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Consolidated Financial Results for the Year Ended March 31, 2025 [Japanese GAAP]

May 8, 2025

Company name: Digital Arts Inc.

Listing: Tokyo Stock Exchange

Securities code: 2326

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

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Representative Director, President and CEO

General Manager of the Investor Relations Office

Scheduled date of annual general meeting of shareholders: June 23, 2025

Scheduled date to commence dividend payments: June 24, 2025

Scheduled date to file annual securities report: June 24, 2025

Preparation of supplementary material on financial results: Yes

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

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2025	9,982	(13.3)	4,558	3.0	4,562	2.7	3,183	(27.3)
March 31, 2024	11,512	10.3	4,427	0.3	4,443	0.3	4,377	43.0

(Note) Comprehensive income: Fiscal year ended March 31, 2025: ¥ 3,182 million [(27.5) %]
Fiscal year ended March 31, 2024: ¥ 4,387 million [43.0 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2025	232.79	228.83	19.1	20.2	45.7
March 31, 2024	315.46	310.30	29.1	20.4	38.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2025: ¥ - million
Fiscal year ended March 31, 2024: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2025	22,627	17,365	76.6	1,274.46
March 31, 2024	22,518	15,998	71.0	1,162.40

(Reference) Equity: As of March 31, 2025: ¥ 17,336 million
As of March 31, 2024: ¥ 15,986 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 the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2025	2,817	(1,107)	(2,096)	17,952
March 31, 2024	2,830	1,012	(2,545)	18,339

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2024	-	40.00	-	40.00	80.00	1,105	25.4	7.4
March 31, 2025	-	40.00	-	45.00	85.00	1,157	36.5	7.0
Fiscal year ending March 31, 2026 (Forecast)	-	45.00	-	50.00	95.00		30.8	

(Note) The dividend forecast for the end of the six months ending September 30, 2025:

Commemorative dividend	40.00 yen
Special dividend for 30th anniversary commemoration	5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2026 (April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	12,550	25.7	6,150	34.9	6,150	34.8	4,200	31.9	308.76

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included:	-	(Company name:)
Excluded:	-	(Company name:)

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

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2025:	14,133,000 shares
March 31, 2024:	14,133,000 shares

2) Number of treasury shares at the end of the period:

March 31, 2025:	530,296 shares
March 31, 2024:	379,630 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2025:	13,673,529 shares
Fiscal Year ended March 31, 2024:	13,877,851 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	9,972	7.2	4,562	5.4	4,569	5.1	3,187	(29.7)
March 31, 2024	9,304	3.6	4,330	(1.5)	4,348	(1.3)	4,536	48.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2025	233.13	229.16
March 31, 2024	326.90	321.55

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2025	22,713	17,463	76.8	1,281.69
March 31, 2024	22,595	16,091	71.2	1,169.18

(Reference) Equity: As of March 31, 2025: ¥ 17,434 million
As of March 31, 2024: ¥ 16,080 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2026 (April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Net income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	12,545	25.8	6,160	34.8	4,210	32.1	309.50

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(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 8 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 (from April 1, 2024 to March 31, 2025), in the security industry where the Digital Arts Group (the “Group”) operates, there was an increase in demand for the development of security measures guidelines and security products, mainly due to companies, public institutions and households using ICT equipment for business and educational purposes having an increasing awareness of security amid frequently occurring data leakage incidents due to increasingly sophisticated and diverse cyberattacks, such as ransomware attacks, unauthorized access to networks and phishing. This trend is expected to expand and continue in the future, given that attacks against supply chains and other security incidents are more likely to happen across a broad area irrespective of the size or industry of the company or organization.

At the end of the previous fiscal year, the Company transferred all of the shares it owned in Digital Arts Consulting Inc. (DAC), a consolidated subsidiary engaged in the security consulting business. That produced an impact of a decrease in net sales for the consolidated fiscal year under review of around 2,196 million yen. Reflecting these developments, the Group re-established its Medium-Term Management Plan (fiscal year ending March 31, 2025 through fiscal year ending March 31, 2027), taking advantage of a change in a business situation that enabled it to focus on product expansion as a general Japan-made security manufacturer this fiscal year. This plan defines three priority areas: growth of the security business, increased public sector market share and investment in personnel to execute new measures. Accordingly, the Group started pursuing a number of different initiatives in the current fiscal year. In the enterprise sector market, the Group pursued a product strategy responding to demand for both cloud and on-premises environments to successfully capture the demand for Web and mail cloud security products, for continued on-premises measures and for the shift from discontinued on-premises products from other companies to the Group's products. In addition, it achieved solid results via its cross-selling and up-selling strategy to provide new products and optional products that provide added value to mainstay products. As a result of these efforts, the Group continued to grow solidly. In the public sector market, the Group achieved the substantial growth of its market share in orders for projects for the second phase of GIGA School Concept by broadly advertising i-FILTER, a product with a competitive advantage. In addition, the Group steadily acquired projects for security improvements for local governments and for Next-Generation School Affairs DX projects, which have constant demand, to achieve the rapid growth of contracts. Following these efforts in the individual markets, the number of users of the Group's original White Operation reached 13.65 million licenses (from the end of the previous fiscal year to increase 1.03 million active users) and we continued to receive 0 malware infection reports during the period.

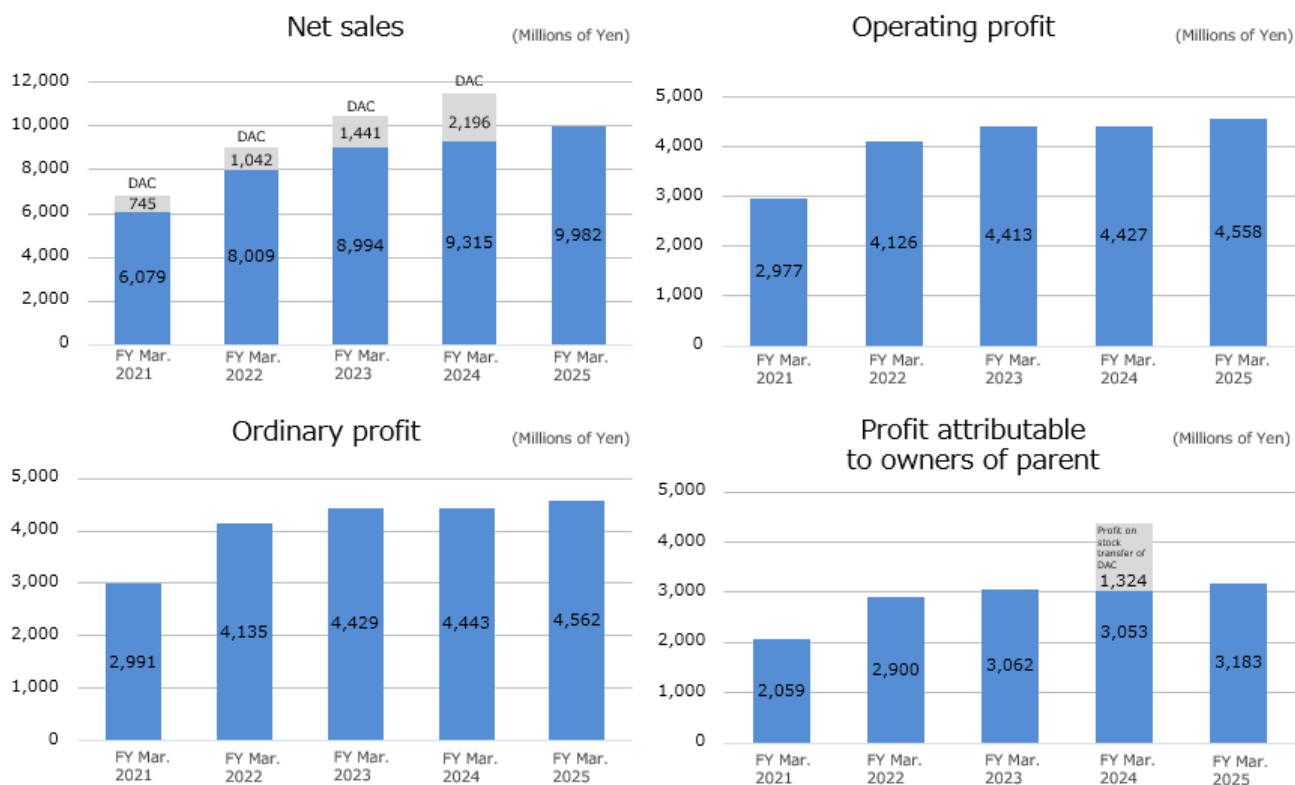
With regard to expenses, DAC's cost of sales and personnel expenses declined following the exclusion of DAC from consolidation. However, communication expenses increased as a result of larger-than-expected orders for cloud service editions of products in projects for the public sector market. As a result, the cost of sales increased. In association with the revision of the personnel recruitment policy, the Group controlled its selling, general and administrative expenses. Total expenses were lower than initially planned.

As a result, contracts for the consolidated fiscal year under review amounted to 10,570 million yen (down 2.5% year on year), net sales were 9,982 million yen (down 13.3% year on year), operating profit reached 4,558 million yen (up 3.0% year on year), ordinary profit came to 4,562 million yen (up 2.7% year on year), and profit attributable to owners of parent was 3,183 million yen (down 27.3% year on year). Excluding the effect of DAC transfer, contracts were up 22.3% year on year, net sales were up 7.2% year on year. Also, excluding the profit on stock transfer of DAC, profit attributable to owners of parent was up 4.3% year on year.

Overview of Consolidated Business Results

(Millions of Yen)

	Year ended March 31, 2024	Year ended March 31, 2025	Change	% Change
Contracts The figure in square brackets [] represents the result excluding DAC.	10,838 [8,641]	10,570	(267) [+1,928]	(2.5) [+22.3]
Net sales The figure in square brackets [] represents the result excluding DAC.	11,512 [9,315]	9,982	(1,529) [+666]	(13.3) [+7.2]
Operating profit	4,427	4,558	+131	+3.0
Ordinary profit	4,443	4,562	+119	+2.7
Profit attributable to owners of parent The figure in square brackets [] represents gain of sales excluding DAC.	4,377 [3,053]	3,183	(1,194) [+130]	(27.3) [+4.3]



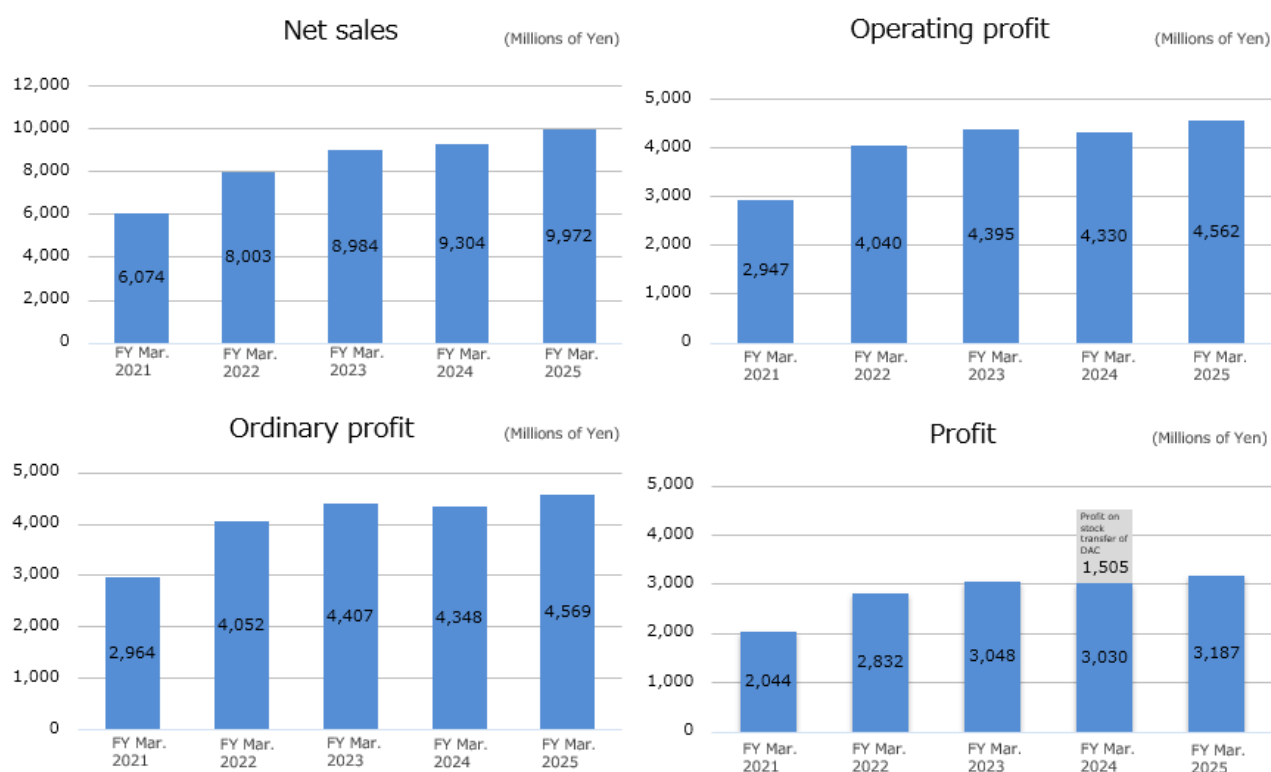
*The transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year had an impact of lowering net sales for the consolidated fiscal year under review by around 2,196 million yen. (Excluding this effect, net sales were up 7.2% year on year.) Another effect that it had was the reduction of profit attributable to owners of parent by around 1,324 million yen. (If this were disregarded, profit attributable to owners of parent would have been up 4.3% year on year.)

(Reference)

Overview of non-consolidated business results

(Millions of yen)

	Year ended March 31, 2024	Year ended March 31, 2025	Change	% Change
Contracts	8,630	10,561	+1,930	+22.4
Net sales	9,304	9,972	+668	+7.2
Operating profit	4,330	4,562	+232	+5.4
Ordinary profit	4,348	4,569	+220	+5.1
Profit The figure in square brackets [] represents gain of sales excluding DAC.	4,536 [3,030]	3,187	(1,348) [+157]	(29.7) [+5.2]



*An impact of the transfer of all of the shares of consolidated subsidiary Digital Arts Consulting Inc. owned by the Company at the end of the previous fiscal year was an approximately 1,505 million yen reduction of profit in the consolidated fiscal year under review. (If this were disregarded, profit would have been up 5.2% year on year.)

The following describes business performance in separate markets.

Enterprise Sector Market

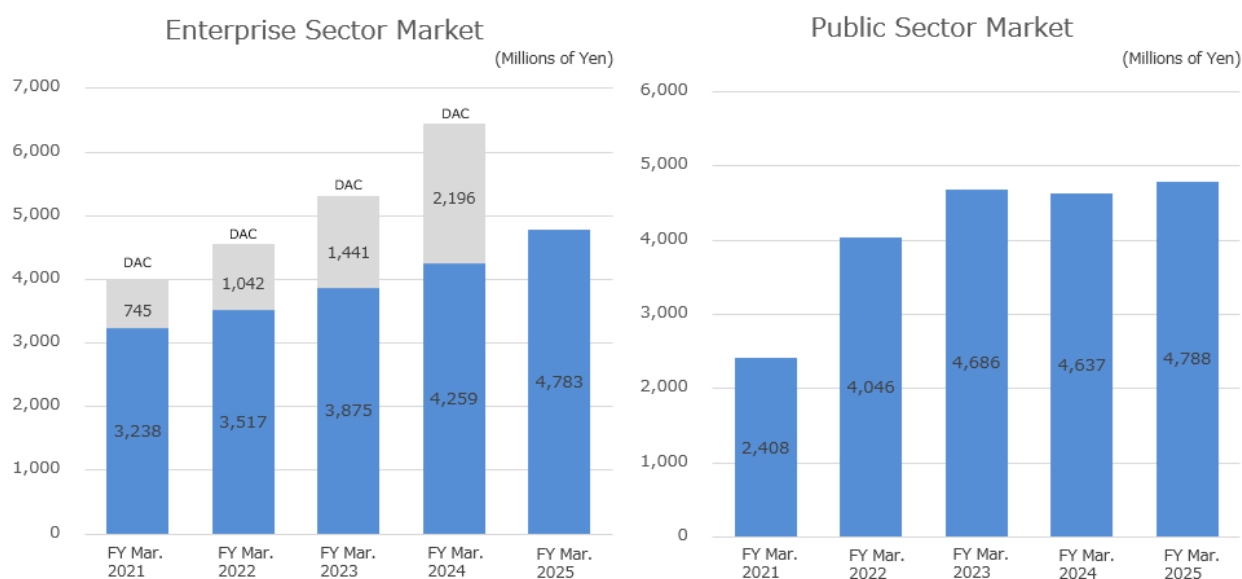
In the enterprise sector market, i-FILTER captured the demand for cloud security measures such as local breakout communication control, the provision of static IP addresses and cloud access security brokers (CASB), for the replacement of discontinued on-premises products from other companies and for continued on-premises measures such as hybrid operation of cloud and on-premises systems. In addition, sales of optional product Anti-Virus & Sandbox were strong. Thus, the Group continued its significant growth. The popularization of cloud-type mail services brought about needs for cloud-based security measures such as protection from malware, the prevention of the incorrect sending of email and email archiving. The m-FILTER product earned high marks for its comprehensive functions responding to the diverse needs of customers regarding email security measures, and that enabled the Group to firmly acquire new m-FILTER projects. In addition, progress was steady regarding the new product f-FILTER, mainly in the acquisition of projects related to PPAP issue solutions due to the provision of the product together with m-FILTER as a set. Meanwhile, the transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year produced an impact of decreasing net sales by around 2,196 million yen.

As a result, contracts in the enterprise sector market amounted to 5,016 million yen (down 24.7% year on year), net sales stood 4,783 million yen (down 25.9% year on year). Excluding the effect of DAC transfer, contracts in the enterprise sector market were up 12.4% year on year, net sales were up 12.3% year on year.

Public Sector Market

In the public sector market, proposals regarding projects for the second phase of GIGA School Concept began. The Group broadly advertised i-FILTER, a product with a competitive advantage, in its sales and marketing activities to secure a much larger market share in terms of orders than the first phase. In addition, the Group proposed comprehensive solutions conforming to the Information system Security Management and Assessment Program (ISMAP) and the Guidelines for IT Security Policy in Education in projects for security improvements for local governments and for Next-Generation School Affairs DX projects. In so doing, the Group steadily received projects and achieved the rapid growth of contracts. While most contract amounts for on-premises products, which are products sold as licenses, are recorded as sales at the time of shipment, sales of cloud service products, orders for which are received mainly in projects for the GIGA School Concept and Next-Generation School Affairs DX, are recorded on a monthly prorated basis through the period during which relevant services are provided. During this fiscal year under review, sales were not recorded as anticipated because orders for cloud service products increased more than planned.

As a result, contracts in the public sector market reached 5,146 million yen (up 36.9% year on year), net sales amounted to 4,788 million yen (up 3.3% year on year).



*The transfer of all shares in Digital Arts Consulting Inc., a consolidated subsidiary, owned by the Company at the end of the previous fiscal year had an impact of lowering net sales in the enterprise sector market for the consolidated fiscal year under review by around 2,196 million yen. (Excluding this effect, net sales for enterprise sector market were up 12.3% year on year.)

Consumer Sector Market

In the consumer sector market, the Group stepped up its sales promotion activities for multi-year package products and carried out sales promotion measures for products for Internet cafes. However, orders decreased given that demand for filtering products for children appeared to come to an end.

As a result, contracts in the consumer sector market totaled 408 million yen (down 2.5% year on year), net sales amounted to 409 million yen (down 2.1% year on year).

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

(Assets)

Total assets at the end of the consolidated fiscal year under review increased 109 million yen from the end of the previous fiscal year to 22,627 million yen. This was due mainly to growth of 105 million yen in software.

(Liabilities)

Total liabilities in the consolidated fiscal year under review declined 1,257 million yen from the end of the previous consolidated fiscal year to 5,262 million yen. This was due mainly to decreases of 336 million yen in advances received and 965 million yen in income taxes payable.

(Net assets)

Net assets in the consolidated fiscal year under review increased 1,367 million yen from the end of the previous consolidated fiscal year to 17,365 million yen. This was mainly due to an increase in earnings retained 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 decreased 387 million yen from the end of the previous consolidated fiscal year to 17,952 million yen. Cash flows in each category are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,817 million yen (2,830 million yen in the previous year), mainly due to income taxes paid, while income before income taxes and minority interests amounted to 4,563 million yen.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,107 million yen (1,102 million yen used in the previous year), mainly due to the purchase of intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities was 2,096 million yen (2,545 million yen in the previous fiscal year), primarily due to dividends paid and purchase of treasury shares.

The table below shows trends of cash flow indicators.

	As of March 31, 2022	As of March 31, 2023	As of March 31, 2024	As of March 31, 2025
Equity ratio (%)	62.7	66.9	71.0	76.6
Equity ratio based on market value (%)	538.6	338.5	267.8	401.6

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, 2025 to March 31, 2026) is as follows:

The security industry the Group operates within is confronting a situation where information assets are scattered across different locations following the popularization of cloud solutions, digital transformation and the diversification of work styles. As is shown in recent security incidents, it is easy to carry out cyberattacks. Consequently, security threats to enterprises, public institutions and households are still high. The need for security measures and solutions is expected to continuously expand in the future.

The Group established a Medium-Term Management Plan (fiscal year ending March 31, 2025 through fiscal year ending March 31, 2027). It has identified three priority areas: the growth of security business, the increase of public sector market share, and investment in personnel to carry out new measures. Accordingly, the Group has been implementing initiatives. The following fiscal year is the second year of this Medium-Term Management Plan. Regarding the growth of security business, the Group will step up its proposal activities to target customers comprehensively considering the industry and the size of the business, provide cross-selling and up-selling proposals to White Operation customers, release the new product that can achieve zero trust security and continually improve the functions of products aiming for rapid growth in the enterprise sector market. Regarding the increase of public sector market share, for projects for the second phase of GIGA School Concept, the Group will capitalize on our customer base which has given us the largest share of the market to collect requests from users to continue to upgrade i-FILTER's functions for educational institutions to increase customer satisfaction and product value. In addition, the Group will continue to implement the project management method it has practiced to produce favorable results in the previous fiscal year, and it will rigidly carry out sales and marketing activities that advertise added value to increase both our market share in terms of orders and sales per existing customer. Regarding Next-Generation School Affairs DX projects, the Group will leverage its GIGA School Concept customer base to generate sales opportunities. It will not only sell mainstay products on a standalone basis but also sell them in combination with new products and optional products to achieve drastic growth in the public sector market. Regarding the investment in personnel to carry out new measures, the Group will invest in engineers capable of independently developing products with competitive advantages. It will provide incentives to sales personnel directly promoting products to large and medium-sized corporate customers. The Group will invest more in recruitment activities than ever before in an effort to realize the goals of the Medium-Term Management Plan, specifically, the expansion of net sales and operating profit and the continued increase of the operating margin.

As the Group pursues those initiatives, it expects to post net sales of 12,550 million yen, ordinary profit of 6,150 million yen, and profit attributable to owners of parent of 4,200 million yen in the next consolidated fiscal year, up 25.7%, up 34.8% and up 31.9%, respectively, year on year.

The Company has determined the results forecasts based on information available on the day of publication of these financial results for the fiscal year ended March 31, 2025. 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)

	Contracts	Net sales	Ordinary profit	Profit attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31 2026 (forecast)	16,475	12,550	6,150	4,200
Year ended March 31, 2025 (results)	10,570	9,982	4,562	3,183

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

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

	Contracts	Net sales	Ordinary profit	Profit
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31 2026 (forecast)	16,470	12,545	6,160	4,210
Year ended March 31, 2025 (results)	10,561	9,972	4,569	3,187

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

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

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	18,339	17,952
Notes receivable - trade	65	120
Accounts receivable - trade	1,469	1,323
Finished goods	0	2
Supplies	2	1
Other	305	611
Total current assets	20,183	20,012
Non-current assets		
Property, plant and equipment		
Buildings	223	228
Accumulated depreciation	(139)	(142)
Buildings, net	83	86
Vehicles	25	25
Accumulated depreciation	(8)	(15)
Vehicles, net	16	10
Tools, furniture and fixtures	506	572
Accumulated depreciation	(421)	(456)
Tools, furniture and fixtures, net	84	116
Land	26	26
Total property, plant and equipment	211	238
Intangible assets		
Software	1,367	1,472
Other	234	311
Total intangible assets	1,602	1,783
Investments and other assets		
Investment securities	100	100
Deferred tax assets	136	107
Other	284	385
Total investments and other assets	521	592
Total non-current assets	2,334	2,615
Total assets	22,518	22,627

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	54	30
Income taxes payable	1,354	389
Provision for bonuses	137	148
Advances received	4,418	4,082
Other	501	558
Total current liabilities	6,467	5,209
Non-current liabilities		
Asset retirement obligations	49	49
Other	3	3
Total non-current liabilities	52	52
Total liabilities	6,519	5,262
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	956	955
Retained earnings	16,029	18,116
Treasury shares	(1,730)	(2,467)
Total shareholders' equity	15,968	17,318
Accumulated other comprehensive income		
Foreign currency translation adjustment	18	17
Total accumulated other comprehensive income	18	17
Share acquisition rights	11	29
Total net assets	15,998	17,365
Total liabilities and net assets	22,518	22,627

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

Consolidated statement of income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	11,512	9,982
Cost of sales	4,583	2,948
Gross profit	6,928	7,033
Selling, general and administrative expenses	2,500	2,474
Operating profit	4,427	4,558
Non-operating income		
Interest income	0	1
Foreign exchange gains	13	0
Gain on forfeiture of unclaimed dividends	1	1
Gain on sales of supplies	0	1
Miscellaneous income	2	0
Total non-operating income	17	4
Non-operating expenses		
Miscellaneous losses	1	0
Total non-operating expenses	1	0
Ordinary profit	4,443	4,562
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Gain on sale of non-current assets	4	0
Gain on sale of shares of subsidiaries	1,930	-
Total extraordinary income	1,935	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	6,378	4,563
Income taxes - current	2,015	1,350
Income taxes - deferred	(19)	29
Total income taxes	1,995	1,380
Profit	4,383	3,183
Profit attributable to non-controlling interests	5	-
Profit attributable to owners of parent	4,377	3,183

Consolidated statement of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit	4,383	3,183
Other comprehensive income		
Foreign currency translation adjustment	4	(0)
Total other comprehensive income	4	(0)
Comprehensive income	4,387	3,182
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,382	3,182
Comprehensive income attributable to non-controlling interests	5	-

(3) Consolidated statement of changes in equity

For the fiscal year ended March 31, 2024

(Millions of 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	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
Net changes in items other than shareholders' equity						4	4	(0)	(20)	(16)
Total changes during period	-	2	3,261	(1,422)	1,841	4	4	(0)	(20)	1,824
Balance at end of period	713	956	16,029	(1,730)	15,968	18	18	11	-	15,998

For the fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	713	956	16,029	(1,730)	15,968	18	18	11	15,998
Changes during period									
Dividends of surplus			(1,095)		(1,095)				(1,095)
Profit attributable to owners of parent			3,183		3,183				3,183
Purchase of treasury shares				(744)	(744)				(744)
Restricted stock compensation		(1)		8	6				6
Net changes in items other than shareholders' equity						(0)	(0)	18	17
Total changes during period	-	(1)	2,087	(736)	1,349	(0)	(0)	18	1,367
Balance at end of period	713	955	18,116	(2,467)	17,318	17	17	29	17,365

(4) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	6,378	4,563
Depreciation	886	916
Share-based payment expenses	0	6
Increase (decrease) in provision for bonuses	(19)	11
Interest income	(0)	(1)
Foreign exchange losses (gains)	(16)	(0)
Gain on reversal of share acquisition rights	(0)	(0)
Loss on retirement of non-current assets	0	0
Loss (gain) on sale of non-current assets	(4)	(0)
Loss (gain) on sale of shares of subsidiaries	(1,930)	-
Decrease (increase) in trade receivables	(1,073)	(245)
Decrease (increase) in inventories	19	(0)
Increase (decrease) in trade payables	(100)	(24)
Increase (decrease) in accounts payable - other	141	(8)
Decrease (increase) in other current assets	(60)	(38)
Increase (decrease) in other current liabilities	58	10
Other, net	28	(94)
Subtotal	4,308	5,094
Interest and dividends received	0	1
Income taxes paid	(1,478)	(2,279)
Net cash provided by (used in) operating activities	2,830	2,817
Cash flows from investing activities		
Purchase of property, plant and equipment	(75)	(24)
Proceeds from sale of property, plant and equipment	9	0
Purchase of intangible assets	(918)	(1,046)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,992	-
Other, net	5	(37)
Net cash provided by (used in) investing activities	1,012	(1,107)
Cash flows from financing activities		
Decrease (increase) in deposits for purchase of treasury shares	-	(256)
Proceeds from disposal of treasury shares	0	-
Purchase of treasury shares	(1,430)	(745)
Dividends paid	(1,115)	(1,094)
Net cash provided by (used in) financing activities	(2,545)	(2,096)
Effect of exchange rate change on cash and cash equivalents	22	(0)
Net increase (decrease) in cash and cash equivalents	1,320	(387)
Cash and cash equivalents at beginning of period	17,018	18,339
Cash and cash equivalents at end of period	18,339	17,952

(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

(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.

(Change in presentation method)

(Consolidated income statement)

Gain on sales of supplies, which was included in miscellaneous income under non-operating income in the previous consolidated financial year, began to be presented independently in the consolidated financial year under review because it became more important than before. Consolidated financial statements for the previous consolidated financial year were reclassified to reflect this change in presentation method.

As a result, the 2 million yen, which was presented as miscellaneous income under non-operating income in the consolidated statement of income for the previous consolidated fiscal year, has been reclassified into 0 million yen as gain on sales of supplies and 2 million yen as miscellaneous income.

(Consolidated Statements of Cash Flows)

Stock compensation expense, which was included in other under cash flows from operating activities in the previous consolidated fiscal year, began to be presented independently in the consolidated fiscal year under review because it became more important than before. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous consolidated fiscal year.

As a result, the 28 million yen which was presented as other in cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year has been reclassified into stock compensation expense of 0 million yen and other of 28 million yen.

(Consolidated statement of income)

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

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Advertising expenses	313 million yen	309 million yen
Salaries and allowances	753	716
Provision for bonuses	73	79

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

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
	29 million yen	17 million yen

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

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Vehicles	4 million yen	— million yen
Tools, furniture, and fixtures	—	0
Total	4	0

*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 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Buildings	— million yen	0 million yen
Tools, furniture, and fixtures	0	0
Total	0	0

(Consolidated statement of comprehensive income)

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

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	4 million yen	(0) million yen
Reclassification adjustment	—	—
Before Income taxes and tax effect adjustment	4	(0)
Income taxes and tax effect	—	—
Foreign currency translation adjustment	4	(0)
Total other comprehensive income	4	(0)

(Consolidated statement of changes in equity)

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

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 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 (Millions of 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

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

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

	Number of shares at beginning of consolidated fiscal year under review	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*	379,630	152,440	1,774	530,296
Total	379,630	152,440	1,774	530,296

(*Note) The increase in the number of common shares in treasury shares, 152,440, is due to the purchase of treasury shares. The decrease in the number of treasury shares, 1,774, includes a decrease of shares as a result of the issuance of restricted stock.

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

Classification	Breakdown of share acquisition rights	Class of shares underlying share acquisition rights	Number of shares to be acquired upon exercise of share acquisition rights				Amount at end of fiscal year under review (Millions of Yen)
			Beginning of fiscal year under review	Increase during fiscal year under review	Decrease during fiscal year under review	End of fiscal year under review	
Reporting company (parent company)	Share acquisition rights as stock options	—	—	—	—	—	29
Total		—	—	—	—	—	29

3. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of Yen)	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 24, 2024	Common shares	550	40	March 31, 2024	June 25, 2024
Board of Directors meeting on October 30, 2024	Common shares	545	40	September 30, 2024	December 3, 2024

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

Resolution	Class of shares	Total amount of dividends (Millions of Yen)	Financial source of dividends	Dividend per share (yen)	Record date	Effective date
Annual shareholders' meeting on June 23, 2025	Common shares	612	Retained earnings	45	March 31, 2025	June 24, 2025

(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 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Cash and deposit account	18,339 million yen	17,952 million yen
Cash and cash equivalents	18,339	17,952

*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 2024 (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

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

There are no applicable matters.

(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, notes receivable, accounts receivable and income taxes payable are 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 2024 (As of March 31, 2024)

	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Bonds held to maturity	100	100	(0)
Total assets	100	100	(0)

Fiscal 2025 (As of March 31, 2025)

	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
(1) Investment securities			
Bonds held to maturity	100	100	△0
Total assets	100	100	△0

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

Fiscal 2024 (As of March 31, 2024)

	Within a year (Millions of yen)	More than a year, within 5 years (Millions of yen)	More than five years, within 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	18,339	—	—	—
Notes receivable - trade	65	—	—	—
Accounts receivable - trade	1,469	—	—	—
Investment securities				
Bonds held to maturity				
Corporate bonds	—	100	—	—
Total	19,874	100	—	—

Fiscal 2025 (As of March 31, 2025)

	Within a year (Millions of yen)	More than a year, within 5 years (Millions of yen)	More than five years, within 10 years (Millions of yen)	More than 10 years (Millions of yen)
Cash and deposits	17,952	—	—	—
Notes receivable - trade	120	—	—	—
Accounts receivable - trade	1,323	—	—	—
Investment securities				
Bonds held to maturity				
Corporate bonds	100	—	—	—
Total	19,496	—	—	—

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 2024 (As of March 31, 2024)

(Millions of Yen)

Classification	Market price			
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity				
Bonds payable	—	100	—	100
Total assets	—	100	—	100

Fiscal 2025 (As of March 31, 2025)

(Millions of yen)

Classification	Market price			
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity				
Bonds payable		100		100
Total assets		100		100

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

(Securities)

Bonds held to maturity

Fiscal 2024 (As of March 31, 2024)

	Classification	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
Market price exceeds consolidated balance sheet amount	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Market price does not exceed consolidated balance sheet amount	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	100	100	(0)
	(3) Other	—	—	—
	Subtotal	100	100	(0)
Total		100	100	(0)

Fiscal 2025 (As of March 31, 2025)

	Classification	Consolidated balance sheet amount (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
Market price exceeds consolidated balance sheet amount	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Market price does not exceed consolidated balance sheet amount	(1) Government bonds, local government bonds, etc.	—	—	—
	(2) Corporate bonds	100	100	(0)
	(3) Other	—	—	—
	Subtotal	100	100	(0)
Total		100	100	(0)

(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 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.

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

The amount that was required for contribution to the defined contribution pension plan was 32 million yen.

(Stock options)

1. Expenses related to stock options and their account titles

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Selling, general and administrative expenses	0 million yen	6 million yen

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

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Gain on reversal of share acquisition rights	0 million yen	0 million yen

3. Description of stock options, their scale and changes

(1) Description of stock options

	8th Stock options	9th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	Four directors 151 employees	Three directors 96 employees
Stock options by class of shares	Common shares 350,100 shares	Common shares 848,000 shares
Grant date	November 27, 2015	December 13, 2016
Vesting conditions	<p>Being a director or an employee of the reporting company and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company from the grant date (November 27, 2015) to the vesting date (July 1, 2017)</p> <p>Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each item below in the fiscal year ended March 31, 2017, the fiscal year ended March 31, 2018, or the fiscal year ended March 31, 2019.</p> <p>(i) If operating profit exceeds 1.5 billion yen, 20% of share acquisition rights can be exercised</p> <p>(ii) If operating profit exceeds 2.0 billion yen, 50% of share acquisition rights can be exercised</p> <p>(iii) If operating profit exceeds 2.5 billion yen, 100% of share acquisition rights can be exercised</p> <p>In the items above, the operating profit stated in the consolidated statement of income in the Company's annual securities report (or the statements of income if no consolidated statements of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors.</p>	<p>Being a director or an employee of the reporting company and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company from the grant date (December 13, 2016) to the vesting date (July 1, 2018).</p> <p>Share acquisition rights can be exercised up to the percentage of the allocated share acquisition rights specified in each item below by each holder of share acquisition rights only if operating profit reaches the level specified in each item below in the fiscal year ended March 31, 2018, the fiscal year ended March 31, 2019, or the fiscal year ended March 31, 2020.</p> <p>(i) If operating profit exceeds 2.0 billion yen, 20% of share acquisition rights can be exercised</p> <p>(ii) If operating profit exceeds 2.5 billion yen, 50% of share acquisition rights can be exercised</p> <p>(iii) If operating profit exceeds 2.8 billion yen, 100% of share acquisition rights can be exercised</p> <p>In the items above, the operating profit stated in the consolidated statement of income in the Company's annual securities report (or the statements of income if no consolidated statement of income are prepared) shall be referenced. If the concept of items to be referenced changes significantly due to the application of the International Financial Reporting Standards, etc. indicators to be referenced shall be determined by the Board of Directors.</p>
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	From the vesting date to May 31, 2027. The person must continue to be a director or an employee of the Company to exercise share acquisition rights.	From the vesting date to May 31, 2028. The person must continue to be a director or an employee of the Company to exercise share acquisition rights.

	11th Stock options	12th Stock options
Company	Reporting company	Same as on the left
Category and number of persons subject to grants	16 employees	55 employees
Stock options by class of shares	Common shares 69,000 shares	Common shares 137,500 shares
Grant date	September 24, 2021	September 24, 2021
Vesting conditions	<p>Being a director, an auditor, or an employee of the reporting company or its subsidiaries and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company or its subsidiaries from the grant date (September 24, 2021) to the vesting date (June 30, 2036)</p> <p>The share acquisition rights can be exercised only over the period from July 1, 2036 to June 30, 2038, if operating profit exceeds 14,736 million yen in any fiscal year from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2036.</p> <p>Whether the operating profit above is exceeded or not shall be determined in reference to the operating profit stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of the item to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.</p>	<p>Being a director, an auditor, or an employee of the reporting company or its subsidiaries and not being subject to salary reduction or stricter disciplinary action provided for in the rules of employment of the reporting company or its subsidiaries from the grant date (September 24, 2021) to the vesting date (June 30, 2041)</p> <p>The share acquisition rights can be exercised only over the period from July 1, 2041 to June 30, 2043, if operating profit exceeds 20,630 million yen in any fiscal year from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2041.</p> <p>Whether the operating profit above is exceeded or not shall be determined in reference to the operating profit stated in the non-consolidated statement of income in the Company's Annual Securities Report, and in the event of a material change in the concept of the item to be referred to due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the index to be referred to.</p>
Requisite service period	No requisite service periods are determined.	No requisite service periods are determined.
Exercise period	<p>From July 1, 2036 to June 30, 2038.</p> <p>The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.</p>	<p>From July 1, 2041 to June 30, 2043.</p> <p>The person must continue to be a director, an auditor, or an employee of the Company or its subsidiaries to exercise share acquisition rights.</p>

	13th Stock options
Company	Reporting company
Category and number of persons subject to grants	4 employees
Stock options by class of shares	Common shares 3,200 shares
Grant date	December 25, 2024
Vesting conditions	Being a director, an auditor, an executive officer or an employee of the reporting company or its subsidiaries from the grant date (December 25, 2024) to the vesting date (December 24, 2025)
Requisite service period	No requisite service periods are determined.
Exercise period	From December 25, 2025 to December 24, 2030. The person must be a director, an auditor, an executive officer or an employee of the Company or its subsidiaries to exercise share acquisition rights.

(2) Scale of stock options and related changes

The stock options below are those that existed in the fiscal year under review (fiscal year ended March 31, 2025). The number of stock options has been converted to the number of shares.

(i) Number of stock options

	8th Stock options	9th Stock options	11th Stock options	12th Stock options	13th Stock options
Before vesting (shares)					
As of March 31, 2024	—	—	54,000	77,500	—
Granted	—	—	—	—	3,200
Forfeited	—	—	—	12,500	—
Vested	—	—	—	—	—
Yet to be vested	—	—	54,000	65,000	3,200
After vesting (shares)					
As of March 31, 2024	152,000	300,800	—	—	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
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	13th Stock options
Exercise price (yen)	2,034	2,639	8,310	8,310	1
Average stock price when exercised (yen)	—	—	—	—	—
Fair unit value (grant date) (yen)	2	24	6,741	7,482	5,737

4. Method for estimating the fair value of stock options vested during Fiscal 2025 (from April 1, 2024 to March 31, 2025)

13th Stock options

(1) Valuation technique used: Black-Scholes model

(2) Key inputs and method for determining them

Stock volatility (Note) 1	37.373%
Expected time remaining (Note) 2	3.5 years
Expected dividend (Note) 3	80yen per share
Risk-free interest rate (Note) 4	0.619%

(Note) 1. Calculated based on actual stock prices from June 26, 2021 to December 25, 2024

2. Estimated based on the assumption of exercise midway through the exercise period, since a reasonable estimate is difficult to make due to the lack of data
3. Based on the sum of the year-end dividends paid for the fiscal year ended March 31, 2024 and the interim dividends paid for the fiscal year ended March 31, 2025.
4. Average compound yield of interest-bearing long-term government bonds maturing in three months or less from the end date of the estimated time remaining

5. 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 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Balance at beginning of fiscal year	48 million yen	49 million yen
Adjustment due to passage of time	0	0
Balance at end of fiscal year	49	49

(Matters concerning revenue recognition)

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

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

Below is a breakdown of revenue from contracts with customers.

(Millions of yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	6,456	4,637	418	11,512

(Note) Internal transactions between Group companies are deducted.

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

Below is a breakdown of revenue from contracts with customers.

(Millions of yen)

	Enterprise Sector Market	Public Sector Market	Consumer Sector Market	Total
Revenue from contracts with customers	4,783	4,788	409	9,982

(Note) Internal transactions between Group companies are deducted.

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 remote deletion solutions.

In sales of security software, software is classified into two types: license products and associated maintenance services, and cloud service products.

Revenue from a license product is recognized when the software product is provided to the customer, at which time the performance obligation is deemed fulfilled. The performance obligation for maintenance services is fulfilled over a certain period, and revenue is recognized over the term of the contract as the performance obligation is being satisfied.

As for the cloud service product, the service performance obligation is satisfied over time, and the transaction price under the contract with the customer is distributed evenly throughout the term of the contract and recognized as revenue.

Revenue is recorded mostly in accordance with the contract with the customer. If the Company pays a rebate according to a transaction amount for a certain period, among other factors, the rebate is deducted from the revenue.

The promised consideration does not include any significant financing component.

3. Information to understand revenue in the fiscal year under review and the next fiscal year and thereafter

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

(Millions of yen)	
Contract liabilities	Fiscal 2025
Balance at beginning of fiscal year	4,418
Balance at end of fiscal year	4,082

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 2,412 million yen.

(Segment information, etc.)

Segment information

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024) and consolidated fiscal year under review (from April 1, 2024 to March 31, 2025)

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

Related information

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.

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

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

1. Information by product/service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

(Millions of Yen)	
Customer name	Net sales
Daiwabo Information System Co., Ltd.	3,074
SB C&S Corp.	1,887

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

There are no applicable matters.

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

There are no applicable matters.

(Per share information)

	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Net assets per share	1,162.40 yen	1,274.46 yen
Profit per share	315.46 yen	232.79 yen
Diluted profit per share Profit	310.30 yen	228.83 yen

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

Item	Fiscal 2024 (from April 1, 2023 to March 31, 2024)	Fiscal 2025 (from April 1, 2024 to March 31, 2025)
Profit per share		
Profit attributable to owners of parent (Millions of yen)	4,377	3,183
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	4,377	3,183
Average number of common shares during the term	13,877,851	13,673,529
Diluted profit per share		
Adjustment of profit attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares	230,763	236,833
[Of the increase, the number of share acquisition rights) (shares)]	[230,763]	[236,833]
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: 131,500	Share acquisition rights Resolution on August 30, 2021 Number of potential shares: 119,000

(Significant subsequent events)

There are no applicable matters.