

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

From April 1, 2024 to March 31, 2025

Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

May 8, 2025

Digital Arts Inc.

Securities Code: 2326



For Internet Convenience, Safety and Security

Domestic
software
developer

13.65 million
active users^{*1}

High
profitability

Company Name	Digital Arts Inc.
Date of Establishment	June 1995
Listed on	September 2002
Service	Planning, Development and Sale of Internet Security Software
Head Office	14F Otemachi First Square West Tower, 1-5-1 Otemachi, Chiyoda-ku, Tokyo

Stock Market	Tokyo Stock Exchange Prime Market (Securities Code: 2326)
Number of Employees	Consolidated: 318 (As of March 31, 2025)
Sales Offices	Hokkaido Sales Office/ Tohoku Sales Office / Chubu Sales Office/ Kansai Sales Office/ Chushikoku Sales Office/ Kyushu Sales Office

*1: The number of users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of March 2025 (internal research)

Web Security

Enabling users to securely connect to websites without security concerns

i-FILTER **i-FILTER@Cloud**

Option

Anti-Virus & Sandbox

Endpoint
Web Security

Secure proxy
appliance

Malicious website-filtering
software for home use

i-FILTER
ブラウザ & クラウド

ID-SPA

イフィルター

Mail Security

Enabling users to securely send and receive email without security concerns

m-FILTER **m-FILTER@Cloud**

Option

Anti-Virus & Sandbox

Measures to provide pop-ups for email misdelivery

NEW

[For email software]
[For Microsoft365 software]

m-FILTER
MailAdviser

File Security

**File encryption/
Remote deletion**

Automatically protecting files from the moment of creation and allowing users to delete them after transfer

**Data Protection/
File transfer**

Supporting secure file transfers without leaking critical information

FINALCODE
FINALCODE@Cloud

F-FILTER **NEW**

**Single Sign On (SSO)
ID management**

NEW

Equipped with multi-factor authentication to ensure the secure management of SSO and IDs for cloud services

StartIn

i-FILTER@Cloud

Reference Price (monthly): 500 yen

i-FILTER

Reference Price (monthly): 250 yen
(for purchases of 500 licenses)

FINALCODE@Cloud

Reference Price (monthly): 1,000 yen^{*1}
(for purchases of 10 licenses)

i-FILTER@Cloud

GIGA School

Reference Price (monthly): 150 yen

m-FILTER@Cloud

Reference Price (monthly): 500 yen

m-FILTER

Reference Price (monthly): 250 yen
(for purchases of 500 licenses)

FINALCODE

Reference Price (monthly): 1,000 yen^{*1}
(for purchases of 10 licenses)

Desk

GIGA School

Reference Price (monthly): 250 yen
(for a minimum of 10 licenses)

Measures to provide pop-ups for email misdelivery
Outlook/Becky!/Thunderbird version

m-FILTER MailAdviser

Reference Price (monthly): 300 yen

Measures to provide pop-ups for email misdelivery
For Microsoft 365 software

m-FILTER MailAdviser

Reference Price (monthly): 300 yen

f-FILTER

Reference Price (monthly): 300 yen
(for a minimum of 10 licenses)

Desk

Reference Price (monthly): 300 yen
(for a minimum of 10 licenses)

Option

Available options when purchased together with i-FILTER or m-FILTER

Anti-Virus & Sandbox

Reference Price (monthly): 200 yen

f-FILTER

Reference Price (monthly): 100 yen

StartIn.

Reference Price (monthly): 300 yen
(monthly): 150 yen^{*2}
(for a minimum of 10 licenses)

*1: Fees are charged only for users in organizations who perform encryption and editing.

*2: Applies when purchasing Start In together with Digital Arts products

Contracts achieved double-digit growth and **exceeded the initial plan** following sales growth in the enterprise sector market and healthy orders received for projects for the second phase of GIGA School Concept. **Net sales grew**, driven by growth in the enterprise sector market. **Operating profit increased**, with a rise in cost of sales offset by the net sales growth and control of selling, general and administrative expenses.

Enterprise Sector market

Net sales increased, as a result of the successful strategy for products compatible with both cloud and on-premise environments and sales strategies (cross-selling and up-selling) that combined optional products and new products with mainstay ones. (Excluding DAC¹)

Public Sector market

In addition to achieving the considerable growth of market share in terms of the orders for the second phase of GIGA School Concept, the Group received projects for security improvements for Local Governments, for which there is continuous demand, as well as Next-Generation School Affairs DX projects. This led to a **substantial increase in contracts and an increase in net sales**.

Revenue

Operating profit increased, with the increase in net sales and reduction of selling, general and administrative expenses absorbing a hike in cost of sales in line with the increase in communication expenses for data centers resulting from growth in the number of users of cloud service products.

*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

INDEX

01. Consolidated Results Highlights
02. Non-consolidated Results Highlights
03. Net Sales by Market
04. Results of Measures for the Fiscal Year
Ended March 31, 2025
05. FY03/26 Initiatives
06. Full-Year Financial Forecast for the
Fiscal Year Ending March 31, 2026
07. Return to Shareholders for the Fiscal
Year Ending March 31, 2026



Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

01. Consolidated Results Highlights



Consolidated Results Highlights

Contracts	10,570 million yen -267 million yen or -2.5% YoY +1,928 million yen or +22.3% YoY *Excluding DAC	Enterprise sector market Public sector market	The Group achieved growth by capturing the demand for cloud security measures related to both Internet and email and the demand for continuing on-premises measures and by successfully cross-selling and upselling new products and optional products. The Group <u>rapidly grew</u> by receiving projects for security improvements for <u>the second phase of the GIGA School Concept</u> , Local Governments and Next-Generation School Affairs.
Net Sales	9,982 million yen -1,529 million yen or -13.3% YoY +666 million yen or +7.2% YoY *Excluding DAC	Enterprise sector market Public sector market	Sales saw robust growth, reflecting sales from strong orders for cloud service products and from license sales products. Net sales rose after posting sales from projects for security improvements for Local Governments and for Next-Generation School Affairs DX that had been obtained and posting sales from the projects for the first and second phases of the GIGA School Concept.
Operating Profit	4,558 million yen +131 million yen or +3.0% YoY	Cost of Sales SG & A expenses Overall	Data center communication expenses increased due to an increase in the number of cloud product users. The Group stepped up sales promotion and increased its investment in human resources within the limit of the plan with an eye to projects for the second phase of GIGA School Concept. Operating profit rose, with the hike in cost of sales offset by the net sales growth and control of selling, general and administrative expenses.

Special Notes

The transfer of all shares in Digital Arts Consulting (DAC), a consolidated subsidiary, held by the Company at the end of the previous fiscal year has an impact of **lowering contracts and net sales by around 2,196 million yen, and also operating profit by around 99 million yen**¹ respectively for the current fiscal year.

*1: Estimated based on non-consolidated profit of DAC for the fiscal year ended March 31, 2025

Consolidated Statement of Income

Contracts increased more than 20%, surpassing initial projections. This was due to strong performance both in the enterprise sector market and in the public sector market. **Net sales increased approximately 7%** due to an increase in the cloud service product sales share. (Excluding DAC) **Operating profit grew**, reflecting an increase in net sales that offset the increase in the cost of sales, although the increasing communication expenses of data centers imposed a heavy burden due to the continued increase in the number of users of cloud service products.

(Millions of Yen)

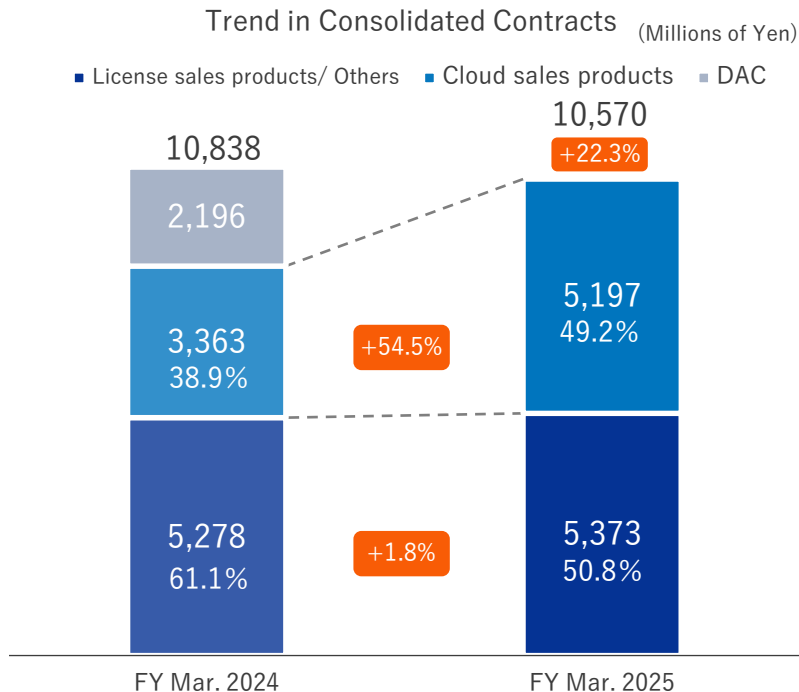
	FY Mar. 2024	FY Mar. 2025	Change YoY	FY Mar. 2025 Full-Year Forecast*1
Contracts <small>*The figure in square brackets [] represents the result excluding DAC.</small>	10,838 [8,641]	10,570	-2.5% [+22.3%]	-
Net sales <small>*The figure in square brackets [] represents the result excluding DAC.</small>	11,512 [9,315]	9,982	-13.3% [+7.2%]	10,720
Cost of sales	4,583	2,948	-35.7%	2,850
Gross profit	6,928	7,033	+1.5%	7,870
Selling, general and administrative expenses	2,500	2,474	-1.0%	2,730
Operating profit <small>*The figure in square brackets [] represents the result excluding DAC. *2</small>	4,427 [4,327]	4,558	+3.0% [5.3%]	5,140
Operating margin (%)	38.5%	45.7%	-	47.9%
Ordinary profit <small>*The figure in square brackets [] represents the result excluding DAC. *2</small>	4,443 [4,341]	4,562	+2.7% [+5.1%]	5,140
Profit attributable to owners of parent <small>*The figure in square brackets [] represents gain of sales excluding DAC.</small>	4,377 [3,053]	3,183	-27.3% [+4.3%]	3,540
EBITDA *3	5,429	5,566	+2.5%	-

*1: Financial Forecast is the consolidated financial forecast announced on May 8, 2024.

*2: Estimated based on non-consolidated profit of DAC for the fiscal year ended March 31, 2025

*3: EBITDA = Operating profit + Depreciation + Tax expenses included in operating expenses

Consolidated contracts **climbed 22.3%** year on year to **10,570million yen**, reflecting the growth of cloud service products.



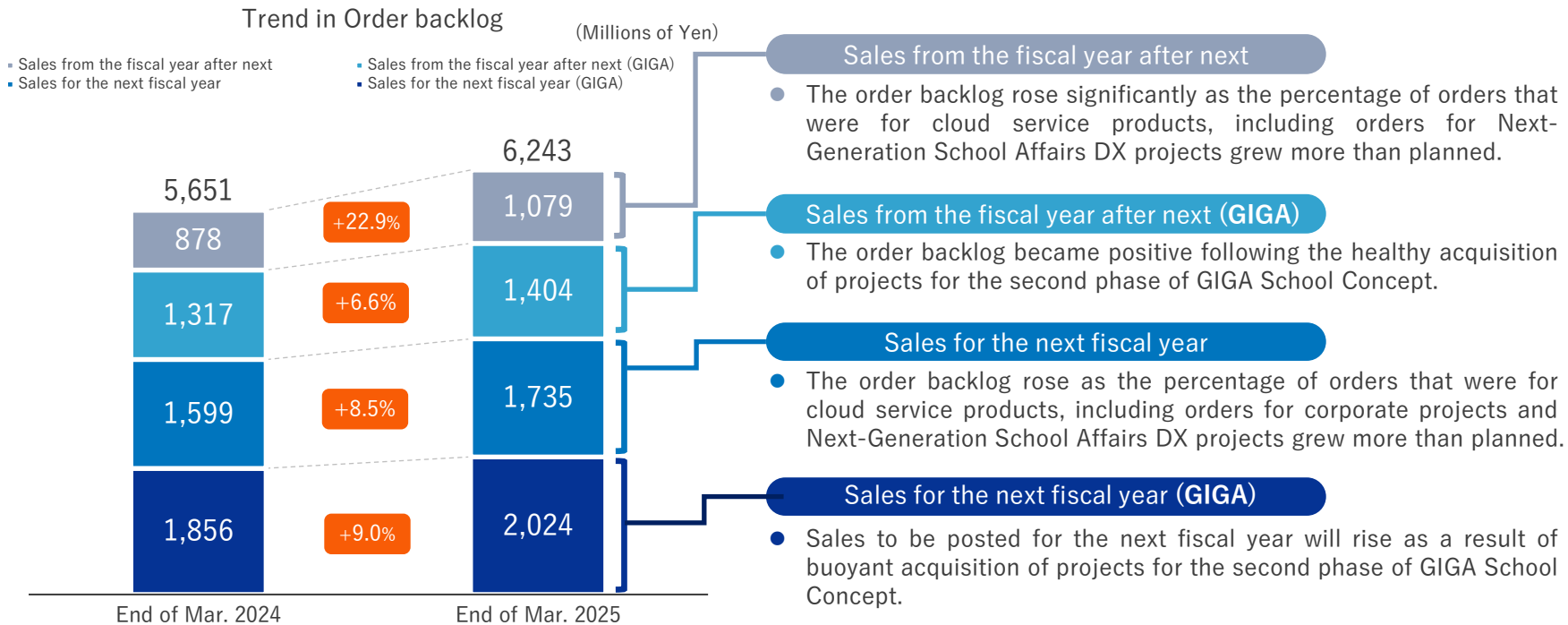
Cloud sales products

- Sales of cloud-based i-FILTER and m-FILTER products were brisk, as they fulfill needs in the enterprise sector market regarding cloud security measures for the Internet and email. (The percentage of m-FILTER sales that were contracts for cloud service products climbed.)
- Sales increased more than planned due to the acquisition of a project for the second phase of the GIGA School Concept a project for next-generation school affairs DX in the public sector market.

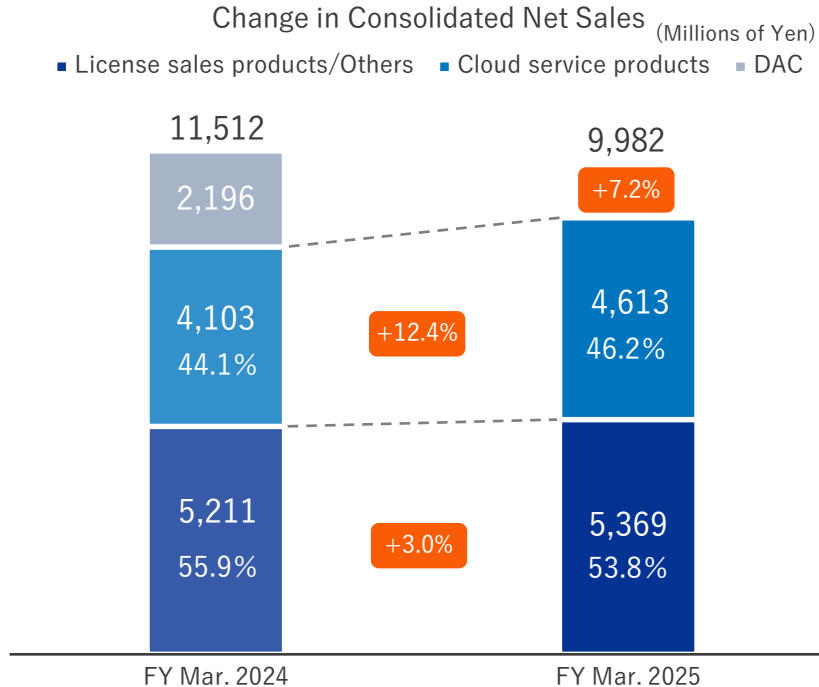
License sales products/ Others

- Growth was achieved by capturing demand for ongoing on-premises measures in the enterprise sector market.
- In the public sector market, growth was achieved following the continuous acquisition of projects regarding security improvements for Local Governments.

Order backlog increased steadily after GIGA School Concept, Next-Generation School Affairs DX and other projects were received.



Consolidated net sales **grew 7.2%** year on year, to **9,982 million yen**. (Excluding DAC)



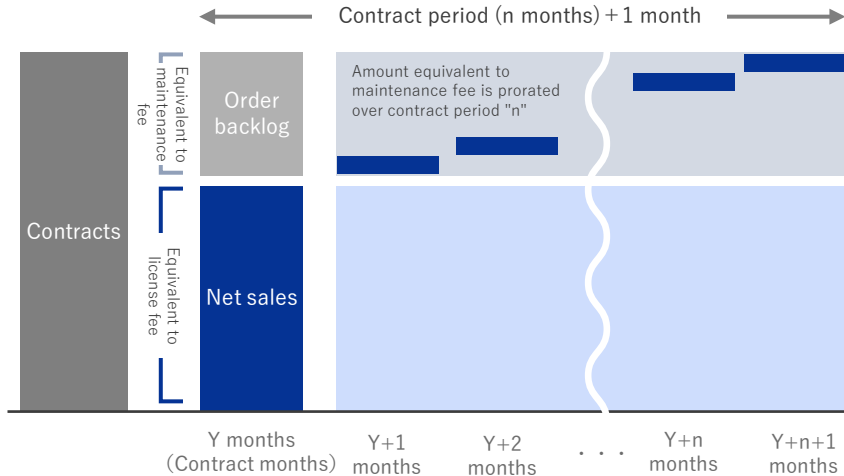
Cloud sales products

- Sales were up due to progress in the posting of sales related to the strong cloud-based i-FILTER and m-FILTER contract amount because demand for cloud security measures for the Internet and email was captured in the enterprise sector market.
- Sales increased after the acquisition of the posting of sales from projects for the first and second phases of the GIGA School Concept and for projects for Next-Generation School Affairs DX in the public sector market.

License sales products/ Others

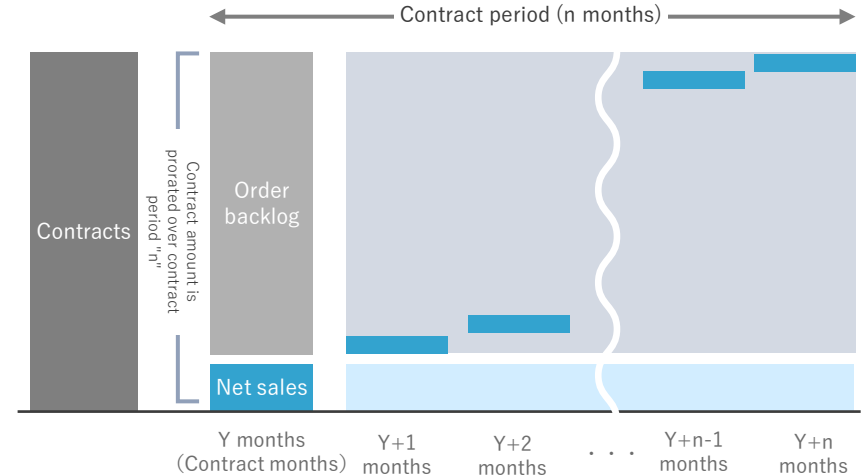
- Growth was achieved by capturing demand for ongoing on-premises measures in the enterprise sector market.
- Projects continued to be acquired in relation to Security Improvements for Local Governments projects in the public sector market.

License sales products



- License fees make up a large proportion of the contract amount. This portion is recorded in a lump sum as sales in the month when the contract is obtained.
- Amount equivalent to maintenance fee is recorded on a pro rata basis over the contract period.

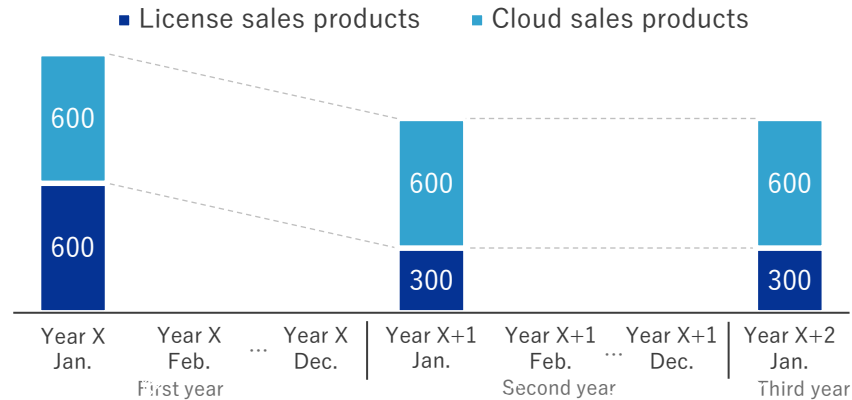
Cloud service products



- Contract amount is recorded as sales on a pro rata basis over the contract period (split into equal monthly amounts).
- As the contract amount of cloud service products rises, the contract amount that is deferred (order backlog) increases.

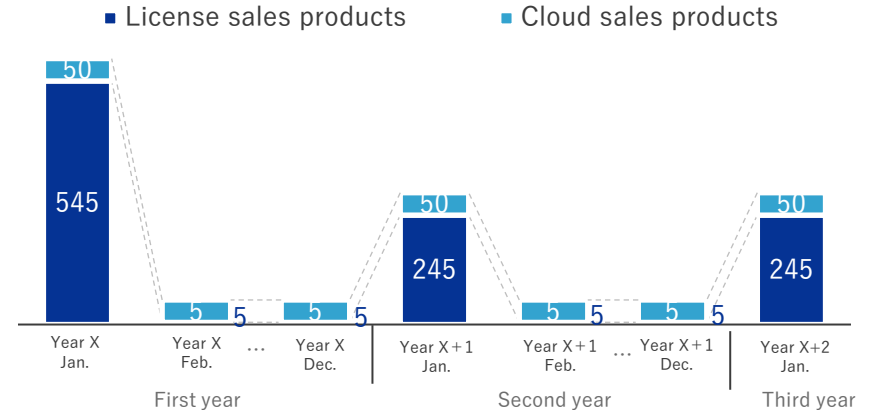
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a one-year contract at the amount of 600 million yen.

Trend in Contracts



For license sales products, contracts in the second and subsequent years are half of those of the first year. For cloud service products, contracts in the second and subsequent years are the same amounts as those in the first year. An increase in new contracts for cloud service products will result in a higher growth rate in coming fiscal years than for license sales products.

Change in Net Sales

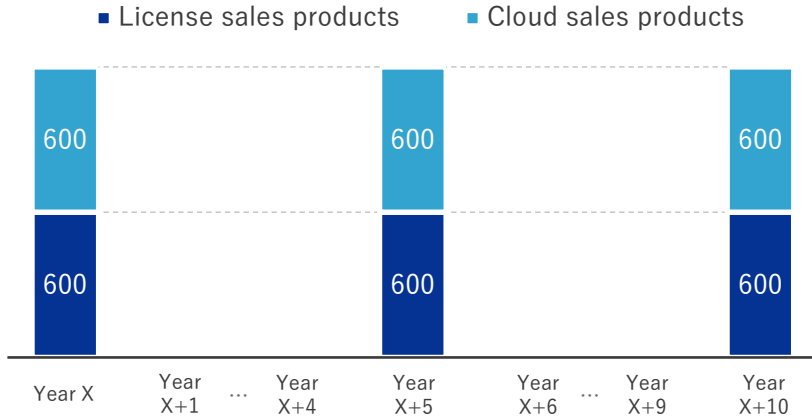


For license sales products, a high percentage of net sales is recorded at the time of the contract. For cloud service products, net sales are posted in monthly installments. For license sales products, net sales decrease because of a decline in contracts at the time of renewal. For cloud service products, net sales are constant.

Many projects in the public sector market are multi-year contracts, such as five-year ones. They have longer periods until renewal.

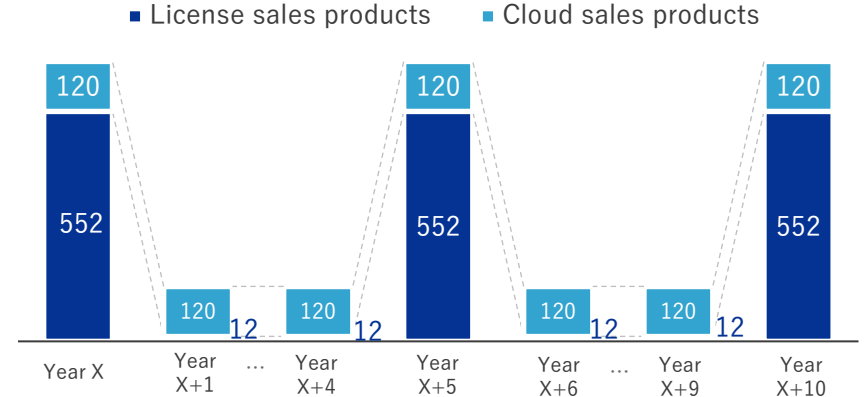
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a five-year contract of 600 million yen.

Trend in Contracts



For both license sales products and cloud service products, contract amounts are unchanged at the time of renewal.

Change in Net Sales

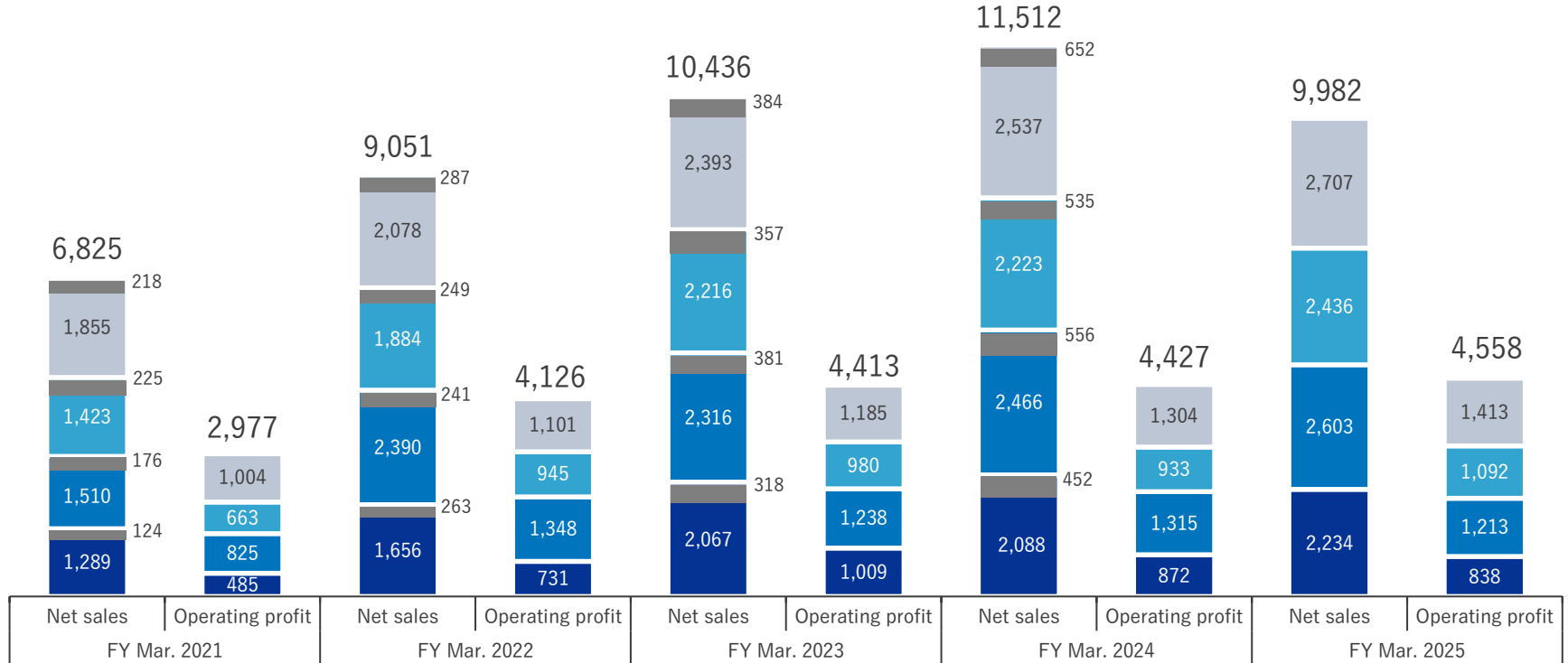


For license sales products, a high percentage of net sales is recorded at the time of the contract. For cloud service products, sales are recorded in monthly installments for a period of five years. This means a wider gap between the contract amount and net sales (order backlog).

Trend in Consolidated Net sales, Operating profit

(Millions of Yen)

■ 1Q ■ 2Q ■ 3Q ■ 4Q ■ DAC



Consolidated Cost of Sales and Selling, General and Administrative Expenses



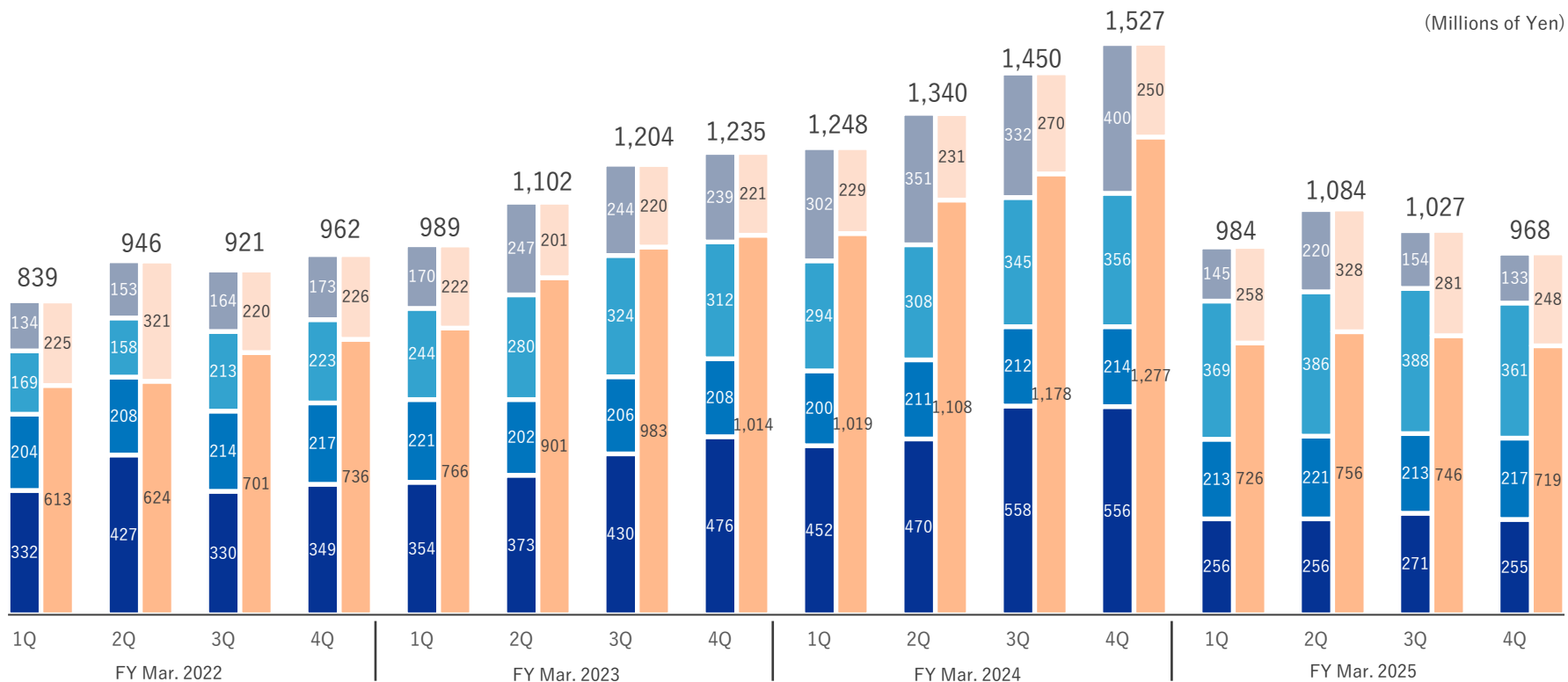
While the consolidated cost of sales and DAC's personnel expenses due to the exclusion of DAC from consolidated decreased because of communication expenses increased at the data center due to the higher-than-planned growth of the percentage of cloud service products. (However, they are trending gradually downward.) Selling, general and administrative expenses were lower than initially planned because of a change in the staff recruitment policy during the fiscal year.

(Millions of Yen)

	FY Mar. 2024	FY Mar. 2025	Change YoY	Main Factors for Change
Cost of sales	4,583	2,948	-1,635	
Labor	2,038	1,040	-997	Increase due to the enhancement of DA's development workforce (+123M) Impact of exclusion of DAC from consolidated (Approx. -1,113M)
Depreciation	839	865	+25	
Communication expenses	1,304	1,505	+201	Data center communication expenses increased due to an increase in the number of cloud product users. (+201M) Note: Including an increase due to the effect of foreign exchange rates (+48M).
Others	1,384	653	-731	Increase due to the development of new DA products (+53M) Impact of exclusion of DAC from consolidated (Approx. -780M)
Transfer to other accounts	-982	-1,116	-134	
Selling, general and administrative expenses	2,500	2,474	-26	
Personnel expenses	1,275	1,229	-46	Increase in DA's personnel expenses (+43M) Impact of exclusion of DAC from consolidated (Approx. -90M)
Advertising expenses	313	309	-4	Impact of exclusion of DAC from consolidated (Approx. -3M)
Others	911	936	+25	DA's Hiring expenses

Quarterly Trend in Consolidated Cost of Sales

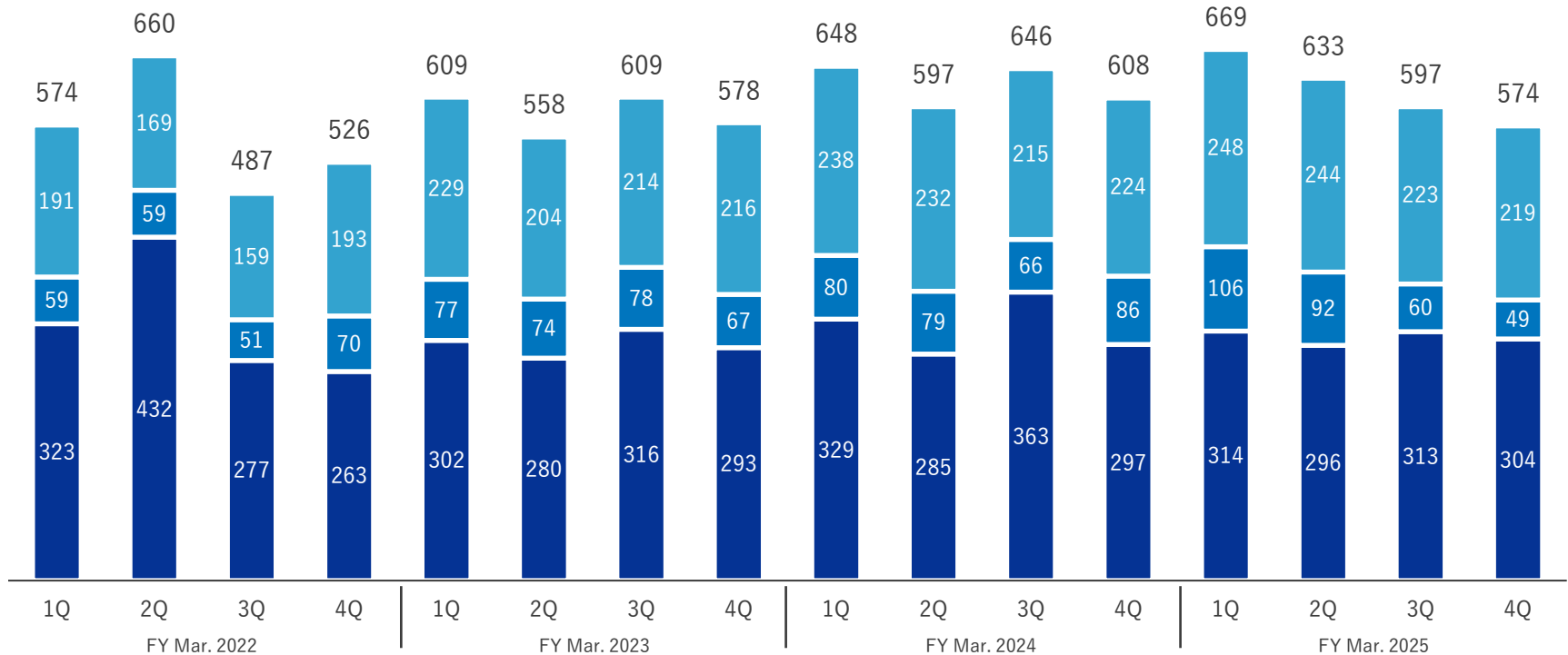
■ Labor
 ■ Depreciation
 ■ Communication expenses
 ■ Others
 ■ Cost of Sales
 ■ Transfer to other accounts



Quarterly Trend in Consolidated Selling, General and Administrative Expenses

■ Personnel expenses ■ Advertising expenses ■ Others

(Millions of Yen)



Consolidated Balance Sheet

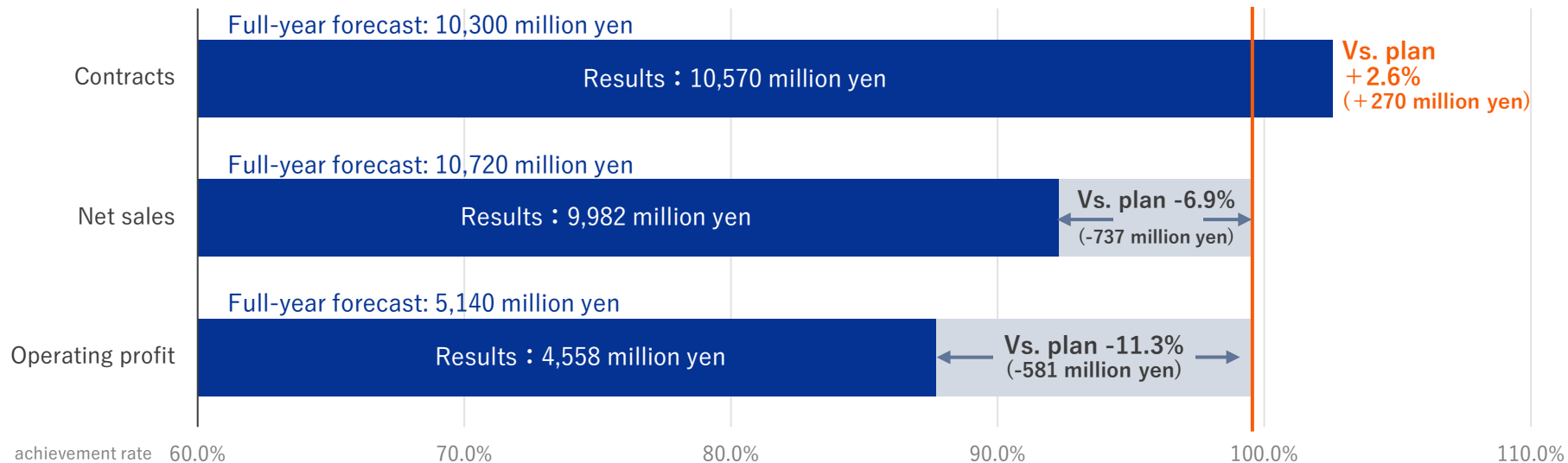
Non-current assets increased after posting products for sale, independently-developed internal DX tools and other assets. The equity ratio was up 5.6 percentage points from the end of the previous fiscal year, to 76.6%.

(Millions of Yen)

	As of end of FY Mar. 2024	As of end of FY Mar. 2025	Change from end of FY Mar. 2024	Main factors for changes
Current assets	20,183	20,012	-0.8%	Cash and deposits (-387M)
(Cash and deposit)	18,339	17,952	-2.1%	Fund for treasury share purchases (-1,000M)
Non-current assets	2,334	2,615	+12.0%	Software (+105M), Software in progress (+76M)
Total assets	22,518	22,627	+0.5%	
Current liabilities	6,467	5,209	-19.4%	Income taxes payable (-965M), Advances received (-336M)
(Advanced received)	4,418	4,082	-7.6%	Decreased linked to the progress in the recording of sales.
Non-current liabilities	52	52	-0.2%	
Equity capital	15,986	17,336	+8.4%	Treasury share buy-back (-736M), Dividends paid (-1,095M), Profit(+3,183M), and others
Net assets	15,998	17,365	+8.5%	
Equity ratio	71.0%	76.6%	-	
ROE	29.1%	19.1%	-	
ROA	20.1%	14.1%	-	

Contracts ended higher than initially planned. The business environment has been evaluated to have been very favorable. Net sales were lower than initially planned. This is explained by a delay in the posting of sales in the accounting process due to a higher percentage of contracts being for cloud service products than initially planned. Operating profit also fell short of the initial plan as a result of net sales failing to reach the initially planned target despite expenses being lower than initially planned.

Results for Progress against the Full-Year Consolidated Financial Forecast



Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

02. Non-consolidated Results Highlights



Summary of Non-consolidated Results

Contracts increased more than 20%, surpassing initial projections. This was due to strong performance both in the enterprise sector market and in the public sector market. **Net sales increased approximately 7%** due to an increase in the cloud service product sales share. (Excluding DAC) **Operating profit grew**, reflecting an increase in net sales that offset the increase in the cost of sales, although the increasing communication expenses of data centers imposed a heavy burden due to the continued increase in the number of users of cloud service products.

(Millions of Yen)

	FY Mar. 2024	FY Mar. 2025	Change YoY	FY Mar. 2025 Full-Year Forecast*1
Contracts	8,630	10,561	+22.4%	-
Net sales	9,304	9,972	+7.2%	10,710
Cost of sales	2,664	2,945	+10.6%	2,850
Gross profit	6,639	7,026	+5.8%	7,860
Selling, general and administrative expenses	2,309	2,464	+6.7%	2,710
Operating profit	4,330	4,562	+5.4%	5,150
Operating margin	46.5%	45.8%	-	48.1%
Ordinary profit	4,348	4,569	+5.1%	5,150
Profit	4,536 [3,030]	3,187	-29.7% [+5.2%]	3,550

*The figure in square brackets [] represents gain of sales excluding DAC.

*1: Financial Forecast is the consolidated financial forecast announced on May 8, 2024.

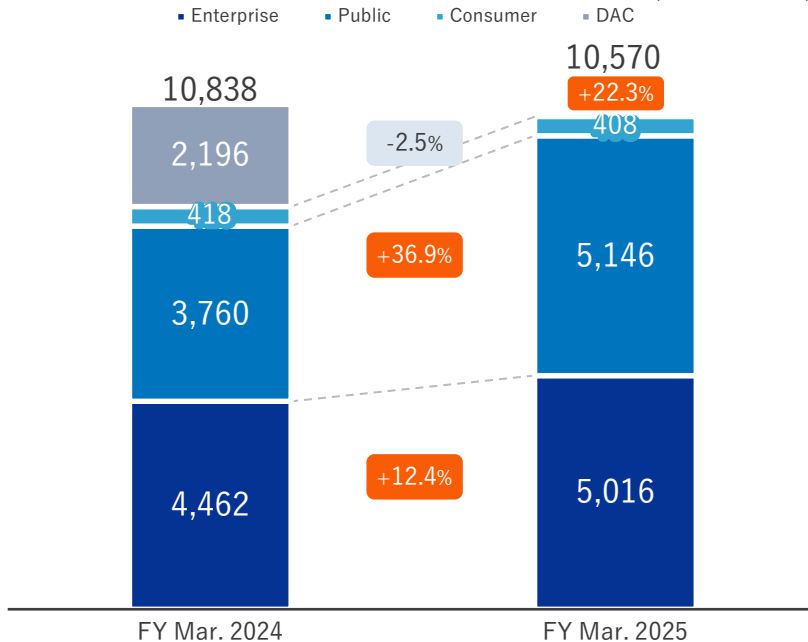
Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

03. Net Sales by Market



Consolidated contracts grew by double digits in both the enterprise sector market and the public sector market. (Excluding DAC)

Trend in Consolidated Contract Amount by Market (Millions of Yen)



Enterprise sector market

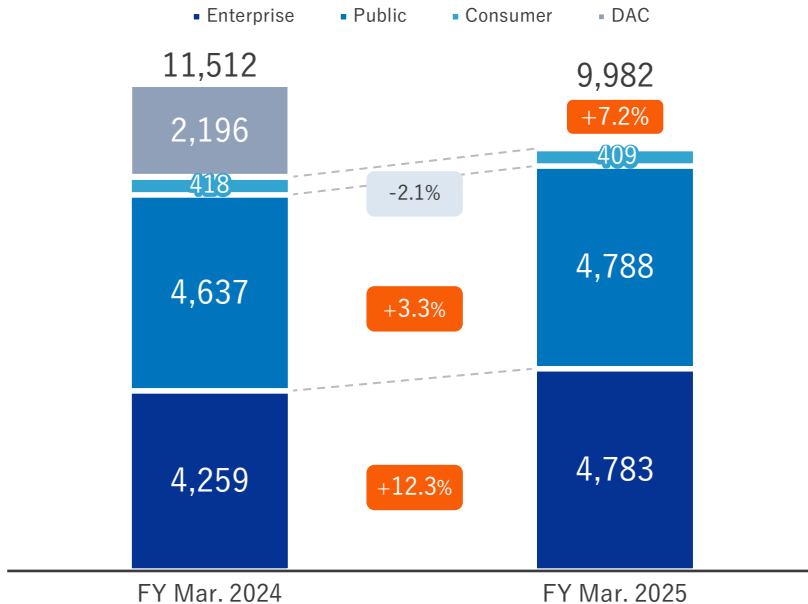
- The contract amount increased 553 million yen (+12.4%) because demand for cloud security measures for the Internet and email and ongoing on-premises measures was captured and the company's performance in the cross-selling and upselling of the new f-FILTER product and the optional Anti-Virus & Sandbox product. (Excluding DAC)

Public sector market

- A substantial growth of 1,385 million yen (+36.9%) was attained after holding a larger market share in projects for the second phase of GIGA School Concept than for the first phase and healthy acquisition of projects for security improvements for local governments and for Next-Generation School Affairs DX.

Sales grew at a double-digit rate in the enterprise sector market, whereas they were up slightly in the public sector market as a result of the increase in the percentage of contracts that were for cloud service products vs. the plan. (Excluding DAC)

Trend in Consolidated Net Sales by Market
(Millions of Yen)



Enterprise sector market

- The trend in sales appears similar to the trend in contracts. Sales increased 524 million yen (+12.3%), reflecting the success in capturing the demand for cloud security measures for the Internet and email and for ongoing on-premises measures and the strong performance of the company in the cross-selling and upselling of the new f-FILTER product and the optional Anti-Virus & Sandbox product. (Excluding DAC)

Public sector market

- Sales increased by a small margin, specifically 151 million yen (+3.3%), due to the slow posting of sales from increased orders for cloud service products in Next-Generation School Affairs DX and second phase GIGA School Concept projects despite the progress in the posting of sales in connection with projects for security improvements for Local Governments and for the first phase of GIGA School Concept.

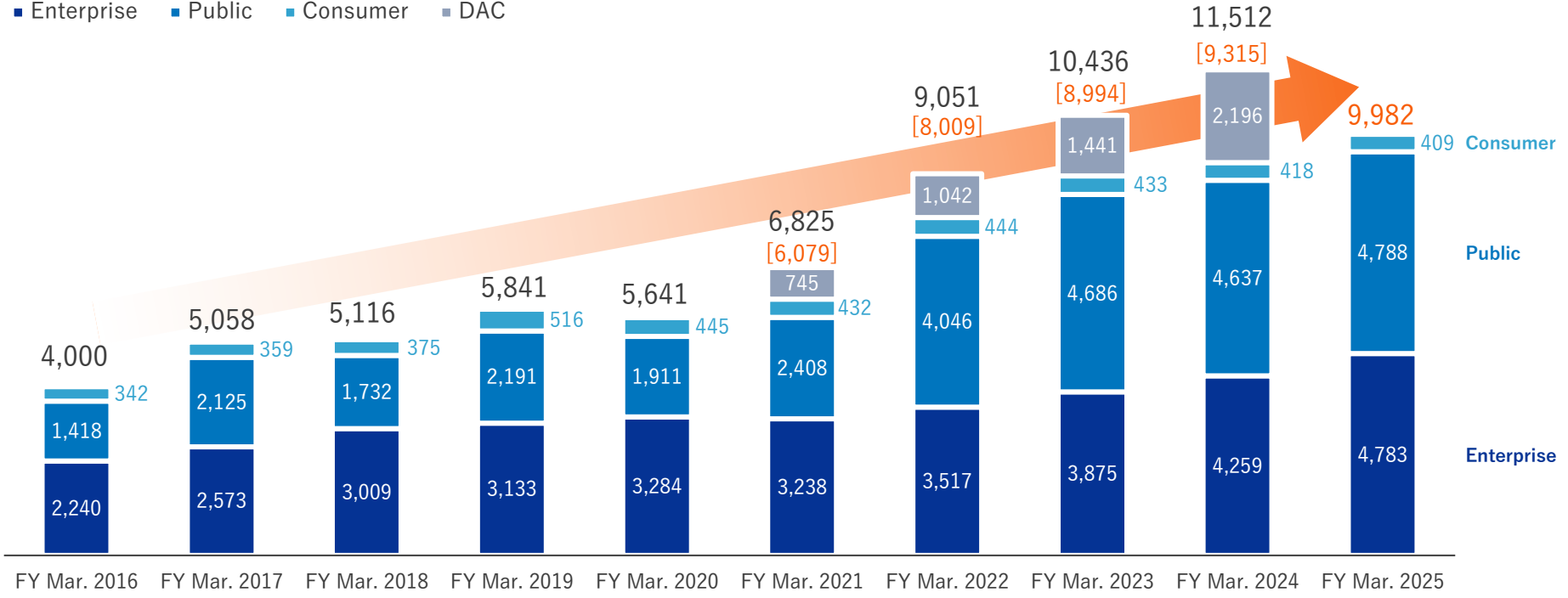
Trend in Consolidated Net Sales by Market



Net sales for the full year **reached a record high.** (Excluding DAC)

(Millions of Yen)

- Enterprise
- Public
- Consumer
- DAC



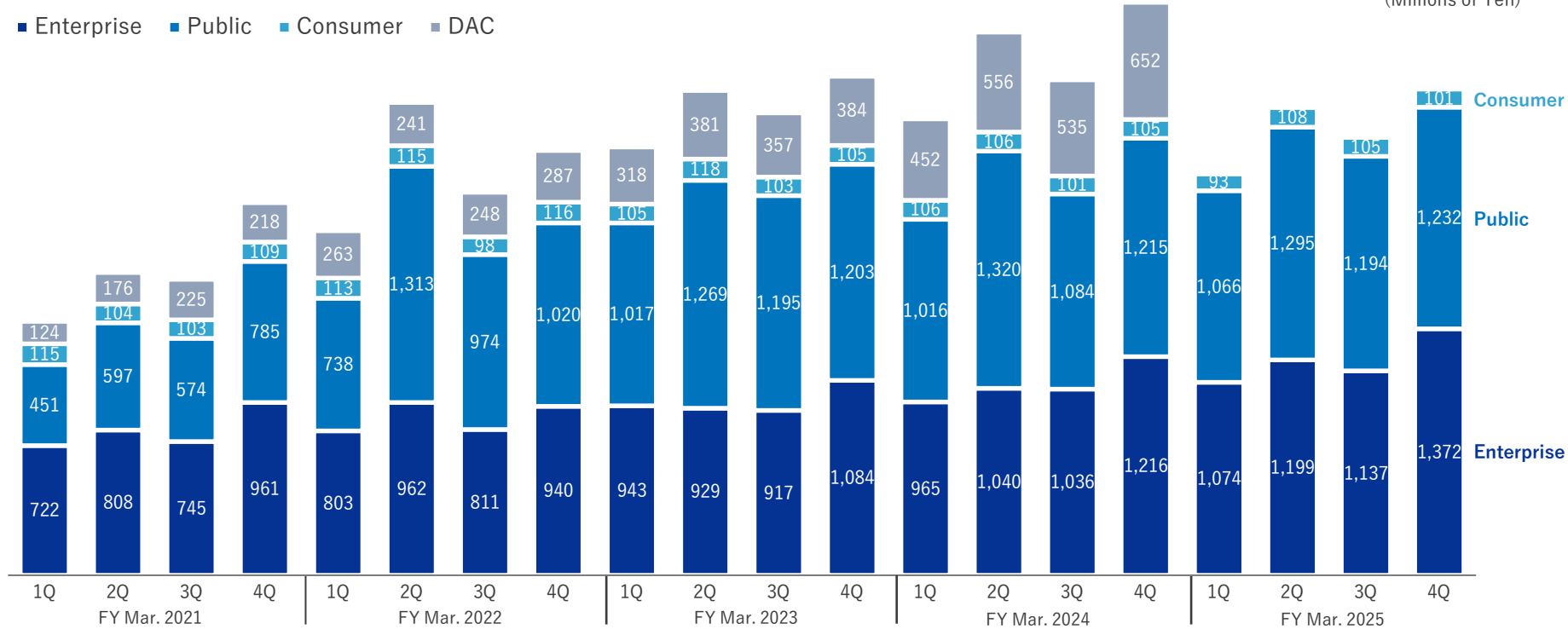
Note: DAC figures for 2020 and earlier are omitted, given that they have minor impacts.
The figure in square brackets [] represents net sales excluding DAC.

Quarterly Trend in Consolidated Net Sales by Market

Net sales for the 4Q reached a record high. (Excluding DAC)

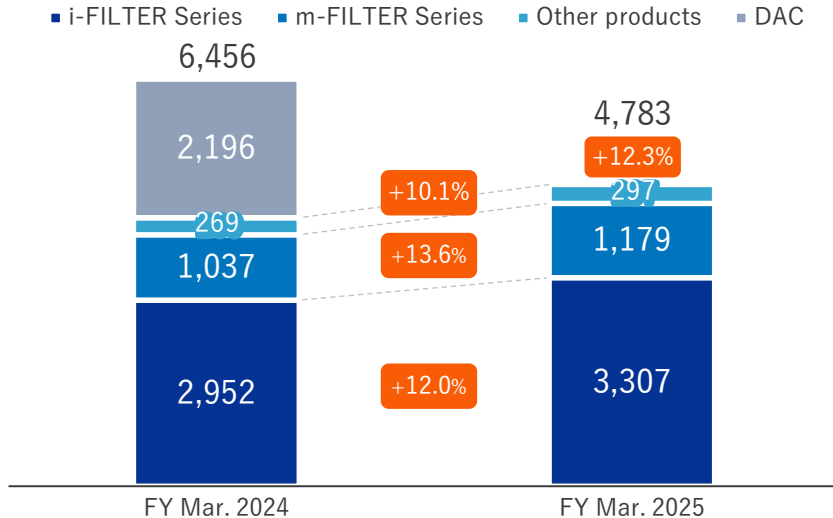
■ Enterprise ■ Public ■ Consumer ■ DAC

(Millions of Yen)



Net sales grew enormously as a result of the capturing of demand for cloud security measures and for continued on-premises measures and the strong sales of the new f-FILTER product and the optional Anti-Virus & Sandbox product. (Excluding DAC)

Trend in Net Sales in Enterprise Sector Market by Product
(Millions of Yen)



i-FILTER Series

- The Group captured demand for cloud security measures (such as cloud proxies, local break out for communication control, fixed IP addresses, and cloud access security brokers (CASB)), and for continued measures for on-premises products (such as changeovers from discontinued on-premises products from other vendors and the hybrid operation of cloud and on-premises products) and healthy sales of the optional Anti-Virus & Sandbox were achieved (+355 million yen/+12.0%).

m-FILTER Series

- The Group firmly acquired new projects after it earned high marks for its comprehensive functions meeting various cloud-based email security needs (e.g., measures to address malware, prevent the use of PPAP*1 and prevent the incorrect sending, and archiving of email) amid the popularization of cloud-based email services. On the other hand, the cloud services ratio increased and the timing of the reception of orders for some large projects was delayed (+141 million yen/+13.6%).

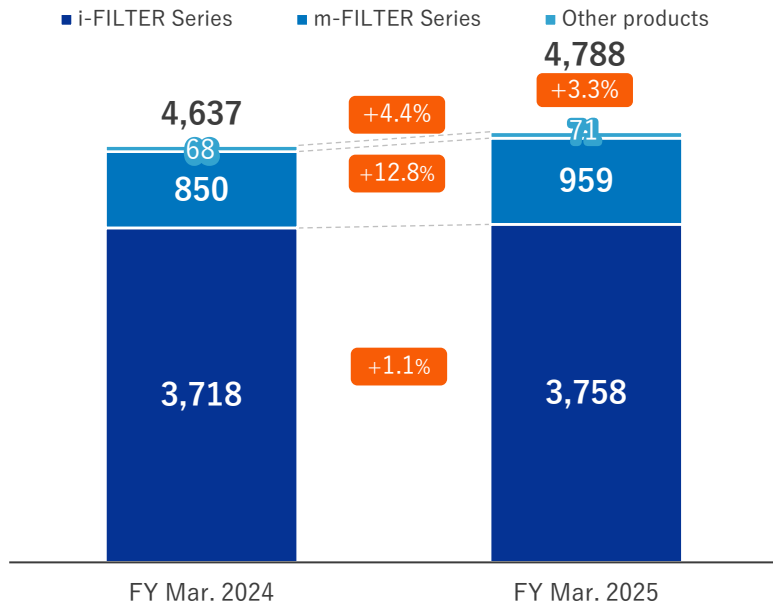
Other products

- Regarding f-FILTER, a new product, steady progress was made in the acquisition of new projects due to efforts to sell the product with m-FILTER as a set from the perspective of solutions to the PPAP*1 and DLP issues.

*1: PPAP: A file transfer practice in which the file is converted into a password-protected zip file before sending and the password is sent in a separate e-mail message.

While the **contract amount increased significantly (+36.9%)** due to the acquisition of projects for the Phase 2 of the GIGA School Concept and Security Improvements for Next-Generation School Affairs programs (see page 25), **Net sales increased slightly following the rise in the cloud service product contract amount share.**

Trend in Net Sales in Public Sector Market by Product
(Millions of Yen)



i-FILTER Series

- Sales of the i-FILTER series achieved only modest growth (+39 million yen/+1.1%). Extensive advertising of i-FILTER, a product with a competitive advantage, led to considerable growth in market share in orders for the second phase of GIGA School Concept. Robust acquisition of projects for Next-Generation School Affairs DX was attained. On the other hand, orders received for cloud service products increased to a level higher than planned, resulting in slow progress in posting of sales.

m-FILTER Series

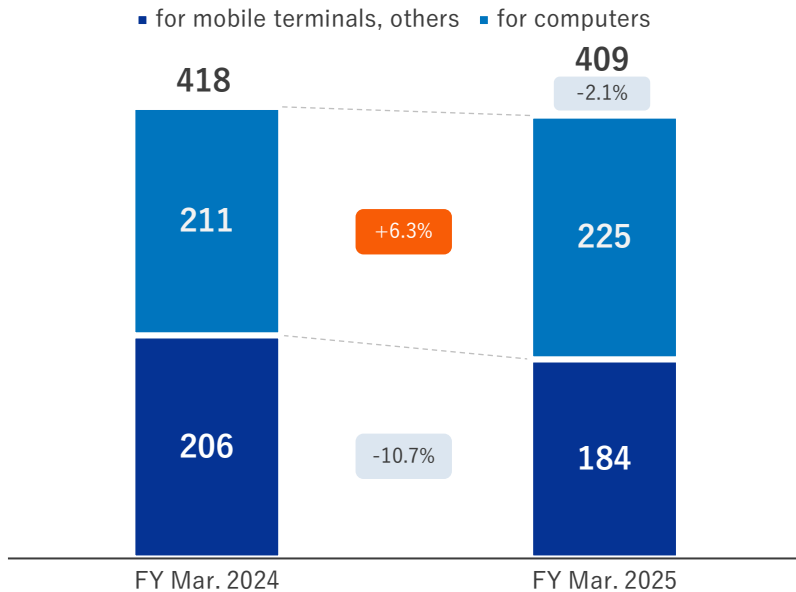
- Projects received for security improvements for Local Governments and for Next-Generation School Affairs DX were brisk, resulting in a high m-FILTER series product growth rate. (+109 million yen/+12.8%)

Other products

- Contracts for FinalCode and the new f-FILTER product grew sharply through bundle sales with mainstay products in Next-Generation School Affairs DX projects. A majority of orders were for cloud service products. This slowed the posting of sales.

In the consumer sector market, sales of filtering measures for mobile devices slowed following the end of demand for such measures. The Group will increase its efforts to sell these solutions to expand its target customers and tap into new demand.

Trend in Net Sales in Consumer Sector Market by Product
(Millions of Yen)



- Net sales declined reflecting a slowdown in new contracts obtained despite the strengthening of sales promotion activities for multi-year package products and the implementation of initiatives for products for Internet cafes. (-8 million yen/ -2.1%)
- Regarding products for personal computers and mobile phones, given the sense of a plateauing of demand for filtering measures for children, the Group will strengthen its products, while also securing new revenue sources through the expansion of target customers.
- To capture new demand, the Group aspires to advertise solutions to emerging social issues in the future, especially phishing fraud and online casinos.

Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

04. Results of Measures for the Fiscal Year Ended March 31, 2025

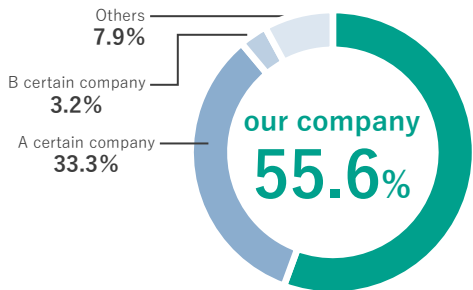


Market shares of i-FILTER and m-FILTER in the enterprise sector and public sector markets

Market shares of i-FILTER in the enterprise sector and public sector markets

According to the ITR Market Review: Cyber Security Solutions Market 2024 market research report published by ITR Corporation, i-FILTER had a 55.6% market share in "Web Filtering Market: Sales Share by Vendor" in FY2022, indicating it had the largest share of the market.

Web Filtering Market: Sales Share by Vendor in FY2022

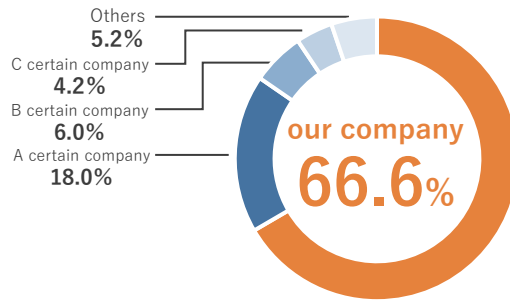


*Source: "Web Filtering Market: Sales Share by Vendor (FY2022)" in ITR Corporation: ITR Market Review: Cyber Security Solutions Market 2024 (published in May 2024)

Market shares of m-FILTER in the enterprise sector and public sector markets

According to Current State and Future Prospect of Internal Threat Control Solutions Market in FY2023 (<https://micr.co.jp/mr/03010/>) market research report by Deloitte Tohmatu MIC Research Institute Co., Ltd., m-FILTER had a 66.6% market share in "Shipment Volume Share in Email Filtering and Archive Tools Market" in FY2022. This affirms that it had the largest share of the market.

Email Filtering and Archive Tools Market: Shipment Volume Share by Vendor



*Source: MIC Research Institute Ltd. "Information Security Solutions Market: Status and Outlook 2023 - Internal Information Leakage Prevention Solutions (<https://micr.co.jp/mr/03010/>)" Email Filtering/Archive Market: Vendor Share (by shipment) (FY2022) (Published February 2024).

White operations use a whitelist method that permits **users to connect only to websites and email messages that have been verified as secure in advance**. It protects ICT environments from **known and unknown threats** irrespective of the computer literacy of the user.

White Operation (whitelist method)

Security measures other than DA (blacklist method)



Access to unknown hazardous websites

- are blocked and cannot be accessed
- When users attempt to access these websites at anytime, attacks are blocked.

- are accessible
- Measures are taken after a cyber attack occurs.
- Devices are secure if they access them in the future.



Receive of unknown hazardous email

- are not received
- The product does not prevent users from securely opening other messages.

- are received
- Measures are taken after a cyber attack occurs.
- are now safe to open



Difference

There is a major difference between white operation, which blocks users from connecting to "gray areas" where it is unknown if it is safe or dangerous, and security measures provided by vendors other than Digital Arts, which allow users to connect to gray areas.

Why do competitors not adopt white operations?

White operations cannot be realized without the two elements mentioned on the right. It is therefore difficult for them to achieve them. However, Digital Arts have achieved white operations using its original technologies.

1

Database with a high coverage rate and high accuracy constructed



2

The implementation of measures to prevent the falsification of the database

Released in December 2024

Strengthen generative AI security using i-FILTER

A function that visualizes the state of use of generative AI

Word-by-word filtering control

A function that allows users to allow only necessary generative AI operations

A function that displays a utilization warning screen

General AI category

A function that comprehensively blocks or enables generative AI operations

NEW

Solving data leaks and other issues connected to the use of generative AI to encourage the secure use of generative AI.

Released in July 2024

Large-size storage / file storage period adjustment functions

Examples of requests for f-FILTER



Customer A

We hope that f-FILTER will **support large files of over 100 MB**, since they cannot be sent by e-mail.



Customer B

For security reasons, we want to limit the file access period to several days. (A period shorter than 30 days is desirable.)



Customer C

We hope that, for **audit purposes**, files can be stored for a longer period than 30 days, such as five to seven years.

Enhancement of features

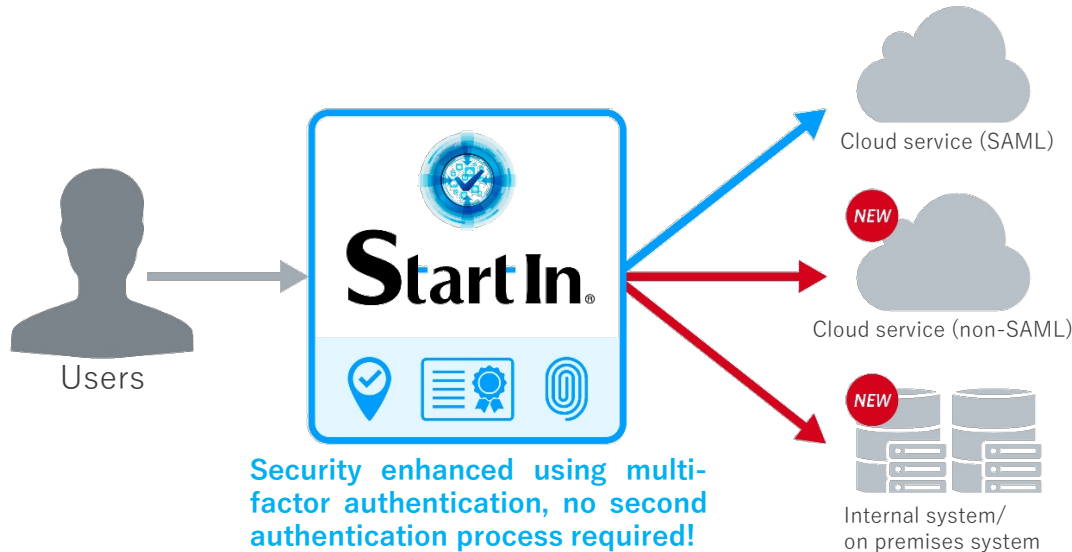
▶ The **uploadable file size is increased to 20 GB** and an option is provided that allows users to choose from different levels of storage capacity according to their needs.

▶ The software is modified to provide a **standard function that allows users to set** the file access period within a range from one day to 30 days.

▶ An **option is provided** that allows users to configure the file storage period to one year, three years, five years, seven years and others.

Released in March 2025

A solution has been released that resolves the cumbersomeness of ID management and authentication connected to coexisting on-premises and cloud systems.

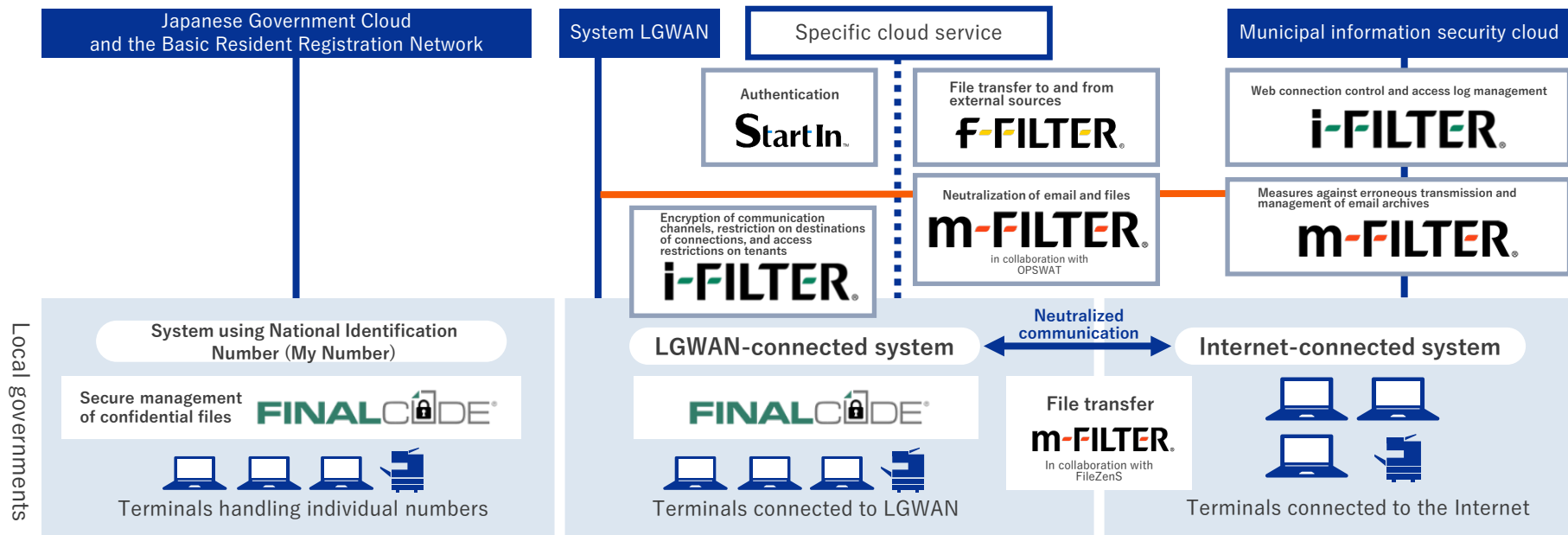


NEW

A single sign on is available for all online services, including non-SAML services and internal systems where the login form is accessed using a web browser.

Toughening of Security for Local Government: Compliance with New Guidelines

The α model is a commonly used security solution characterized by three-layer isolation. It is used for Local Governments' networks and personal computers and other business devices connected to them. Because of its emphasis on security, it is difficult to operate flexibly. Its drawbacks are in user convenience and operation efficiency. The new guidelines defined the α ' model as a method for connecting business devices directly to cloud services. That ultimately enlarged the scope of effective applicability of Digital Arts' solutions. In addition, the measure requires registration with the Information System Security Management and Assessment Program (ISMAP)^{*1} This means it is expected that our solutions that are already registered with ISMAP will be more likely to be selected.



*1: Security assessment system for government information systems

Registration of all of the cloud products for public institution with **ISMAP*¹** was completed in March 2025.

Web Security

i-FILTER.
i-FILTER@Cloud.

Mail Security

m-FILTER.
m-FILTER@Cloud.
m-FILTER. For Microsoft365 software
MailAdviser

Registered in March 2025

File Encryption/ Remote deletion

FINALCODE.
FINALCODE@Cloud.

Data Protection/ File transfer

Registered in March 2025 **f-FILTER.**

Single Sign On (SSO) ID management

Registered in March 2025 **StartIn.**

*1: Security assessment system for government information systems

Released in April 2024

Visualizing what websites schoolchildren and students view and how often

CASE 1



Number of those using terminals in the late nighttime slot

CASE 2



Terminal use ratio by school

CASE 3



Duration of use by online service

CASE 4



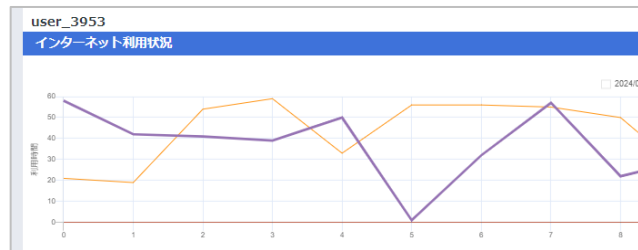
Ranking of time slots in terms of ratio of use

Meeting one of the conditions for subsidies for terminal replacement costs, **monitoring the state of operation of terminals** for fulfillment of the minimum standard for specifications. **It greatly aided the expansion of the market share in orders for the second phase of GIGA School Concept.**



Webサービス毎の累計利用時間

#	Webサービス	累計	午前	午後
1	Yahoo!トラベル	3時間45分	12分	24分
2	Yahoo!カレンダー	3時間13分	14分	29分
3	Gmail 添付ファイル	3時間03分	03分	14分
4	Microsoft TechNet Online	3時間01分	12分	18分
5	X (Twitter) 連携アプリ認証 (OAuth認証)	2時間57分	26分	26分
6	X (Twitter) ログイン	2時間48分	20分	24分
7	Yahoo! 画像・動画検索	2時間39分	16分	22分
8	文部科学省公式チャンネル 閲覧	2時間37分	18分	26分
9	Amazon Drive	2時間15分	10分	14分
10	Bing 画像アップロード検索	2時間07分	14分	18分



Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

05. FY03/26 Initiatives



Following a recent increase in the number of security incidents, the security market is growing faster than when the Medium-Term Management Plan (From FY March 2025 to FY March 2027) was being formulated. The need for security measures is expected to remain strong.

Forecast of growth in the network security market that we will operate within

Current market size

98.5

billion yen*1

At the time of the formulation of the
Medium-Term Management Plan

96.7 billion yen

Web filtering /
Mail Filtering/
Integrated SWG / CASB/
IDaaS / EDR

CAGR 18%

At the time of the formulation of the
Medium-Term Management Plan

CAGR 17.0%

Market size in FY March 2027

160.5

billion yen*1

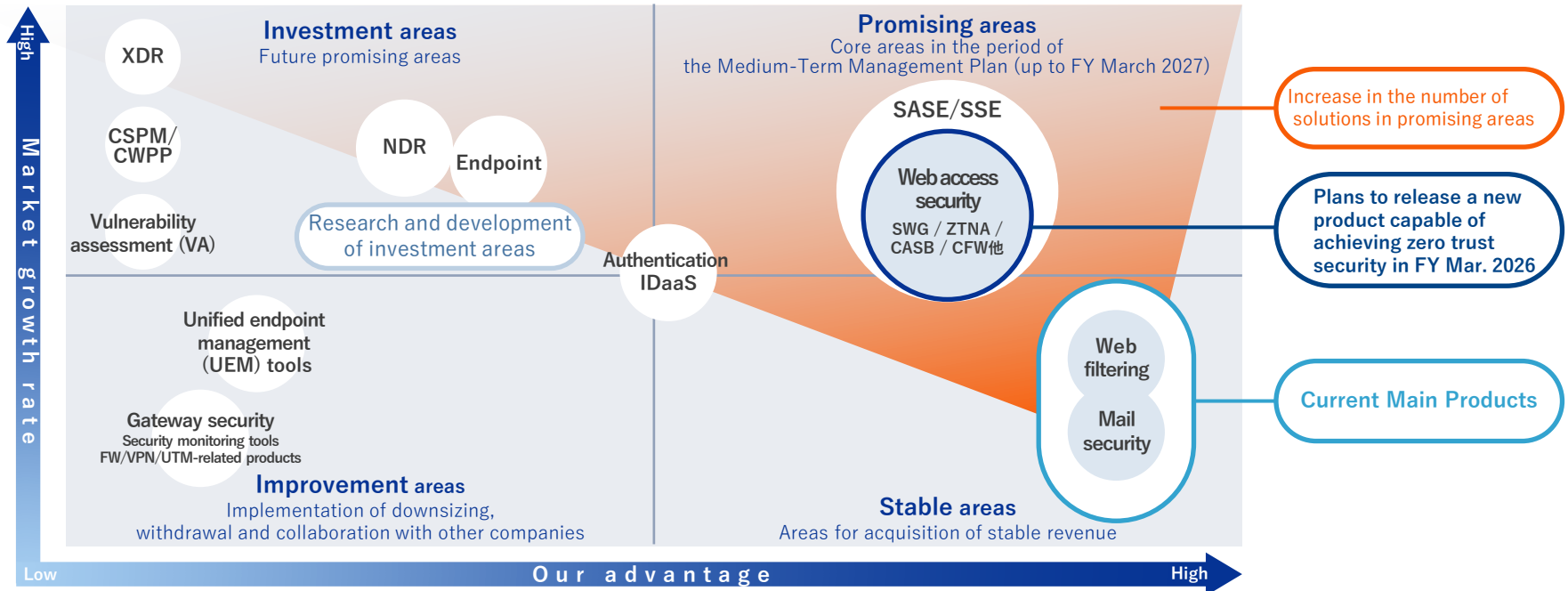
At the time of the formulation of the
Medium-Term Management Plan

155.5 billion yen

Web filtering /
Mail Filtering/
Integrated SWG / CASB/
IDaaS / EDR

*1: Our estimates based on various kinds of information

The Group will enhance its solutions in promising areas where the market is growing at a high rate and where the Group's advantages can be used, and it will carry out research and development in investment areas for the future expansion of its business.



* Market growth rates were prepared by the Company based on data of various sources

Plans to release new products that can achieve zero trust security and implement comprehensive security proposals for large, medium, and small and medium companies



Reference: Prepared by the Company based on data from Japan's Company Composition by Size created by the Ministry of Economy, Trade and Industry (METI) and NLI Research Institute

We will conduct intensive sales and marketing activities targeting industries determined in view of conformity to industry guidelines not only company size, the trends in orders gained, compliance with ISMS standards and others.

Conformity with industry guidelines

Capture demand related to compliance with industry security guidelines in the automobile, manufacturing, construction and other sectors



Trend in orders

Propose solutions that can be applied to different business sectors where Digital Arts products have an established market share in line with past order trends, such as the finance, infrastructure and rail transport sectors



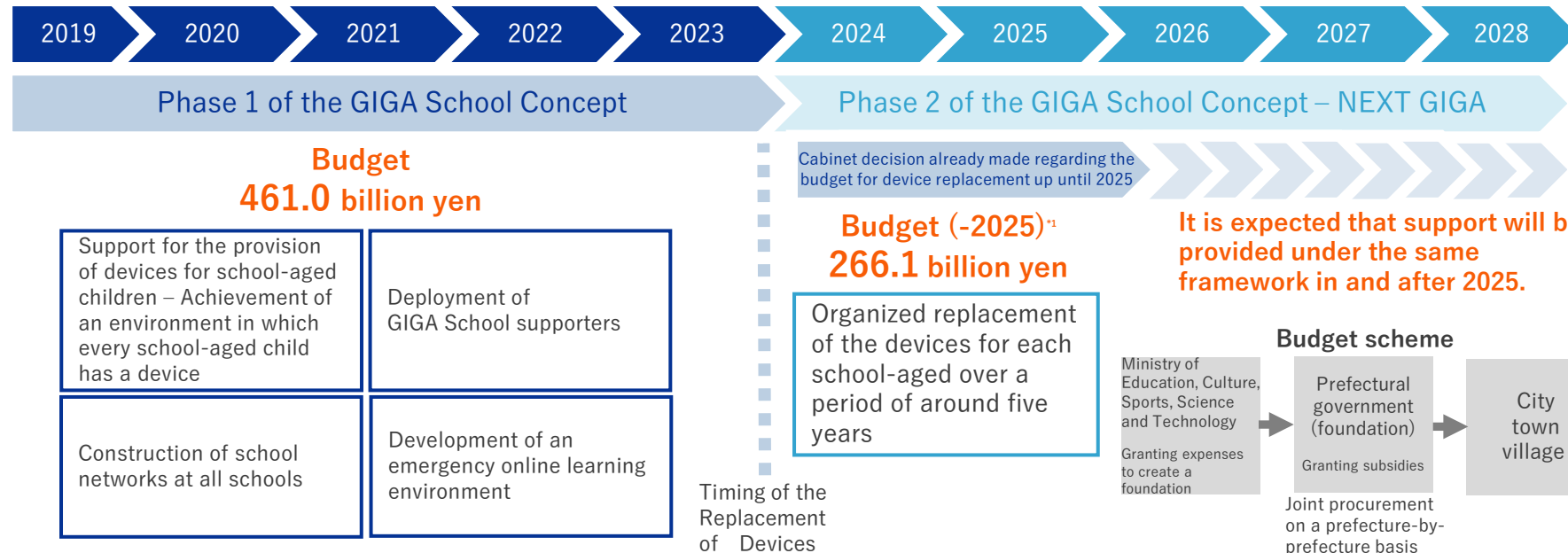
Compliance with ISMS standards

Capture demand generated by public companies, telecommunications operators and others in connection with measures for acquiring and maintaining the certification of information security management systems (ISMS)



Implementation of the second phase of GIGA School Concept began in 2024 (FY March 2025).

[GIGA School Concept operated by the Ministry of Education, Culture, Sports, Science and Technology]



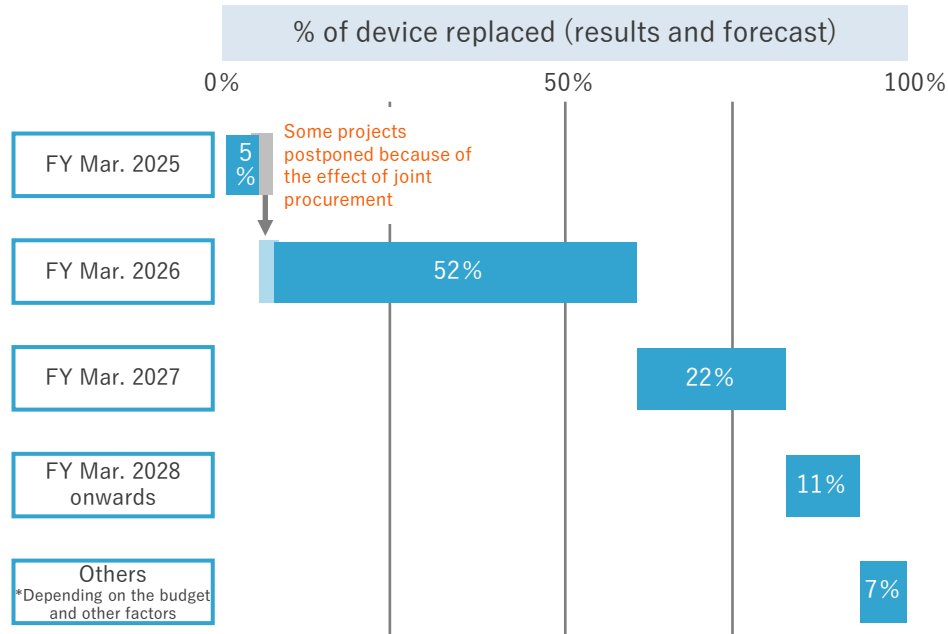
*1 Only for replacement of GIGA School Concept Devices

Source: The data were prepared by the Company based on data of the Ministry of Education, Culture, Sports, Science and Technology and media reports.

Phase 2 of the GIGA School Concept - Timing of the Replacement of Devices -

When replacing GIGA devices in FY March 2025, one board of education considered the joint procurement of devices for a long time and another postponed their replacement to FY March 2026. It is expected that they will replace their devices in that fiscal year.

[GIGA device replacement timing]



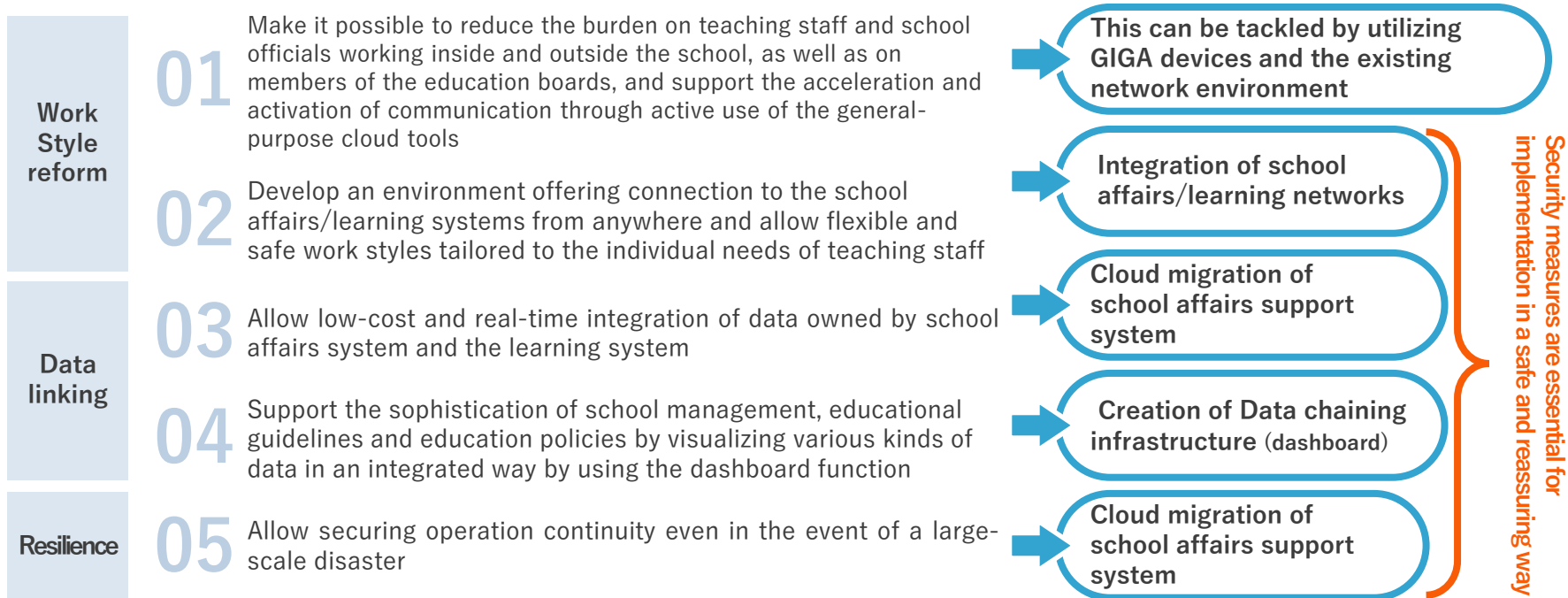
POINT

- As for the date of replacing GIGA devices, **approx. 60% of the education boards** will be due for replacement **by the end of FY March 2026**.
- The guidelines for device procurement in phase 2 of the GIGA School Concept presented by the Ministry of Education, Culture, Sports, Science and Technology stipulate that the procured devices **must have a web filtering function**. It is anticipated that procurement of web filtering will be faster than in phase 1.

Source : The data were prepared by the Company based on data of the Ministry of Education, Culture, Sports, Science and Technology and media reports.

The Ministry of Education, Culture, Sports, Science and Technology calls for the following implementation as the direction of the Next-Generation School affairs DX:

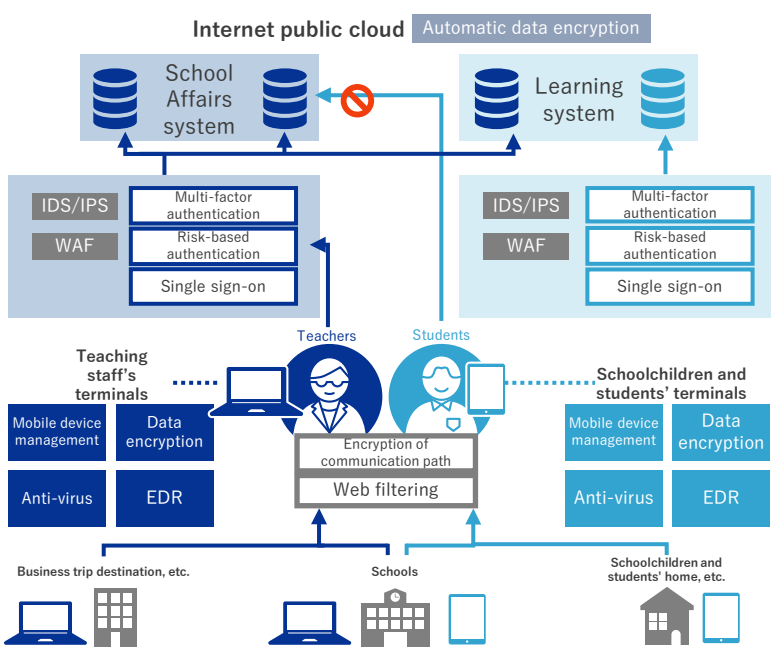
*As a regional fiscal measure, financial support of **180.5 billion yen on a single-year** basis has always been provided for computerization of school affairs



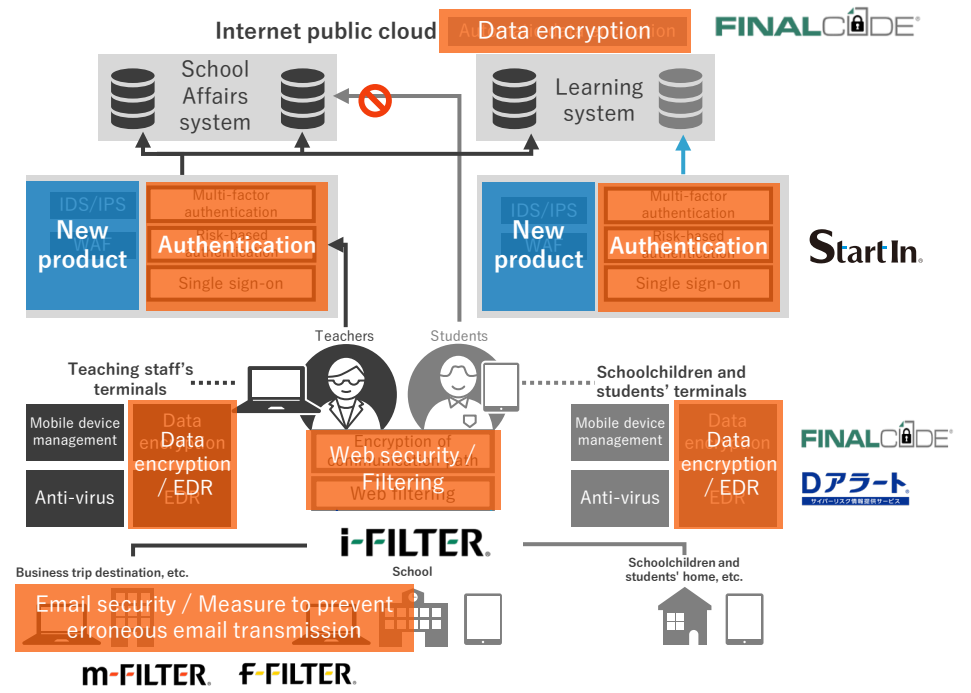
Source: Created by the Company based on https://www.mext.go.jp/b_menu/shingi/chousa/shotou/175/mext_01385.html

New product releases will further expand the range of areas supported by our products.

Overview diagram of security measures in school affairs DX

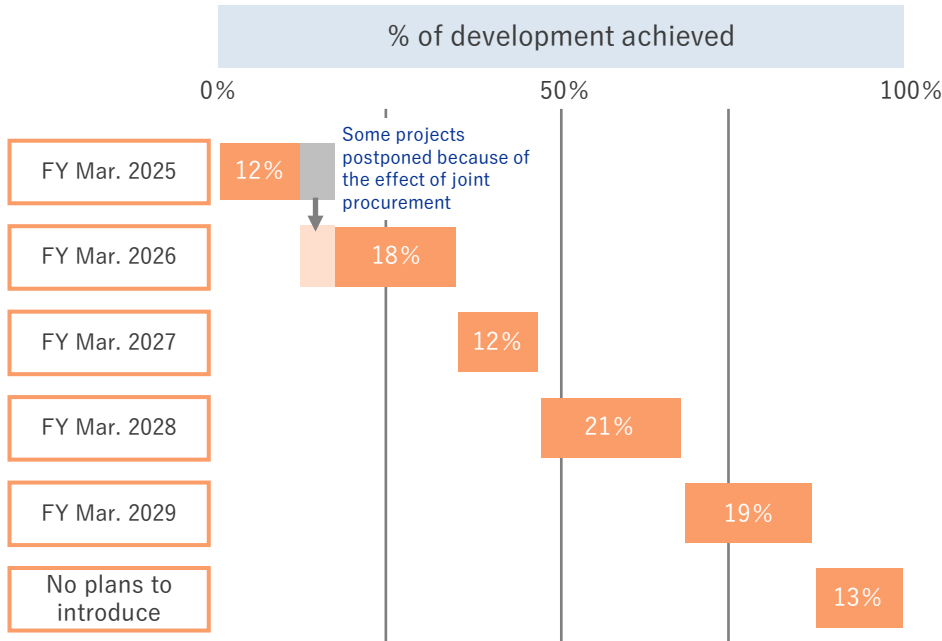


Security support map with our products



Product procurement in FY March 2026 will be at the same level as in the previous fiscal year with a view toward beginning the operation of the school affairs support system.

[School Affairs DX development schedule]



POINT

- As a regional fiscal measure, financial support of **180.5 billion yen on a single-year** basis has always been provided for computerization of school affairs
- The Ministry of Education, Culture, Sports, Science and Technology's document, School Affairs DX under the GIGA School Concept, stresses the importance of security measures by presenting some case studies. For school affairs that involve the personal information of school-aged children, it is necessary to apply **stronger measures than the measures used for GIGA School Concept devices.**

Source : The data were prepared by the Company based on data of the Ministry of Education, Culture, Sports, Science and Technology and media reports.

Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

06. Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2026



Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2026 (Consolidated)



We will carry out product and sales strategies in the enterprise sector market and maximize our market share and the amount of orders received in the public sector market to achieve the growth of net sales, operating profit and ordinary profit.

(Millions of Yen)

	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change	% Change	Note
Contracts	10,570	16,475	+5,904	+55.9%	It is expected that contracts and net sales will increase due to the stepping up of solution proposal activities involving priority targets and the conducting of cross-selling and up-selling activities for existing customers to increase our presence in the enterprise sector market and receive projects for the second phase of GIGA School Concept and Next-Generation School Affairs DX projects.
Net sales	9,982	12,550	+2,567	+25.7%	
Cost of sales	2,948	3,290	+341	+11.6%	Investment of nearly 200 million yen for development human resource, depreciation following product enhancement and a rise of 180 million yen in communication expenses due to growing usership of cloud service products are anticipated.
Gross profit	7,033	9,260	+2,226	+31.7%	
Gross profit point	70.5%	73.8%	-	-	
SG & A	2,474	3,110	+635	+25.7%	It is projected that around 400 million yen will be invested in increasing base pay, recruitment and training.
Operating profit	4,558	6,150	+1,591	+34.9%	
Operating margin	45.7%	49.0%	-	-	
Ordinary profit	4,562	6,150	+1,587	+34.8%	
Profit attributable to owners of parent	3,183	4,200	+1,016	+31.9%	

Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2026 (Non-Consolidated)

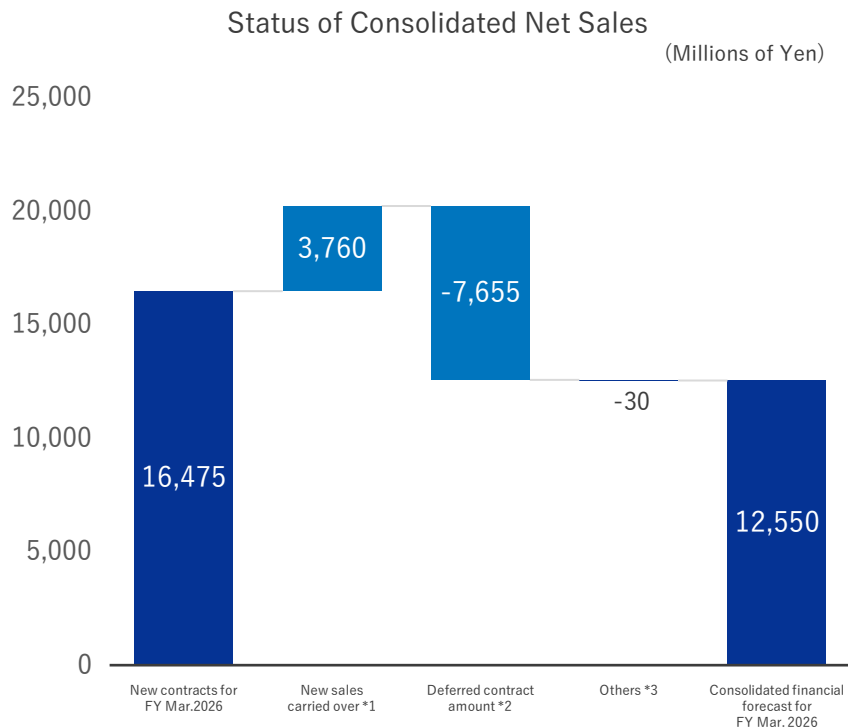


We will carry out product and sales strategies in the enterprise sector market and maximize our market share and the amount of orders received in the public sector market to achieve the growth of net sales, operating profit and ordinary profit.

(Millions of Yen)

	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change	% Change	Note
Contracts	10,561	16,470	+5,908	+55.9%	It is expected that contracts and net sales will increase due to the stepping up of solution proposal activities involving priority targets and the conducting of cross-selling and up-selling activities for existing customers to increase our presence in the enterprise sector market and receive projects for the second phase of GIGA School Concept and Next-Generation School Affairs DX projects.
Net sales	9,972	12,545	+2,572	+25.8%	
Cost of sales	2,945	3,290	+344	+11.7%	Investment of nearly 200 million yen for development human resource, depreciation following product enhancement and a rise of 180 million yen in communication expenses due to growing usership of cloud service products are anticipated.
Gross profit	7,026	9,255	+2,228	+31.7%	
Gross profit point	70.5%	73.8%	-	-	
SG & A	2,464	3,095	+630	+25.6%	It is projected that around 400 million yen will be invested in increasing base pay, recruitment and training.
Operating profit	4,562	6,160	+1,597	+35.0%	
Operating margin	45.8%	49.1%	-	-	
Ordinary profit	4,569	6,160	+1,590	+34.8%	
Profit	3,187	4,210	+1,022	+32.1%	

Consolidated net sales are forecast as follows:



Net sales for the current fiscal year

- For the current fiscal year, contracts are projected at 16,475 million yen. Our future actions aimed at reaching this level include product enhancements including new product releases, the strengthening of activities in which we make proposals to priority targets and the implementation of cross-selling and up-selling activities to existing customers in the enterprise sector market. We will also pursue higher market share in orders for projects for the second phase of GIGA School Concept, an increase in sales per existing customer and the acquisition of projects for Next-Generation School Affairs DX in the public sector market.
- 3,760 million yen from the cloud projects that were acquired before the previous fiscal year, such as the first phase of GIGA School Concept projects, are transferred as sales in the current fiscal year.

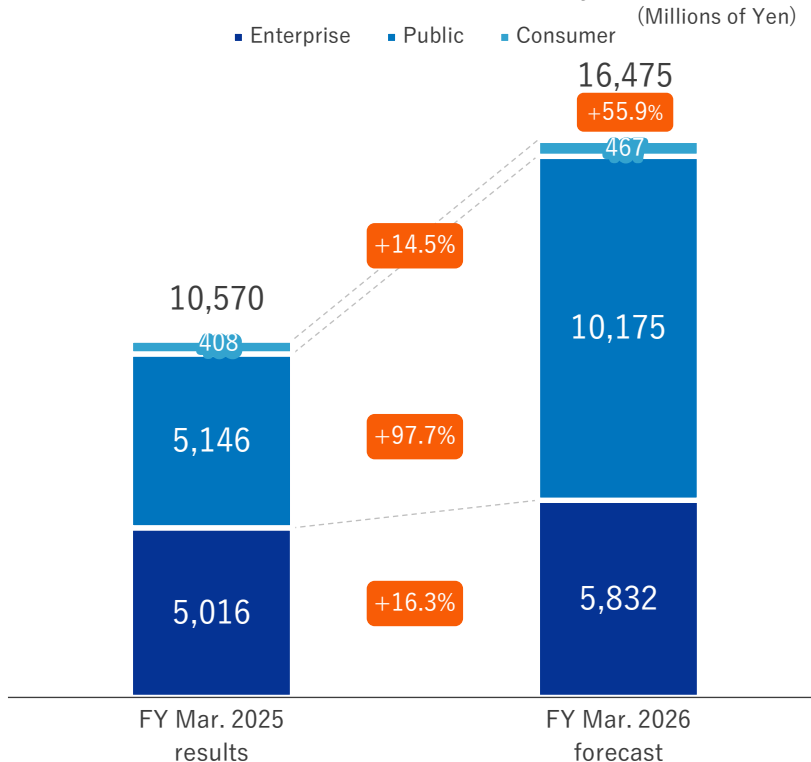
*1 : Sales recorded from the order backlog of contracts acquired in previous fiscal years

*2 : Contracts for the current fiscal year that are deferred to subsequent fiscal years (contract backlogs)

*3 : Sales returns and sales at overseas subsidiaries

Consolidated contracts by market are forecast as follows:

Trend in Consolidated Contracts by Market (Millions of Yen)



Enterprise sector market

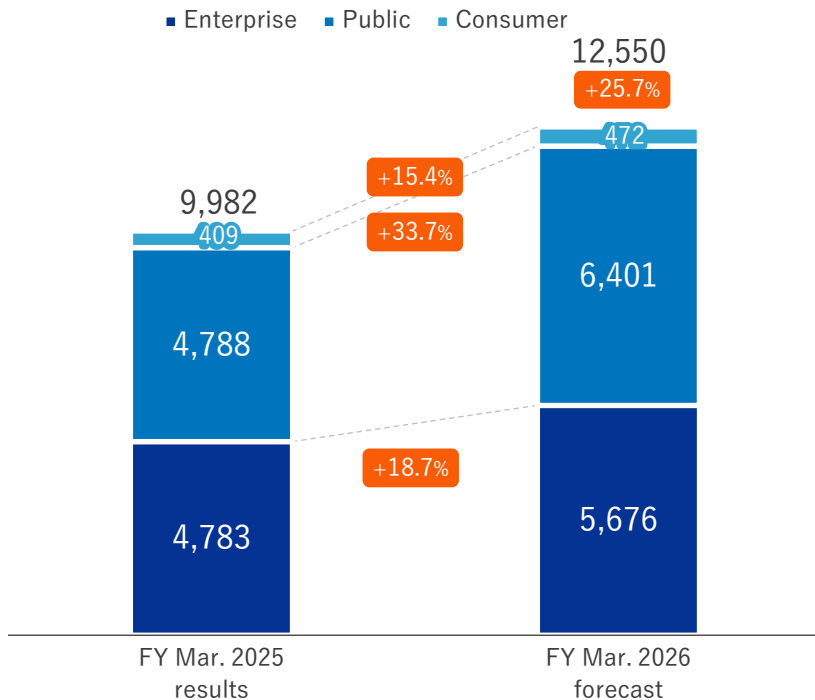
- Contracts are expected to grow, reflecting the expansion of White Operation through proposal activities targeting customers selected in consideration of their industry and the size of their business to cultivate new customers, the proposal of solutions involving a combination of cross-selling and up-selling activities and new products that can achieve zero trust security to White Operation customers and the continual functional upgrading of products.

Public sector market

- Aiming to maximize contracts for projects for the second phase of GIGA School Concept, we will capitalize on our customer base with our leading market share to collect requests from users for further upgrading i-FILTER's functions for educational institutions in a bid to boost customer satisfaction and product value. In addition, we will continue to implement the project management method that was practiced to produce favorable results in the previous fiscal year. We will strictly carry out sales and marketing activities that advertise additional value for the purpose of increasing both our market share in orders and sales per existing customer. With a view to bolstering contracts for projects for Next-Generation School Affairs DX, we will leverage the customer base for GIGA School Concept to generate sales opportunities. We will not only sell mainstay products on a standalone basis but also sell them in combination with new products and option products.

Consolidated net sales by market are forecast as follows:

Trend in Consolidated Net Sales by Market
(Millions of Yen)



Enterprise sector market

- Net sales are expected to grow, reflecting the expansion of White Operation through proposal activities targeting customers selected in consideration of their industry and the size of their business to cultivate new customers, the proposal of solutions involving a combination of cross-selling and up-selling activities and new products that can achieve zero trust security to White Operation customers and the continual functional upgrading of products.

Public sector market

- Aiming to maximize net sales for projects for the second phase of GIGA School Concept, we will capitalize on our customer base with our leading market share to collect requests from users for further upgrading i-FILTER's functions for educational institutions in a bid to boost customer satisfaction and product value. In addition, we will continue to implement the project management method that was practiced to produce favorable results in the previous fiscal year. We will strictly carry out sales and marketing activities that advertise additional value for the purpose of increasing both our market share in orders and sales per existing customer. With a view to bolstering net sales for projects for Next-Generation School Affairs DX, we will leverage the customer base for GIGA School Concept to generate sales opportunities. We will not only sell mainstay products on a standalone basis but also sell them in combination with new products and option products.

Consolidated Cost of Sales and Selling, General and Administrative Expenses

Regarding cost of sales, depreciation is projected to increase, mainly due to investment in development personnel and product enhancement. Selling, general and administrative expenses are expected to rise mainly due to the increased investment in human resources.

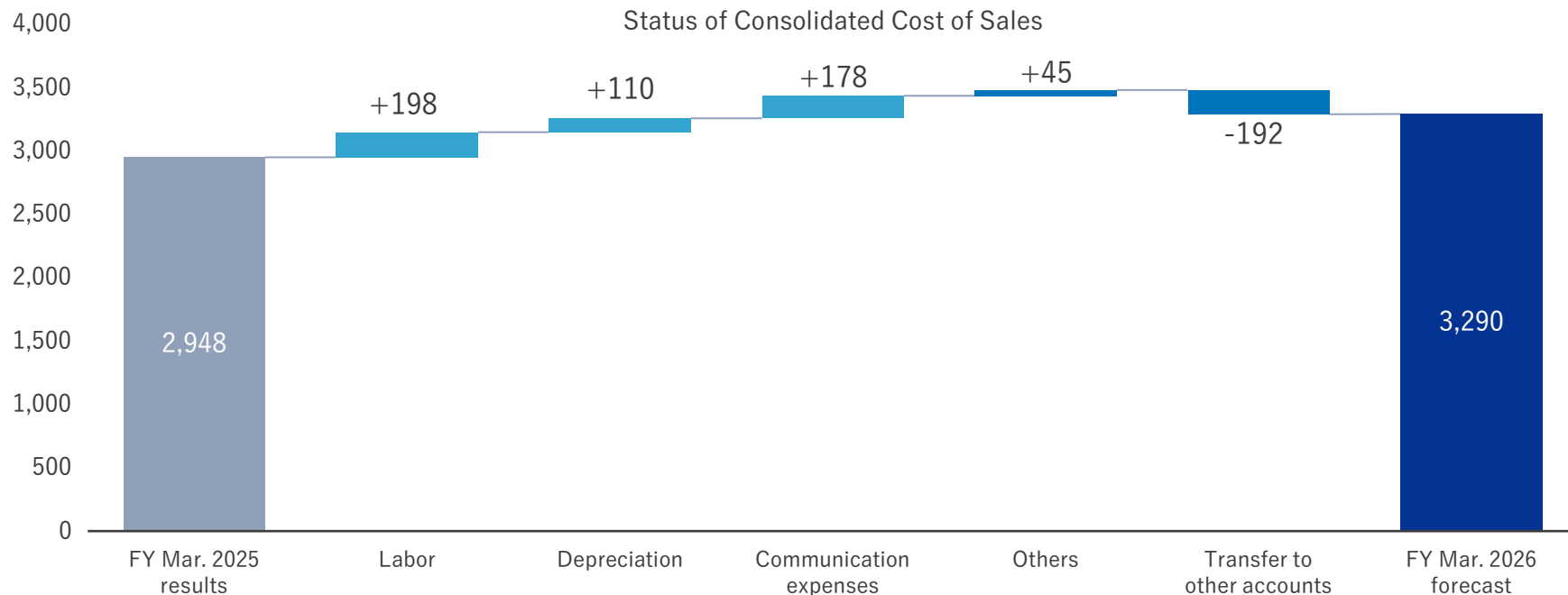
(Millions of Yen)

	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change YoY	Main Factors for Change
Cost of Sales	2,948	3,290	+11.6%	
Labor	1,040	1,239	+19.1%	Investment in new products and personnel for functional development
Depreciation	865	976	+12.8%	Increase in depreciation associated with software development and improvement
Communication expenses	1,505	1,684	+11.9%	While communication expenses will increase following the increase in the number of users of cloud service products, we will carry out fundamental measures to control expenses and limit the cost increase.
Others	653	699	+6.9%	
Transfer to other accounts	-1,116	-1,309	-17.2%	Transfer of costs related to software development to other accounts
SG & A	2,474	3,110	+25.7%	
Personnel expenses	1,229	1,630	+32.7%	Investments in human resources including the hiring of new graduates, the increase of base pay, and incentive plans
Advertising expenses	309	348	+12.7%	Increase in sales promotion expenses for receiving projects for the second phase of GIGA School Concept and expenses related to the Group's 30th anniversary
Others	936	1,131	+20.8%	Strengthening of recruitment (approx. 130 million yen)

Status of Consolidated Cost of Sales

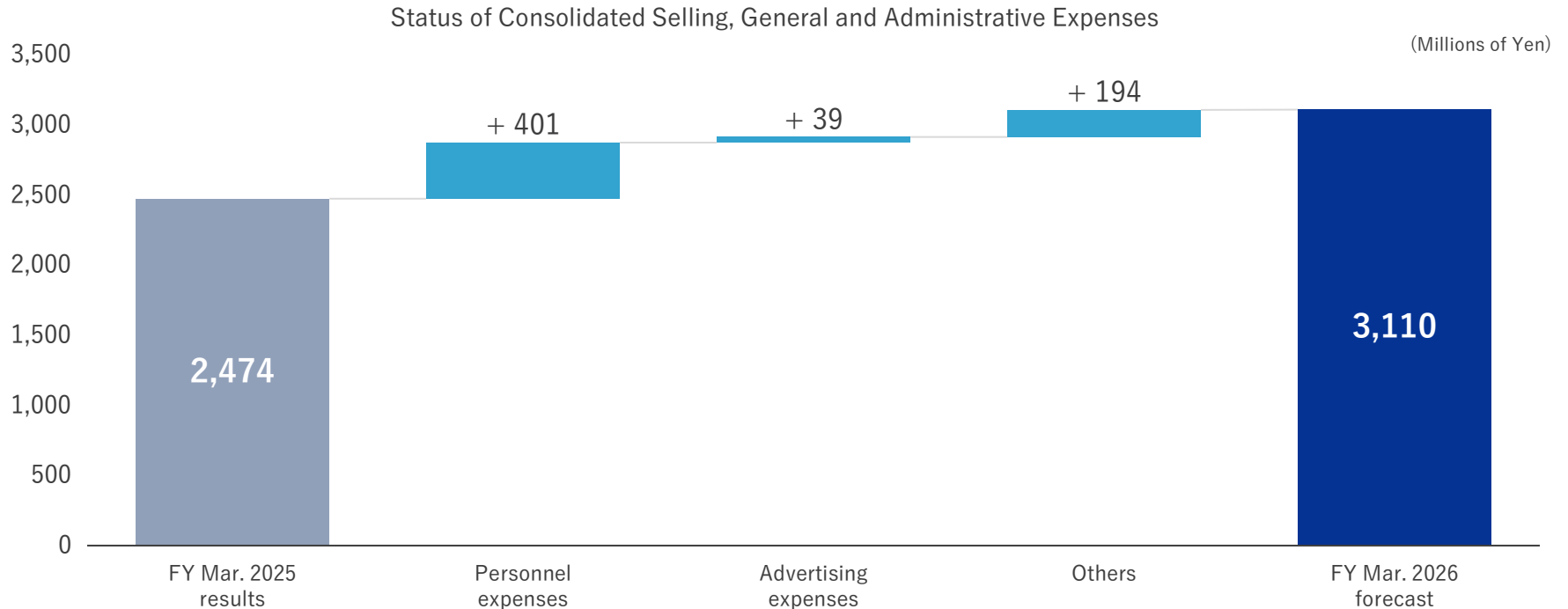
Depreciation is expected to increase due to investments in personnel for the development of new products and new functions and the development and improvement of software. Communication expenses are forecast to increase slightly after implementation of fundamental cost control measures.

(Millions of Yen)



Status of Consolidated Selling, General and Administrative Expenses

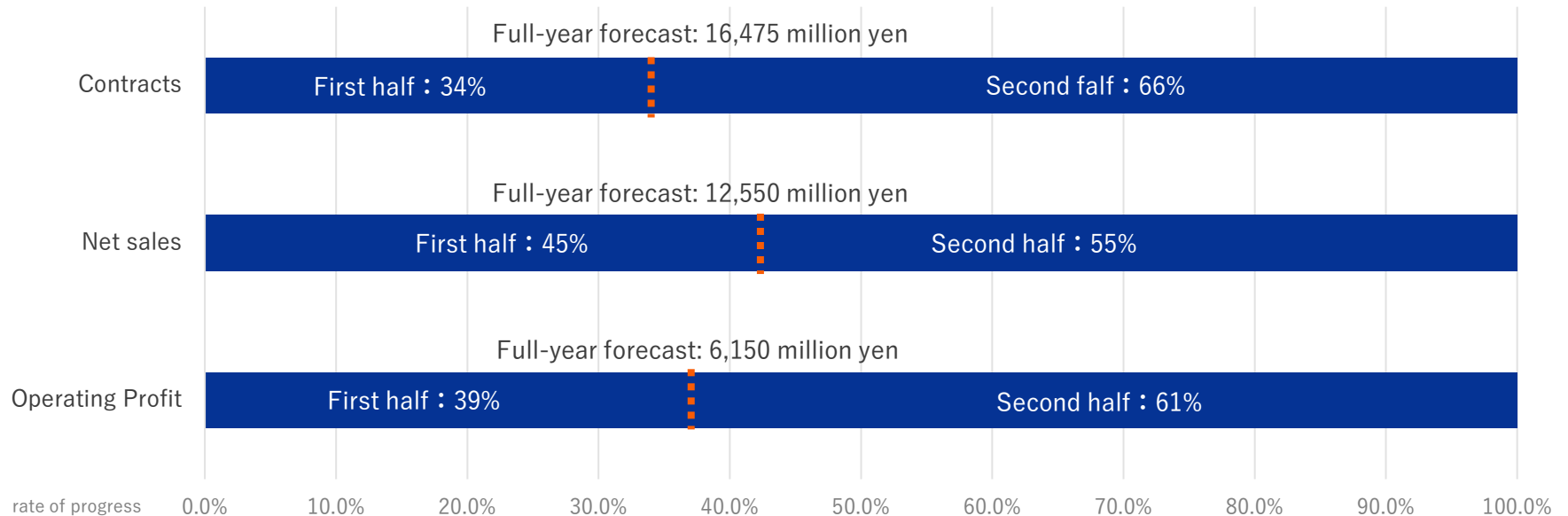
Personnel expenses and hiring expenses are expected to increase for increasing investment in personnel, which is a priority area in the Medium-Term Management Plan.



Plan for Progress against the Full-Year Consolidated Financial Forecast

The plan envisions progress in contracts to be made mainly in the second half due to the concentration of orders for projects for the second phase of GIGA School Concept and other orders in the second half. The plan foresees that net sales will grow at a higher rate than contracts in the first half given the posting of sales for cloud service products, orders for which were received in the previous fiscal year and earlier. The plan expects a greater concentration of operating profit in the second half than net sales, given that selling, general and administrative expenses will be concentrated in the first half.

Plan for Progress against the Full-Year Consolidated Financial Forecast

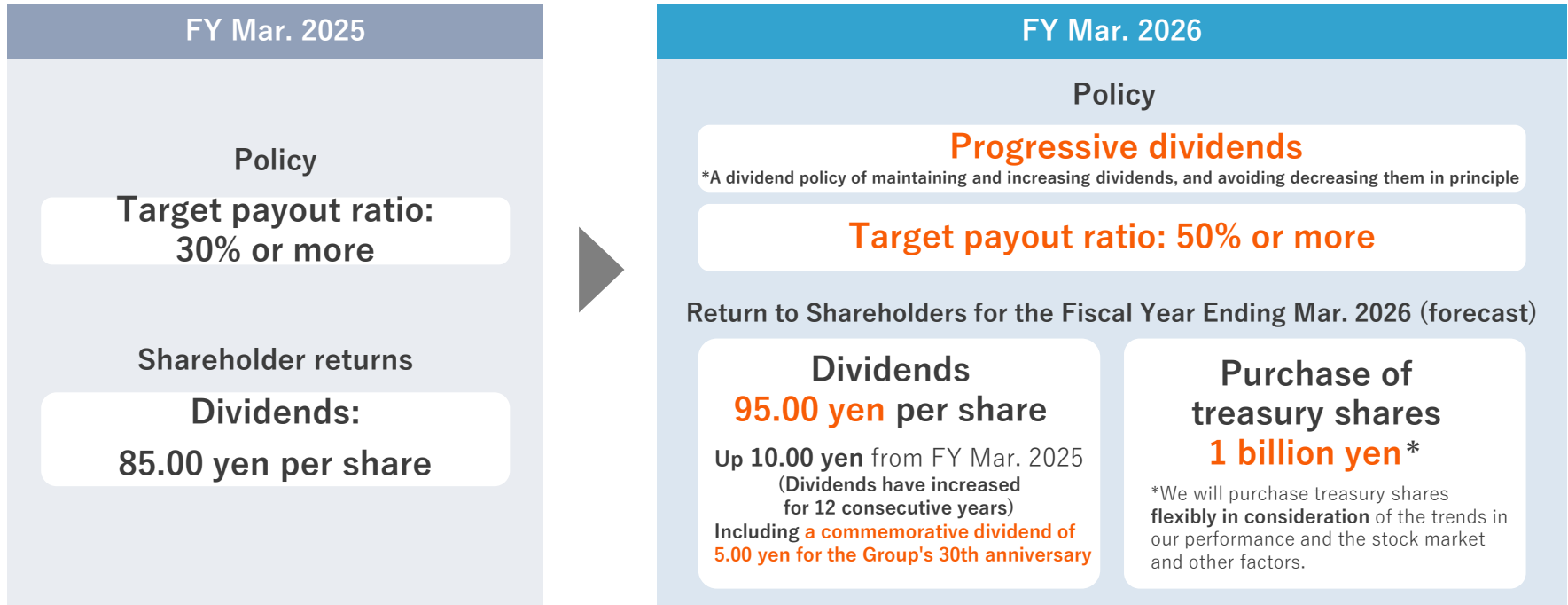


Consolidated Financial Results of the Fiscal Year Ended March 31, 2025

07. Return to Shareholders for the Fiscal Year Ending March 31, 2026



Starting FY March 2026, we will change our shareholder return policy as follows to strengthen our stance on returning profit to shareholders. Under the new policy, we plan shareholder returns for the fiscal year ending March 31, 2026 as follows.



- Among the descriptions of plans, strategies and financial forecasts in this presentation material, those that are not historical facts are forward-looking statements.
- They reflect judgments made by the management of Digital Arts Inc. based on information currently available to it. They may be subject to considerable change depending on changes in the environment and other factors, and the Company does not in any way guarantee the achievement of the projections.
- Digital Arts Inc. will disclose any significant changes that occur in the future as appropriate.
- With some exceptions, the basic figures in this presentation are rounded down to the nearest million yen.

デジタルアーツ, DIGITAL ARTS, i-FILTER, i-FILTER Anti-Virus & Sandbox, i-FILTER@Cloud Anti-Virus & Sandbox, i-FILTER@Cloud Dアラート発信レポートサービス, info board, Active Rating System, D-SPA, Anti-Virus & Sandbox for D-SPA, NET FILTER, SP-Cache, White Web, ZBRAIN, クレデンシャルプロテクション, ホワイト運用, m-FILTER, m-FILTER MailFilter, m-FILTER Archive, m-FILTER Anti-Spam, m-FILTER Anti-Virus & Sandbox, m-FILTER@Cloud Anti-Virus & Sandbox, m-FILTER@Cloud Dアラート発信レポートサービス, m-FILTER File Scan, Mail Detox, m-FILTER EdgeMTA, EdgeMTA, FinalCode, i-フィルター, DigitalArts@Cloud, Desk, Desk Event, StartIn, f-FILTER, Dアラート, Dコンテンツ, f-FILTER and other logos and icons related to Digital Arts Inc. and its products are trademarks or registered trademarks of Digital Arts Inc.

DigitalArts[®]

- For internet convenience, safety and security -