



Consolidated Financial Results for the Fiscal Year Ended March 31, 2023
[Japan GAAP]

May 9, 2023

Tokyo Stock
Exchange Prim
Market

Name of listed company: Digital Arts Inc.

Listed on:

Securities code: 2326

URL <https://www.daj.jp>

Representative: (Title) Representative Director,
President and CEO (Name) Toshio Dogu

Contact: (Title) General Manager of the
Administration Department (Name) Isao Konishi TEL: 03-5220-6045

Scheduled date to hold the
ordinary general meeting of
shareholders: June 23, 2023 Scheduled date to start
dividends distribution: June 26, 2023

Scheduled date for filing
annual financial report: June 26, 2023

Preparation of supplementary explanatory
documents for quarterly results : Yes

Holding of quarterly results briefing : Yes (for institutional investors and financial analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated financial results for the year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated operating results (Percentage figures represent changes from previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2023	10,436	15.3	4,413	7.0	4,429	7.1	3,062	5.6
Year ended March 31, 2022	9,051	32.6	4,126	38.6	4,135	38.2	2,900	40.8

(Note) Comprehensive income: Year ended March 31, 2023 3,067 million yen (5.4 %) Year ended March 31, 2022 2,910 million yen (41.1%)

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	218.12	213.92	23.3	21.9	42.3
Year ended March 31, 2022	206.71	202.03	26.2	24.2	45.6

(Refer Equity-method investment profit (loss): Year ended March 31, 2023 — million yen Year ended March 31, 2022 — million yen)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	21,149	14,173	66.9	1,007.27
As of March 31, 2022	19,341	12,159	62.7	863.96

(Refer Equity capital: As of March 31, 2023 14,141 million yen As of March 31, 2022 12,129 million yen)

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2023	3,147	(867)	(1,051)	17,018
Year ended March 31, 2022	6,169	(978)	(810)	15,773

2. Dividends

	Annual dividends					Total dividends paid (annual) million yen	Payout ratio (consolidated) %	Dividends to net assets (consolidated) %
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
Year ended March 31, 2022	Yen —	Yen 30.00	Yen —	Yen 40.00	Yen 70.00	982	33.9	8.9
Year ended March 31, 2023	—	35.00	—	40.00	75.00	1,052	34.4	8.0
Year ending March 31, 2024 (forecast)	—	40.00	—	40.00	80.00		31.6	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentage figures represent changes from same period of previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	11,500	10.2	5,150	16.7	5,150	16.3	3,550	15.9	252.86

* Notes

(1) Changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation) : None

New - (Company name),

Excluding - (Company name)

(2) Changes in accounting policies, changes of accounting estimates and restatement

1) Changes in accounting policies due to revisions of accounting standards, etc. : None

2) Changes in accounting policies due to reasons other than those stated in 1) : None

3) Changes in accounting estimates : None

4) Restatement “ None

((3) Number of shares outstanding (common stock)

1) Number of shares issued and outstanding (including treasury shares)	As of March 31, 2023	14,133,000shares	As of March 31, 2022	14,133,000shares
2) Number of treasury shares	As of March 31, 2023	93,833shares	As of March 31, 2022	93,731shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2023	14,039,205shares	Year ended March 31, 2022	14,034,190shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated operating results (Percentage figures represent changes from previous year.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2023	8,984	12.3	4,395	8.8	4,407	8.8	3,048	7.6
Year ended March 31, 2022	8,003	31.8	4,040	37.1	4,052	36.7	2,832	38.5

	Profit per share		Diluted profit per share	
	Yen		Yen	
Year ended March 31, 2022	217.15		212.97	
Year ended March 31, 2021	201.83		197.26	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of March 31, 2023	20,780		14,091		67.8		1,002.92	
As of March 31, 2022	19,138		12,097		63.1		860.82	

(Reference) Equity capital: As of March 31, 2023: 14,080million yen As of March 31, 2022: 12,085million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2024 (April 1, 2022 – March 31, 2024)

(Percentage figures represent changes from previous year for full year figures.)

	Net sales		Ordinary profit		Profit		Profit per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	
Full year	10,000	11.3	5,000	13.4	3,450	13.2	245.74	

※ Summaries of financial results are not subject to audit.

※ Explanation concerning the appropriate use of financial result forecasts and other special notes

(Forward looking statements)

Business forecasts and other forward-looking statements in this material contain predictions based on future assumptions, outlooks and plans as of the date of publication of this material. The Company does not warrant the accomplishment of the forecasts. Actual results may differ significantly from the forecasts due to risks and uncertain factors associated with the world economy, the state of competition, and fluctuations in foreign exchange rates and interest rates.

For matters relevant to business forecasts, refer to (4) Outlook in 1. Overview of Business Results, Etc. on page 5 of the Attached Document.

(Obtaining the Supplementary Material for the Financial Results)

The material is available at Digital Arts Inc. corporate website.

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1. Overview of Business Results, Etc.

(1) Overview of business results in the fiscal year under review

During the consolidated fiscal year under review (April 1, 2022 through March 31, 2023), the Japanese economy saw a mild rally in economic activities following the gradual easing of the activity restrictions that had been applied during the COVID-19 pandemic. However, the outlook for the economy remains uncertain, chiefly reflecting the persistent conflict in Ukraine and rising prices of goods attributable to the sharp weakening of the yen against the U.S. dollar.

In the security industry, in which the Digital Arts Group (the "Group") operates, cyber attacks diversified and intensified, including ransomware, Emotet and Agent Tesla, which is remote control malware that steals confidential information from keyboard operations. That expanded demand for security products. Not only among large companies but also at small and medium enterprises that lag behind in security measures, demand for newly introducing security products is expanding.

In this situation, the Company enhanced the linkage and features of its mainstay products of i-FILTER, m-FILTER and FinalCode and added a broad array of security solutions to them in response to mounting needs for comprehensive security. It also worked hard to promote its original next-generation Secure Web Gateway (SWG).

In addition to the White Operation that the Company has long been proposing, it released Anti-Virus & Sandbox to steadily achieve an increase in orders. This is a new option for secure file downloads and reception from secure websites and email messages to improve the level of security. It also performs real-time judgment of malware and paves the way for centralized control logs for greater convenience. To minimize the damage from cyberattacks, the Security Operation Center (SOC), the Endpoint Detection and Response (EDR) and other solutions for detecting and responding to incidents are of increasing significance. In light of that, the Company released the D Alert Reporting Service as a new low-cost option for the swift detection of incidents for customers facing difficulties in hiring personnel or security cost issues. The Company has thus entered the market of incident detection and response solutions.

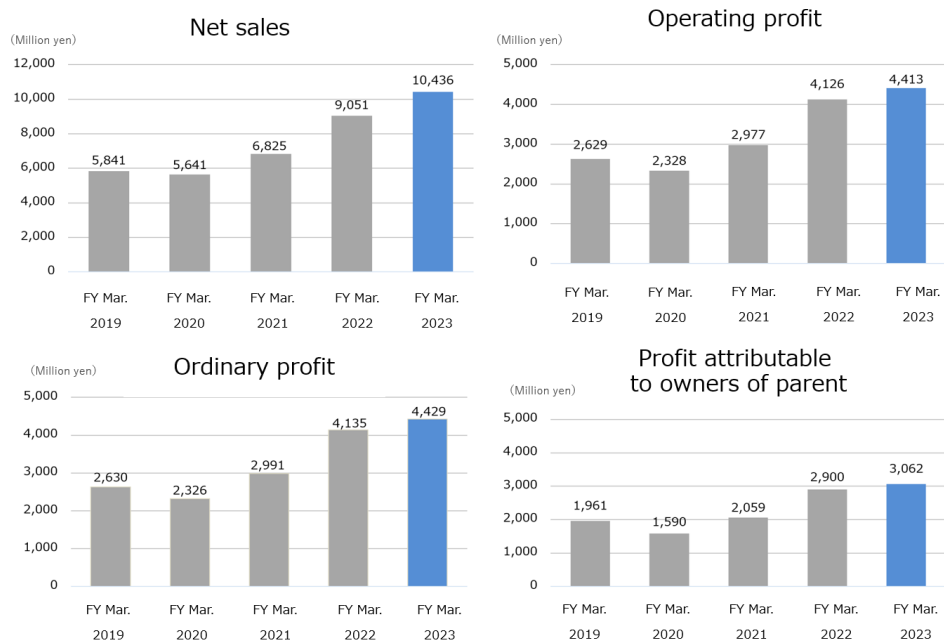
Moreover, damage caused by phishing, which sends email or uses other means to direct users to fake websites, is on the increase, as well as that arising from unknown threats and malicious files. Phishing websites look so similar to websites of financial institutions and online shopping websites that it can be very difficult to tell them apart. To protect from the threats of these phishing websites, the i-FILTER@Cloud was newly equipped with a credential protection function to provide customers with a higher security level. This function uses the Company's original technology that allows credential information to be sent to URLs, only those confirmed to be secure, while blocking transmission to any website that is not confirmed to be secure. As a result of these measures, the number of licenses for use of the White Operation that the Company independently promotes increased by 1.66 million during the consolidated fiscal year under review to 11.68 million.

As a result of the above, consolidated net sales for the fiscal year under review amounted to 10,436 million yen (up 15.3% year on year), operating profit reached 4,413 million yen (up 7.0% year on year), ordinary profit came to 4,429 million yen (up 7.1% year on year), and profit attributable to owners of parent was 3,062 million yen (up 5.6% year on year).

Overview of Consolidated Business Results

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Change	% Change
Net sales	9,051	10,436	+1,384	+15.3
Operating profit	4,126	4,413	+286	+7.0
Ordinary profit	4,135	4,429	+293	+7.1
Profit attributable to owners of parent	2,900	3,062	+161	+5.6



The following describes business performance in separate markets.

Enterprise Sector Market

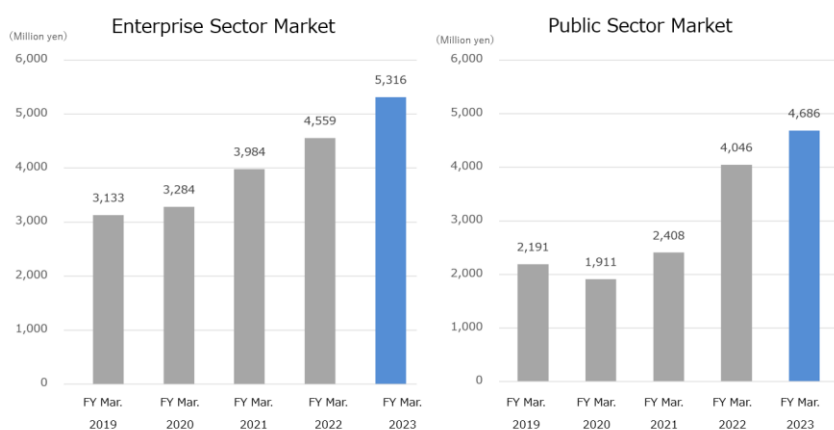
In the enterprise sector market, to meet demand for total security, the Group gained new projects by adding antivirus functions and sandbox functions as new options to i-FILTER and m-FILTER. Sales of m-FILTER increased steadily as a result of the high marks it has earned for its functions of tackling the PPAP (sending a Zip file protected by a password by e-mail and sending the password by a separate e-mail) and dealing with targeted attacks, including attacks using Emotet. In addition, net sales for Digital Arts Consulting Inc., a subsidiary offering security consulting services, increased with a progress achieved in new customer acquisition in line with greater corporate demand for cybersecurity and digital transformation (DX) consulting.

As a consequence, net sales in this market reached 5,316 million yen, up 16.6% year on year.

Public Sector Market

In the public sector market, the Group recorded sales from projects related to the GIGA School Concept, which ran from before the previous fiscal year and which focused on proposing solutions to support local government efforts to strengthen security measures that were ramped up from the fiscal year under review. As a result, sales of the i-FILTER and m-FILTER series grew as brisk orders were won from local governments.

As a consequence, net sales in this market stood at 4,686 million yen, up 15.8% year on year.



Consumer Sector Market

In the consumer sector market, the Group focused on collaborating with mobile network carriers and MVNOs and on sales of i-FILTER for Multiple Devices, which can be used on multiple operating systems using a single serial ID.

As a consequence, net sales in this market amounted to 433 million yen, down 2.6% year on year.

(2) Overview of financial position for the fiscal year under review

(Assets)

Total assets in the consolidated fiscal year under review increased 1,807 million yen from the end of the previous fiscal year to 21,149 million yen. This was due mainly to an increase of 1,245 million yen in cash and deposits.

(Liabilities)

Total liabilities in the consolidated fiscal year under review declined 205 million yen from the end of the previous consolidated fiscal year to 6,975 million yen. This was due mainly to a decrease of 496 million yen in advances received.

(Net assets)

Net assets in the consolidated fiscal year under review climbed 2,013 million yen from the end of the previous consolidated fiscal year, to 14,173 million yen. This was mainly due to an increase in retained earnings due to the recording of profit attributable to owners of parent, which outweighed a decrease in dividends paid.

(3) Overview of cash flows in the fiscal year under review

In the consolidated fiscal year under review, cash and cash equivalents increased 1,245 million yen from the end of the previous consolidated fiscal year to 17,018 million yen. Cash flows in each category are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities stood at 3,147 million yen (net cash provided of 6,169 million yen in the previous consolidated fiscal year), chiefly reflecting profit before income taxes of 4,430 million yen, depreciation of 884 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 867 million yen (978 million yen in the previous fiscal year), mainly due to the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 1,051 million yen (810 million yen in the previous fiscal year), primarily due to dividends paid.

The table below shows trends of cash flow indicators.

	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022	As of March 31, 2023
Equity ratio (%)	79.7	67.6	62.7	66.9
Equity ratio based on market value (%)	603.2	915.0	538.6	338.5

1. The methods to calculate the indicators are as follows:

a) Equity ratio: Equity capital / Total assets

b) Equity ratio based on market value: Market capitalization / Total assets

(Market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by the number of issued shares (excluding treasury shares).)

2. Each indicator is calculated based on consolidated financial numbers.

(4) Outlook

The outlook for the next fiscal year (April 1, 2023 to March 31, 2024) is as follows:

In the security industry where the Group operates, with the growth of the online space, cyberattacks are becoming increasingly diverse and sophisticated. As a result, businesses, public organizations and households are constantly exposed to security threats. Needs for comprehensive security are expected to continue to grow in the future. In the second year of its medium-term business plan for the period ending March 31, 2025, the Group will speed up its endeavors in three priority areas, namely steady organic growth, expansion of security products and services, and drawing attention to high expertise at Digital Arts Consulting Inc. The Company will continue to spread its mainstay products by adding new functions that act as next-generation SWG. They include the cloud access security broker (CASB) function added to the i-FILTER@Cloud. It visualizes the state of use of the cloud service and allows it to be controlled. The Company will also introduce a new product using its original authentication technology, StartIn, to the fast-growing IDaaS (authentication) market as it seeks to enhance the lineup of products meeting needs for comprehensive security. In addition, as a service for realizing the vision of creating new value and increasing demand stated in the medium-term business plan, the Company will release a new communications tool product called Desk in the next fiscal year ahead of the schedule set out in the initial plan. Digital Arts Consulting will differentiate its services and stress its expertise in order to increase its profit margin and to seek greater revenue.

As the Group pursues those initiatives, it expects to post net sales of 11,500 million yen, ordinary profit of 5,150 million yen, and profit attributable to owners of parent of 3,550 million yen in the next consolidated fiscal year, up 10.2%, 16.3% and 15.9%, respectively, year on year.

The Company has determined the results forecasts based on information available on the day of publication of these financial results for the fiscal year ended March 31, 2023. Actual results may differ from the forecasts due to a variety of factors. If there are any significant changes, the Company will disclose them appropriately.

Results forecasts for the next fiscal year (consolidated)

	Net sales	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen
Year ending March 31, 2024 (forecast)	11,500	5,150	3,550
Year ended March 31, 2023 (results)	10,436	4,429	3,062

Results forecasts for the next fiscal year (non-consolidated)

	Net sales	Ordinary profit	Profit
	Million yen	Million yen	Million yen
Year ending March 31, 2024 (forecast)	10,000	5,000	3,450
Year ended March 31, 2023 (results)	8,984	4,407	3,048

(Figures shown are rounded down to the nearest million yen.)

Note: The forecasts above are based on information available on the day of publication of these financial results for the fiscal year ended March 31, 2022. Actual results may be different from the forecasts due to a variety of factors.

2. Basic Approach to Selection of Accounting Standards

The Group will prepare consolidated financial statements based on the Japan GAAP for some time to come, considering a comparison with consolidated financial statements for the previous fiscal year and with financial statements of other companies. The Group will make an appropriate decision about the application of the International Financial Reporting Standards (IFRS), considering circumstances in Japan and overseas.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated balance sheet

(Million yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	15,773	17,018
Notes receivable - trade	74	148
Accounts receivable - trade	1,142	1,426
Finished goods	0	19
Supplies	3	3
Other	111	309
Total current assets	17,105	18,925
Non-current assets		
Property, plant and equipment		
Buildings	220	220
Accumulated depreciation	(132)	(136)
Buildings, net	88	83
Vehicles	18	18
Accumulated depreciation	(9)	(13)
Vehicles, net	8	5
Tools, furniture and fixtures	493	506
Accumulated depreciation	(409)	(412)
Tools, furniture and fixtures, net	83	93
Land	26	26
Total property, plant and equipment	206	209
Intangible assets		
Software	1,317	1,264
Other	209	243
Total intangible assets	1,526	1,508
Investments and other assets		
Investment securities	101	101
Deferred tax assets	96	116
Other	304	288
Total investments and other assets	503	506
Total non-current assets	2,236	2,223
Total assets	19,341	21,149

(Million yen)

	Fiscal 2022 (As of March 31, 2022)	Fiscal 2023 (As of March 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	44	238
Income taxes payable	760	839
Provision for bonuses	95	156
Advances received	5,684	5,187
Other	546	502
Total current liabilities	7,130	6,924
Non-current liabilities		
Asset retirement obligations	48	48
Other	1	1
Total non-current liabilities	50	50
Total liabilities	7,181	6,975
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	953	953
Retained earnings	10,758	12,768
Treasury shares	(307)	(308)
Total shareholders' equity	12,118	14,127
Accumulated other comprehensive income		
Foreign currency translation adjustment	11	14
Total accumulated other comprehensive income	11	14
Share acquisition rights	12	11
Non-controlling interests	17	20
Total net assets	12,159	14,173
Total liabilities and net assets	19,341	21,149

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

Consolidated statement of income

(Million yen)

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Net sales	9,051	10,436
Cost of sales	2,676	3,666
Gross profit	6,374	6,769
Selling, general and administrative expenses	2,248	2,356
Operating profit	4,126	4,413
Non-operating income		
Interest income	0	0
Foreign exchange gains	6	12
Gain on forfeiture of unclaimed dividends	1	1
Miscellaneous income	0	1
Total non-operating income	8	15
Ordinary profit	4,135	4,429
Extraordinary income		
Gain on reversal of share acquisition rights	1	1
Gain on sales of non-current assets	0	—
Total extraordinary income	1	1
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	4,136	4,430
Income taxes – current	1,203	1,385
Income taxes – deferred	26	(19)
Total income taxes	1,229	1,365
Profit	2,906	3,064
Profit attributable to non-controlling interests	5	2
Profit attributable to owners of parent	2,900	3,062

Consolidated statement of comprehensive income

(Million yen)

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Profit	2,906	3,064
Other comprehensive income		
Foreign currency translation adjustment	3	2
Total other comprehensive income	3	2
Comprehensive income	2,910	3,067
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,904	3,065
Comprehensive income attributable to non-controlling interests	5	2

(3) Consolidated statement of changes in equity

Fiscal 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Share capital	Capital surplus	Share capital	Capital surplus	Share capital			
Balance at beginning of period	713	963	8,699	(342)	10,034	7	7	8	12	10,062
Changes during period										
Dividends of surplus			(841)		(841)					(841)
Profit attributable to owners of parent			2,900		2,900					2,900
Disposal of treasury shares		(9)		35	25					25
Purchase of treasury shares				(0)	(0)					(0)
Net changes in items other than shareholders' equity						3	3	3	5	13
Total changes during period	—	(9)	2,059	34	2,084	3	3	3	5	2,097
Balance at end of period	713	953	10,758	(307)	12,118	11	11	12	17	12,159

Fiscal 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Share capital	Capital surplus	Share capital	Capital surplus	Share capital			
Balance at beginning of period	713	953	10,758	(307)	12,118	11	11	12	17	12,159
Changes during period										
Dividends of surplus			(1,052)		(1,052)					(1,052)
Profit attributable to owners of parent			3,062		3,062					3,062
Purchase of treasury shares				(0)	(0)					(0)
Net changes in items other than shareholders' equity		0			0					0
Total changes during period						2	2	(0)	2	4
Balance at end of period	—	0	2,009	(0)	2,008	2	2	(0)	2	2,013
Purchase of treasury shares	713	953	12,768	(308)	14,127	14	14	11	20	14,173

(4) Consolidated statement of cash flows

(Million yen)

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	4,136	4,430
Depreciation	890	884
Increase (decrease) in provision for bonuses	(98)	60
Interest income	(0)	(0)
Foreign exchange losses (gains)	(6)	(12)
Gain on reversal of share acquisition rights	(1)	(1)
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	(0)	—
Decrease (increase) in trade receivables	2,364	(856)
Decrease (increase) in inventories	0	(18)
Increase (decrease) in trade payables	10	194
Increase (decrease) in accounts payable - other	43	35
Decrease (increase) in other current assets	(40)	(186)
Increase (decrease) in other current liabilities	38	(81)
Other	(27)	16
Subtotal	7,309	4,464
Interest and dividends received	0	0
Income taxes paid	(1,140)	(1,318)
Net cash provided by (used in) operating activities	6,169	3,147
Cash flows from investing activities		
Purchase of property, plant and equipment	(17)	(56)
Proceeds from sale of property, plant and equipment	0	—
Purchase of intangible assets	(961)	(811)
Net cash provided by (used in) investing activities	(978)	(867)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	25	—
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of share acquisition rights	5	—
Proceeds from stock issuance to non-controlling interests	—	1
Dividends paid	(840)	(1,052)
Net cash provided by (used in) financing activities	(810)	(1,051)
Effect of exchange rate change on cash and cash equivalents	10	17
Net increase (decrease) in cash and cash equivalents	4,391	1,245
Cash and cash equivalents at beginning of period	11,382	15,773
Cash and cash equivalents at end of period	15,773	17,018

(5) 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: 4

Names of consolidated subsidiaries

Digital Arts Consulting Inc.

Digital Arts America, Inc.

Digital Arts Asia Pacific Pte. Ltd.

Digital Arts Europe Limited

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

There are no applicable matters.

2. Matters related to the application of the equity method

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

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

There are no applicable matters.

3. Fiscal years of consolidated subsidiaries

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

4. Matters related to accounting policies

(1) Valuation standards and valuation methods for significant assets

A. Securities

(a) Bonds held for maturity

The amortized cost method (interest method) is applied.

B. Inventories

(a) Finished goods

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

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

A. Property, plant and equipment

The declining balance method is applied.

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

B. Intangible assets

The straight-line method is applied.

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

C. Long-term prepaid expenses

The straight-line method is applied.

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

(3) Standards for recognition of significant allowances

A. Provision for bonuses

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

(4) Accounting standards for significant income and expenses

The Company has begun applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ

Guidance No. 30 issued on March 26, 2020). Accordingly, 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.

(Consolidated statement of income)

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

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Advertising expenses	239million yen	297million yen
Salaries and allowances	708	698
Provision for bonuses	54	86

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

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
	1million yen	24million yen

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

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Tools, furniture and fixtures	—million yen	0million yen
Software	0	—
Total	0	0

(Consolidated statement of comprehensive income)

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

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	3million yen	2million yen
Reclassification adjustment	—	—
Before tax effect adjustment	3	2
Tax effect	-	-
Foreign currency translation adjustment	3	2
Total other comprehensive income	3	2

(Consolidated statement of changes in equity)

Fiscal 2022 (from April 1, 2021 to March 31, 2022)

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 (Note)	104,462	69	10,800	93,731
Total	104,462	69	10,800	93,731

(Note) An increase in the number of common shares in treasury shares, 69, is due to the purchase of treasury shares. A decrease in the number of treasury shares, 10,800, is due to the exercise of stock options.

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

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Amount at end of fiscal year under review (million 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	—	—	—	—	—	12
Total		—	—	—	—	—	12

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 22, 2021	Common shares	420	30	March 31, 2021	June 23, 2021
Board of Directors meeting on October 28, 2021	Common shares	421	30	September 30, 2021	December 2, 2021

(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 (million yen)	Financial source of dividends	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 21, 2022	Common shares	561	Retained earnings	40	March 31, 2022	June 22, 2022

Fiscal 2021 (from April 1, 2022 to March 31, 2023)

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 (Note)	93,731	102	—	93,833
Total	93,731	102	—	93,833

(Note) An increase in the number of common shares in treasury shares, 102, is due to the purchase of treasury shares.

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 (million yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	End of fiscal year under review	
Reporting company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	11
Total			—	—	—	—	11

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 2022	Common shares	561	40	March 31, 2022	June 22, 2022
Board of Directors meeting on October 28, 2022	Common shares	491	35	September 30, 2022	December 2, 2022

(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 (million yen)	Financial source of dividends	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 2023	Common shares	561	Retained earnings	40	March 31, 2023	June 26, 2023

(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 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Cash and deposit account	15,773million yen	17,018million yen
Cash and cash equivalents	15,773	17,018

(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 corporate and other bonds.

(2) Description of financial instruments and their risks

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

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

(3) Risk management system related to financial instruments

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

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

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

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

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

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

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

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

The market prices of financial instruments are based on market prices and rationally calculated prices if no market prices are available. The calculated prices include variable factors, which may change if different assumptions are used.

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

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

Fiscal 2022 (As of March 31, 2022)

	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million yen)
(1) Notes receivable - trade	74	74	—
(2) Accounts receivable	1,142	1,142	—
(3) Investment securities			
Bonds held to maturity	101	101	(0)
Total assets	1,318	1,317	(0)
(1) Income taxes payable	760	760	—
Total liabilities	760	760	—

Fiscal 2023 (As of March 31, 2023)

	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million yen)
(1) Notes receivable - trade	148	148	—
(2) Accounts receivable	1,426	1,426	—
(3) Investment securities			
Bonds held to maturity	101	100	(0)
Total assets	1,675	1,675	(0)
(1) Income taxes payable	839	839	—
Total liabilities	839	839	—

(Note) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date
Fiscal 2022 (As of March 31, 2022)

	Within a year (million yen)	More than a year, within five years (million yen)	More than five years, within 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	15,773	—	—	—
Notes receivable - trade	74	—	—	—
Accounts receivable - trade	1,142	—	—	—
Investment securities				
Bonds held to maturity				
Corporate bonds	—	100	—	—
Total	16,989	100	—	—

Fiscal 2023 (As of March 31, 2023)

	Within a year (million yen)	More than a year, within five years (million yen)	More than five years, within 10 years (million yen)	More than 10 years (million yen)
Cash and deposits	17,018	—	—	—
Notes receivable - trade	148	—	—	—
Accounts receivable - trade	1,426	—	—	—
Investment securities				
Bonds held to maturity				
Corporate bonds	—	100	—	—
Total	18,593	100	—	—

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 2022 (As of March 31, 2022)

(Million yen)

Classification	Market price			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	74	—	74
Accounts receivable – trade	—	1,142	—	1,142
Investment securities				
Bonds held to maturity				
Bonds payable	—	101	—	101
Total assets	—	1,317	—	1,317
Income taxes payable	—	760	—	760
Total liabilities	—	760	—	760

Fiscal 2023 (As of March 31, 2023)

(Million yen)

Classification	Market price			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	148	—	148
Accounts receivable – trade	—	1,426	—	1,426
Investment securities				
Bonds held to maturity				
Bonds payable	—	100	—	100
Total assets	—	1,675	—	1,675
Income taxes payable	—	839	—	839
Total liabilities	—	839	—	839

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

Notes and accounts receivable - trade

The fair value of each classified receivable is calculated periodically by the discounted cash flow method based on a rate that takes the amount receivable, the period until the due date and credit risk into account and their fair value is classified as level 2 fair value.

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 therefore classified as level 2 fair value.

Income taxes payable

The fair value of income taxes payable is calculated by the discounted cash flow method based on a rate which takes future cash flows and the term to the due date into consideration and is classified as level 2 fair value.

(Securities)

Bonds held to maturity

Fiscal 2022 (As of March 31, 2022)

	Classification	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million 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	101	101	(0)
	(3) Other	—	—	—
	Subtotal	101	101	(0)
Total		101	101	(0)

Fiscal 2022 (As of March 31, 2022)

	Classification	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million 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	101	100	(0)
	(3) Other	—	—	—
	Subtotal	101	100	(0)
Total		101	100	(0)

(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 2022 (from April 1, 2021 to March 31, 2022)

The amount that was required for contribution to the defined contribution pension plan was 38 million yen.

Fiscal 2023 (from April 1, 2022 to March 31, 2023)

The amount that was required for contribution to the defined contribution pension plan was 52 million yen.

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Selling, general and administrative expenses	0 million yen	0 million yen

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

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Gain on reversal of share acquisition rights	1 million yen	1 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	<p>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)</p> <p>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.</p> <p>(i) If operating profit exceeds 1.5 billion yen, 20% of share acquisition rights can be exercised</p> <p>(ii) If operating profit exceeds 2.0 billion yen, 50% of share acquisition rights can be exercised</p> <p>(iii) If operating profit exceeds 2.5 billion yen, 100% of share acquisition rights can be exercised</p> <p>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.</p>	<p>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).</p> <p>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.</p> <p>(i) If operating profit exceeds 2.0 billion yen, 20% of share acquisition rights can be exercised</p> <p>(ii) If operating profit exceeds 2.5 billion yen, 50% of share acquisition rights can be exercised</p> <p>(iii) If operating profit exceeds 2.8 billion yen, 100% of share acquisition rights can be exercised</p> <p>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.</p>
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	<p>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)</p> <p>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.</p> <p>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.</p>	<p>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)</p> <p>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.</p> <p>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.</p>
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	<p>From July 1, 2036 to June 30, 2038.</p> <p>The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.</p>	<p>From July 1, 2041 to June 30, 2043.</p> <p>The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.</p>

(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, 2023).

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
Before vesting (shares)				
As of March 31, 2022	—	—	—	—
Granted	—	—	69,000	130,000
Forfeited	—	—	10,000	30,000
Vested	—	—	—	—
Yet to be vested	—	—	59,000	100,000
After vesting (shares)				
As of March 31, 2022	152,000	300,900	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Yet to be exercised	152,000	300,900	—	—

(ii) Unit price information

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

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.

(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 one 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 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Balance at beginning of fiscal year	48million yen	48million yen
Increase due to purchase of property, plant and equipment	—	—
Adjustment due to passage of time	0	0
Balance at end of fiscal year	48	48

(Matters concerning revenue recognition)

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

Fiscal 2022 (from April 1, 2021 to March 31, 2022)

Below is a breakdown of revenue from contracts with customers.

(Million yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	4,559	4,046	444	9,051

(Note) Internal transactions between Group companies are deducted.

Fiscal 2023 (from April 1, 2022 to March 31, 2023)

Below is a breakdown of revenue from contracts with customers.

(Million yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	5,316	4,686	433	10,436

(Note) Internal transactions between Group companies are deducted.

2. Basic information for understanding revenue from contracts with customers

The Digital Arts Group is principally engaged in internet security, email security, the planning, development, sale, etc. of file encryption and tracking solutions, and information security consulting.

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

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

(Million yen)	
Contract liabilities	Fiscal 2023
Balance at beginning of fiscal year	5,684
Balance at end of fiscal year	5,187

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 2,319 million yen.

(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022) and consolidated fiscal year under review (from April 1, 2022 to March 31, 2023)

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

Related information

Fiscal 2021 (from April 1, 2021 to March 31, 2022)

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.

(Million yen)

Customer name	Net sales
Daiwabo Information System Co., Ltd.	2,045
SB C&S Corp.	1,541

Fiscal 2023 (from April 1, 2022 to March 31, 2023)

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.

(Million yen)

Customer name	Net sales
Daiwabo Information System Co., Ltd.	2,683
SB C&S Corp.	1,747

(Related party information)

Transactions with related parties

Transactions between the company submitting consolidated financial statements and related parties

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

Fiscal 2022 (from April 1, 2021 to March 31, 2022)

There are no applicable matters.

Fiscal 2023 (from April 1, 2022 to March 31, 2023)

There are no applicable matters.

(Per share information)

	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	863.96yen	1,007.27yen
Profit per share	206.71yen	218.12yen
Diluted profit per share Profit	202.03yen	213.92yen

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

Item	Fiscal 2022 (from April 1, 2021 to March 31, 2022)	Fiscal 2023 (from April 1, 2022 to March 31, 2023)
Profit per share		
Profit attributable to owners of parent (million yen)	2,900	3,062
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	2,900	3,062
Average number of common shares during the term	14,034,190	14,039,205
Diluted profit per share		
Adjustment of profit attributable to owners of parent (million yen)	—	—
Increase in the number of common shares	325,272	275,549
(Of the increase, the number of share acquisition rights) (shares)	325,272	275,549
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: 199,000	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 159,000

(Significant subsequent events)

There are no applicable matters.