

October 27, 2016

Name of listed company: Digital Arts Inc.
 Representative: Toshio Dogu, CEO
 (TSE First Section Stock Code: 2326)
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Notice of Difference between FY03/17 Consolidated Financial Forecast and Results For Second Quarter Ended September 30, 2016 (Japan GAAP)

Digital Arts Inc. (the “Company”) announces that its consolidated financial results for the second quarter ended September 30, 2016 is anticipated to differ from the consolidated financial forecasts for the relevant period released on May 11, 2016.

1. Differences between Forecast and Results

Differences between FY03/17 Consolidated Financial Forecasts and Results for Second Quarter Ended September 30, 2016 (Cumulative) (April 1, 2016 through September 30, 2016)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Earnings per share (2Q)
Previous forecasts (A)	Millions of yen 2,222	Millions of yen 608	Millions of yen 608	Millions of yen 363	Yen 26.08
Actual results (B)	2,420	789	767	454	32.62
Change (B-A)	197	181	158	91	
Rate of Change (%)	8.9	29.7	26.0	25.1	
[Reference] Results for the second quarter ended September 30, 2015	1,935	497	499	314	22.64

Differences between FY03/17 Non-Consolidated Financial Forecasts and Results for Second Quarter Ended September 30, 2016 (Cumulative) (April 1, 2016 through September 30, 2016)

	Net sales	Operating income	Ordinary income	Earnings per share (2Q)
Previous forecasts (A)	Millions of yen 2,264	Millions of yen 792	Millions of yen 546	Yen 39.23
Actual results (B)	2,465	918	619	44.46
Change (B-A)	200	126	72	
Rate of Change (%)	8.9	16.0	13.4	
[Reference] Results for the second quarter ended September 30, 2015	1,933	659	437	31.52

2. Reasons for the Differences

The Company's actual net sales and incomes are expected to exceed the respective forecast due to the following reasons.

During the cumulative second quarter ended September 30, 2016 (consolidated and non-consolidated), demand for the Company's mainstay product in the public-sector market, i-FILTER (and/or D-SPA) and m-FILTER, increased dramatically as a result of government agencies in the prefectural and local municipality levels performing measures to enhance cyber security in accordance to a guideline issued by the Ministry of Internal Affairs and Communications to fundamentally enhance information security in local municipalities.

The Company expects this favorable environment to continue mainly in the public-sector market. Consolidated forecast for FY03/17 (April 1, 2016 through March 31, 2017) is currently under review, however the Company does not plan to revise its Consolidated Financial Results ("Kessan Tanshin") to be announced and published later today.

FY03/17 Consolidated Financial Results for Second Quarter Ended September 30, 2016 ("Kessan Tanshin") will be announced accordingly later today.