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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Japanese Accounting Standards)

May 8, 2024

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  
Investor Relations Office

(Name) Fumihiko Tanizaki TEL: +81-3-5220-1670

Scheduled date to hold the  
ordinary general meeting of  
shareholders: June 24, 2024

Scheduled date to start  
dividends distribution: June 25, 2024

Scheduled date for filing  
annual financial report: June 25, 2024

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, 2024 (April 1, 2023 – March 31, 2024)

#### (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, 2024	11,512	10.3	4,427	0.3	4,443	0.3	4,377	43.0
Year ended March 31, 2023	10,436	15.3	4,413	7.0	4,429	7.1	3,062	5.6

(Note) Comprehensive income: Year ended March 31, 2024: ¥ 4,387 million (43.0%)  
Year ended March 31, 2023: ¥ 3,067 million (5.4%)

	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, 2024	315.46	310.30	29.1	20.4	38.5
Year ended March 31, 2023	218.12	213.92	23.3	21.9	42.3

(Reference) Equity-method investment profit (loss): Year ended March 31, 2024: ¥ - million  
Year ended March 31, 2023: ¥ - million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	22,518	15,998	71.0	1,162.40
As of March 31, 2023	21,149	14,173	66.9	1,007.27

(Reference) Equity capital: Year ended March 31, 2024: ¥ 15,986 million  
Year ended March 31, 2023: ¥ 14,141 million

### (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, 2024	2,830	1,012	(2,545)	18,339
Year ended March 31, 2023	3,147	(867)	(1,051)	17,018

### 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, 2023	Yen —	Yen 35.00	Yen —	Yen 40.00	Yen 75.00	1,052	34.4	8.0
Year ended March 31, 2024	—	40.00	—	40.00	80.00	1,105	25.4	7.4
Year ending March 31, 2025 (forecast)	—	40.00	—	45.00	85.00		33.0	

### 3. Forecast of consolidated financial results for the year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	10,720	(6.9)	5,140	16.1	5,140	15.7	3,540	(19.1)	257.39

#### \* Notes

(1) Changes in subsidiaries during the fiscal year (Changes in specified subsidiaries resulting in changes in scope of consolidation) : Yes

New: - (Company name)

Excluding:1

(Company name) Digital Arts Consulting Inc.

(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, 2024	14,133,000 shares	As of March 31, 2023	14,133,000 shares
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2) Number of treasury shares

As of March 31, 2024	379,630 shares	As of March 31, 2023	93,833 shares
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3) Average number of shares issued and outstanding in each period

As of March 31, 2024	13,877,851 shares	As of March 31, 2023	14,039,205 shares
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(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	9,304	3.6	4,330	(1.5)	4,348	(1.3)	4,536	48.8
Year ended March 31, 2023	8,984	12.3	4,395	8.8	4,407	8.8	3,048	7.6
	Profit per share		Diluted profit per share					
	Yen		Yen					
Year ended March 31, 2024	326.90		321.55					
Year ended March 31, 2023	217.15		212.97					

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	22,595	16,091	71.2	1,169.18
As of March 31, 2023	20,780	14,091	67.8	1,002.92

(Reference) Equity capital: Year ended March 31, 2024: ¥ 16,080 million

Year ended March 31, 2023: ¥ 14,080 million

2. Forecast of non-consolidated financial results for the year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(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	10,710	15.1	5,150	18.4	3,550	(21.7)	258.12

※ 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, 2023 through March 31, 2024), the Japanese economy continued to recover modestly, partly due to effect of various government policies, with capital investment increasing and employment and income environment improving. This offset the remaining weaknesses in consumer spending and some exports. On the other hand, the future of the economy needs to be monitored, mainly due to the ongoing increase of prices, the situation in the Middle East, and the changes in the financial and capital markets.

In the security industry, in which the Digital Arts Group (the “Group”) operates, demand for security products expanded, mainly reflecting the intensification of damaging incidents caused by cyberattacks, such as ransomware attacks and supply chain attacks, as well as the frequent occurrence of information leakage incidents caused by internal fraud or negligence. Apart from demand from large-sized enterprises and public organizations, demand for the introduction of security measures grew among small- and medium-sized enterprises, which were previously unprepared to invest in such measures due to budgetary and human source constraints, reflecting their growing awareness of security risks.

In this situation, in response to growing demand for diverse security measures generated by companies and organizations irrespective of their size, the Company focused on expanding sales of its original next-generation secure web gateway (SWG) by continuously enhancing the functionality of i-FILTER, m-FILTER and FinalCode, which are its mainstay products, incorporating the CASB functionality (function visualizing and controlling the use of cloud services) in i-FILTER@Cloud in April 2023, and combining these products with Anti-Virus & Sandbox, an optional product that it released in the previous fiscal year. In addition, the AI Chat Filter is provided as a standard feature of i-FILTER and i-FILTER@Cloud from August 2023 onwards. This highly-received feature is aimed at allowing users to more securely use generative AI, which is attracting attention for its autonomous creation of text and other content which was difficult to do with conventional AI.

Furthermore, to address the demand for comprehensive security, the Company released the new version of m-FILTER MailAdviser, a product that prevents e-mails from being sent to the wrong recipients by displaying a popup message, in July 2023, StartIn, an IDaaS product that realizes safe and secure cloud service authentication and ID management, in September 2023, and f-FILTER, a DLP and file transfer service that prevents the external leakage of important information through the secure transfer of files, in November 2023.

Meanwhile, the cost of sales and selling, general and administrative expenses surpassed the previous year's level, chiefly reflecting positive investment in an unprecedented number of newly added features and new product releases, and rises in labor and personnel expenses, among other expenses, due to business expansion by Digital Arts Consulting Inc., a consolidated subsidiary.

Further, procedures for transferring all shares of consolidated subsidiary Digital Arts Consulting Inc. to CHANGE Holdings, Inc. were completed in March 2024.

As a result of the above, consolidated net sales for the fiscal year under review amounted to 11,512 million yen (up 10.3% year on year), operating profit reached 4,427 million yen (up 0.3% year on year), ordinary profit came to 4,443 million yen (up 0.3% year on year) and profit attributable to owners of parent was 4,377 million yen (up 43.0% year on year).

\*Including 1,930 million yen as a gain on sale of the stock of consolidated subsidiary Digital Arts Consulting Inc.

## Overview of Consolidated Business Results

(Million yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Change	% Change
Net sales	10,436	11,512	+1,075	+10.3
Operating profit	4,413	4,427	+13	+0.3
Ordinary profit	4,429	4,443	+14	+0.3
Profit attributable to owners of parent	3,062	4,377	+1,315	+43.0



The following describes business performance in separate markets.

### Enterprise Sector Market

In the enterprise sector market, the Group offered the new CASB function, in addition to i-FILTER and Anti-Virus & Sandbox, to meet the demand for the transition to cloud security and the switch from other companies' products. As a result of these activities, steady progress was made in the reception of new projects. The Group steadily received projects for m-FILTER as well, reflecting their high evaluation of its comprehensive security functions which fulfill diverse needs, such as its function handling ransomware attacks, measures to prevent people using the PPAP method (sending a password-protected .zip file by e-mail and sending the password by a separate e-mail) and measures to increase the security of e-mail in a cloud environment. With f-FILTER, a new product, the Company received more projects than planned, mainly due to its linkage with m-FILTER.

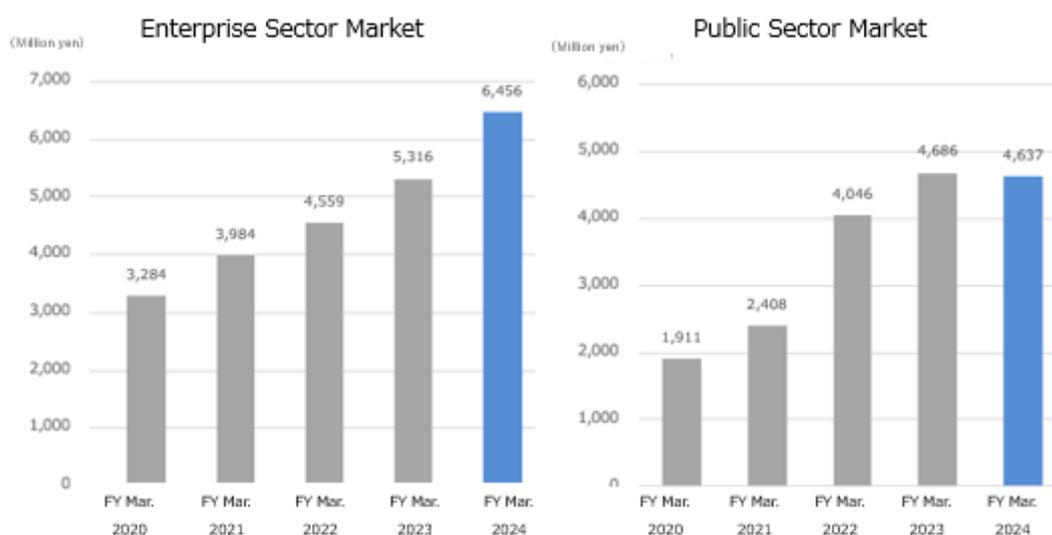
In addition, the number of new projects received by Digital Arts Consulting Inc., a consolidated subsidiary of the Company that offers security consulting services, increased sharply due to the reception of projects to help build security governance, including ISMAP acquisition, and the provision of services that offer comprehensive support, including security assessment and support for the implementation of security measures.

As a result, net sales in this market reached 6,456 million yen, up 21.4% year on year.

#### Public Sector Market

In the public sector market, the Group continued to receive new projects by focusing on proposing solutions that are in line with guidelines for security improvements for local governments. It also offered a GIGA School version of i-FILTER, which is equipped with original functions suitable for applications on the front lines of education, to boards of education and schools that had not adopted filtering in the first phase of the GIGA School Program. Nonetheless, the Group was affected by a reactionary decline in the number of large-scale projects from the level it won in the previous fiscal year, as well as the completion of the first round of the project for enhancing cloud security at prefectural offices.

As a result, net sales in this market stood at 4,637 million yen, down 1.0% 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 result, net sales in this market amounted to 418 million yen, down 3.4% 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 1,368 million yen from the end of the previous fiscal year to 22,518 million yen. This was due mainly to an increase of 1,320 million yen in cash and deposits.

### (Liabilities)

Total liabilities in the consolidated fiscal year under review declined 455 million yen from the end of the previous consolidated fiscal year to 6,519 million yen. This was due mainly to a decrease of 768 million yen in advances received.

### (Net assets)

Net assets in the consolidated fiscal year under review increased 1,824 million yen from the end of the previous consolidated fiscal year to 15,998 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 1,320 million yen from the end of the previous consolidated fiscal year to 18,339 million yen. Cash flows in each category are as follows:

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,830 million yen (3,147 million yen in the previous year) due to income before income taxes and minority interests of 6,378 million yen, income taxes paid and gain on sales of subsidiaries' stocks.

#### (Cash flows from investing activities)

Net cash provided by investing activities amounted to 1,012 million yen (867 million yen used in the previous year) due to an increase from sales of investments in subsidiaries, while there was a decrease in purchase of intangible fixed assets.

#### (Cash flows from financing activities)

Net cash used in financing activities was 2,545 million yen (1,051 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, 2021	As of March 31, 2022	As of March 31, 2023	As of March 31, 2024
Equity ratio (%)	67.6	62.7	66.9	71.0
Equity ratio based on market value (%)	915.0	538.6	338.5	267.8

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, 2024 to March 31, 2025) is as follows:

In the security industry where the Group operates, cyberattacks are becoming increasingly diverse and sophisticated as cloud computing becomes ubiquitous and DX progresses. As a result, the number of security threats that businesses, public organizations and households are exposed to is rising. The need for products which enable comprehensive security measures is expected to continue to grow in the future. The cabinet approved the proposed budget related to the second phase of the GIGA School Program in November 2023. This is expected to cause demand for new security measures to emerge in the public sector market in the fiscal year ending March 31, 2025. In consideration of these changes in the external environment and changes in the internal environment due to the transfer of a consolidated subsidiary, the Group revised its Medium-Term Management Plan (fiscal year ended March 31, 2023 through fiscal year ending March 31, 2025), which was formulated in 2022, and developed a new Medium-Term Management Plan (fiscal year ending March 31, 2025 through fiscal year ending March 31, 2027), whose final fiscal year is the fiscal year ending March 31, 2027. In the Medium-Term Management Plan (fiscal year ending March 31, 2025 through fiscal year ending March 31, 2027), the Company has set three priority areas: the growth of the security business, the expansion its share of the public sector market, and investment in human resources to implement new measures. It aims to achieve the growth of net sales that exceeds the growth of the security product market.

Regarding the growth of the security business, the Company will increase the number of customers using White Operation and drive cross-selling and up-selling. To expand its share of the public sector market, the Company will implement sales and marketing measures by setting projects related to the second phase of the GIGA School Program and projects for the DX of next-generation school operations as its main themes. Regarding investment in human resources to implement new measures, the Company will invest more than ever in initiatives including the recruitment and development of engineering human resources who support in-house product development as the Company's policy, and the provision of incentives to and the recruitment and development of sales human resources to strengthen direct sales and customer success targeting the large and medium-sized enterprises who are the Company's customers, in an attempt to achieve its goals of increasing net sales and operating profit and further improving operating margin.

As the Group pursues those initiatives, it expects to post net sales of 10,720 million yen, ordinary profit of 5,140 million yen, and profit attributable to owners of parent of 3,540 million yen in the next consolidated fiscal year, down 6.9%, up 15.7% and down 19.1%, 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, 2024. 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, 2025 (forecast)	10,720	5,140	3,540
Year ended March 31, 2024 (results)	11,512	4,443	4,377

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

\*Net income attributable to owners of the parent for the fiscal year ending March 31, 2024 includes a gain of approximately 1,930 million yen from the sale of shares in a subsidiary of consolidated subsidiary Digital Arts Consulting, Inc..

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

	Net sales	Ordinary profit	Profit
	Million yen	Million yen	Million yen
Year ending March 31, 2025 (forecast)	10,710	5,150	3,550
Year ended March 31, 2024 (results)	9,304	4,348	4,536

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

\*Net income for the fiscal year ending March 31, 2024 includes a gain of approximately 2,150 million yen from the sale of shares in a subsidiary of consolidated subsidiary Digital Arts Consulting, Inc.

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, 2024. 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 Accounting Standards 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 2023 (As of March 31, 2023)	Fiscal 2024 (As of March 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	17,018	18,339
Notes receivable - trade	148	65
Accounts receivable - trade	1,426	1,469
Finished goods	19	0
Supplies	3	2
Other	309	305
<b>Total current assets</b>	<b>18,925</b>	<b>20,183</b>
Non-current assets		
Property, plant and equipment		
Buildings	220	223
Accumulated depreciation	(136)	(139)
Buildings, net	83	83
Vehicles	18	25
Accumulated depreciation	(13)	(8)
Vehicles, net	5	16
Tools, furniture and fixtures	506	506
Accumulated depreciation	(412)	(421)
Tools, furniture and fixtures, net	93	84
Land	26	26
<b>Total property, plant and equipment</b>	<b>209</b>	<b>211</b>
Intangible assets		
Software	1,264	1,367
Other	243	234
<b>Total intangible assets</b>	<b>1,508</b>	<b>1,602</b>
Investments and other assets		
Investment securities	101	100
Deferred tax assets	116	136
Other	288	284
<b>Total investments and other assets</b>	<b>506</b>	<b>521</b>
<b>Total non-current assets</b>	<b>2,223</b>	<b>2,334</b>
<b>Total assets</b>	<b>21,149</b>	<b>22,518</b>

(Million yen)

	Fiscal 2023 (As of March 31, 2023)	Fiscal 2024 (As of March 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	238	54
Income taxes payable	839	1,354
Provision for bonuses	156	137
Advances received	5,187	4,418
Other	502	501
Total current liabilities	6,924	6,467
Non-current liabilities		
Asset retirement obligations	48	49
Other	1	3
Total non-current liabilities	50	52
Total liabilities	6,975	6,519
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	953	956
Retained earnings	12,768	16,029
Treasury shares	(308)	(1,730)
Total shareholders' equity	14,127	15,968
Accumulated other comprehensive income		
Foreign currency translation adjustment	14	18
Total accumulated other comprehensive income	14	18
Share acquisition rights	11	11
Non-controlling interests	20	—
Total net assets	14,173	15,998
Total liabilities and net assets	21,149	22,518

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

## Consolidated statement of income

(Million yen)

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Net sales	10,436	11,512
Cost of sales	3,666	4,583
Gross profit	6,769	6,928
Selling, general and administrative expenses	2,356	2,500
Operating profit	4,413	4,427
Non-operating income		
Interest income	0	0
Foreign exchange gains	12	13
Gain on forfeiture of unclaimed dividends	1	1
Miscellaneous income	1	2
Total non-operating income	15	17
Non-operating expenses		
Miscellaneous loss	—	1
Total non-operating expenses	—	1
Ordinary profit	4,429	4,443
Extraordinary income		
Gain on reversal of share acquisition rights	1	0
Gain on sales of non-current assets	—	4
Gain on sales of shares of subsidiaries	—	1,930
Total extraordinary income	1	1,935
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	4,430	6,378
Income taxes – current	1,385	2,015
Income taxes – deferred	(19)	(19)
Total income taxes	1,365	1,995
Profit	3,064	4,383
Profit attributable to non-controlling interests	2	5
Profit attributable to owners of parent	3,062	4,377

Consolidated statement of comprehensive income

(Million yen)

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Profit	3,064	4,383
Other comprehensive income		
Foreign currency translation adjustment	2	4
Total other comprehensive income	2	4
Comprehensive income	3,067	4,387
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,065	4,382
Comprehensive income attributable to non-controlling interests	2	5

### (3) Consolidated statement of changes in equity

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
Disposal of treasury shares				(0)	(0)					(0)
Purchase of treasury shares		0			0					0
Net changes in items other than shareholders' equity						2	2	(0)	2	4
Total changes during period	—	0	2,009	(0)	2,008	2	2	(0)	2	2,013
Balance at end of period	713	953	12,768	(308)	14,127	14	14	11	20	14,173

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

(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	12,768	(308)	14,127	14	14	11	20	14,173
Changes during period										
Dividends of surplus			(1,116)		(1,116)					(1,116)
Profit attributable to owners of parent			4,377		4,377					4,377
Purchase of treasury shares				(1,429)	(1,429)					(1,429)
Exercise of share acquisition rights		(0)		0	0					0
Restricted stock compensation		2		6	8					8
Total changes during period						4	4	(0)	(20)	(16)
Balance at end of period	—	2	3,261	(1,422)	1,841	4	4	(0)	(20)	1,824
Purchase of treasury shares	713	956	16,029	(1,730)	15,968	18	18	11	—	15,998

## (4) Consolidated statement of cash flows

(Million yen)

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,430	6,378
Depreciation	884	886
Increase (decrease) in provision for bonuses	60	△19
Interest income	(0)	(0)
Foreign exchange losses (gains)	(12)	(16)
Gain on reversal of share acquisition rights	(1)	(0)
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	—	(4)
Loss (gain) on sales of shares of subsidiaries	—	(1,930)
Decrease (increase) in trade receivables	(856)	(1,073)
Decrease (increase) in inventories	(18)	19
Increase (decrease) in trade payables	194	(100)
Increase (decrease) in accounts payable - other	35	141
Decrease (increase) in other current assets	(186)	(60)
Increase (decrease) in other current liabilities	(81)	58
Other	16	28
Subtotal	4,464	4,308
Interest and dividends received	0	0
Income taxes paid	(1,318)	(1,478)
Net cash provided by (used in) operating activities	3,147	2,830
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(56)	(75)
Proceeds from sale of property, plant and equipment	-	9
Purchase of intangible assets	(811)	(918)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,992
Others	—	5
Net cash provided by (used in) investing activities	(867)	1,012
<b>Cash flows from financing activities</b>		
Proceeds from disposal of treasury shares	—	0
Purchase of treasury shares	(0)	(1,430)
Proceeds from stock issuance to non-controlling interests	1	—
Dividends paid	(1,052)	(1,115)
Net cash provided by (used in) financing activities	(1,051)	(2,545)
Effect of exchange rate change on cash and cash equivalents	17	22
Net increase (decrease) in cash and cash equivalents	1,245	1,320
Cash and cash equivalents at beginning of period	15,773	17,018
Cash and cash equivalents at end of period	17,018	18,339

## (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: 3

Names of consolidated subsidiaries

Digital Arts America, Inc.

Digital Arts Asia Pacific Pte. Ltd.

Digital Arts Europe Limited

\*Digital Arts Consulting Inc., which was a consolidated subsidiary in the previous consolidated fiscal year, was excluded from the scope of consolidation because all shares of the company were transferred.

#### (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, 2021). 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 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Advertising expenses	297 million yen	313 million yen
Salaries and allowances	698	753
Provision for bonuses	86	73

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

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
	24 million yen	29 million yen

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

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Vehicles	— million yen	4 million yen

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

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

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Tools, furniture, and fixtures	0million yen	0million yen

(Consolidated statement of comprehensive income)

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

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	2million yen	4million yen
Reclassification adjustment	—	—
Before tax effect adjustment	2	4
Tax effect	-	-
Foreign currency translation adjustment	2	4
Total other comprehensive income	2	4

(Consolidated statement of changes in equity)

Fiscal 2023 (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 21, 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

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

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

	Number of shares at beginning of consolidated fiscal year under review	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)	93,833	287,300	1,503	379,630
Total	93,833	287,300	1,503	379,630

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

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

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Amount at end of fiscal year under review (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, 2023	Common shares	561	40	March 31, 2023	June 26, 2023
Board of Directors meeting on October 30, 2023	Common shares	554	40	September 30, 2023	December 4, 2023

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

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

(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 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Cash and deposit account	17,018 million yen	18,339 million yen
Cash and cash equivalents	17,018	18,339

\*2 Breakdown of the major assets and liabilities of a company that was excluded from the scope of consolidation due to the sale of the company's stock

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

There are no applicable matters.

Fiscal2024 (from April 1,2023 to March 31,2024)

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

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

(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 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	—

Fiscal 2024 (As of March 31, 2024)

	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million yen)
(1) Notes receivable - trade	65	65	—
(2) Accounts receivable	1,469	1,469	—
(3) Investment securities			
Bonds held to maturity	100	100	(0)
Total assets	1,635	1,635	(0)
(1) Income taxes payable	1,354	1,354	—
Total liabilities	1,354	1,354	—

(Note) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date  
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	—	—
<b>Total</b>	<b>18,593</b>	<b>100</b>	<b>—</b>	<b>—</b>

Fiscal 2024 (As of March 31, 2024)

	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	18,339	—	—	—
Notes receivable - trade	65	—	—	—
Accounts receivable - trade	1,469	—	—	—
Investment securities				
Bonds held to maturity				
Corporate bonds	—	100	—	—
<b>Total</b>	<b>19,874</b>	<b>100</b>	<b>—</b>	<b>—</b>

### 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 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

Fiscal 2024 (As of March 31, 2024)

(Million yen)

Classification	Market price			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	—	65	—	65
Accounts receivable – trade	—	1,469	—	1,469
Investment securities				
Bonds held to maturity				
Bonds payable	—	100	—	100
Total assets	—	1,635	—	1,635
Income taxes payable	—	1,354	—	1,354
Total liabilities	—	1,354	—	1,354

(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 2023 (As of March 31, 2023)

	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)

Fiscal 2024 (As of March 31, 2024)

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

(Retirement benefits)

1. Outline of the retirement benefits system

The Company and its consolidated subsidiaries have a defined contribution pension plan.

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

2. Retirement benefit expenses

Fiscal 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.

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

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

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
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 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Gain on reversal of share acquisition rights	1 million yen	0 million yen

### 3. Description of stock options, their scale and changes

#### (1) Description of stock options

	8th Stock options	9th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	Four directors 151 employees	Three directors 96 employees
Stock options by class of shares	Common shares 350,100 shares	Common shares 848,000 shares
Grant date	November 27, 2015	December 13, 2016
Vesting conditions	<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.
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	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, 2023	—	—	—	—
Granted	—	—	59,000	100,000
Forfeited	—	—	5,000	22,500
Vested	—	—	—	—
Yet to be vested	—	—	54,000	77,500
After vesting (shares)				
As of March 31, 2023	152,000	300,900	—	—
Vested	—	—	—	—
Exercised	—	100	—	—
Forfeited	—	—	—	—
Yet to be exercised	152,000	300,800	—	—

(ii) Unit price information

	8th Stock options	9th Stock options	11th Stock options	12th Stock options
Exercise price (yen)	2,034	2,639	8,310	8,310
Average stock price when exercised (yen)	—	5,420	—	—
Fair unit value (grant date) (yen)	2	24	6,741	7,482

4. Method for estimating the number of stock options vested

It is basically difficult to reasonably estimate the number of stock options to be forfeited, and only the actual number of stock options forfeited is reflected.

For paid-in stock options with performance conditions, the number of forfeitures of non-vested stock options is estimated taking vesting conditions into consideration.

(Additional information)

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

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

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

## 2. Outline of accounting treatment adopted

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

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

### (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 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Balance at beginning of fiscal year	48 million yen	48 million 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	49

### (Matters concerning revenue recognition)

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

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.

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

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	6,456	4,637	418	11,512

(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 2024
Balance at beginning of fiscal year	5,187
Balance at end of fiscal year	4,418

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 2,332 million yen.

(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023) and consolidated fiscal year under review (from April 1, 2023 to March 31, 2024)

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

Related information

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

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

#### 1. Information by product/service

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

#### 2. Information by region

##### (1) Net sales

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

##### (2) Property, plant and equipment

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

### 3. Information by major customer

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

(Million yen)

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

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

There are no applicable matters.

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

There are no applicable matters.

(Per share information)

	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Net assets per share	1,007.27yen	1,162.40yen
Profit per share	218.12yen	315.46yen
Diluted profit per share Profit	213.92yen	310.30yen

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

Item	Fiscal 2023 (from April 1, 2022 to March 31, 2023)	Fiscal 2024 (from April 1, 2023 to March 31, 2024)
Profit per share		
Profit attributable to owners of parent (million yen)	3,062	4,377
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	3,062	4,377
Average number of common shares during the term	14,039,205	13,877,851
Diluted profit per share		
Adjustment of profit attributable to owners of parent (million yen)	—	—
Increase in the number of common shares	275,549	230,763
(Of the increase, the number of share acquisition rights) (shares)	275,549	230,763
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: 159,000	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 131,500

(Significant subsequent events)

There are no applicable matters.