the Company will continue promoting efforts to conserve energy including electricity internally, and contribute to the realization of a decarbonized society by maintaining net-zero GHG emissions through the active utilization of renewable energy and the J-Credit Scheme. Note that environment-related metrics and targets are stated for the reporting companies that collectively account for at least 90% of consolidated net sales.

Reduction target for GHG (greenhouse gas) emissions



※Aggregation period : Fiscal 2018 - Fiscal 2025

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])

(3) Initiatives for Society

The Group views the development of leaders who drive innovation and human resources who demonstrate diverse abilities as a key management challenge in order to realize solutions to social issues through its business activities. Accordingly, the Group has established the basic policy of promoting the ability and growth of each and every employee of the Group. In addition, the Group has set "respect for humanity" as one of its important values, and aims to be a company where diverse human resources can succeed by fully demonstrating their individuality and abilities, regardless of nationality, religion, marital status, gender, sexual orientation or gender identity, disability, or otherwise.

(i) Governance

As stated under "(ii) Governance" in the "(1) Sustainability (General)" section, governance related to human capital involves the promotion of various measures and monitoring under a promotion structure led by the Sustainability Committee.

(ii) Human resources strategy

The Company promotes human capital management linked with management strategy, and believes that it is the sustainable growth of not only the company but also its employees that leads to improved competitiveness in the medium and long term. In keeping with this belief, the Company strives to secure, develop and maximize the performance of talented human resources.

■ Securing human resources

The Company recognizes the importance of securing engineer personnel who support the in-house development of products, sales personnel who drive customer success, and leaders who drive solutions to social issues through business activities. Accordingly, we continually engage in both mid-career and graduate recruitment in an effort to secure a diverse range of human resources.

■ Human resources development

The Company drives initiatives to improve the skills of employees by providing tiered position-based training and providing support for employees to gain qualifications, ensuring that employees can demonstrate performance to a high level from the early stages of their careers. We have also established a development cycle that incorporates the development of training plans, the planning and implementation of individualized training and post-training workplace practical follow-ups, in an effort to develop an environment to support ongoing skill enhancement. In addition, with the aim of "developing human resources who are committed to self-growth," we have been working to foster an organizational culture that encourages proactive career development and skill acquisition, in part through the sharing and commendation of company-wide examples of personal development activities.

(ⅲ) Risk management

Information about risk management related to human capital is outlined in "(iv) Risk management" under "(1) Sustainability (General)."

(ⅳ) Indicators and targets

Regarding the securing of human resources, under our Medium-Term Management Plan (fiscal year ended March 31, 2025 to fiscal year ending March 31, 2027), which concludes in the fiscal year ending March 31, 2027 and was revised on May 7, 2026, we have set out a plan regarding the number of employees. To achieve this plan, the Company will promote productivity improvements and business optimization through the business utilization of AI, build foundations for business operation that do not rely solely on increasing the number of personnel, and work to secure human resources with a focus on the engineers and sales staff needed for business growth. We have also worked to enhance human resource development by using the developed job-specific skill requirements to provide more practical in-house training for each job level and education for each skill. As metrics to track these initiatives, we continually manage total training hours and training hours per employee. We also continually monitor and analyze human resource-related metrics such as turnover rate and utilize the insight gained to improve human resource measures, in order to maintain and improve human resource retention and organizational strength. Note that human capital-related metrics and targets are stated for the reporting companies that collectively account for at least 90% of consolidated net sales.

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 Busness 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 25, 2026).

(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. To address this, the Group has proceeded with the development of a solid organizational structure by cultivating successors to lead the next generation and improving autonomous decision-making capabilities in each department, with the aim of realizing sustainable growth in the future. 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 2,257,999 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, 2026. 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

In the consolidated fiscal year under review (April 1, 2025 to March 31, 2026) in the security industry where the Group operates, the methods used to implement cyberattacks became increasingly sophisticated and diverse. They include the unauthorized access of networks accomplished by exploiting authentication and approval information stolen using malware as a starting point, in addition to ransomware attacks, targeted attacks and phishing. Further, due to the rapid popularization of generative AI, people have begun to recognize the importance of addressing attacks that use AI and the risk of information leaks due to the use of AI. Against this background, companies, public offices, educational institutions, and households that use information and communication technology (ICT) equipment for business, educational, and everyday life purposes exhibited an increasing awareness of the need for security, and demand for related products and services continued to increase It is expected that this trend will continue for the medium to long term, supported by the strengthening of cybersecurity policies, the progress in DX, and the growing use of cloud computing technologies..

Based on its Medium-Term Management Plan (fiscal year ended March 31, 2025 through fiscal year ending March 31, 2027), the Group has been implementing initiatives focused on three priority areas: the growth of security business, the increase of public sector market share, and investment in personnel to carry out new measures. During the consolidated fiscal year under review, the second year of the Medium-Term Management Plan, the Group implemented initiatives to enable next-generation products to gain a foothold in the market, increase its market share in the public and educational sectors, and strengthen its development and sales systems for future growth, in addition to measures to achieve the growth of existing mainstay products.

In the enterprise sector market, performance remained strong because i-FILTER enabled the Group to tap into needs for cloud-based website access security measures. In addition, m-FILTER kept its high growth rate after the Group strengthened proposals of combinations with other products and optional products for meeting needs for measures against threats of spoofed email and malicious file attachments and abuses of URLs. Additionally, projects related to the new Z-FILTER product have been steadily increasing since its official release in November 2025. The Company has thus made achievements regarding the development of Z-FILTER into a future growth driver as a product that expands the value of whitelisting, which is a strength of the Company, into the zero trust security domain.

In the public sector market, the Group gave priority to initiatives on the second phase of the GIGA School Concept projects and continued to enhance product functions and rigorously manage individual projects, thus driving activities to win contracts. As a result, the Group achieved both a higher percentage of orders and higher project unit prices compared to the first phase of the GIGA School Concept. For i-FILTER, the Group implemented measures including the development of a function for visualizing the status of use, which is in demand in the second phase of the GIGA School Concept. By doing this, it has increased the value of products based on the needs of people on the front lines of education, which has further increased the Group's competitiveness. On the other hand, because the contracts for these projects were related mainly to cloud service products, the growth of net sales was limited in the consolidated fiscal year under review due to the rules for recognizing revenue and despite the significant growth in contracts. The significant growth in contracts for the projects increased cash and deposits and advances received and expanded total assets, which resulted in a decline in the equity-to-asset ratio. Further, the number of users of whitelisting products, a technology advocated by the Company, had increased to approx. 15 million as of March 31, 2026. Praise for this unique model, which only enables users to engage in safe communication and behaviors, has been increasing mainly in companies, public offices, and educational institutions. Going forward, the Group will expand the areas in which there are applications for this unique model to the consumer sector market as well, aiming to realize a safe internet use environment.

In terms of expenses, the cost of sales and selling, general and administrative expenses increased year on year due to investments in personnel made inline with policies under the Medium-Term Management Plan. On the other hand, the Group increased productivity and controlled costs by advancing and streamlining operations, including the deployment of AI, in its efforts to balance growth investments and profitability. This made it possible to appropriately manage expenses in addition to increasing sales, and profits remained strong.

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 5,237 million yen from the end of the previous fiscal year to 27,865 million yen. This was due mainly to an increase of 5,131 million yen in cash and deposits.

(Liabilities)

Total liabilities in the consolidated fiscal year under review increased 4,148 million yen from the end of the previous consolidated fiscal year to 9,410 million yen. This was due mainly to increases of 3,717 million yen in advances received and 424 million yen in income taxes payable.

(Net assets)

Net assets in the consolidated fiscal year under review increased 1,088 million yen from the end of the previous consolidated fiscal year to 18,454 million yen. This was mainly due to the increase in retained earnings due to the recording of profit attributable to owners of parent outweighing decreases due to dividends paid and the purchase of treasury shares.

b. Operating results

As a result, contracts for the consolidated fiscal year under review amounted to 16,604 million yen (up 57.1% year on year), net sales were 10,835 million yen (up 8.5% year on year), operating profit reached 4,791 million yen (up 5.1% year on year), ordinary profit came to 4,840 million yen (up 6.1% year on year), and profit attributable to owners of parent was 3,427 million yen (up 7.7% year on year).

Overview of Consolidated Business Result

(Millions of yen)

	Year ended March 31, 2025	Year ended March 31, 2026	Change	% Change
Contracts	10,570	16,604	＋6,033	＋57.1
Net sales	9,982	10,835	＋852	＋8.5
Operating profit	4,558	4,791	＋232	＋5.1
Ordinary profit	4,562	4,840	＋278	＋6.1
Profit attributable to owners of parent	3,183	3,427	＋244	＋7.7

The following describes business performance in separate markets.

Enterprise Sector Market

In the enterprise sector market, i-FILTER's performance was solid. It satisfied customer needs for cloud-based website access security measures and its competitiveness increased as a product making it possible to both visualize the state of the use of generative AI and ensure secure operation management using its AI Chat Filter and other features.

m-FILTER continued to grow at a high rate. It met customers' needs for measures to address threats such as email attacks involving spoofed sender names and addresses and malicious file attachments and URLs. The Group strengthened its proposal of m-FILTER in combination with f-FILTER and Anti-Virus & Sandbox.

In addition, the Group released Z-FILTER on November 4, 2025 as initially planned. Z-Filter is a made-in-Japan zero trust security solution that provides a range of services from authentication to access control on a single platform based on whitelisting. Since its release, projects have been steadily increasing, and it is expected to become profitable next fiscal year Going forward, the Group will continue to upgrade the functions of Z-FILTER with a view toward the improvement of its compatibility with customer environments and the further reduction of operational burdens on customers. Additionally, the Group's policy is to accelerate collaboration with distributors and establish Z-FILTER as a pillar of its revenue base in the medium to long term..

As a result, contracts in the enterprise sector market amounted to 5,564 million yen (up 10.9% year on year), net sales stood 5,176 million yen (up 8.2% year on year).

Public Sector Market

In the public sector market, the Group continued to enhance product functions and rigorously manage individual projects for the second phase of the GIGA School Concept, which is a priority measure. As a result, the Group achieved both a higher percentage of orders and higher project unit prices than for the first phase of the GIGA School Concept. In addition, the Group added a new function to i-FILTER@Cloud GIGA School Edition that visualizes the status of the use of digital textbooks and a dashboard function for log information obtained using the Child Protection Filter. At the same time, the Group obtained Information system Security Management and Assessment Program (ISMAP) registration. ISMAP is a security assessment program for government information systems. Through these efforts, the Group has enhanced its competitiveness in the educational and public sectors. Further, the Group continued to expand into the education area by leveraging the expertise it cultivated through GIGA School Concept projects. For example, it began to provide the D Classroom web-based learning system for children as a new initiative in the educational sector.

The Group also conducted sales activities using the customer base established in the GIGA School Concept for Next-Generation School Affairs DX projects. The success of this approach resulted in thriving performance. As a result of these developments, contracts for i-FILTER rose by 147.2% year on year, a significant jump.

Due to corporate accounting rules, revenue was not recognized instantly because contracts for projects for the second phase of the GIGA School Concept were related mainly to cloud service products. As a result, while contracts increased significantly as noted above, net sales in the consolidated fiscal year under review only grew by double digits. *

However, the increase of the cloud service product order backlog indicates that the revenue model is shifting steadily from temporary sales from licenses to continuous revenue from services. This is expected to lead to stable, sustainable growth in and after the next fiscal year.

As a result, contracts in the public sector market reached 10,639 million yen (up 106.7% year on year), net sales amounted to 5,256 million yen (up 9.8% year on year).

* For on-premises products sold as licenses, most of the contracted amount is recorded as asales in a lump sum at the time of shipment. In contrast, cloud service products, orders for which are received mainly in GIGA School Concept and Next-Generation School Affairs DX projects, are subject to accounting standards requiring that sales are prorated on a monthly basis and recognized gradually based on the relevant service period.

Consumer Sector Market

In the consumer sector market, the Group continued to receive orders for new projects by expanding its MVNO distribution channels and stepping up efforts to promote multi-year package products.

For i-filter 10, a comprehensive security product for individual users that includes whitelisting features, which will be a core revenue source in the consumer sector market in the future, the Group expanded sales channels by collaborating with existing distributors and PC manufacturers, finding new distributors, and other activities with the goal of expanding the target users to adults as well as children. However, i-filter 10 did not become profitable in the consolidated fiscal year under review.

As a result, contracts in the consumer sector market totaled 400 million yen (down 1.9% year on year), net sales amounted to 402 million yen (down 1.8% year on year).

Contrasts for the consolidated fiscal year under review (April 1, 2025 - March 31, 2026)

	Enterprise	Public	Consumer	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31,2026	5,564	10,639	400	16,604
Year ended March 31, 2025	5,016	5,146	408	10,570

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

Net sales for the consolidated fiscal year under review (April 1, 2025 - March 31, 2026)

	Enterprise	Public	Consumer	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31,2026	5,176	5,256	402	10,835
Year ended March 31, 2025	4,783	4,788	409	9,982

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

(ii) State of cash flows

In the consolidated fiscal year under review, cash and cash equivalents increased 5,131 million yen from the end of the previous consolidated fiscal year to 23,083 million yen. Cash flows in each category are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 8,381 million yen (2,817 million yen in the previous year), mainly due to 4,840 million yen in profit before income taxes, and a decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,161 million yen (1,107 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 2,095 million yen (2,096 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, 2025 to March 31, 2026) (Millions of yen)	Change YoY (%)
Enterprise Sector Market	4,576	107.2
Public Sector Market	5,222	110.4
Consumer Sector Market	401	97.3
Total	10,200	108.4

(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, 2025 to March 31, 2026) (Millions of yen)	Change YoY (%)
Enterprise Sector Market	5,176	108.2
Public Sector Market	5,256	109.8
Consumer Sector Market	402	98.2
Total	10,835	108.5

(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, 2024 to March 31, 2025)		Fiscal year under review (from April 1, 2025 to March 31, 2026)	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Daiwabo Information System Co., Ltd.	3,074	30.8	3,618	33.4
SB C&S Corp.	1,887	18.9	1,942	17.9

(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 10,835 million yen, up 852 million yen compared to the previous consolidated fiscal year (up 8.5% year on year). This was mainly due to steady performance from i-FILTER in capturing demand for cloud-based web access security measures in the enterprise sector market, in addition to the success of m-FILTER in addressing demand for measures against threats involving spoofed emails, file attachments and malicious URLs, and improved proposals combining it with related products. Additionally, in the public sector market, the handling of projects for the second phase of the GIGA School Concept and an expansion in Next-Generation School Affairs DX projects contributed to the results. Note that since projects for the second phase of the GIGA School Concept are primarily orders for cloud service products, only part of the increase in contracts was recognized as net sales in the fiscal year under review.

(Cost of sales, gross profit)

Cost of sales during the consolidated fiscal year under review stood at 3,334 million yen, up 386 million yen compared to the previous consolidated fiscal year (up 13.1% year on year). Meanwhile, gross profit stood at 7,500 million yen, up 466 million yen compared to the previous consolidated fiscal year (up 6.6% year on year). In the fiscal year under review, the cost of sales increased mainly resulting from increased personnel expenses due to stepped up investments in development personnel based on policies of the Medium-Term Management Plan, higher communication expenses due to an increase in the number of cloud service product users, and higher depreciation. However, gross profit rose, benefiting from higher net sales in the enterprise and public sector markets.

(Selling, general and administrative expenses, operating profit)

Selling, general and administrative expenses were 2,708 million yen, up 234 million yen compared to the previous consolidated fiscal year (up 9.5% year on year). Meanwhile, operating profit stood at 4,791 million yen, up 232 million yen compared to the previous consolidated fiscal year (up 5.1% year on year). In the fiscal year under review, selling, general and administrative expenses increased, primarily due to higher personnel expenses associated with increased investment in human resources. However, operating profit increased, driven not only by a jump in net sales but also as a result of achieving an optimal cost structure in relation to plans due to the enhancement and streamlining of certain business operations, including the business use of AI.

(Ordinary profit)

In the consolidated fiscal year under review, ordinary profit amounted to 4,840 million yen (up6.1% year on year), mainly due to the recording of non-operating income such as interest income of 36 million yen.

(Profit attributable to owners of parent)

Profit attributable to owners of parent increased 7.7% year on year, to 3,427 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, 2024 to March 31, 2025)	Fiscal year under review (from April 1, 2025 to March 31, 2026)
Contract amount growth rate (%)	(2.5)	57.1
Net sales growth rate (%)	(13.3)	8.5
Operating margin (%)	45.7	44.2
Return on equity (ROE) (%)	19.1	19.2

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 23,083 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 2 million yen.

Section III. Properties

1. Summary of Capital Investment, etc.

In the consolidated fiscal year under review, the Group made capital investment totaling 94 million yen. This mainly consisted of office equipment. Meanwhile, the Group made investments in intangible assets totaling 1,115 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, 2026)

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)	33	6	126	-	-	165	247(46)
Recreational facility (Atami, Shizuoka Prefecture)	Recreational facility	71.85	62	-	0	27.60	26	88	-

(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 (9 employees), the Kansai Sales Office (14 employees), the Chushikoku Sales Office (4 employees), and the Kyushu Sales Office (3 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, 2026)	Number of shares issued as of the filing date (shares) (June 25, 2026)	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, 2026 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, 2026)	As of the end of the month before the filing date (May 31, 2026)
Category and number of persons subject to grants	Four directors, 151 employees	
Number of share acquisition rights	1,518	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	151,800 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, 2026)	As of the end of the month before the filing date (May 31, 2026)
Category and number of persons subject to grants	Three directors, 96 employees	
Number of share acquisition rights	3,002	3,002
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	300,200 shares	300,200 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.

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

(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.

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

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, 2026)	As of the end of the month before the filing date (May 31, 2026)
Category and number of persons subject to grants	16 employees	
Number of share acquisition rights	460	420
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	46,000 shares	42,000 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.

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

(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.

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

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, 2026)	As of the end of the month before the filing date (May 31, 2026)
Category and number of persons subject to grants	55 employees	
Number of share acquisition rights	575	575
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	57,500 shares	57,500 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.

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

   (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 (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, 2026)	As of the end of the month before the filing date (May 31, 2026)
Category and number of persons subject to grants	4 employees	
Number of share acquisition rights	32	24
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	2,400 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, 2026

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)	-	24	33	55	169	17	5,101	5,399	-
Share ownership (units)	-	32,039	3,256	11,113	42,287	24	52,406	141,125	20,500
Ownership percentage of shares (%)	-	22.70	2.31	7.87	29.96	0.02	37.14	100.00	-

(Note) Of 689,215 treasury shares, 6,892 units are included in the “Individuals and others” column, while 15 shares are included in the “Number of shares less than one unit” column.

(6) Major Shareholders

As of March 31, 2026

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	2,257,999	16.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	1-8-1 Akasaka, Minato-ku, Tokyo	1,794,800	13.35
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,082,100	8.05
DAM Corporation	1-4-58 Mita, Minato-ku, Tokyo	710,000	5.28
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)	708,102	5.27
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/ LUXEMBOURG FUNDS/UCITS ASSETS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Securities Services Operations)	33 RUE DE GASPERICH, L-5826 HOWALD-HESPERANGE, LUXEMBOURG (3-11-1 Nihonbashi chuo-ku Tokyo)	390,000	2.90
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)	340,205	2.53
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)	248,400	1.85
THE CHASE MANHATTAN BANK, N. A. LONDONSECS LENDING OMNIBUS ACCOUNT (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	WOOLGATE HOUSE, COLEMAN STREET LONDON EC2P 2HD, ENGLAND (2-15-1 Konan, Minato-ku, Tokyo)	225,100	1.67
HIKARI TSUSHIN K.K. INVESTMENT LIMITED PARTNERSHIP	1-4-10 Nishi-Ikebukuro, Toshima-ku, Tokyo	189,700	1.41
Total	-	7,946,406	59.11

(Notes)
1. The number of shares held by 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 689,215 treasury shares.

5. The content of reports on large shareholders whose shareholdings could not be confirmed as of March 31, 2026 (change reports) is as follows.

(1) The large shareholding report (change report) made available for public inspection on June 6, 2025 reports that Mizuho Securities Co., Ltd. held the following shares as of May 30, 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, 2026, 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	9,755	0.07
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	912,800	6.46
Total	—	922,555	6.53

(2) The large shareholding report (change report) made available for public inspection on September 19, 2025 reports that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder held the following shares as of September 15, 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, 2026, 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 (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shibakoen, Minato-ku, Tokyo	436,400	3.09
Amova Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	374,600	2.65
Total	—	811,000	5.74

(3) The large shareholding report (change report) made available for public inspection on January 9, 2026 reports that Asset Management One Co., Ltd. held the following shares as of December 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, 2026, 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 (%)
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	665,400	4.71
Total	—	665,400	4.71

(7) Information on Voting Rights

(i) Issued Shares

As of March 31, 2026

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 689,200	-	-
Shares with full voting right (others)	Common shares 13,423,300	134,233	-
Shares less than one unit	Common shares 20,500	-	-
Number of issued shares	14,133,000	-	-
Total number of voting rights	-	134,233	-

(ii) Treasury Shares, etc.

As of March 31, 2026

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	689,200	-	689,200	4.88
Total	-	689,200	-	689,200	4.88

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 (September 10, 2025) (Acquisition period: September 12, 2025 to May 12, 2025)	90,000	500,000,000
Treasury shares acquired before this fiscal year	38,900	243,925,000
Treasury shares acquired during this fiscal year	38,200	255,779,000
Total number and total value of treasury shares still to be acquired based on resolution	12,900	296,000
Ratio of treasury shares yet to be acquired as of March 31, 2026 (%)	14.3	0.0
Treasury shares acquired during the current period	-	-
Ratio of treasury shares yet to be acquired as of June 25, 2026 (%)	14.3	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 May 12, 2025.

Category	Number of shares (shares)	Total amount (yen)
Status of resolution at meeting of Board of Directors (August 1, 2025) (Acquisition period: August 5, 2025 to November 5, 2025)	63,000	500,000,000
Treasury shares acquired before this fiscal year	-	-
Treasury shares acquired during this fiscal year	63,000	482,553,000
Total number and total value of treasury shares still to be acquired based on resolution	-	17,447,000
Ratio of treasury shares yet to be acquired as of March 31, 2026 (%)	-	0.0
Treasury shares acquired during the current period	-	-
Ratio of treasury shares yet to be acquired as of June 25, 2026 (%)	-	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 November 5, 2025.

Category	Number of shares (shares)	Total amount (yen)
Status of resolution at meeting of Board of Directors (Octber 31, 2025) (Acquisition period: November 6, 2025 to September 6, 2026)	60,000	500,000,000
Treasury shares acquired before this fiscal year	-	-
Treasury shares acquired during this fiscal year	60,000	395,069,000
Total number and total value of treasury shares still to be acquired based on resolution	-	104,931,000
Ratio of treasury shares yet to be acquired as of March 31, 2026 (%)	-	21.0
Treasury shares acquired during the current period	-	-
Ratio of treasury shares yet to be acquired as of June 25, 2026 (%)	-	21.0

(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 January 22, 2026.

(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	36	249,480
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, 2026 and June 25, 2026.

(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 *	2,317	11,338,826	800	4,166,588
Total number of treasury shares held	689,215	-	688,415	-

(Notes) 1. The figures in "Other" in the fiscal year under review are the disposal of treasury shares, which is composed of the exercise of share acquisition rights (number of shares: 800; Total disposition amount: 4,072,254 yen) and restricted stock remuneration (number of shares: 1,517; Total disposition amount: 7,266,572 yen).

2. The figures in "Other" in the current period are the disposal of treasury shares as the exercise of share acquisition rights (number of shares: 800; total disposition amount: 4,166,588 yen).

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 or purchases of shares constituting less than one full unit between June 1, 2026 and June 25, 2026.

4. 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, 2026 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, 2027 is 100 yen per share (which includes an interim dividend of 50 yen and a 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 29, 2025	608	45
Resolution of the Annual General Shareholders Meeting held on June 26, 2026	672	50

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 26, 2026, 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	12
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 26, 2026,
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	2	2
Hidekazu Kubokawa	2	2
Masataka Uesugi	2	2
Chise Kuwayama	2	2

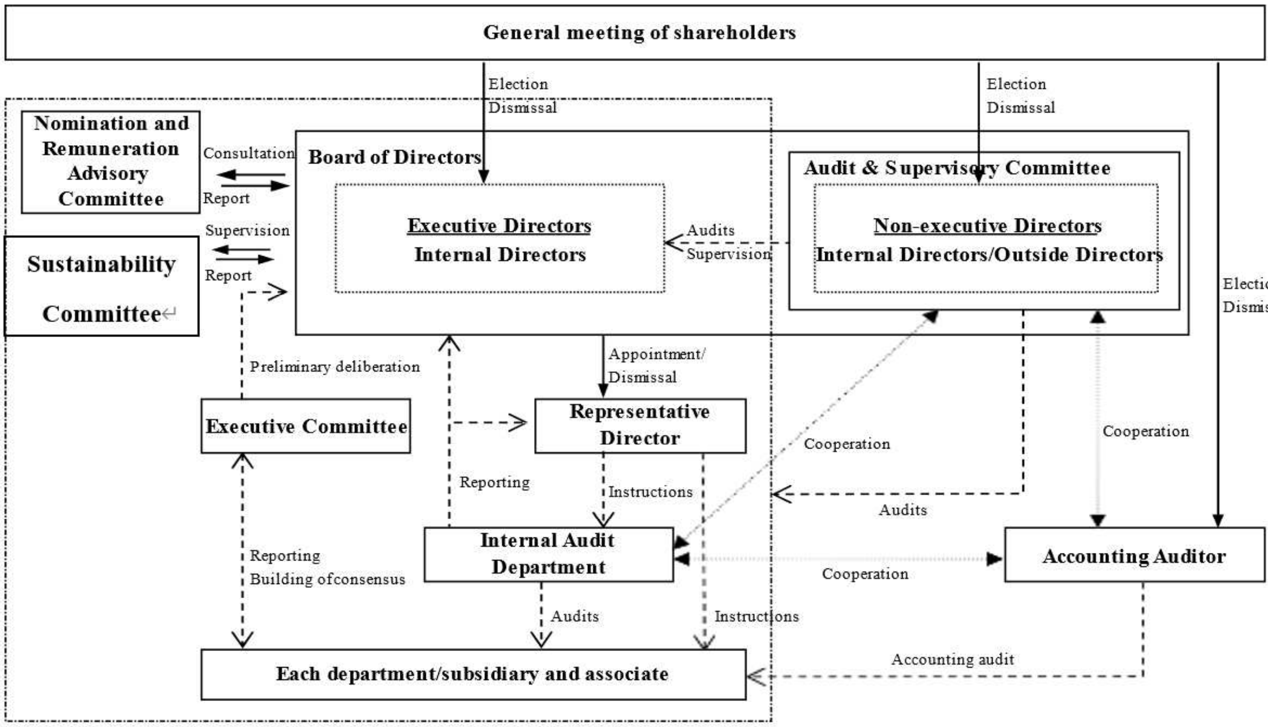
Major matters considered at meetings of the Nomination and Remuneration Advisory Committee included matters concerning the selection of candidates for Directors at the General Meeting of Shareholders and the remuneration system for the Company’s Executive Directors, etc. The results of the discussions 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 25, 2026 (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	Representative Director, President & CEO, Digital Arts Inc.	*2	2,257,999
			November 2005	Representative Director, President & CEO, IQS' Co., Ltd.		
			December 2006	Representative Director, President & CEO, DAM Corporation (incumbent)		
			April 2011	Director, President & CEO, Digital Arts America, Inc. (incumbent)		
			June 2012	Director, Digital Arts Investment, Inc.		
			May 2013	Representative Director, President & CEO, Polkast Japan LLC		
			October 2013	Representative Director, President & CEO, DA Corporation (incumbent)		
			October 2013	Representative Director, President & CEO, DM Corporation (incumbent)		
			April 2014	Director, President & CEO, FinalCode, Inc.		
			November 2015	Director, Digital Arts Asia Pacific Pte. Ltd. (incumbent)		
			September 2016	Director, Digital Arts Europe Limited (incumbent)		
			January 2026	Representative Director, President and CEO, and General Manager-Corporate Planning Division, Digital Arts Inc. (incumbent)		
Director, General Manager-Development	Takuya Matsumoto	November 4, 1976	April 1999	Joined COMAS Co., Ltd.	*2	3,521
			April 2003	Joined Digital Arts Inc., Development		
			April 2014	Associate General Manager-Development		
			October 2016	General Manager-Development		
			June 2017	Director, General Manager-Development		
			December 2017	Director, General Manager-Development, General Manager-New Development		
			April 2018	Director, General Manager-Development (incumbent)		
			June 2025	Director, General Manager-Development Division (incumbent)		
Director (Audit & Supervisory Board Member)	Hidekazu Kubokawa	February 20, 1953	November 1976	Joined Chuo Audit Corporation (currently PricewaterhouseCoopers Japan LLC)	*3	3,976
			July 1986	Founded Kubokawa CPA Office (currently Yotsuya Partners Accounting Firm), Representative Partner (incumbent)		
			February 1989	Outside Audit & Supervisory Board Member, SoftBank Corp. Japan (currently SoftBank Group Corp.)		
			March 2000	Outside Auditor, Digital Arts Inc.		
			June 2005	Outside Corporate Auditor, Kyoritsu Printing Co., Ltd. (incumbent)		
			June 2006	Outside Auditor, Pado Corporation (currently Success Holders,inc.)		
			June 2016	Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (incumbent)		

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
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	3,976
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	501
Total						2,269,973

(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.

b. As proposed resolutions (matters to be resolved) at the Annual Shareholders' Meeting to be held on June 26, 2026, the Company has proposed the election of two (2) Directors (excluding Directors who are Audit and Supervisory Board Members) and the election of two (2) 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: 3 persons, Women: 2 person (Women's percentage to total number of officers: 40%)

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
Representative Director,	Toshio Dogu	February 17, 1968	October 1997	Representative Director, President & CEO, Digital Arts Inc.	*2	2,257,999

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
President, CEO and General Manager-Corporation Planning			November 2005 December 2006 April 2011 June 2012 May 2013 October 2013 October 2013 April 2014 November 2015 September 2016 January 2026	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) Representative Director, President and CEO, and General Manager-Corporate Planning Division, Digital Arts Inc. (incumbent)		
Director, General Manager-Development	Takuya Matsumoto	November 4, 1976	April 1999 April 2003 April 2014 October 2016 June 2017 December 2017 April 2018 June 2025	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) Director, General Manager-Development Division (incumbent)	*2	3,521
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	3,976
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,	*4	501

Title	Name	Date of birth	Business experience		Term of office	Share ownership (shares)
				Sony Network Communications Smart Platform, Inc. (currently MEEQ Inc.) (incumbent)		
Director (Audit & Supervisory Board Member)	Arisa Yano	June 15, 1988	December 2015	Joined Seiwa Meitetsu Law Office	*3	-
			September 2018	Joined Comm&Path Law Office		
			March 2023	Outside Auditor, Labol Inc.		
			May 2023	Substitute Audit and Supervisory Committee Member, Ricksoft Co., Ltd. (incumbent)		
			October 2023	Joined Dojima Law Office Professional Corporation (incumbent)		
			March 2025	Outside Director (Audit & Supervisory Board Member), Labol Inc. (incumbent)		
			September 2025	Outside Auditor, S-FIT Co., Ltd. (incumbent)		
			June 2026	Outside Director (Audit & Supervisory Board Member), Digital Arts Inc. (scheduled)		
Total						2,265,997

(Notes) 1. Audit & Supervisory Board Members, Masataka Uesugi and Chise Kuwayama and Arisa Yano 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 26, 2026.
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 26, 2026.
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

As of June 25, 2026 (the date of submission of this Annual Securities Report), the number of Outside Directors and Audit and Supervisory Board Members at the Company was three (3), respectively, none of whom have any special interest relationship with the Company. 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.

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.

As proposed resolutions (matters to be resolved)for the Annual Shareholders' Meeting to be held on June 26, 2026, the Company has proposed the election of two (2) Directors (excluding Directors who are Audit and Supervisory Board Members) and the election of two (2) Directors who are Audit and Supervisory Board Members).If these proposed resolutions are approved and passed, the Company will have three (3) Outside Directors and three (3) Audit and Supervisory Board Members.

(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

As of June 25, 2026 (the date of submission of this Annual Securities Report), the Audit and Supervisory Board comprises three members, all of whom are Outside Directors. One of them has been selected to chair the Audit and Supervisory Board.

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	11
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.

As a proposed resolution (matter to be resolved) for the Annual Shareholders' Meeting to be held on June 26, 2026, the Company has proposed the election of two (2) Directors who are Audit and Supervisory Board Members).If this proposed resolution is approved and passed, there will be three (3) Audit and Supervisory Board Members (All three (3)will be Outside Audit and Supervisory Board Members.).

(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

26 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 two certified public accountants, three 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	-	21	-
Consolidated subsidiaries	-	-	-	-
Total	20	-	21	-

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)	96	85	10	2
Directors who are Audit & Supervisory Board Members (excludes Outside Directors)	-	-	-	-
Outside Directors	12	12	-	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
17	1	Salary as consideration for services rendered.

(5) Information on Shareholdings

Not applicable.

5. Employment Data,etc.

(1) Basic Policy on Human Resources Strategy, etc.

The basic policy of the Group's personnel strategy is to secure and cultivate the human resources who will solve social issues through our business activities, in order to achieve the sustainable growth and enhanced corporate value set forth in our Medium-Term Management Plan. The Group views the development of leaders who drive innovation and human resources who demonstrate diverse abilities as a key management challenge, and strives to enhance competitiveness in the medium- to long-term by promoting the ability and growth of each and every employee of the Group.

In addition, the Group determines salaries and the amounts of other benefits offered to employees based on factors including the roles, abilities, results and contribution levels of each employee, with the aim of championing the growth and successes of a diverse range of human resources. Under our evaluation program, we have established both positional grade classifications which assess management capabilities and competency grade classifications to assess expertise and individual skills, with the system ensuring that employees are comprehensively evaluated from both perspectives. We also set evaluation items and salary ranges that are specific to each department, taking into account their unique characteristics and required roles, as part of efforts to ensure fair evaluations that reflect business characteristics and appropriate levels of compensation.

In addition, we set role definitions and evaluation criteria for each position and determine promotions, demotions and bonuses through skill-, position- and bonus-based assessments. This is designed to strengthen our human resources base in ways that boost employee motivation to achieve growth while achieving sustainable enhancement to corporate value.

(2) Employment Data

(i) Consolidated Basis

As of March 31, 2026

Category	Number of employees (persons)
Security business	279 (46)
Total	279 (46)

(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.

(ii) The Reporting Company

As of March 31, 2026

Number of employees (persons)	Average age (years old)	Average length of service in years (years)	Average annual salary (thousand yen)	Change YoY of Average annual salary (%)
279(46)	34.9	7.1	6,990	13.1

(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.

(iii) Relationship with Labor Union

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

(iv) Details of share acquisition rights granted exclusively to employees, etc.

The details of share acquisition rights granted exclusively to employees, etc. are outlined under "(i) Details of Stock Option Plans" in "(2) Information on the Share Acquisition Rights, etc." under "1. Stock Information."

(ⅴ) 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)
8.6	33.3	79.5

(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 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, 2025 to March 31, 2026) and the non-consolidated financial statements for the fiscal year (from April 1, 2025 to March 31, 2026) 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, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	17,952	23,083
Notes receivable - trade	120	380
Accounts receivable - trade	1,323	1,168
Securities	100	—
Finished goods	2	0
Supplies	1	0
Other	611	446
Total current assets	20,112	25,080
Non-current assets		
Property, plant and equipment		
Buildings	228	246
Accumulated depreciation	(142)	(146)
Buildings, net	86	100
Vehicles	25	25
Accumulated depreciation	(15)	(19)
Vehicles, net	10	6
Tools, furniture and fixtures	572	582
Accumulated depreciation	(456)	(450)
Tools, furniture and fixtures, net	116	132
Land	26	26
Construction in progress	-	0
Total property, plant and equipment	238	265
Intangible assets		
Software	1,472	1,912
Other	311	96
Total intangible assets	1,783	2,008
Investments and other assets		
Deferred tax assets	107	141
Other	385	369
Total investments and other assets	492	511
Total non-current assets	2,515	2,784
Total assets	22,627	27,865

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	30	25
Income taxes payable	389	814
Provision for bonuses	148	152
Advances received	4,082	7,800
Other	558	566
Total current liabilities	5,209	9,358
Non-current liabilities		
Asset retirement obligations	49	49
Other	3	3
Total non-current liabilities	52	52
Total liabilities	5,262	9,410
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	955	957
Retained earnings	18,116	20,323
Treasury shares	(2,467)	(3,589)
Total shareholders' equity	17,318	18,405
Accumulated other comprehensive income		
Foreign currency translation adjustment	17	19
Total accumulated other comprehensive income	17	19
Share acquisition rights	29	29
Total net assets	17,365	18,454
Total liabilities and net assets	22,627	27,865

(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, 2025	For the fiscal year ended March 31, 2026
Net sales	9,982	10,835
Cost of sales	2,948	3,334
Gross profit	7,033	7,500
Selling, general and administrative expenses	*1,2 2,474	*1,2 2,708
Operating profit	4,558	4,791
Non-operating income		
Interest income	1	36
Foreign exchange gains	0	11
Gain on forfeiture of unclaimed dividends	1	1
Gain on sales of supplies	1	—
Miscellaneous income	0	1
Total non-operating income	4	50
Non-operating expenses		
Miscellaneous losses	0	0
Total non-operating expenses	0	0
Ordinary profit	4,562	4,840
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Gain on sale of non-current assets	*3 0	—
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	*4 0	*4 0
Total extraordinary losses	0	0
Profit before income taxes	4,563	4,840
Income taxes - current	1,350	1,447
Income taxes - deferred	29	(34)
Total income taxes	1,380	1,413
Profit	3,183	3,427
Profit attributable to owners of parent	3,183	3,427

Consolidated statement of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Profit	3,183	3,427
Other comprehensive income		
Foreign currency translation adjustment	(0)	2
Total other comprehensive income	*1 (0)	*1 2
Comprehensive income	3,182	3,429
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,182	3,429

(3) Consolidated statement of changes in equity

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	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
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

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	713	955	18,116	(2,467)	17,318	17	17	29	17,365
Changes during period									
Dividends of surplus			(1,220)		(1,220)				(1,220)
Profit attributable to owners of parent			3,427		3,427				3,427
Purchase of treasury shares				(1,133)	(1,133)				(1,133)
Exercise of share acquisition rights		(2)		4	2				2
Restricted stock compensation		4		7	11				11
Net changes in items other than shareholders' equity						2	2	(0)	1
Total changes during period	—	2	2,206	(1,122)	1,086	2	2	(0)	1,088
Balance at end of period	713	957	20,323	(3,589)	18,405	19	19	29	18,454

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	4,563	4,840
Depreciation	916	974
Share-based payment expenses	6	12
Increase (decrease) in provision for bonuses	11	4
Interest income	(1)	(36)
Foreign exchange losses (gains)	(0)	(5)
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	(0)	—
Decrease (increase) in trade receivables	(245)	3,614
Decrease (increase) in inventories	(0)	2
Increase (decrease) in trade payables	(24)	(5)
Increase (decrease) in accounts payable - other	(8)	(7)
Decrease (increase) in other current assets	(38)	(103)
Increase (decrease) in other current liabilities	10	50
Other, net	(94)	45
Subtotal	5,094	9,385
Interest and dividends received	1	37
Income taxes paid	(2,279)	(1,041)
Net cash provided by (used in) operating activities	2,817	8,381
Cash flows from investing activities		
Purchase of property, plant and equipment	(24)	(145)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(1,046)	(1,115)
Proceeds from redemption of securities	—	100
Other, net	(37)	—
Net cash provided by (used in) investing activities	(1,107)	(1,161)
Cash flows from financing activities		
Decrease (increase) in deposits for purchase of treasury shares	(256)	256
Proceeds from disposal of treasury shares	—	1
Purchase of treasury shares	(745)	(1,134)
Dividends paid	(1,094)	(1,219)
Net cash provided by (used in) financing activities	(2,096)	(2,095)
Effect of exchange rate change on cash and cash equivalents	(0)	7
Net increase (decrease) in cash and cash equivalents	(387)	5,131
Cash and cash equivalents at beginning of period	18,339	17,952
Cash and cash equivalents at end of period	*1 17,952	*1 23,083

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 weighted-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.

-Accounting Standard for Subsequent Events (ASBJ Statement No. 41, January 9, 2026)

-Implementation Guidance on Accounting Standard for Subsequent Events (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The Accounting Standard for Subsequent Events, etc. establishes a comprehensive accounting framework covering the definition, accounting treatment, and disclosure of subsequent events. As a basic policy, the Accounting Standards Board of Japan (ASBJ) has succeeded and incorporated into its accounting standards the accounting-related guidance previously provided in Practical Guideline No. 1, “Auditing Treatment of Subsequent Events,” under Auditing Standards Committee Statement No. 560 issued by the Japanese Institute of Certified Public Accountants (JICPA). While maintaining the substance of the existing guidance in principle, the new standards revise certain terminology, clarify the evaluation period for subsequent events, and newly require disclosure regarding the approval of financial statements for issuance, thereby prescribing the accounting treatment and disclosure requirements for subsequent events.

(2) Scheduled date of application

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

(Consolidated statement of income)

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Advertising expenses	309 million yen	240 million yen
Salaries and allowances	716	803
Provision for bonuses	79	82

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
	17 million yen	2 million yen

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Tools, furniture and fixtures	0	-

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Buildings	0 million yen	- 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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	(0) million yen	2 million yen
Reclassification adjustment	-	-
Before tax effect adjustment	(0)	2
Tax effect	-	-
Foreign currency translation adjustment	(0)	2
Total other comprehensive income	(0)	2

(Consolidated statement of changes in equity)

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 (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 *	379,630	152,440	1,774	530,296
Total	379,630	152,440	1,774	530,296

(*Note) The increase of 152,440 shares in treasury stock of common shares consisted of an increase of 152,300 shares resulting from the acquisition of treasury stock pursuant to a resolution of the Board of Directors and an increase of 140 shares resulting from the purchase of fractional shares (less-than-one-unit shares). The decrease of 1,774 shares in treasury stock of common shares resulted from the issuance of restricted stock.

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	612	Retained earnings	45	March 31, 2025	June 24, 2025

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

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 *	530,296	161,236	2,317	689,215
Total	530,296	161,236	2,317	689,215

(*Note) The 161,236 share increase in the number of treasury shares in common shares was due to an increase in the purchase of treasury shares amounting to 161,200 shares by resolution of the Board of Directors, and an increase of 36 shares due to the purchase of shares constituting less than one full unit. The 2,317 share decrease in the number of treasury shares was due to a decrease of 1,517 shares from the issuance of restricted stock, and a decrease of 800 shares from the exercise of share acquisition rights.

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 23, 2025	Common shares	612	45	March 31, 2025	June 24, 2025
Board of Directors meeting on October 29, 2025	Common shares	608	45	September 30, 2025	December 3, 2025

(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 26, 2026	Common shares	672	Retained earnings	50	March 31, 2026	June 29, 2026

(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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Cash and deposits	17,952 million yen	23,083 million yen
Cash and cash equivalents	17,952	23,083

(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.

(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.

(5) Concentration of credit risks

Although credit risks are spread among multiple distributors and other parties, the Group recognizes that there is a tendency for transactions to be concentrated among certain distributors.

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, notes receivable - trade, accounts receivable, accounts payable - trade and income taxes payable are also omitted, because they are settled in a short period of time and their market prices are similar to their book values.

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)

Fiscal 2026 (As of March 31, 2026)

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

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

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	-	-	-
Securities				
Bonds held to maturity				
Corporate bonds	100	-	-	-
Total	19,496	-	-	-

Fiscal 2026 (As of March 31, 2026)

	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	23,083	-	-	-
Notes receivable - trade	380	-	-	-
Accounts receivable - trade	1,168	-	-	-

Securities Bonds held to maturity Corporate bonds	—	-	-	-
Total	24,632	-	-	-

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 2025 (As of March 31, 2025)

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 2026 (As of March 31, 2026)

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

(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.

(Securities)

Bonds held to maturity

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	100	100	(0)
	(3) Other	-	-	-
	Subtotal	100	100	(0)
Total		100	100	(0)

Fiscal 2026 (As of March 31, 2026)

	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	-	-	-
	Subtotal	-	-	-
Total		-	-	-

(Derivatives transactions)

Previous consolidated fiscal year (from April 1, 2024 to March 31, 2025) and consolidated fiscal year under review (from April 1, 2025 to March 31, 2026)

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.

2. Retirement benefit expenses

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.

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

The amount that was required for contribution to the defined contribution pension plan was 31 million yen.

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Selling, general and administrative expenses	6 million yen	12 million yen

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
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, 2026). 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, 2025	—	—	54,000	65,000	—
Granted	—	—	—	—	—
Forfeited	—	—	8,000	7,500	—
Vested	—	—	—	—	—
Yet to be vested	—	—	46,000	57,500	—
After vesting (shares)					
As of March 31, 2024	152,000	300,800	—	—	—
Vested	—	—	—	—	3,200
Exercised	200	600	—	—	—
Forfeited	—	—	—	—	—
Yet to be exercised	151,800	300,200	—	—	3,200

(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)	6,940	5,610	-	-	-
Fair unit value (grant date) (yen)	2	24	6,741	7,482	5,737

4. 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 2025 (As of March 31, 2025)	Fiscal 2026 (As of March 31, 2026)
Deferred tax assets		
Enterprise taxes payable	22 million yen	46 million yen
Provision for bonuses	46	48
Accrued social insurance premiums	7	7
Asset retirement obligations	15	15
Loss carryforwards	58	60
Loss on valuation of golf club membership	1	1
Other	14	22
Total deferred tax assets	165	201
Valuation allowance	(58)	(60)
Total deferred tax assets	107	141

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.

(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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Balance at beginning of fiscal year	49 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 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.

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

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	5,176	5,256	402	10,835

(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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Balance at beginning of fiscal year	4,418	4,082
Balance at end of fiscal year	4,082	7,800

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 2,528 million yen. (2,412 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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Within 1 year	3,760	4,804
Over 1 year, within 2 years	901	2,201
Over 2 years, within 3 years	683	1,959

Over 3 years	898	3,040
Total	6,243	12,006

(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2024 to March 31, 2025) and consolidated fiscal year under review (from April 1, 2025 to March 31, 2026)

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

Related information

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

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

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.	3,618
SB C&S Corp.	1,942

Information on impairment losses of non-current assets by reportable segment

There are no applicable matters.

Information on amortization and unamortized balance of goodwill by reportable segment

There are no applicable matters.

Information on gain on bargain purchase by reportable segment

There are no applicable matters.

Related party information

Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and related parties

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

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

There are no applicable matters.

Fiscal 2026 (from April 1, 2025 March 31, 2026

There are no applicable matters.

(2) Transactions between consolidated subsidiaries and related parties

There are no applicable matters.

(Special purpose companies subject to disclosure)

There are no applicable matters.

(Per share information)

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Net assets per share (yen)	1,274.46	1370.52
Profit per share (yen)	232.79	253.57
Diluted profit per share Profit (yen)	228.83	248.17

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

Item	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Profit per share		
Profit attributable to owners of parent (Millions of yen)	3,183	3,427

Amount not attributable to common shareholders (Millions of yen)	-	-
Profit attributable to owners of parent related to common shares (Millions of yen)	3,183	3,427
Average number of common shares during the term (shares)	13,673,529	13,517,919
Diluted profit per share		
Adjustment of profit attributable to owners of parent (Millions of yen)	-	-
Increase in the number of common shares (shares)	236,833	294,342
[Of the increase, the number of share acquisition rights] (shares)	[236,833]	[294,342]
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: 119,000	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 103,500

(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 2025 are less than 1% of the combined total of liabilities and net assets at the beginning and end of fiscal 2025, 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)	4,992	10,835
Profit before income taxes	(Millions of yen)	2,041	4,840
Profit attributable to owners of parent	(Millions of yen)	1,408	3,427
Profit per share	(yen)	103.83	253.57

2. Financial Statements of the Reporting Company

(1) Financial Statements

(i) Balance Sheet

(Millions of yen)

	Fiscal 2025 (As of March 31, 2025)	Fiscal 2026 (As of March 31, 2026)
Assets		
Current assets		
Cash and deposits	17,906	23,056
Notes receivable - trade	120	380
Accounts receivable – trade	※1 1,332	※1 1,166
Securities	100	—
Finished goods	2	0
Supplies	1	0
Prepaid expenses	351	443
Other	※1 257	※1 0
Total current assets	20,063	25,048
Non-current assets		
Property, plant and equipment		
Buildings	86	100
Vehicles	10	6
Tools, furniture and fixtures	116	132
Land	26	26
Construction in progress	-	0
Total property, plant and equipment	238	265
Intangible assets		
Software	1,472	1,912
Software in progress	310	95
Other	0	0
Total intangible assets	1,783	2,008
Investments and other assets		
Shares of subsidiaries and associates	42	41
Long-term prepaid expenses	106	90
Leasehold and guarantee deposits	190	190
Deferred tax assets	198	235
Other	88	※1 88
Total investments and other assets	626	647
Total non-current assets	2,649	2,921
Total assets	22,713	27,970

(Millions of yen)

	Fiscal 2025 (As of March 31, 2025)	Fiscal 2026 (As of March 31, 2026)
Liabilities		
Current liabilities		
Accounts payable - trade	29	24
Accounts payable - other	362	320
Accrued expenses	48	51
Income taxes payable	389	814
Accrued consumption taxes	128	171
Advances received	4,073	7,799
Deposits received	16	21
Provision for bonuses	148	152
Total current liabilities	5,197	9,355
Non-current liabilities		
Asset retirement obligations	49	49
Total non-current liabilities	3	3
Other	52	52
Total liabilities	5,249	9,407
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus		
Legal capital surplus	700	700
Other capital surplus	256	259
Total capital surplus	957	959
Retained earnings		
Other retained earnings		
Retained earnings brought forward	18,231	20,449
Total retained earnings	18,231	20,449
Treasury shares	(2,467)	(3,589)
Share acquisition rights	17,434	18,533
Share acquisition rights	29	29
Total net assets	17,463	18,562
Total liabilities and net assets	22,713	27,970

(ii) Statement of Income

(Millions of yen)

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Net sales	*1 9,972	*1 10,828
Cost of sales		
Beginning finished goods inventory	0	2
Cost of Internet service	2,948	3,331
Total	2,948	3,333
Transfer to other account	0	0
Ending finished goods inventory	2	0
Cost of finished goods sold	2,945	3,332
Gross profit	7,026	7,496
Selling, general and administrative expenses	*2 2,464	*2 2,697
Operating profit	4,562	4,798
Non-operating income		
Interest income	0	36
Interest on securities	0	0
Commission income	*1 2	*1 2
Foreign exchange gains	0	10
Supplies	1	1
Gain on forfeiture of unclaimed dividends	1	—
Miscellaneous income	0	1
Total non-operating income	6	52
Non-operating expenses		
Miscellaneous loss	0	0
Total non-operating expenses	0	0
Ordinary profit	4,569	4,850
Extraordinary income		
Gain on sales of non-current assets	*3 0	—
Gain on reversal of share acquisition rights	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	*4 0	*4 0
Loss on valuation of shares of subsidiaries	2	0
Total extraordinary losses	2	0
Profit before income taxes	4,566	4,849
Income taxes - current	1,350	1,447
Income taxes - deferred	28	(37)
Total income taxes	1,379	1,410
Profit	3,187	3,439

Detailed Statement of Cost of Internet Service

		Fiscal 2025 (from April 1, 2024 to March 31, 2025)		Fiscal 2026 (from April 1, 2025 to March 31, 2026)	
Category	Note number	Amount (Millions of yen)	Composition rate (%)	Amount (Millions of yen)	Composition rate (%)
I. Material cost		181	4.5	206	4.6
II. Labor cost	*1	1,040	25.6	1,172	26.2
III. Expenses	*2	2,842	69.9	3,103	69.2
Total expenses		4,065	100.0	4,282	100.0
Transfer to other account	*3	1,116		1,150	
Cost of Internet service		2,948		3,331	

(Note)

Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
*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	*1 Major items in labor cost (Millions of yen) Salaries and allowances 659 Legal welfare expenses 133 Bonuses 105 Provision for bonuses 70 Other salaries 181
*2 Major items in expenses (Millions of yen) Outsourcing expenses 187 Depreciation 865 Rent expenses 100	*2 Major items in expenses (Millions of yen) Outsourcing expenses 185 Depreciation 919 Rent expenses 99
*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	*3 Major items in transfer to other account (Millions of yen) Selling, general and administrative expenses 64 Non-current assets 1,086 Total 1,150
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 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

Fiscal 2026 (from April 1, 2025 to March 31, 2026)

(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	256	957	18,231	18,231	(2,467)	17,434	29	17,463
Changes during period										
Dividends of surplus					(1,220)	(1,220)		(1,220)		(1,220)
Profit					3,439	3,439		3,439		3,439
Purchase of treasury shares							(1,133)	(1,133)		(1,133)
Restricted stock compensation			(2)	(2)			4	2		2
Net changes in items other than shareholders' equity									(0)	(0)
Total changes during period	—	—	2	2	2,218	2,218	(1,122)	1,098	(0)	1,098
Balance at end of period	713	700	259	959	20,449	20,449	(3,589)	18,533	29	18,562

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)

Not applicable.

(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 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Short-term monetary claims	0 Million yen	0 million yen
Long-term monetary claims	-	0

(Matters related to income statement)

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Operating transactions		
Net sales	6 million yen	3 million yen
Transactions other than operating transactions	2	2

*2. The approximate percentages of expenses that belong to selling expenses are approximately 13.4% and 9.5% for fiscal 2025 and fiscal 2026, respectively. The approximate percentage of expenses belonging to general and administrative expenses is 86.6% in fiscal 2025 and 90.5% in fiscal 2026.

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Advertising expenses	309 million yen	240 million yen
Salaries and allowances	716	803
Provision for bonuses	79	82
Depreciation	51	54

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Tools, furniture and fixtures	0 million yen	- million yen

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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Buildings	0 million yen	- million yen
Tools, furniture and fixtures	0	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 41 million yen and 42 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

	Fiscal 2025 (from April 1, 2024 to March 31, 2025)	Fiscal 2026 (from April 1, 2025 to March 31, 2026)
Deferred tax assets		
Enterprise taxes payable	22 million yen	46 million yen
Provision for bonuses	46	48
Accrued social insurance premiums	7	7
Asset retirement obligations	15	15
Loss on valuation of golf club membership	1	1
Loss on valuation of shares of subsidiaries	94	94
Other	11	22
Net deferred tax assets	198	235

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.

(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	86	18	—	3	100	146

Vehicles	10	—	—	4	6	19
Tools, furniture and fixtures	116	75	0	59	132	450
Land	26	—	—	—	26	—
Construction in progress	238	94	0	67	265	616
Total property, plant and equipment						
Software	1,472	1,345	—	906	1,912	—
Software in progress	310	1,106	1,321	—	95	—
Other	0	—	—	—	0	—
Total intangible assets	1,783	2,452	1,321	906	2,008	—

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

Software 1,345 million yen (Z-FILTER, i-filter , etc.)

Software in progress 1,106 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	148	152	148	152

(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

30th fiscal year (from April 1, 2024 to March 31, 2025) Submitted to the Director-General of Kanto Local Finance Bureau on June 20, 2025

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 20, 2025

(3) Semi-annual Report and Confirmation Letter

For the second quarter of the 31st fiscal year (April 1, 2025 to September 30, 2025) Submitted to the Director-General of Kanto Local Finance Bureau on November 6, 2025.

(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 September 1, 2025, October 1, 2025, November 4, 2025, November 6, 2025, December 1, 2025, January 5, 2026, January 23, 2026, February 13, 2026, March 11, 2026, June 1, 2026..

Part II. Information Concerning Guarantors of the Reporting Company

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

June 25, 2026

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, 2025 to March 31, 2026 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, 2026, 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 provisions of the Code of Professional Ethics in Japan (including requirements for auditing financial statements of public interest entities), and we have fulfilled our other ethical responsibilities as auditors. 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.

Appropriateness of period attribution of net sales of Digital Arts Inc.	
Details of key issues of the audit and reasons for decision	How our audit addressed the issues
Digital Arts Inc. mainly sells security software, and its net sales of 10,828 million yen account for 99.9% of consolidated net sales of 10,835 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."	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.

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.
- Plan and perform an audit of the consolidated financial statements in order to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit of the consolidated financial statements. 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, 2026.

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, 2026, 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 provisions of the Code of Professional Ethics in Japan (including requirements for auditing financial statements of public interest entities), and we have fulfilled our other ethical responsibilities as auditors. 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.
- Plan and perform an audit of internal controls in order to obtain sufficient and appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review 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 25, 2026

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 31st fiscal year starting from April 1, 2025 to March 31, 2026 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, 2026, 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 provisions of the Code of Professional Ethics in Japan (including requirements for auditing financial statements of public interest entities), and we have fulfilled our other ethical responsibilities as auditors. 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.

[Cover]

[Document Filed]	Internal Control Audit Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 25, 2026
[Company Name]	Digital Arts Inc.
[Title and Name of Representative]	Toshio Dogu, Representative Director, President and CEO
[Title and name of the Chief Financial Officer]	Not applicable.
[Location of Head Office]	1-5-1 Otemachi, Chiyoda-ku, Tokyo, Japan
[Place for Public Inspection]	Tokyo Stock Exchange, Inc.
	(2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

1. Matters Related to Basic Framework of Internal over Financial Reporting

Toshio Dogu, Representative Director, President and CEO, are responsible for establishing and maintaining internal control over financial reporting of Digital Arts Inc. (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Revision of the Standards and Practice Standards for published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable though the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2025. We made this assessment in accordance with the assessment standards for internal control over financial reporting may not completely prevent of detect misstatements.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated bases ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, equity-method associates and joint ventures, from the perspective of the materiality that may affect the reliability of our financial reporting.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2025
[Company Name]	Digital Arts Inc.
[Title and Name of Representative]	Toshio Dogu, Representative Director, President and CEO
[Title and name of the Chief Financial Officer]	Not applicable.
[Location of Head Office]	1-5-1 Otemachi, Chiyoda-ku, Tokyo, Japan
[Place for Public Inspection]	Tokyo Stock Exchange, Inc.
	(2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Toshio Dogu, Representative Director, President and CEO, confirmed that statements contained in the Annual Securities Report for the 30th fiscal year (from April 1, 2024 to March 31, 2025) were adequate under the Financial Instruments and Exchange Act.

2. Special Notes

Not applicable.