Management's Discussion and Analysis

D-BOX Technologies Inc.
Three and twelve month periods ended March 31, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS D-BOX Technologies Inc. Three and twelve month periods ended March 31, 2025

1 SCOPE OF THE MD&A

This Management's Discussion and Analysis ("MD&A") is intended to provide the reader with a better understanding of the activities of D-BOX Technologies Inc. and its subsidiaries, as well as key elements of its financial results. In particular, it explains changes in the Company's financial position and operating results for the three and twelve month periods ended March 31, 2025, by comparing them to the results of the corresponding periods of the previous fiscal year. It also presents a comparison of the balance sheets as at March 31, 2025 and March 31, 2024.

This MD&A has been prepared in accordance with National Instrument 51-102, Continuous Disclosure Obligations, and should be read in conjunction with the information included in the audited consolidated financial statements for the fiscal year ended March 31, 2025 and accompanying notes. Unless otherwise indicated, the terms "Company" and "D-BOX" refer to D-BOX Technologies Inc.

The consolidated financial statements for the fiscal year ended March 31, 2025, and this MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of the Company on June 10, 2025. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars.

2 FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Company, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Company's expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Company.

Forward-looking information is provided in this MD&A for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this MD&A is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Company's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Company's expectations expressed in or implied by the forward-looking information include, but are not limited to: international trade regulations; concentration of clients; dependence on suppliers; performance of content; exchange rate between the Canadian dollar and the U.S. dollar; ability to implement strategy; consumer preferences and trends; political, social and economic conditions; strategic alliances; credit risk; competition; access to content; technology standardization; future funding requirements; distribution network; indebtedness; global health crises; warranty, recalls and claims; dependence on key personnel and labour relations; legal, regulatory and litigation; intellectual property; security and management of information; and reputational risk through social media. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in the Company's annual information form for the fiscal year ended March 31, 2025, a copy of which is available on SEDAR at www.sedarplus.ca. Except as may be required by Canadian securities laws, the Company does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Company cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also have a material adverse effect on the Company's business, financial condition or results of operations.

3 CORPORATE OVERVIEW

D-BOX is a leader in the design of haptic and immersive experiences. D-BOX is at the forefront of innovation in the field, continually redefining the boundaries of haptic and immersive entertainment experiences. Our solutions involve the use of motion, vibration, and textures to stimulate the senses, offering a unique way to engage and stimulate the imagination. D-BOX has collaborated with companies in the entertainment, simulation, and training industries to deliver new ways to enhance great content. Our motion technology enhances a wide range of media, including movies, video games, virtual reality, music, and professional simulation. D-BOX's unique mastery of haptics provides the best possible synchronization of body movement with image and sound.

The harmonious integration of these three components ensures seamless synchronization between motion, visuals, and audio, elevating the entertainment experience to new heights:

1. Software haptic effects are programmed as a track, frame by frame, in the case of linear content, or programmed as a library for interactive content based on the content's specific telemetry.
2. A haptic processor serving as an interface between the content and the D-BOX haptic system can recognize the content being played, regardless of the source, and associate it with the appropriate D-BOX Haptic Code. It then enables the D-BOX haptic systems to be synchronized with the content.
3. The D-BOX haptic system, consists, amongst other things, of proprietary electromechanical actuators built into a seat, platform, or other type of equipment.

The Company's current revenue streams mainly consist of:

1. the sale or lease of D-BOX hardware including haptic actuators and haptic bases that are integrated by resellers, integrators, and equipment or seating manufacturers (known as original equipment manufacturers ("OEMs")) into chairs, recliners, seats, haptic controllers and electronic interfaces or servers, and market the D-BOX technology under their own brands;
2. the licensing of the D-BOX Haptic Code in theaters which are equipped with the D-BOX haptic systems to play content encoded by D-BOX. The Company also receives maintenance revenue relating to the use of these haptic systems.

As at March 31, 2025, D-BOX had 97 employees compared with 100 employees as at March 31, 2024.

3.1 Industry Overview

Theatrical customers

The theatrical industry continues to captivate audiences around the world. In 2024, the industry was valued at $72.7 billion USD, and experts project that it will register a compound annual growth rate (CAGR) of 5.3%[1] between 2025 and 2034. Technological advancements and premium experiences, such as the D-BOX experience, are key contributors to this industry's growth. These innovations offer audiences a more immersive cinematic experience, setting it apart from other entertainment options. The experience economy, fueled by millennials and younger generations, is a major driver of this growth, as is the rise of entertainment centers. D-BOX is strategically expanding its domestic presence in North America as well as internationally. The industry continues to invest in premium large-format screens, and other upgrades in seating, and immersive motion technology. While new module sales to this customer group are expected to remain essentially stable, with potential for modest growth, they may fluctuate quarter to quarter and year to year due to the variable nature of our business. This said, our cumulative footprint continues to grow, supporting our rights of use revenue stream.

The success of blockbuster releases is a pivotal factor in the theatrical industry's overall performance. Studios are shifting their focus towards a strategy of producing fewer, high-impact films. We believe this strategy aligns very well with the Company's value proposition in the theatrical industry.

Simulation and training customers

Simulation and training through haptics allows for the unique opportunity to improve safety by allowing operators to learn and practice new skills in a controlled environment without the risk of accidents, injuries, costly damage to expensive machinery and less environmental impact in many cases. The construction, automotive and military industries are three sectors in which the Company sees growth potential in simulation and training through haptics, and these sectors are reacting positively to the D-BOX haptic experience. Simulation and training revenues have grown steadily for D-BOX over the last three years, and market analysts' expectations for the overall industry are that it continue to grow.

Sim racing customers

Over the last few years, sim racing has transitioned from a niche game to a legitimate e-sport. Rising adoption of virtual training solutions for racing drivers to improve their driving skills is expected to be a key driver in the demand for racing simulators. With its haptic systems that are capable of reproducing textures, velocity, engine vibrations and dynamic vehicle motion, D-BOX has drawn the attention of several leading racing simulation partners who have chosen to integrate the D-BOX haptic systems into their simulators, including Kindred Concepts and Mercedes-Benz.

3.2 Business Strategy

The Company engages in business activities within a single operating segment. D-BOX sells its products to OEMs including integrators, resellers and distributors. As it relates specifically to system sales revenues, the Company analyzes and discusses performance across four customer groups; theatrical, simulation and training, sim racing and other customers. While D-BOX distributes the same products across all customer groups, it recognizes that these groups have a disproportionate effect on revenue and, as such, they discuss them separately.

[1] Per Global Market Insights (GMI): https://www.gminsights.com/industry-analysis/movie-theater-market

Theatrical customers include commercial theater circuits, theatrical OEMs, and studios. The simulation and training customer group includes OEMs and commercial entities that specialize in training professionals working in the automotive, transportation, logistics, aviation, and construction industries, along with certain military applications. Sim racing customers includes commercial entities focused on selling simulation racing rigs to the general public and certain professional racing teams. The other customers group includes all other sales to theme parks, arcades, museums, planetariums, video game peripherals and transportation costs.

Key components of the Company's business strategy in these customer groups are as follows:

- Increase market penetration in three key customer groups: theatrical, sim racing, and simulation and training;
- Continue to enhance and develop D-BOX's haptic motion technology in order to maintain our presence as a leader in immersive seated haptic experiences;
- Enter into business partnerships with market leaders in these customer groups to integrate the D-BOX haptic experience in their products and to commercialize new products and applications;
- Expand, drive growth and scale in existing customer groups by extending existing capabilities and infrastructure;
- Focus on operational excellence by controlling costs while continuing to provide leading haptic experiences.

3.3 Recent Events

U.S. tariffs

The U.S. administration imposed a minimum 145% tariff on certain Chinese imports, effective April 9, 2025. On May 14, 2025, the minimum tariff was reduced to 30%.

Under current trade interpretations, most of D-BOX's products are classified as Canadian-made and are not subject to these tariffs, even when incorporating Chinese components. A subset of our business, representing approximately 2% of D-BOX consolidated sales in fiscal 2025, have direct exposure to tariffs, being classified as Chinese-origin sim racing products sold directly to the U.S. However, resale by OEM partners increases indirect exposure. Due to limited visibility into the scale of these downstream sales, uncertainty remains regarding the Company's tariff risks accordingly. This may affect D-BOX demand, order volumes, and financial performance over time.

The Company continues to monitor evolving trade policies and assess their potential impact. While financially positioned to manage these risks and actively exploring mitigation strategies, there is no assurance these efforts will fully offset potential effects. Expansion of tariffs, new trade barriers, or changes in product classification could materially affect the Company's operations and results.

4 FINANCIAL AND OPERATING HIGHLIGHTS

Highlights for the three month period ended March 31, 2025

- Total revenues decreased 15% to $8.6 million compared with $10.2 million in the previous year.
- Rights for use, rental and maintenance revenues increased 5% to $2.2 million compared with $2.1 million in the previous year.
- System sales revenues decreased 21% to $6.4 million compared with $8.1 million in the previous year.
- Net profit remained stable at $0.7 million compared to the previous year.
- Adjusted EBITDA* increased to $1.6 million compared with $0.6 million in the previous year.
- Cash and cash equivalent was $7.8 million as at March 31, 2025 compared with $2.9 million as at March 31, 2024.
- Subsequent to year end, on June 4, 2025, the Company announced a change in CEO.

Highlights for the twelve month period ended March 31, 2025

- Total revenues increased 8% to $42.8 million compared with $39.6 million in the previous year.
- Rights for use, rental and maintenance revenues increased 27% to $11.0 million compared with $8.7 million in the previous year.
- System sales revenues increased 3% to $31.8 million compared with $30.9 million in the previous year.
- Net profit increased to $3.9 million compared with $1.1 million in the previous year.
- Adjusted EBITDA* increased 139% to $7.3 million compared with $3.1 million in the previous year.
- The Company paid off the remaining balance of its BDC loan, in a series of payments totaling $0.9 million.

	Three month periods ended March 31			Twelve month periods ended March 31		
	2025	2024	Var. (%)	**2025**	2024	Var. (%)
Revenues	**8,609**	10,179	(15)%	**42,787**	39,597	8 %
Net profit	**720**	585	23 %	**3,858**	1,058	265 %
Adjusted EBITDA*	**1,578**	620	155 %	**7,311**	3,056	139 %
Basic and diluted net profit per share	**0.003**	0.003	23 %	**0.017**	0.005	264 %
	As at March 31, 2025			**As at March 31, 2024**		
Cash and cash equivalents	**7,812**			2,916		

* See the "Non-IFRS Financial Performance Measures" in section 8.

5 OPERATING RESULTS

5.1 Revenues

The following table presents the revenue information for the three and twelve month periods ended March 31, 2025, compared with the corresponding period of the previous fiscal year:

	Three month periods				Twelve month periods			
	2025	2024	Var. ($)	Var. (%)	**2025**	2024	Var. ($)	Var. (%)
Revenues from								
System sales								
Theatrical	**992**	4,443	(3,451)	(78)%	**10,362**	11,305	(943)	(8)%
Simulation and training	**2,408**	1,635	773	47%	**8,606**	8,825	(219)	(2)%
Sim racing	**2,682**	1,290	1,392	108%	**10,020**	7,112	2,908	41%
Other	**286**	685	(399)	(58)%	**2,771**	3,656	(885)	(24)%
Total system sales	**6,368**	8,053	(1,685)	(21)%	**31,759**	30,898	861	3%
Rights for use, rental and maintenance	**2,241**	2,126	115	5%	**11,028**	8,699	2,329	27%
Total Revenues	**8,609**	10,179	(1,570)	(15)%	**42,787**	39,597	3,190	8%

Three month period ended March 31, 2025

For the three month period ended March 31, 2025, revenue decreased 15% to $8.6 million compared with $10.2 million for the corresponding period in the previous year which was largely due to a decrease in system sales among theatrical customers.

System sales to theatrical customers decreased 78% to $1.0 million compared to $4.4 million for the corresponding period in the previous year. The decline reflected a particularly strong prior-year comparison, which benefited from an exceptional concentration of sales in the final months of the year, and a stronger performance in international markets.

System sales revenue among simulation and training customers increased 47% to $2.4 million compared with $1.6 million for the corresponding period in the previous year. The increase was primarily due to a delay in fulfilling certain orders throughout the year, which were subsequently completed in the quarter. During the quarter, the Company began commercializing its new Canadian-made G3 flex product, primarily sold in this market, which also helped bolster sales in the quarter.

System sales revenue among sim racing customers increased 108% to $2.7 million compared with $1.3 million for the corresponding period in the previous year. The increase was largely due to growth among this customer group as well as strength of the US dollar in the current period as compared to the previous year.

System sales revenue among other customers decreased 58% to $0.3 million compared with $0.7 million for the corresponding period in the previous year. The decrease is due to the exiting of the direct to consumer market.

Right for use, rental and maintenance revenues increased by 5% to $2.2 million compared with $2.1 million for the corresponding period in the previous year. The increase is primarily due to the strong results from Captain America: Brave New World, Sonic the Hedgehog 3 and Mufasa: The Lion King in D-BOX, as compared to a weaker movie slate in the corresponding period in the previous year. The movie slate combined with favorable movements in currency exchange rates resulted in the overall increase in right for use, rental and maintenance revenues. It's important to consider that this right for use, rental and maintenance revenues performance is heavily influenced by seasonality of the movie industry, and that these results may not be replicated in the following quarters.

Twelve month period ended March 31, 2025

For the twelve month period ended March 31, 2025, revenue increased 8% to $42.8 million compared with $39.6 million for the corresponding period in the previous. The increase was largely due to the increase in rights for use, rental and maintenance revenues.

System sales to theatrical customers decreased 8% to $10.4 million compared to $11.3 million for the corresponding period in the previous year. The decrease is attributable to two multi-screen rollouts that occurred in the comparative period, which were not replicated in the current year. These two rollouts occurred in two different circuits: one in Latin America and the other in Australia. The slight deceleration in system sales in fiscal 2025 highlights the variable nature of our business. Nevertheless we continue to expand our footprint, strengthen our market presence and reinforce our leadership position among theatrical customers. With total active screens reaching 1,012 at year-end—an 9% increase over the prior year, supporting growth in our royalties.

System sales revenue among simulation and training customers decreased 2% to $8.6 million compared with $8.8 million for the corresponding period in the previous year. The decrease was primarily due to the delay of certain orders in anticipation for the launch of the G3 flex product.

System sales revenue among sim racing customers increased 41% to $10.0 million compared with $7.1 million for the corresponding period in the previous year. The increase was largely due to growth among this customer group, supported by continued expansion of sim racing centers, and our strengthened partnerships with Advanced Sim Racing and F1 Arcade, as well as strength of the US dollar in the current period as compared to the previous year.

System sales revenue among other customers decreased 24% to $2.8 million compared with $3.7 million for the corresponding period in the previous year. The decrease is due to the planned exit of the direct-to-consumer (DTC) hardware market announced February 2024, as part of our focus on the highest-performing commercial channels. Excluding this impact, total system sales for FY 2025 would have increased by over 10% year over year.

Right for use, rental and maintenance revenues increased 27% to $11.0 million compared with $8.7 million for the corresponding period in the previous year. The increase is attributable to two main factors: our growing global footprint (a 9% year over year increase in the number of screens) and the strong US dollar compared to the Canadian dollar (accounting for $0.3 million increase).

5.2 Gross Profit

The following table reconciles gross margin to gross profit for the three and twelve month periods ended March 31, 2025:

	Three month periods		Twelve month periods	
	2025	2024	**2025**	2024
Revenues	**8,609**	10,179	**42,787**	39,597
Gross profit	**4,661**	4,734	**22,327**	18,660
Gross margin*	**54%**	47%	**52%**	47%

* See the "Non-IFRS Financial Performance Measures" in section 8.

Three month period ended March 31, 2025

For the three month period ended March 31, 2025, gross profit remained stable at to $4.7 million compared to the corresponding period in the previous year.

For the three month period ended March 31, 2025, gross margin increased to 54% from 47% for the corresponding period in the previous year. The increase in gross margin is due to the higher proportion (market mix) of rights for use, rental and maintenance revenues and the favorable impact from currency exchange rates in the period as compared to the corresponding period in the previous year.

Twelve month period ended March 31, 2025

For the twelve month period ended March 31, 2025, gross profit increased to $22.3 million from $18.7 million for the corresponding period in the previous year. The increase is explained by the higher revenues and higher gross margin for the period ended March 31, 2025.

For the twelve month period ended March 31, 2025, gross margin increased to 52% from 47% for the corresponding period in the previous year. The increase in gross margin is due to the higher proportion (market mix) of rights for use, rental and maintenance revenues versus system sales revenues during the period as compared to the corresponding period in the previous year. Gross margin also saw an increase from the impact of exiting the lower-margin direct-to-consumer hardware market, previously announced in February 2024.

5.3 Operating Expenses

The following table presents operating expense information for the three and twelve month periods ended March 31, 2025, compared with the corresponding period of the previous fiscal year:

	Three month periods			Twelve month periods		
	2025	2024	Var. (%)	**2025**	2024	Var. (%)
Selling and marketing	**1,242**	1,681	(26)%	**6,595**	6,741	(2)%
% of revenues	14%	17%		15%	17%	
Administration	**1,328**	1,748	(24)%	**6,405**	6,743	(5)%
% of revenues	15%	17%		15%	17%	
Research and development	**1,099**	1,055	4%	**4,376**	3,942	11%
% of revenues	13%	10%		10%	10%	
Gain on disposal of assets	**–**	(478)	(100)%	**–**	(478)	(100)%
% of revenues	–%	(5)%		–%	(1)%	
Foreign exchange loss	**206**	46	348%	**615**	57	979%
% of revenues	2%	–%		1%	–%	
Total operating expenses	**3,875**	**4,052**	(4)%	**17,991**	17,005	6%
% of revenues	45%	40%		42%	43%	

Selling and Marketing: Selling and marketing expenses consist primarily of employee costs including share-based payments, professional fees, advertising and point-of-sale material expenses and attendance at trade shows. They also include expenses related to motion coding and other marketing expenses.

For the three month period ended March 31, 2025, selling and marketing expenses decreased by 26% to $1.2 million (14% of revenues) compared with $1.7 million (17% of revenues) for the corresponding period in the previous year. The decrease was due primarily to a temporary reduction of employee headcount, combined with reduced spending during the quarter on point-of-sales material expenses.

For the twelve month period ended March 31, 2025, selling and marketing expenses decreased by 2% to $6.6 million (15% of revenues) compared with $6.7 million (17% of revenues) for the corresponding period in the previous year. The decrease was due primarily to a temporary reduction of employee headcount.

Administration: Administration expenses consist primarily of employee costs including share-based payments, IT infrastructure costs, insurance costs, audit fees, professional fees and other general and administration expenses.

For the three month period ended March 31, 2025, administration expenses decreased by 24% to $1.3 million (15% of revenues) compared with $1.7 million (17% of revenues) for the corresponding period in the previous year. The decrease is due to a combination of factors, including reduction of board fees as a result of a decreased number of board members, reduced spending in IT, and a reduction in recruitment fees.

For the twelve month period ended March 31, 2025, administration expenses decreased by 5% to $6.4 million (15% of revenues) compared with $6.7 million (17% of revenues) for the corresponding period in the previous year. The decrease is due to a reduction of board fees as a result of a decreased number of board members and reduced spending in IT.

Research and Development: Research and development expenses mainly include costs related to employees including share-based payments, amortization of certain intangible assets, other costs associated with enhancements to existing products, and the cost of adapting products to various international standards, less investment tax credits.

For the three month period ended March 31, 2025, research and development expenses increased by 4% to $1.1 million (13% of revenues) from $1.1 million (10% of revenues) for the corresponding period in the previous year. For the twelve month period ended March 31, 2025, research and development expenses increased by 11% to $4.4 million (10% of revenues) from $3.9 million (10% of revenues) for the corresponding period in the previous year. In both cases the increase is due to projects related to the next generation of products and software development.

Gain on disposal of assets: Gain on disposal of assets consisted of a gain on the sale of an equity investment, recorded in other assets. For the three and twelve month periods ended March 31, 2025, the gain on disposal of assets amounted to nil, compared to $0.5 million for the corresponding periods in the previous year.

Foreign Exchange Loss: Foreign exchange loss results primarily from the fluctuation of the Canadian dollar relative to the U.S. dollar when translating U.S. dollar operations at the prevailing rate on the date of a transaction and the translation of U.S. dollar monetary assets and liabilities at the end-of-period rate. Foreign exchange loss includes the change in fair value of derivative financial instrument related to foreign exchange.

For the three and twelve month periods ended March 31, 2025, foreign exchange loss amounted to $0.2 million and $0.6 million, respectively, compared to immaterial and $0.1 million for the corresponding periods in the previous year, respectively.

Government assistance: For the three and twelve month periods ended March 31, 2025, the Company recognized government assistance from various governmental entities in the amount of $0.2 million and $0.5 million, respectively, compared to $0.2 million and $0.6 million for the corresponding periods in the previous year respectively.

5.4 Financial Expenses

For the three and twelve month periods ended March 31, 2025, financial expenses net of interest income amounted to $0.1 million and $0.5 million, respectively, compared with $0.1 million and $0.6 million for the corresponding period in the previous year, respectively. These reductions are due to a reduction in the variable interest rate in some of the Company's credit facilities, as well as, a reduced usage of the line of credit throughout the current year, as compared to the previous year.

5.5 Income Taxes

With respect to accounting for future income taxes, the Company has concluded that a valuation allowance equal to its future income tax assets should be recorded. Income tax expenses, when incurred, are related to D-BOX's international operations in different countries and different foreign rules of taxation.

5.6 Net Profit

Net profit for the three and twelve month periods ended March 31, 2025, amounted to $0.7 million (basic and diluted net profit per share of $0.003) and $3.9 million (basic and diluted net profit per share of $0.017), respectively, compared with $0.6 million (basic and diluted net profit per share of $0.003) and $1.1 million (basic and diluted net profit per share of $0.005) for the corresponding period in the previous year, respectively.

6 QUARTERLY DATA

Operating results for each of the past eight quarters are shown in the table below, FY 25 Q1 and FY 25 Q2 have been revised to reflect the impact of the amended lease recorded in the comparative period (see note 2 of the consolidated financial statements):

(Amounts are in thousands of Canadian dollars, except number of shares and per-share data)

	FY 2025				FY 2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
System sales	**6,368**	10,136	8,929	6,326	8,053	6,657	8,708	7,480
Rights for use, rental and maintenance	**2,241**	3,163	3,188	2,436	2,126	1,418	2,144	3,011
Total Revenues	**8,609**	13,299	12,117	8,762	10,179	8,075	10,852	10,491
Adjusted EBITDA*	**1,578**	2,565	2,905	263	619	90	1,092	1,257
Net profit (loss)	**720**	1,531	2,026	(419)	585	(425)	402	496
Basic and diluted net profit (loss) per share	**0.003**	0.007	0.009	(0.002)	0.003	(0.002)	0.002	0.002
Weighted average number of common shares outstanding	**220,757**	220,381	220,227	220,227	220,227	220,227	220,227	220,227
(in thousands)								

* See the "Non-IFRS Financial Performance Measures" in section 8.

7 LIQUIDITY, CAPITAL RESOURCES AND FINANCING SOURCES

The following table shows certain selected significant financial information from the consolidated balance sheets as at March 31, 2025 and March 31, 2024:

	As at March 31, 2025	**As at March 31, 2024**
Cash and cash equivalents	**7,812**	2,916
Inventories	**5,609**	7,188
Total assets	**28,423**	24,510
Total current liabilities	**7,655**	6,620
Total liabilities	**12,156**	12,415
Equity	**16,267**	12,095

Working capital increased $3.2 million to $13.4 million as at March 31, 2025, from $10.2 million as at March 31, 2024. This is due to an increase in cash flows provided by operations during the period, resulting in increased cash at March 31, 2025.

Inventory decreased $1.6 million to $5.6 million as at March 31, 2025, from $7.2 million as at March 31, 2024. This is due to the liquidation of older product generations and our customers' transition to our newer products, the G3 flex and G5 actuators. The Company's recent product offerings are designed to prioritize one size fits all volume sales, as opposed to the highly customizable product lines that were previously offered. This shift has resulted in decreased inventory levels as less components are kept on hand.

Current liabilities increased $1.0 million to $7.7 million as at March 31, 2025. The variation is attributable to the increase of derivative financial instruments of $0.4 million, partially offset by the decrease in the current portion of long-term debt. The increase in the derivatives is due to the increase in foreign exchange since March 31, 2024 affecting certain foreign exchange contracts. The remaining difference is attributable to the increase in deferred revenues from orders from customers not yet delivered as at year end. Total liabilities decreased $0.3 million due to the signature of a lease renewal during the comparative period, resulting in an increase of the lease liability of $3.6 million in the comparative period, along with a right-of-use asset in the same amount. As at March 31, 2025, long-term debt, including the current portion, stood at $1.2 million, versus $2.5 million as at March 31, 2024. The decrease is due to payments made to pay off the BDC debt which had variable interest affecting the Company's cash flows.

Equity increased $4.2 million to $16.3 million as at March 31, 2025, from $12.1 million as at March 31, 2024. The increase resulted mainly from the $3.9 million net profit for the period ended March 31, 2025.

The following table shows selected significant financial information for the twelve month periods ended March 31, 2025, compared with the corresponding period of the previous fiscal year:

	2025	2024
Cash flows provided by operating activities	**7,325**	3,125
Cash flows used in investing activities	**(1,165)**	(388)
Cash flows used in financing activities	**(1,413)**	(2,931)

For the twelve month period ended March 31, 2025, net change in cash and cash equivalents totaled $4.9 million cash generated compared to $0.2 million cash used for the corresponding period in the previous year.

7.1 Operating Activities

For the twelve month period ended March 31, 2025, cash flows provided by operating activities totaled $7.3 million compared with $3.1 million for the corresponding period in the previous year. This $4.2 million variance in cash flow from operating activities is mainly attributable to the $2.9 million increase in net profit as compared to the corresponding period in the previous year. The remaining difference is related to a weaker Canadian dollar against the US dollar, resulting in a mark-to-market loss on FX hedging instruments, as well as timing differences in changes to working capital items.

7.2 Investing Activities

For the twelve month period ended March 31, 2025, cash flows used in investing activities amounted to $1.2 million compared with $0.4 million for the corresponding period in the previous year. The increase in cash used is due to the disposal of other assets of $0.5 million in the previous year as well as $0.4 million increase to cash used in the acquisition of property and equipment in the current year.

7.3 Financing Activities

For the twelve month period ended March 31, 2025, cash flows used in financing activities amounted to $1.4 million compared with $2.9 million for the corresponding period in the previous year. The decrease in cash used is due to a reduction of repayments of the credit facility and long-term debt in the current year.

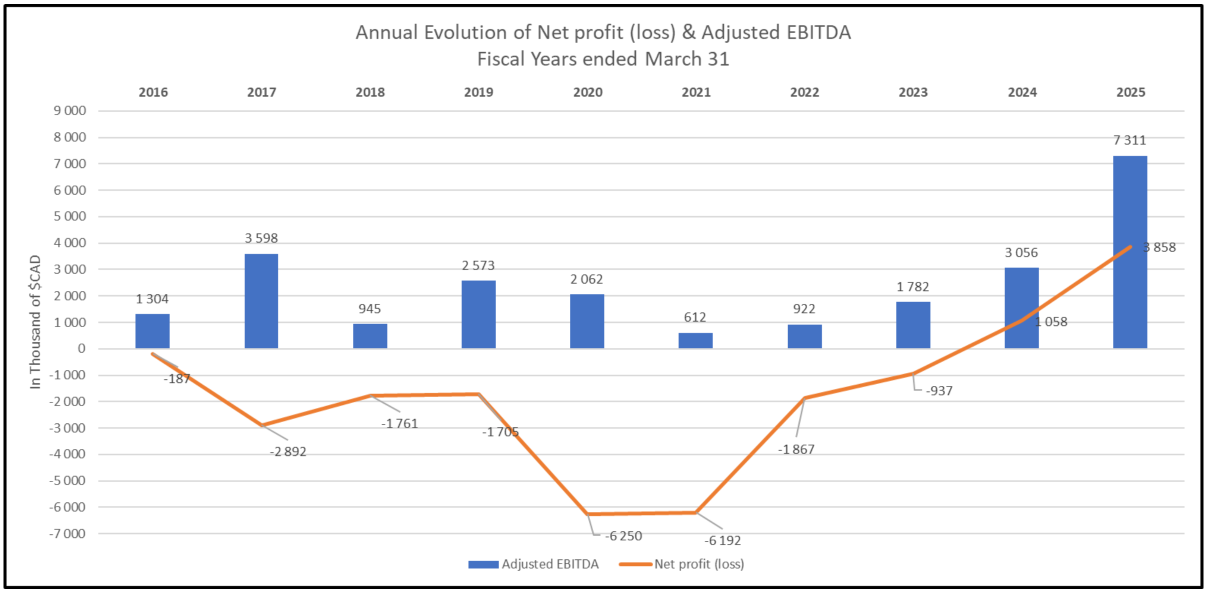
As at March 31, 2025, the effective interest rate of long-term debt was 2.32% (11.05% as at March 31, 2024). For the twelve month period ended March 31, 2025, the interest expense on long-term debt charged to net profit amounted to $0.1 million compared with $0.2 million for the corresponding period in the previous year.

8 NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance. The two non-IFRS performance measures are described as follow:

1 EBITDA represents earnings before interest and financing, income taxes and depreciation and amortization. Adjustments to EBITDA are for items that are not necessarily reflective of the Company's underlying operating performance. As there is no generally accepted method of calculating EBITDA, this measure is not necessarily comparable to similarly titled measures reported by other issuers. Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. The following table reconciles adjusted EBITDA to net profit:

	Three month periods		**Twelve month periods**	
	2025	2024	**2025**	2024
Net profit	**720**	585	**3,858**	1,058
Amortization of property and equipment	**320**	191	**1,216**	1,039
Amortization of intangible assets	**151**	149	**567**	720
Gain on disposal of assets	**–**	(478)	**–**	(478)
Financial expenses	**61**	97	**452**	590
Income taxes	**5**	–	**26**	7
Share-based payments	**143**	30	**200**	63
Foreign exchange (gain) loss	**206**	46	**615**	57
Restructuring costs	**(28)**	–	**377**	–
Adjusted EBITDA	**1,578**	620	**7,311**	3,056



2 Adjusted EBITDA margin is used to evaluate the Company's capacity to generate adjusted EBITDA. The calculation is performed by dividing adjusted EBITDA by total revenues.

3 Gross margin is used to evaluate the Company's capacity to generate funds through product sales by considering the cost of these products (see the reconciliation table in section 5.2).

9 FULLY DILUTED SHARE CAPITAL (JUNE 10, 2025)

	Class A common shares
Class A common shares outstanding	221,939,573
Convertible instruments	
Stock-options outstanding	4,429,500
	226,369,073

10 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG") STRATEGY

The Company is committed to conducting its business in an ethical, legal and socially responsible manner, with an ever more responsible approach by promoting, accelerating, and facilitating the integration of sustainable development principles into its business model.

ESG matters are interwoven with each other and must be addressed by all responsible corporate citizens. The Company recognizes that ESG has gained a greater importance among investors, policymakers, and other key stakeholders because it is seen as a way to safeguard businesses from future risks. The three pillars of ESG for D-BOX are as follows:

'E' or Environmental pertains to the Company's energy use, waste, pollution, and natural resource conservation;

'S' or Social looks at how the Company interacts with communities where it operates, and the Company's internal policies related to labour, diversity and inclusion policies, among others;

'G' or Governance relates to internal practices and policies that lead to effective decision making and legal compliance. ESG facilitates the Company's top-line growth in the long run, attracts talent, reduces costs, and forge a sense of trust amongst consumers.

D-BOX has taken a proactive approach by adopting policies and behaviours pertaining to environment and sustainability, wellbeing, diversity and ethics. These policies and behaviours are described in the Annual Information Form (AIF) dated June 10, 2025, which is available on www.sedarplus.ca.

11 SIGNIFICANT JUDGEMENTS AND ESTIMATES

Significant judgements and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that could affect the amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In connection with the application of the Company's accounting policies, management has made the following judgments, which have the most material impact on the carrying amounts of assets and liabilities reported in the consolidated financial statements.

Leases

The Company is involved in the rental of motion systems as a lessor. The Company has determined, based on its assessment of the terms and conditions of agreements, such as lease term and minimum lease payments, that it may or may not retain substantially all the risks and rewards of ownership of the systems for its lease contracts. Accordingly, the Company has accounted for these agreements as operating or finance leases, as deemed appropriate.

Intangible assets

Development costs related to D-BOX motion technology are capitalized in accordance with the accounting policy described in note 3.12 of the consolidated financial statements. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, the expected period of benefits and forecasted revenues.

Estimates

The underlying estimates and assumptions are based on past experience and other factors deemed reasonable in view of the circumstances. Accordingly, they provide a basis for judgments made in determining the carrying amounts of assets and liabilities.

The final amounts appearing in the Company's future consolidated financial statements may differ from the amounts currently estimated. These estimates and assumptions are reviewed on an ongoing basis. The main estimates used concern the impairment of non-financial assets as well as the provision for expected credit losses.

Impairment of non-financial assets

Impairment of non-financial assets exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of fair value less cost of disposal is based on available data from sales transactions involving similar assets in arms-length exchanges and observable market prices less incremental costs to dispose of the asset.. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the Company's forecast and strategic plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, the expected future cash flows and the perpetual growth rate used for extrapolation.

Provision for expected credit losses of trade accounts receivables

The Company uses a provision matrix to calculate expected credit losses ["ECLs"] for trade accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns [i.e., by geography, customer type and rating, and coverage by credit insurance]. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade accounts receivables is disclosed in note 4 of the consolidated financial statements.

Determination of the incremental borrowing rate used to measure lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Recognition of deferred tax benefits

Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded in the statement of financial position to date, if any, could be impacted.

12 FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk due to fluctuations in interest rates on cash, cash equivalents, and short-term investments that earn interest at market rates and its variable interest rate on the credit facility and the long-term debt. The Company does not use derivative instruments to reduce its exposure to interest rate risk. On an annual basis, a 1% change in interest rates would have had a $75 impact on net profit for the year ended March 31, 2025 [impact of $24 for the year ended March 31, 2024].

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

Credit risk

The Company is exposed to credit losses arising from payment defaults by third parties. The Company evaluates the creditworthiness of its clients to limit the amount of credit extended, where appropriate, and establishes an allowance for expected credit losses sufficient to cover probable and reasonably estimated losses. Furthermore, the Company generally insures its trade accounts receivable balances with Export Development Canada. As at March 31, 2025, three clients accounted for 39% of total trade accounts receivable and 33% of trade accounts receivable were 96% insured [as at March 31, 2024, three clients accounted for 30% of total trade accounts receivable and 26% of trade accounts receivable were 90% insured]. Historically, the Company has never written off a significant amount of trade accounts receivable. Outstanding trade accounts receivable over 90 days past due stood at 7% as at March 31, 2025 [17% as at March 31, 2024]. The Company allowance for expected credit losses amounted to $254 as at March 31, 2025 [$225 as at March 31, 2024]. Accounts receivable included investment tax credits, commodity taxes and government assistance receivables, which are receivable from the government and not exposed to significant credit risk. Cash and cash equivalents are mainly held with a limited number of Canadian chartered banks.

Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents, trade accounts receivable, short-term deposits, and accounts payable denominated in U.S. dollars. As at March 31, 2025, financial assets, consisting primarily of cash, trade accounts receivable and deposits denominated in U.S. dollars, totaled US$1,533, US$3,311 and US$125 respectively [US$1,769, US$2,834 and US$107, respectively, as at March 31, 2024], and financial liabilities, consisting of accounts payable denominated in U.S. dollars totaled US$1,680 [US$1,263 as at March 31, 2024]. As at March 31, 2025, a 10% increase or decrease in the exchange rate between the U.S. dollar and the Canadian dollar would have had a $473 impact on net profit [$466 as at March 31, 2024].
Moreover, the Company uses derivative financial instruments to mitigate foreign exchange risk. The Company elected not to apply hedge accounting. However, the Company considers that those derivative instruments partially hedge the foreign exchange risk related to those transactions. As at March 31, 2025, the Company held foreign exchange contracts with a nominal value ranging from US$6,200 to US$6,700 [from US$5,600 to US$6,425 as at March 31, 2024], allowing it to sell U.S. currency at a Canadian dollar exchange rate ranging from 1.3580 to 1.4000 [1.3200 to 1.3720 as at March 31, 2024] maturing from April 2025 to May 2026 [April 2024 to February 2025 as at March 31, 2024].

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages its liquidity to allow for the settlement of liabilities when they become due by continuously monitoring actual and expected cash flows. In past years, the Company financed its liquidity needs primarily by issuing debt and equity securities. The Company believes that it has sufficient liquidity to meet its working capital obligations and carry on its business for the next twelve months.

As at March 31, 2025, the Company's financial liabilities which had contractual maturities of under one year consisted of its accounts payable and accrued liabilities, derivative financial instruments, current portion of lease liabilities and current portion of long-term debt amounting to $6,493 [$5,908 as at March 31, 2024 - revised]. Non-current contractual liabilities included lease liabilities amounting to $3,581 [$3,831 as at March 31, 2024 – see note 13 for the maturity of lease payments] and long-term debt amounting to $920 [$1,964 as at March 31, 2024 – see note 14 for the maturity of debt payments]. As required under the terms of the amended office lease agreement, for the renovation project undertaken by the Company, it provided a $375,000 letter of credit with NBC to the lessor. The letter of credit expires April 30, 2025.

Fair value risk

The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair value of long-term debt bearing interest at a variable rate approximates its carrying value because the terms and conditions are comparable to current market terms and conditions.

The fair value of long-term debt bearing interest at a fixed rate is determined using the net present value of principal contractual payment discounted using a rate of 10% and represents an amount of approximately $1,072.

13 RISK AND UNCERTAINTIES

We operate in an industry which presents many risks and uncertainties. Due to the international nature of our business, we are exposed to political, economic, and regulatory changes that could impact our future revenue, costs, expenses, and overall financial condition. Our performance is highly sensitive to global economic conditions and the demand for technology hardware and software, along with continued access to the markets in which we operate. Adverse macroeconomic conditions—such as changing tariff structures, interest rates, or recessionary concerns —could negatively affect our financial performance.

Investors should carefully analyze the following risk factors in addition to the other information contained in our Annual Information Form. These risks and uncertainties are not the only ones that could affect the Company. Further risks and uncertainties that are currently unknown or that the Company deems immaterial could potentially have an impact on the commercial activities of the Company and lower the price of its shares. The materialization of any of the following risks may have an impact on the activities of the Company and a negative impact on its financial position and operating results. In that event, the price of the Company's shares may decrease.

1. International Trade Regulations
2. Concentration of Clients
3. Dependence on Suppliers

4. Exchange Rate between the Canadian Dollar and U.S. Dollar
5. Ability to Implement Strategy
6. Consumer Preferences and Trends
7. Political, social, and economic conditions
8. Strategic Alliances
9. Competition
10. Access to Content
11. Technology Standardization
12. Future Funding Requirements
13. Indebtedness
14. Global Health Crises
15. Warranty, Recalls and Claims
16. Dependence on Key Personnel and Labour Relations
17. Legal, Regulatory and Litigation
18. Intellectual Property
19. Reputational Risk through Social Media

See section 3.3 "Recent Events" for a discussion on the tariffs imposed by the U.S. administration and related risks and uncertainties.

For a detailed description of risk factors associated with the Company, please refer to the "Risk Factors" section of the Company's the Annual Information Form (AIF) dated June 10, 2025, which is available on www.sedarplus.ca. This document should be read together with such risk factors described in the 2025 AIF, which are hereby incorporated by reference.

14 CONTINGENCY

In the normal course of business, the Company may be party to lawsuits and other claim proceedings. It is management's opinion that any resulting settlement would not have a material impact on the Company's financial position or operating results.

15 DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certifications signed by the President and Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to the President and Chief Executive Officer and the Chief Financial Officer, particularly during the period in which annual filings are being prepared. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures and concluded, based on their evaluation, that such disclosure controls and procedures were effective as of March 31, 2025.

Management has also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's internal control over financial reporting and concluded, based on their evaluation, that such controls were effective as of March 31, 2025.

Finally, there has been no change in the Company's internal control during the financial year beginning April 1, 2024 and ended March 31, 2025 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

16 CONTINUOUS INFORMATION AND ADDITIONAL DISCLOSURE

This MD&A was prepared as at June 10, 2025. Additional information can be found on the SEDAR website at www.sedarplus.ca.

The trademarks D-BOX, HAPTICODE, HAPTISYNC, FEEL IT ALL, MOVE THE WORLD, LIVE THE ACTION, HEMC and D-BOX MOTION CODE, whether in text or graphical form, are owned by the Company and in most cases are registered or in the process of being registered in Canada and in the countries or territories in which these trademarks are used.

All aspects of the D-BOX haptic effects are protected by copyright.