



## Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japan GAAP]

May 10, 2022

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 21, 2022  
Scheduled date to start dividends distribution: June 22, 2022

Scheduled date for filing annual financial report: June 22, 2022

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, 2022 (April 1, 2021 – March 31, 2022)

#### (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, 2022	9,051	32.6	4,126	38.6	4,135	38.2	2,900	40.8
Year ended March 31, 2021	6,825	21.0	2,977	27.9	2,991	28.6	2,059	29.5

(Note) Comprehensive income: Year ended March 31, 2022 2,910million yen (41.1%)  
Year ended March 31, 2021 2,063million yen (29.9%)

	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, 2022	206.71	202.03	26.2	24.2	45.6
Year ended March 31, 2021	146.90	143.45	22.0	23.3	43.6

(Reference) Equity-method investment profit (loss): Year ended March 31, 2022 –million yen  
Year ended March 31, 2021 –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, 2022	19,341	12,159	62.7	863.96
As of March 31, 2021	14,856	10,062	67.6	715.79

(Reference) Equity capital: As of March 31, 2022 12,129million yen As of March 31, 2021 10,041million 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, 2022	6,169	(978)	(810)	15,773
Year ended March 31, 2021	5,221	(830)	(671)	11,382

## 2. Dividends

	Annual dividends					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	million yen	%	%
Year ended March 31, 2021	—	25.00	—	30.00	55.00	771	37.4	8.3
Year ended March 31, 2022	—	30.00	—	40.00	70.00	982	33.9	8.9
Year ending March 31, 2023 (forecast)	—	35.00	—	40.00	75.00		32.4	

## 3. Forecast of consolidated financial results for the year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	10,500	16.0	4,700	13.9	4,700	13.7	3,250	12.0	231.49

\* Notes

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

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. : Yes  
 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, 2022	14,133,000shares	As of March 31, 2021	14,133,000shares
2) Number of treasury shares	As of March 31, 2022	93,731shares	As of March 31, 2021	104,462shares
3) Average number of shares issued and outstanding in each period	Year ended March 31, 2022	14,034,190shares	Year ended March 31, 2021	14,022,503shares

(Reference) Overview of the non-consolidated business results

1. Non-consolidated financial results for the year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	8,003	31.8	4,040	37.1	4,052	36.7	2,832	38.5
Year ended March 31, 2021	6,074	13.8	2,947	25.0	2,964	25.6	2,044	26.7

	Profit per share	Diluted profit per share
	Yen	Yen
Year ended March 31, 2022	201.83	197.26
Year ended March 31, 2021	145.81	142.38

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	19,138	12,097	63.1	860.82
As of March 31, 2021	14,751	10,078	68.3	717.78

(Reference) Equity capital: As of March 31, 2022: 12,085 million yen As of March 31, 2021: 10,069 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	%	Yen
Full year	9,000	12.4	4,600	13.5	3,200	13.0	227.93

※ 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, 2021 through March 31, 2022), the Japanese economy continued to recover, although weakness was still evident in certain industries. The economic recovery was driven by increasing exports primarily to the United States and China, reflecting a recovery in the world economy due to widespread COVID-19 vaccinations and economic stimulus packages in many countries. However, the economic outlook remains uncertain, chiefly reflecting continued adverse effects of the spread of COVID-19 on the domestic economy and rising raw materials prices due to the worsening situation in Ukraine.

In the security industry, in which the Digital Arts Group (the "Group") operates, the scope of the Internet continued to expand as social lifestyles were going digital with the use of cloud services and teleworking. The importance of security solutions grew in response to the risk of information leaks and increasingly sophisticated and diverse cyber attacks, including targeted attacks against specific enterprises, government agencies and other organizations. Further, in the enterprise sector market, demand for software products to prepare for working in the home and performing business processes securely and efficiently increased under the prolonged effects of the pandemic. Meanwhile, progress was also made in the public sector market, with the strengthening of security measures by local governments, in addition to the GIGA School Concept, which envisions the development of an environment with one learning terminal for each school-aged child to make at-home learning possible.

Under these conditions, in the enterprise sector market, the Group took advantage of the fact that more and more people are working from home and web services and e-mail environments are shifting to the cloud and expanded sales of its i-FILTER@Cloud and m-FILTER@Cloud cloud service products, creating a world in which the Internet and emails can be used without hesitation in the cloud environment. In the public sector market, the Company provided a special version of i-FILTER that caters to needs arising from the GIGA School Concept. At the same time, it continued to run campaigns, including the provision of free services that conform to the Guidelines on Education Information Security Policy, in its ongoing efforts to expand sales from schools. In addition, the Company focused on proposing solutions to support local government efforts to strengthen security measures, which will be ramped up from the next fiscal year.

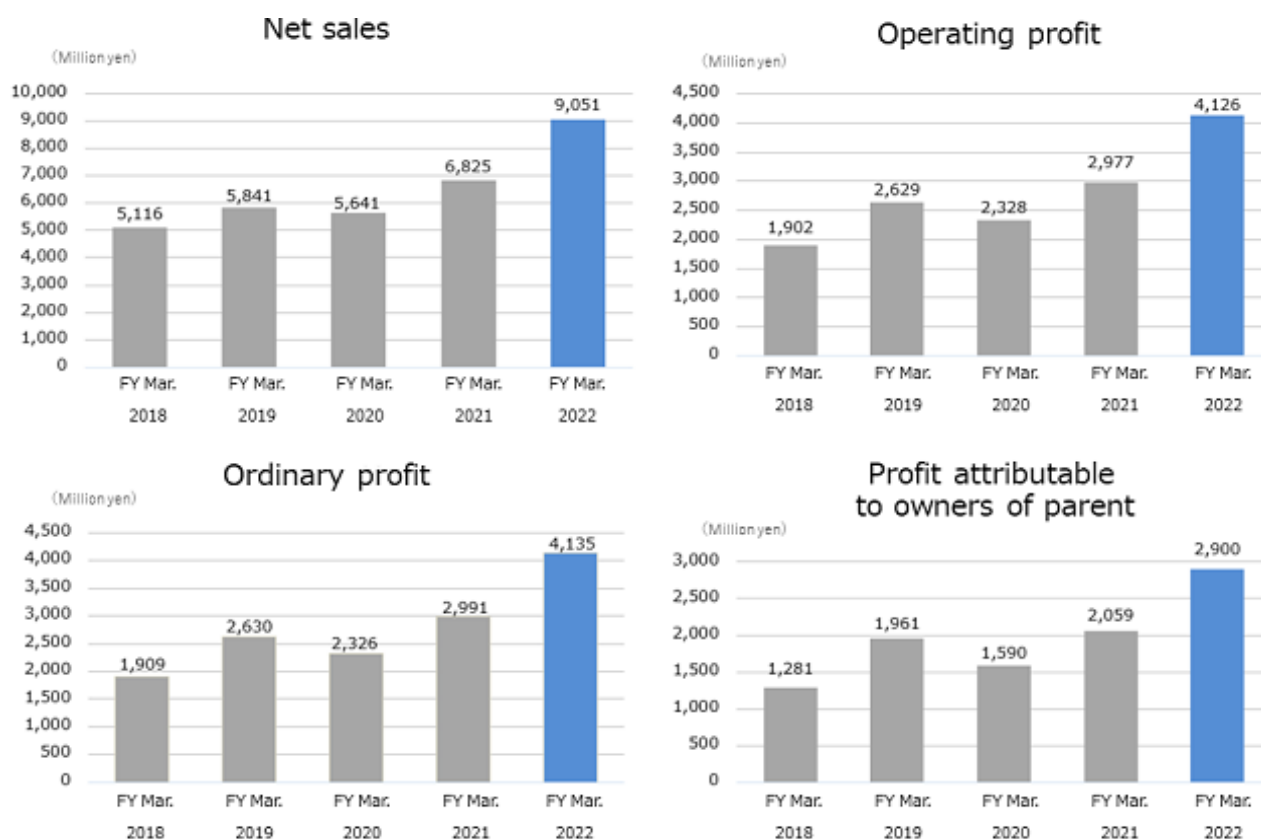
Demand in the enterprise and public sector markets has soared for cloud service products due to the effects of the COVID-19 pandemic. A large part of the amount of the contract for traditional mainstay license sales products is recorded as sales in a lump at the time of shipment. For cloud service products, recorded sales are apportioned on a monthly basis throughout the service provision period. For that reason, the Company continued to receive strong orders for cloud service products as in the previous fiscal year. Net sales deferred to the next and subsequent fiscal years increased from the end of the previous fiscal year.

As a result of the above, consolidated net sales for the fiscal year under review stood at 9,051 million yen, up 32.6% year on year, operating profit increased 38.6% year on year, to 4,126 million yen, ordinary profit grew 38.2% year on year, to 4,135 million yen, and profit attributable to owners of parent increased 40.8% year on year, to 2,900 million yen.

#### Overview of Consolidated Business Results

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022	Change	% Change
Net sales	6,825	9,051	+2,226	+32.6
Operating profit	2,977	4,126	+1,148	+38.6
Ordinary profit	2,991	4,135	+1,143	+38.2
Profit attributable to owners of parent	2,059	2,900	+841	+40.8



The following describes business performance in separate markets.

#### Enterprise Sector Market

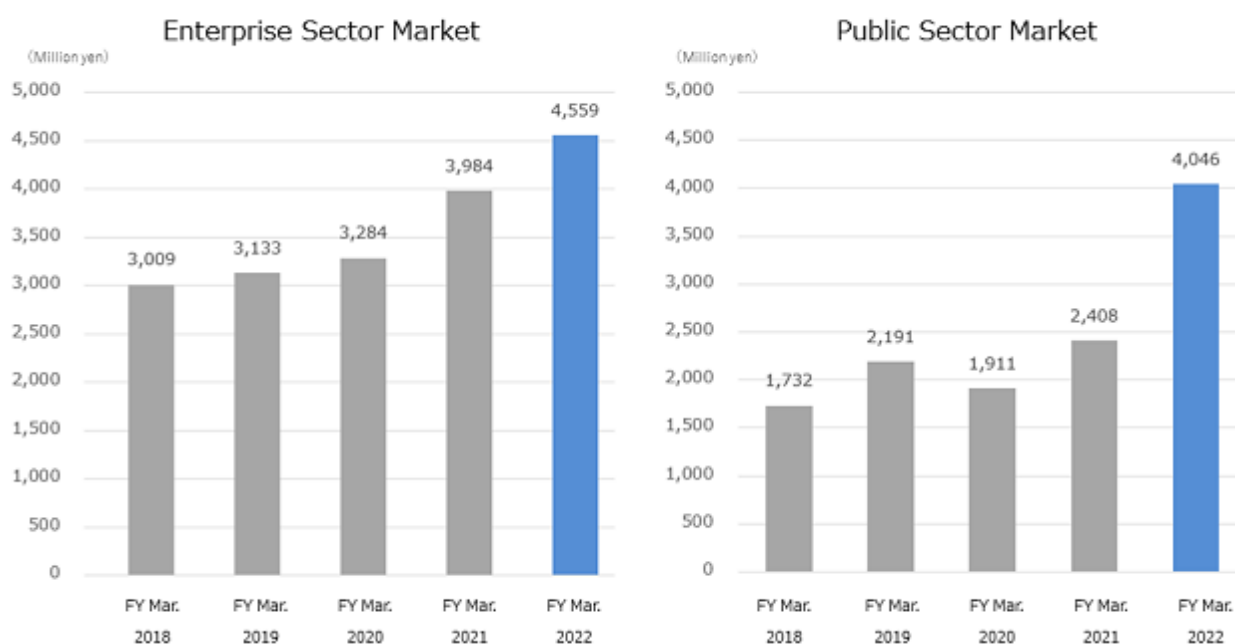
In the enterprise sector market, orders increased for i-FILTER and m-FILTER cloud service products, which are used to reduce costs and operations management burdens at companies. Sales of m-FILTER increased steadily as a result of the use of the PPAP method (sending the Zip file protected by a password by e-mail and sending the password by a separate e-mail) and the addition of functionality to deal 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.

Net sales in this market reached 4,559 million yen, up 14.5% year on year.

#### Public Sector Market

In the public sector market, the Group has traditionally enjoyed excellent recognition and a large market share as a provider of Japan-made security solutions. In addition, under the GIGA School Concept, the Group's i-FILTER cloud service products were adopted by many schools during the previous fiscal year in recognition of its reliability and functionality in supporting a safe learning environment at home. That led to a sales hike. Sales of the i-FILTER and m-FILTER series grew as brisk orders were won from public agencies and local governments.

As a consequence, net sales in this market stood at 4,046 million yen, up 68.0% 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, it attained an increase of users.

Net sales in this market amounted to 444 million yen, up 2.8% 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 4,485 million yen from the end of the previous consolidated fiscal year, to 19,341 million yen. This was due mainly to an increase of 4,391 million yen in cash and deposits.

### (Liabilities)

Total liabilities in the consolidated fiscal year under review rose 2,387 million yen from the end of the previous consolidated fiscal year, to 7,181 million yen. This was due mainly to an increase of 2,313 million yen in advances received, attributable to an increase in the amount of contracts for which orders were received.

### (Net assets)

Net assets in the consolidated fiscal year under review climbed 2,097 million yen from the end of the previous consolidated fiscal year, to 12,159 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 4,391 million yen from the end of the previous consolidated fiscal year to 15,773 million yen. Cash flows in each category are as follows:

### (Cash flows from operating activities)

Net cash provided by operating activities stood at 6,169 million yen (net cash provided of 5,221 million yen in the previous consolidated fiscal year), chiefly reflecting profit before income taxes of 4,136 million yen, depreciation of 890 million yen, and a decrease in trade receivables of 2,364 million yen.

### (Cash flows from investing activities)

Net cash used in investing activities came to 978 million yen (830 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 810 million yen (671 million yen in the previous fiscal year), primarily due to dividends paid, although there were proceeds from disposal of treasury shares.

The table below shows trends of cash flow indicators.

	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Equity ratio (%)	78.7	79.7	67.6	62.7
Equity ratio based on market value (%)	1,276.0	603.2	915.0	538.6

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, 2022 to March 31, 2023) is as follows:

In the security industry, in which the Digital Arts Group (the "Group") operates, demand for security products expanded following the intensification of damaging incidents caused by diversifying cyberattacks, including ransomware and Emotet. Apart from demand from large-sized organizations, new demand for security measures is growing from medium and small-sized enterprises, which were comparatively lagging in these measures. In addition, IoT, AI and other technologies were increasingly used and the practice of working from home spread quickly to stop the proliferation of the COVID-19 coronavirus, security personnel must now manage increasingly diversifying and advancing threats, and the demand for total security is expected to continue growing. Expected to continue accelerating are the outsourcing of security operations and the utilization of cloud services to reduce the burden of security operations. Responding to the situation, the Company will continue to expand its product lineup, focusing on its main products, and strengthen links between its products and other companies' products to increase share in high-growth areas.

In this environment, the Group has developed a medium-term business plan for the period ending March 31, 2025. The Company will continue striving to achieve deeper penetration of its "White Operation" in a world where security threats are expanding, while pursuing overwhelming quality. In the medium term, the Company aims to grow to become a comprehensive security provider that will provide comprehensive services that deal with more diverse problems.

Specifically, the Company has set three priorities—steady organic growth, expansion of security products and services, and drawing attention to high expertise at Digital Arts Consulting Inc. —to grow to become a comprehensive security provider and establish a foothold to create new value.

(For details of the plan, please refer to the "Notice of Creation of Medium-Term Business Plan," which was published on May 10, 2022.)

As the Group pursues those initiatives, it expects to post net sales of 10,500 million yen, an ordinary profit of 4,700 million yen, and a profit attributable to owners of parent of 3,250 million yen in the next consolidated fiscal 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, 2022. 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, 2023 (forecast)	10,500	4,700	3,250
Year ended March 31, 2022 (results)	9,051	4,135	2,900

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

	Net sales	Ordinary profit	Profit
	Million yen	Million yen	Million yen
Year ending March 31, 2023 (forecast)	9,000	4,600	3,200
Year ended March 31, 2022 (results)	8,003	4,052	2,832

(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 2021 (As of March 31, 2021)	Fiscal 2022 (As of March 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	11,382	15,773
Notes and accounts receivable - trade	1,268	—
Notes receivable - trade	—	74
Accounts receivable - trade	—	1,142
Finished goods	0	0
Supplies	3	3
Other	70	111
Total current assets	12,725	17,105
Non-current assets		
Property, plant and equipment		
Buildings	220	220
Accumulated depreciation	(127)	(132)
Buildings, net	92	88
Vehicles	18	18
Accumulated depreciation	(4)	(9)
Vehicles, net	14	8
Tools, furniture and fixtures	469	493
Accumulated depreciation	(369)	(409)
Tools, furniture and fixtures, net	99	83
Land	26	26
Construction in progress	0	—
Total property, plant and equipment	233	206
Intangible assets		
Software	1,274	1,317
Other	128	209
Total intangible assets	1,403	1,526
Investments and other assets		
Investment securities	102	101
Deferred tax assets	123	96
Other	268	304
Total investments and other assets	493	503
Total non-current assets	2,130	2,236
Total assets	14,856	19,341

(Million yen)

	Fiscal 2021 (As of March 31, 2021)	Fiscal 2022 (As of March 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	32	44
Income taxes payable	688	760
Provision for bonuses	194	95
Advances received	3,370	5,684
Other	456	546
Total current liabilities	4,743	7,130
Non-current liabilities		
Asset retirement obligations	48	48
Other	1	1
Total non-current liabilities	50	50
<b>Total liabilities</b>	<b>4,793</b>	<b>7,181</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	713	713
Capital surplus	963	953
Retained earnings	8,699	10,758
Treasury shares	(342)	(307)
Total shareholders' equity	10,034	12,118
Accumulated other comprehensive income		
Foreign currency translation adjustment	7	11
Total accumulated other comprehensive income	7	11
Share acquisition rights	8	12
Non-controlling interests	12	17
Total net assets	10,062	12,159
<b>Total liabilities and net assets</b>	<b>14,856</b>	<b>19,341</b>

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

## Consolidated statement of income

(Million yen)

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Net sales	6,825	9,051
Cost of sales	1,946	2,676
Gross profit	4,878	6,374
Selling, general and administrative expenses	1,900	2,248
Operating profit	2,977	4,126
Non-operating income		
Interest income	0	0
Foreign exchange gains	7	6
Gain on forfeiture of unclaimed dividends	1	1
Miscellaneous income	4	0
Total non-operating income	14	8
Non-operating expenses		
Miscellaneous loss	0	—
Total non-operating expenses	0	—
Ordinary profit	2,991	4,135
Extraordinary income		
Gain on reversal of share acquisition rights	9	1
Gain on sales of non-current assets	3	0
Total extraordinary income	12	1
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on liquidation of subsidiaries	2	—
Total extraordinary losses	2	0
Profit before income taxes	3,001	4,136
Income taxes – current	977	1,203
Income taxes – deferred	(37)	26
Total income taxes	939	1,229
Profit	2,062	2,906
Profit attributable to non-controlling interests	2	5
Profit attributable to owners of parent	2,059	2,900

Consolidated statement of comprehensive income

(Million yen)

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Profit	2,062	2,906
Other comprehensive income		
Foreign currency translation adjustment	1	3
Total other comprehensive income	1	3
Comprehensive income	2,063	2,910
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,061	2,904
Comprehensive income attributable to non-controlling interests	2	5

## (3) Consolidated statement of changes in equity

Fiscal 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	713	972	7,340	(380)	8,646	6	6	18	9	8,680
Changes during period										
Dividends of surplus			(700)		(700)					(700)
Profit attributable to owners of parent			2,059		2,059					2,059
Disposal of treasury shares		(8)		37	29					29
Purchase of treasury shares				(0)	(0)					(0)
Net changes in items other than shareholders' equity						1	1	(9)	2	(5)
Total changes during period	—	(8)	1,358	37	1,387	1	1	(9)	2	1,382
Balance at end of period	713	963	8,699	(342)	10,034	7	7	8	12	10,062

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

## (4) Consolidated statement of cash flows

(Million yen)

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,001	4,136
Depreciation	859	890
Increase (decrease) in provision for bonuses	74	(98)
Interest income	(0)	(0)
Foreign exchange losses (gains)	(9)	(6)
Gain on reversal of share acquisition rights	(9)	(1)
Loss on retirement of non-current assets	0	0
Loss (gain) on sales of non-current assets	(3)	(0)
Loss (gain) on liquidation of subsidiaries	2	—
Decrease (increase) in trade receivables	1,867	2,364
Decrease (increase) in inventories	(2)	0
Increase (decrease) in trade payables	0	10
Increase (decrease) in accounts payable - other	15	43
Decrease (increase) in other current assets	9	(40)
Increase (decrease) in other current liabilities	165	38
Other	6	(27)
Subtotal	5,977	7,309
Interest and dividends received	0	0
Income taxes paid	(757)	(1,140)
Net cash provided by (used in) operating activities	5,221	6,169
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(48)	(17)
Proceeds from sale of property, plant and equipment	6	0
Purchase of intangible assets	(787)	(961)
Liquidation of subsidiaries	(1)	—
Net cash provided by (used in) investing activities	(830)	(978)
<b>Cash flows from financing activities</b>		
Proceeds from disposal of treasury shares	28	25
Purchase of treasury shares	(0)	(0)
Proceeds from issuance of share acquisition rights	—	5
Dividends paid	(699)	(840)
Net cash provided by (used in) financing activities	(671)	(810)
Effect of exchange rate change on cash and cash equivalents	10	10
Net increase (decrease) in cash and cash equivalents	3,730	4,391
Cash and cash equivalents at beginning of period	7,651	11,382
Cash and cash equivalents at end of period	11,382	15,773



## (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 31, 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.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No.29 issued on March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition") and the like from the beginning of the current fiscal year. 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.

As a result, sales rebates, which were previously recorded as selling, general and administrative expenses, are now deducted from sales. The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the consolidated fiscal year under review was added to or subtracted from the beginning balance of retained earnings of the consolidated fiscal year under review. However, this did not have any impact on such beginning balance.

From the fiscal year under review, current assets included in notes and accounts receivable - trade in the consolidated balance sheet in the previous fiscal year are included in notes receivable - trade and accounts receivable - trade.

As a result, net sales and selling, general and administrative expenses for the consolidated fiscal year under review decreased, respectively, causing gross profit to fall. However, their declines produced insignificant effects, leaving operating profit, ordinary profit and profit before income taxes unaffected.

According to the transitional measures prescribed in paragraph 89-3 of the Accounting Standard for Revenue Recognition, there are no notes on "Matters concerning revenue recognition" pertaining to the results of the previous consolidated fiscal year.

(Changes in presentation methods)

(Application of the Accounting Standard for Fair Value Measurement)

The Company is applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Accounting Standard") from the beginning of the current fiscal year and has decided to apply new accounting policies under the Fair Value Measurement Accounting Standard, etc., following the transitional procedures set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The Company has decided also to add a note on a breakdown of financial instruments in different market price levels in (Financial instruments). In the note on a breakdown of financial instruments, a breakdown of financial instruments in the previous fiscal year is not included in accordance with the transitional procedures set out in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

(Consolidated statement of income)

"Subsidy income" (0 million yen in the fiscal year under review), which was presented separately in the previous fiscal year, is included in "Other" in non-operating income in the fiscal year under review because of a decrease in significance in financial terms.

(Consolidated statement of income)

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

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Advertising expenses	168million yen	239million yen
Salaries and allowances	631	708
Provision for bonuses	110	54

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

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
	1million yen	1million yen

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

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Tools, furniture and fixtures	0million yen	—million yen
Software	—	0
Total	0	0

\*4. Details of the loss on liquidation of subsidiaries are as follows.

Fiscal 2021 (from April 1, 2020 to March 31, 2021)

The loss on liquidation of subsidiaries resulted from the completion of the liquidation of Digital Arts Investment, Inc.

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

There are no applicable matters.

(Consolidated statement of comprehensive income)

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

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	1 million yen	3million yen
Reclassification adjustment	—	—
Before tax effect adjustment	1	3
Tax effect	-	-
Foreign currency translation adjustment	1	3
Total other comprehensive income	1	3

(Consolidated statement of changes in equity)

Fiscal 2021 (from April 1, 2020 to March 31, 2021)

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)	116,042	20	11,600	104,462
Total	116,042	20	11,600	104,462

(Note) An increase in the number of common shares in treasury shares, 20, is due to the purchase of treasury shares. A decrease in the number of treasury shares, 11,600, 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	—	—	—	—	—	8
Total		—	—	—	—	—	8

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 19, 2020	Common shares	350	25	March 31, 2020	June 22, 2020
Board of Directors meeting on October 29, 2020	Common shares	350	25	September 30, 2020	December 2, 2020

(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 22, 2021	Common shares	420	Retained earnings	30	March 31, 2021	June 23, 2021

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

(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 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Cash and deposit account	11,382million yen	15,773million yen
Cash and cash equivalents	11,382	15,773

(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 2021 (As of March 31, 2021)

	Consolidated balance sheet amount (million yen)	Market price (million yen)	Difference (million yen)
(1) Notes and accounts receivable - trade	1,268	1,268	—
(2) Investment securities			
Bonds held to maturity	102	102	(0)
Total assets	1,370	1,370	(0)
(1) Income taxes payable	688	688	—
Total liabilities	688	688	—

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	—

(Note) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date  
Fiscal 2021 (As of March 31, 2021)

	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	11,382	—	—	—
Notes and accounts receivable - trade	1,268	—	—	—
Investment securities				
Bonds held to maturity				
(1) Government bonds, local government bonds	—	—	—	—
(2) Corporate bonds	—	100	—	—
Total	12,650	100	—	—



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				
(1) Government bonds, local government bonds	—	—	—	—
(2) Corporate bonds	—	100	—	—
Total	16,989	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

(Securities)

Bonds held to maturity

Fiscal 2021 (As of March 31, 2021)

	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	102	102	(0)
	(3) Other	—	—	—
	Subtotal	102	102	(0)
Total		102	102	(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	101	(0)
	(3) Other	—	—	—
	Subtotal	101	101	(0)
Total		101	101	(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 2021 (from April 1, 2020 to March 31, 2021)

The amount that was required for contribution to the defined contribution pension plan was 27 million yen.

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.

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Selling, general and administrative expenses	— million yen	0 million yen

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

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Gain on reversal of share acquisition rights	9 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.

	10th Stock options	11th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	Three directors 151 employees	16 employees
Stock options by class of shares	Common shares 1,413,300 shares	Common shares 69,000 shares
Grant date	March 5, 2018	September 24, 2021
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 (March 5, 2018) to the vesting date (July 1, 2021).</p> <p>Each holder of share acquisition rights can exercise the share acquisition rights allocated to them only if operating profit exceeds 4.0 billion yen in the fiscal year ended March 31, 2021.</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>	<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>
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	<p>From the vesting date to May 31, 2028.</p> <p>The person must continue to be a director or an employee of the Company to exercise share acquisition rights.</p>	<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>

	12th Stock options
Company	Reporting company
Category and number of persons subject to grants	55 employees
Stock options by class of shares	Common shares 137,500 shares
Grant date	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, 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.
Exercise period	<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, 2022).

The number of stock options has been converted to the number of shares.

(i) Number of stock options

	8th Stock options	9th Stock options	10th Stock options	11th Stock options	12th Stock options
Before vesting (shares)					
As of March 31, 2021	—	—	1,130,900	—	—
Granted	—	—	—	69,000	137,500
Forfeited	—	—	1,130,900	—	7,500
Vested	—	—	—	—	—
Yet to be vested	—	—	—	69,000	130,000
After vesting (shares)					
As of March 31, 2021	156,800	306,900	—	—	—
Vested	—	—	—	—	—
Exercised	4,800	6,000	—	—	—
Forfeited	—	—	—	—	—
Yet to be exercised	152,000	300,900	—	—	—

(ii) Unit price information

	8th Stock options	9th Stock options	10th Stock options	11th Stock options	12th Stock options
Exercise price (yen)	2,034	2,639	3,400	8,310	8,310
Average stock price when exercised (yen)	7,515	7,952	—	—	—
Fair unit value (grant date) (yen)	2 yen	24 yen	1 yen	20 yen	27 yen

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 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Balance at beginning of fiscal year	45million yen	48million yen
Increase due to purchase of property, plant and equipment	2	—
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.

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 2022
Balance at beginning of fiscal year	3,370
Balance at end of fiscal year	5,684

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 1,316 million yen.



(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021) and consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)

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

Related information

Fiscal 2021 (from April 1, 2020 to March 31, 2021)

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.	1,409
SB C&S Corp.	1,287

Fiscal 2022 (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

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 2021 (from April 1, 2020 to March 31, 2021)

There are no applicable matters.

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

There are no applicable matters.

(Per share information)

	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Net assets per share	715.79 yen	863.96 yen
Profit per share	146.90 yen	206.71 yen
Diluted profit per share Profit	143.45 yen	202.03 yen

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

Item	Fiscal 2021 (from April 1, 2020 to March 31, 2021)	Fiscal 2022 (from April 1, 2021 to March 31, 2022)
Profit per share		
Profit attributable to owners of parent (million yen)	2,059	2,900
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	2,059	2,900
Average number of common shares during the term	14,022,503	14,034,190
Diluted profit per share		
Adjustment of profit attributable to owners of parent (million yen)	—	—
Increase in the number of common shares	337,562	325,272
(Of the increase, the number of share acquisition rights) (shares)	337,562	325,272
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 February 16, 2018 Number of potential shares: 1,130,900	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 199,000

(Significant subsequent events)

There are no applicable matters.