



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 September 30, 2024

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# Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2025

October 31, 2024

Digital Arts Inc.  
(Securities Code: 2326)

For Internet Convenience,  
Safety and Security

Domestic  
manufacturers

13.39 million  
active users<sup>\*1</sup>

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: 292 (As of March 31, 2024)

Sales Offices Hokkaido Sales Office/ Tohoku Sales Office /  
Chubu Sales Office/ Kansai Sales Office/  
Chushikoku Sales Office/ Kyushu Sales Office

<sup>\*1</sup>: The number of users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of September 2024 (internal research)

## Web

Enabling users to securely connect to websites without security concerns

**i-FILTER**

Endpoint  
Web Security

**i-FILTER**  
ブラウザー & クラウド

**i-FILTER @Cloud**

Secure proxy  
appliance

**ID-SPA**

Malicious website-filtering  
software for home use

**イ-フィルター**

## E-mail

Enabling users to securely send and receive email without security concerns

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

— Measures to provide pop-ups for email misdelivery — **NEW**

[For email software]  
[For Microsoft365 software]

**m-FILTER**  
*MailAdviser*

## File

### File encryption solution

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

**FINALCODE**  
**FINALCODE @Cloud**

### DLP / File transfer solution

**NEW**

Supporting secure file transfers without leaking critical information

**f-FILTER**

## IDaaS

**NEW**

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

**StartIn**

# Key Points

Excluding the impact of the transfer of the shares of a consolidated subsidiary at the end of the previous fiscal year, propelled by the growth of the enterprise sector market, **the Group achieved the planned growth** of net sales the first six months of the fiscal year ending March 31, 2025.

Operating profit decreased because the increase in the cost of sales was not offset by the increase in net sales.

## Enterprise sector market

**Net sales grew** through major growth in i-FILTER, which captured needs for a variety of security measures. (Excluding DAC<sup>\*1</sup>)

## Public sector market

**Net sales grew** following the acquisition of Security Improvements for Local Governments projects, which remained in demand, and Next-Generation School Affairs DX projects, for which full-scale procurement began this year.

The exclusion of DAC from consolidation meant declines in the consolidated cost of sales and DAC personnel expenses.

## Revenue

The cost of sales increased, reflecting a rise in data center communication expenses due to an increase in the number of cloud product users. Consequently, operating profit decreased because the increase in the cost of sales was not offset by the increase in net sales.

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

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# 01 | Consolidated Results Highlights

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025

# Consolidated Results Highlights

Contracts	<b>4,516</b> million yen – 460 million yen or – 9.2% YoY <b>+ 548 million yen or + 13.8% YoY</b> *Excluding DAC	<b>Enterprise sector market</b>  <b>Public sector market</b>	<p>The i-FILTER business grew sharply, mainly due to the acquisition of projects related to the transition to cloud security products and projects related to customers switching products due to the end of support (EOS) of competitors' security products.</p> <p>Performance was steady with the acquisition of Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects.</p>
Net Sales	<b>4,838</b> million yen – 725 million yen or – 13.0% YoY <b>+ 283 million yen or + 6.2% YoY</b> *Excluding DAC	<b>Enterprise sector market</b>  <b>Public sector market</b>	<p>Sales saw robust growth, reflecting sales from strong orders for cloud service products and from license sales products.</p> <p>Sales were up following the posting of sales from Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects, as well as from GIGA School Concept projects received in preceding fiscal years.</p>
Operating Profit	<b>2,052</b> million yen – 135 million yen or – 6.2% YoY	<b>Cost of Sales</b>  <b>SG &amp; A expenses</b>  <b>Overall</b>	<p>Data center communication expenses increased due to an increase in the number of cloud product users.</p> <p>Efforts were made to strengthen sales promotions with an eye toward the full-scale implementation of the GIGA School Concept program in the next fiscal year. Even so, the increase in SG&amp;A expenses was within the projected range.</p> <p>Operating profit decreased because the increase in the cost of sales was not offset by the increase in net sales.</p>

## Special Notes

The transfer of all shares in Digital Arts Consulting (DAC<sup>\*)</sup>, 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 1,008 million yen** respectively for the current fiscal year.

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

# Consolidated Statement of Income

While the contract amount **increased more than planned** on the back of strong enterprise and public sector market conditions, the increase in net sales remained in line with the plan, reflecting slow progress in the posting of net sales attributable to the greater-than-planned growth of the percentage of sales that are cloud product sales <sup>(Excluding DAC<sup>\*1</sup>)</sup>. Operating profit decreased because the increase in data center communication expenses was not offset by the increase in net sales. The cloud product percentage being higher than expected was a factor in this.

(million yen)

	First 6 Months FY March 2024	First 6 Months FY March 2025	Change YoY	FY March 2025 Full-Year Forecast <sup>*2</sup>
<b>Contracts</b>	4,976 [3,968]	4,516	− 9.2% [+13.8%]	-
<small>*The figure in square brackets [ ] represents the result excluding DAC.</small>				
<b>Net sales</b>	5,563 [4,554]	4,838	− 13.0% [+6.2%]	10,720
<small>*The figure in square brackets [ ] represents the result excluding DAC.</small>				
<b>Cost of sales</b>	2,128	1,482	− 30.3%	2,850
<b>Gross profit</b>	3,435	3,355	− 2.3%	7,870
<b>Selling, general and administrative expenses</b>	1,246	1,302	+ 4.5%	2,730
<b>Operating profit</b>	2,188	2,052	− 6.2%	5,140
<b>Operating margin (%)</b>	39.3%	42.4%	-	47.9%
<b>Ordinary profit</b>	2,201	2,053	− 6.7%	5,140
<b>Profit attributable to owners of parent</b>	1,521	1,417	− 6.8%	3,540
<b>EBITDA <sup>*3</sup></b>	2,670	2,559	− 4.1%	-

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

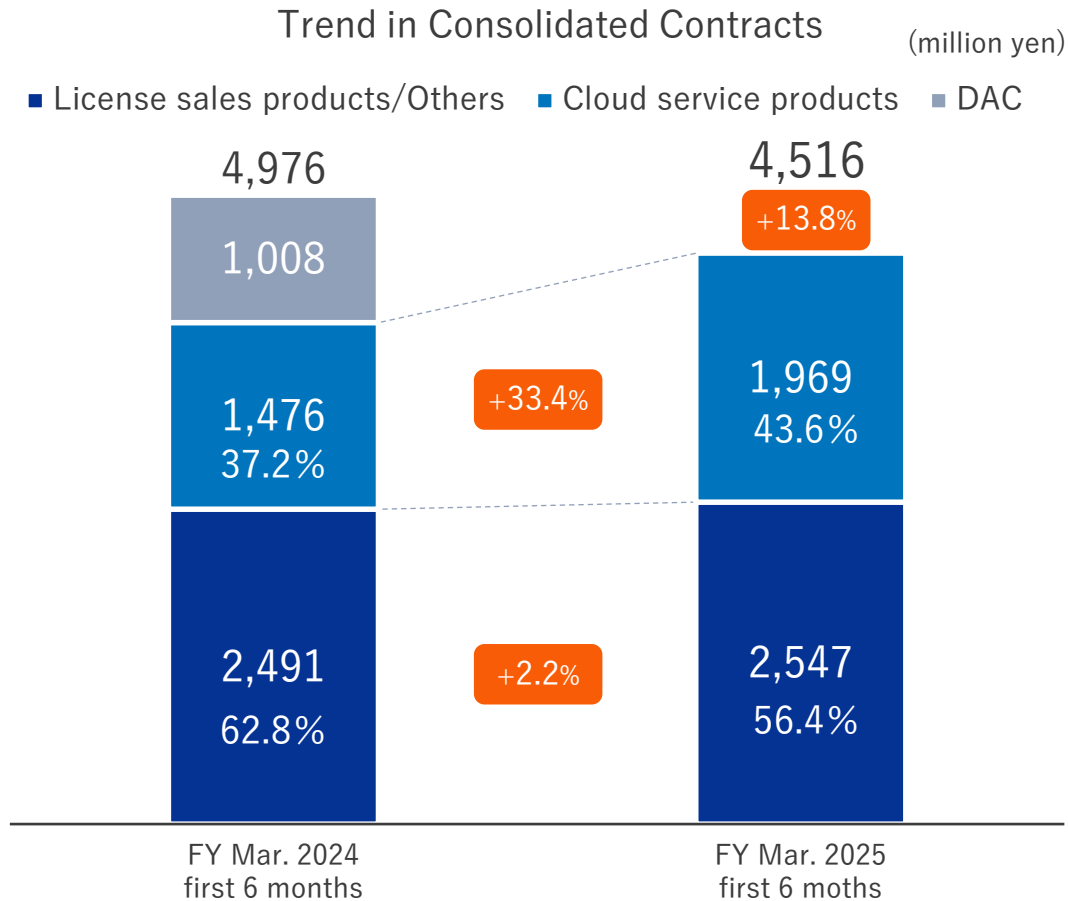
\*2: Financial Forecast is the consolidated financial forecast announced on May 8, 2024.

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



# Trend in Consolidated Contracts

Consolidated contracts totaled **4,516 million yen, up 13.8% year on year.** (Excluding DAC\*1)



## Cloud service products

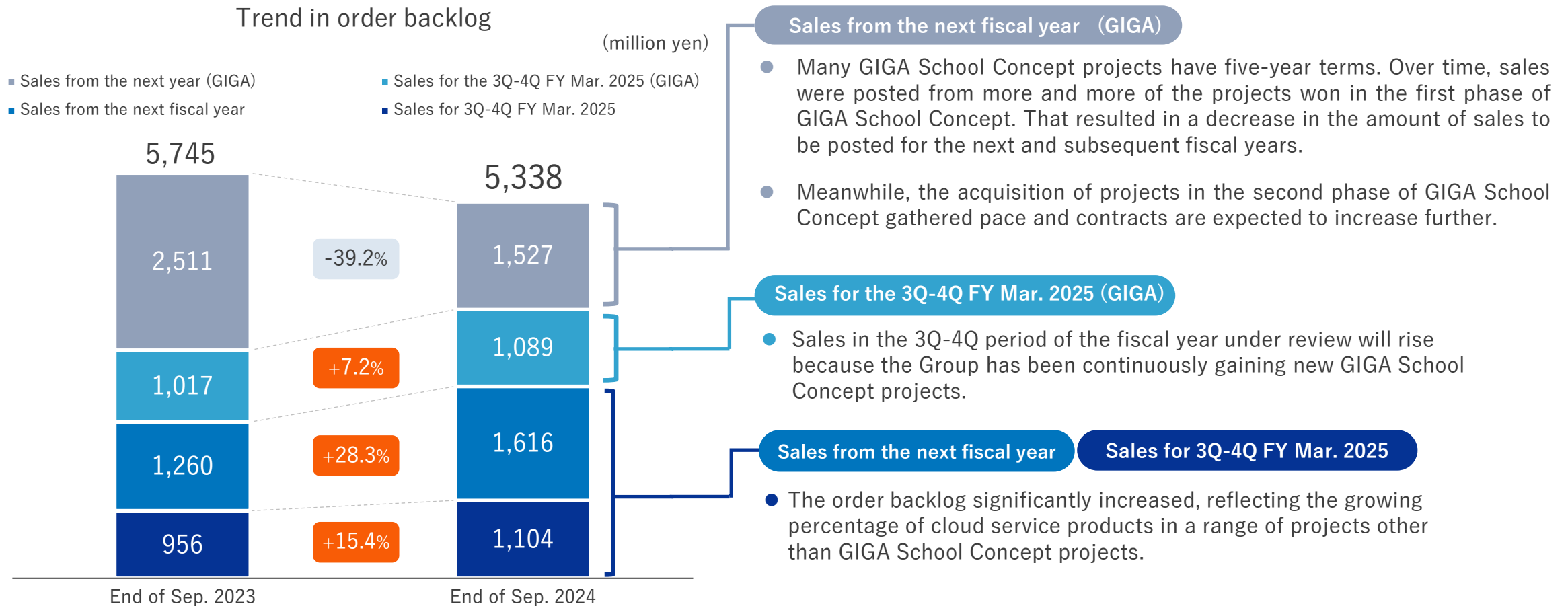
- Sales of Cloud-based i-FILTER and m-FILTER remained strong to meet demand related to cloud security needs in the enterprise sector market.
- A greater-than-planned increase was recorded due to the acquisition of projects in the public sector market, including large projects with the goal of addressing needs related to the Next-Generation School Affairs DX program.

## License service products/Others

- Projects were received by fulfilling needs related to a switch to the Company's on-premises products following the end of support (EOS) of competitors' security products in the enterprise sector market.
- In the public sector market, projects continued to be acquired in relation to Security Improvements for Local Governments projects.

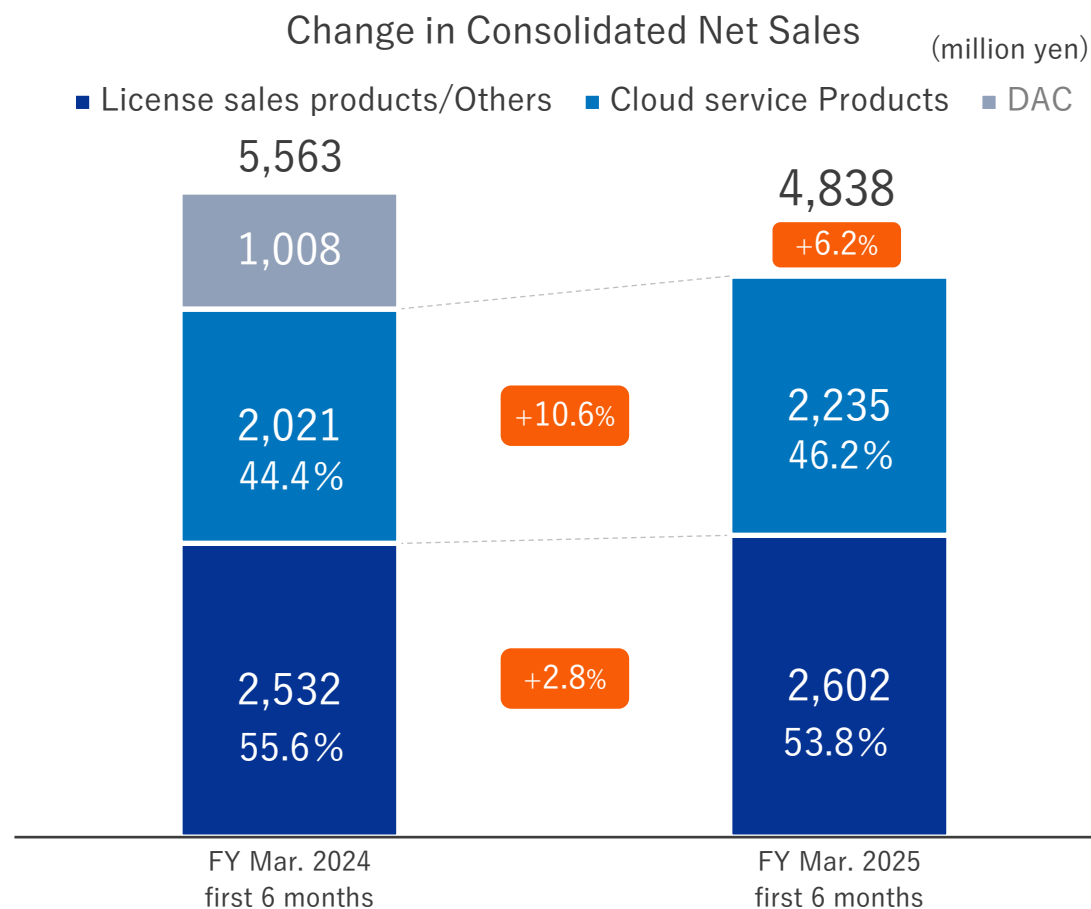
# Trend in Order Backlog

Excluding GIGA School Concept projects, sales from which will be posted for the next and subsequent fiscal years, **order backlog steadily increased**.



# Change in Consolidated Net Sales

Consolidated net sales **grew 6.2%** year on year, to **4,838 million yen**. (Excluding DAC\*1)



## Cloud service products

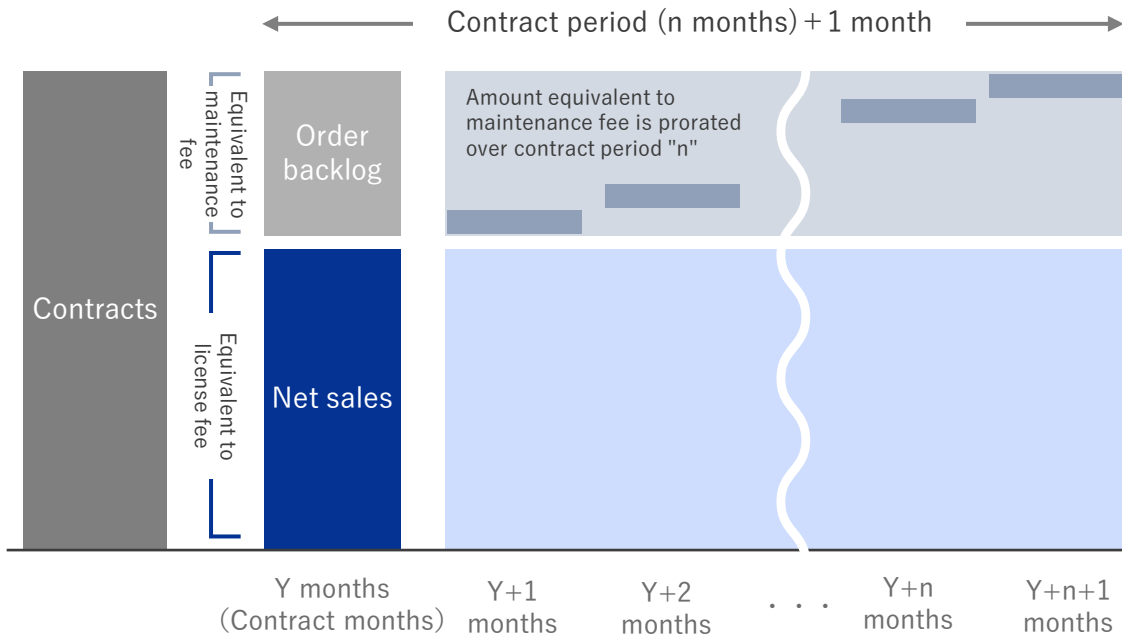
- Sales of cloud-based i-FILTER and m-FILTER remained strong in response to demand related to cloud security needs in the enterprise sector market.
- Sales were up following the posting of sales from Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects, as well as from GIGA School Concept projects received in preceding fiscal years in the public sector market.

## License sales products/Others

- Projects were received by fulfilling needs related to a switch to the Company's on-premises products following the EOS of competitors' security products in the enterprise sector market.
- Projects continued to be acquired in relation to Security Improvements for Local Governments projects in the public sector market.

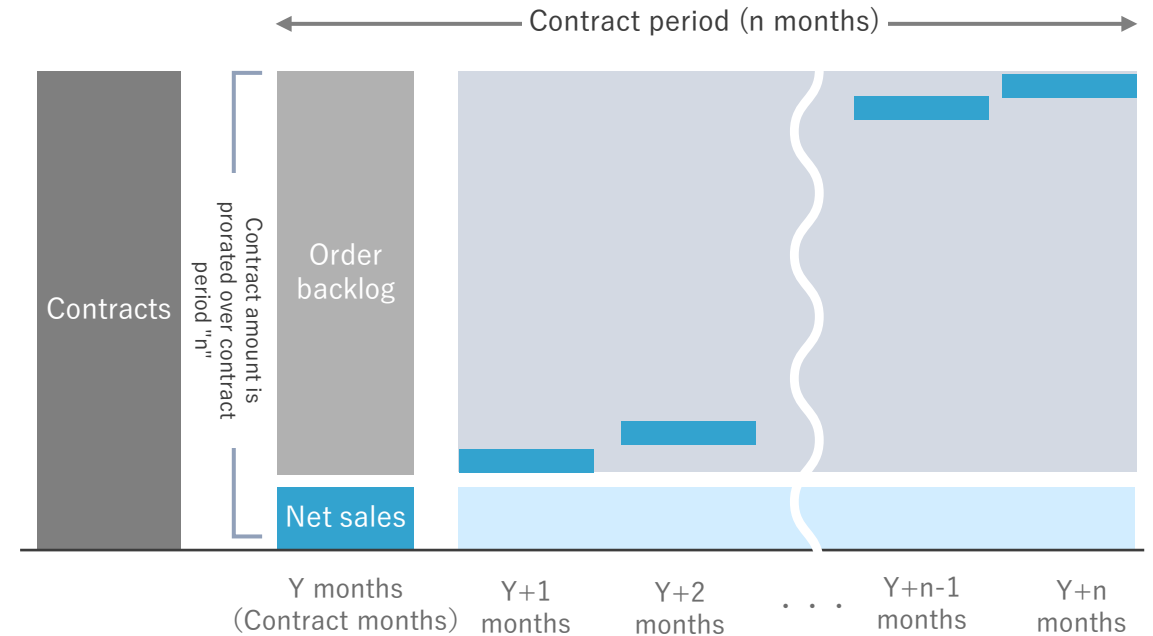
# Method of recording sales by product

## 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



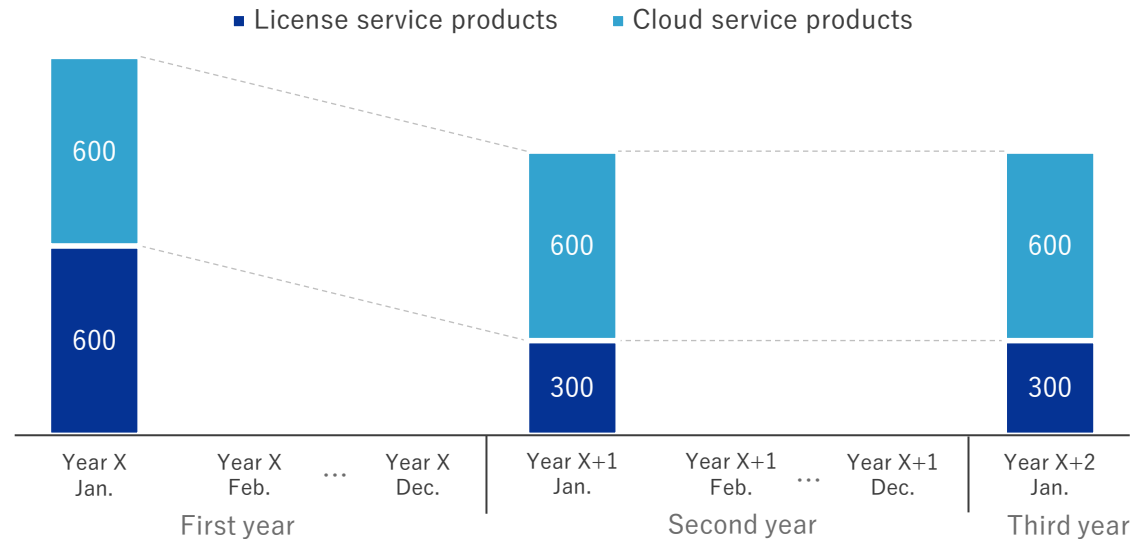
- Contract amount is recorded as sales on a pro rata basis over the contract period (split into equal monthly amounts).
- As the contract amount of cloud service products rises, the contract amount that is deferred (order backlog) increases.

# Relationship between contract amount and sales by product (one-year contracts)

## Supplement

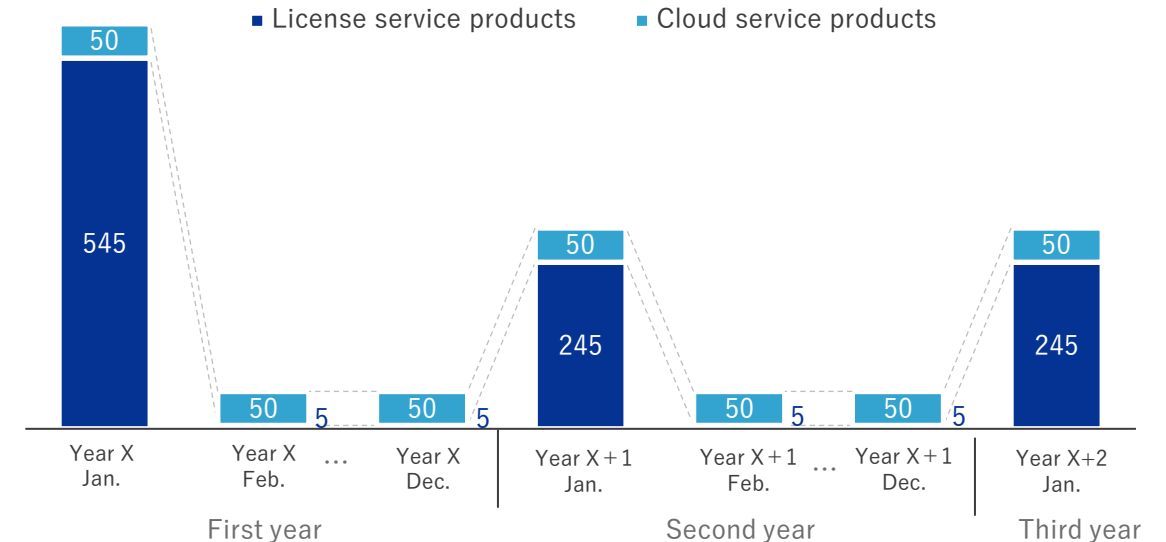
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a one-year contract at the amount of 600 million yen.

### 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.

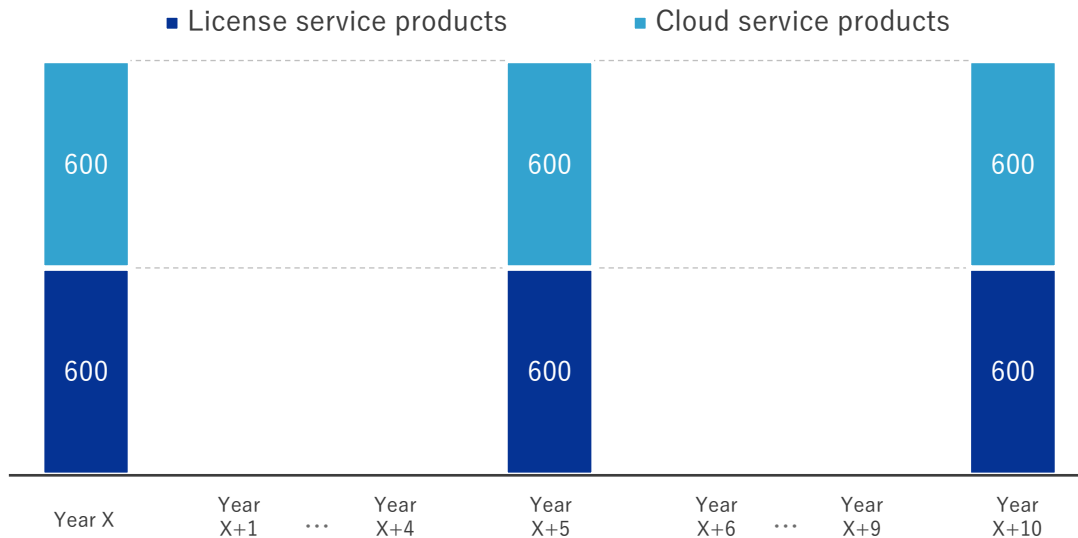
# Relationship between contract amount and sales by product (multi-year contracts)

## Supplement

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

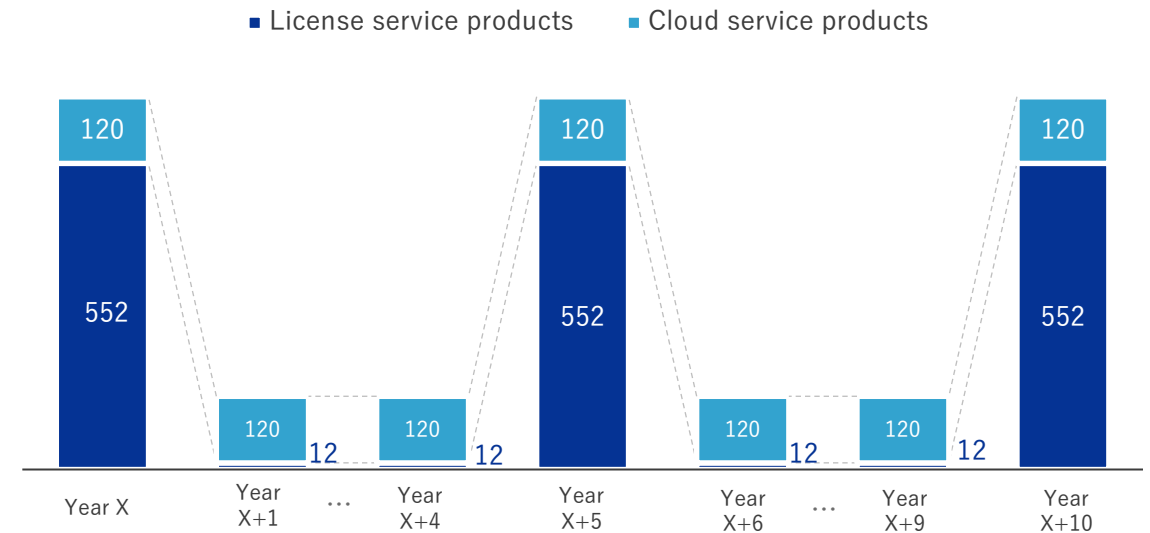
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a five-year contract of 600 million yen.

### Trend in Contracts



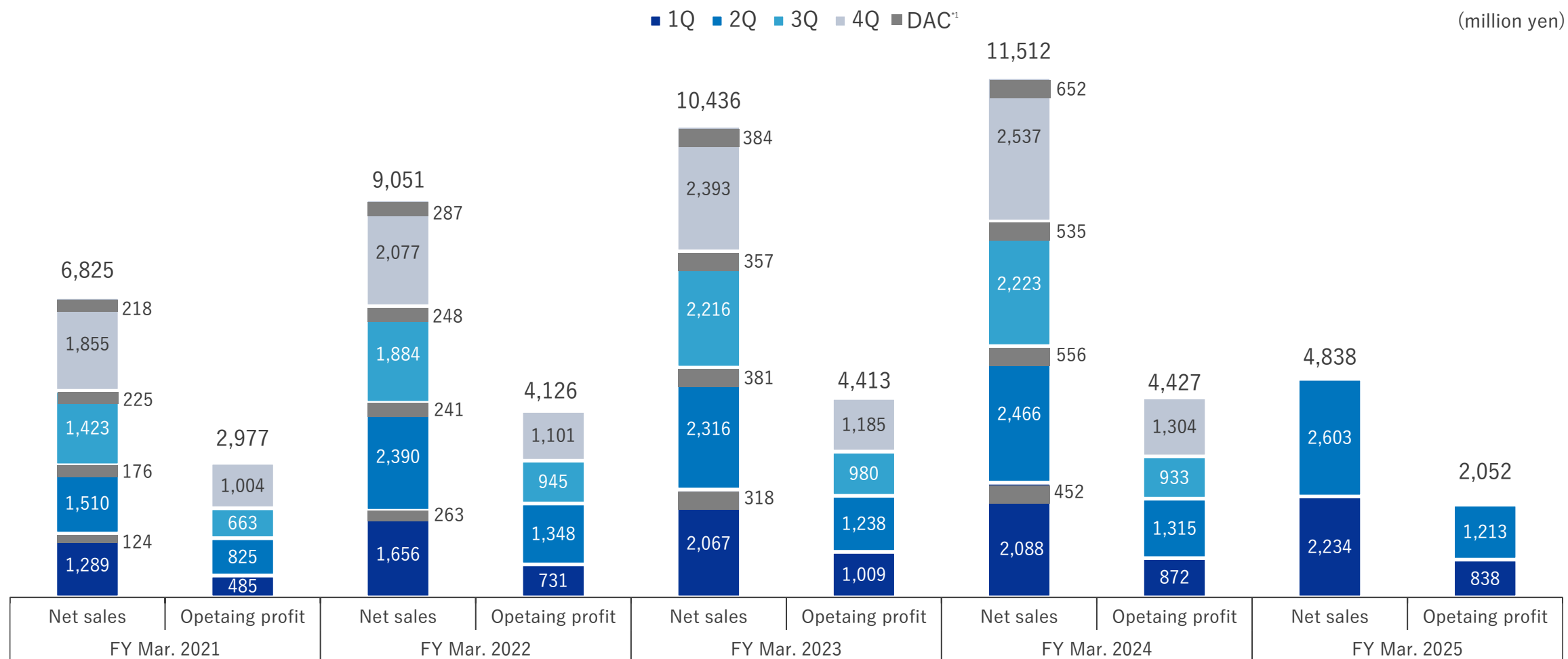
For both license sales products and cloud service products, contract amounts are unchanged at the time of renewal.

### 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



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

# 01 Consolidated Cost of Sales and Selling, General and Administrative Expenses



While the consolidated cost of sales and DAC's<sup>\*1</sup> personnel expenses decreased, communication expenses increased at the data center due to the higher-than-planned growth of the percentage of cloud service products.

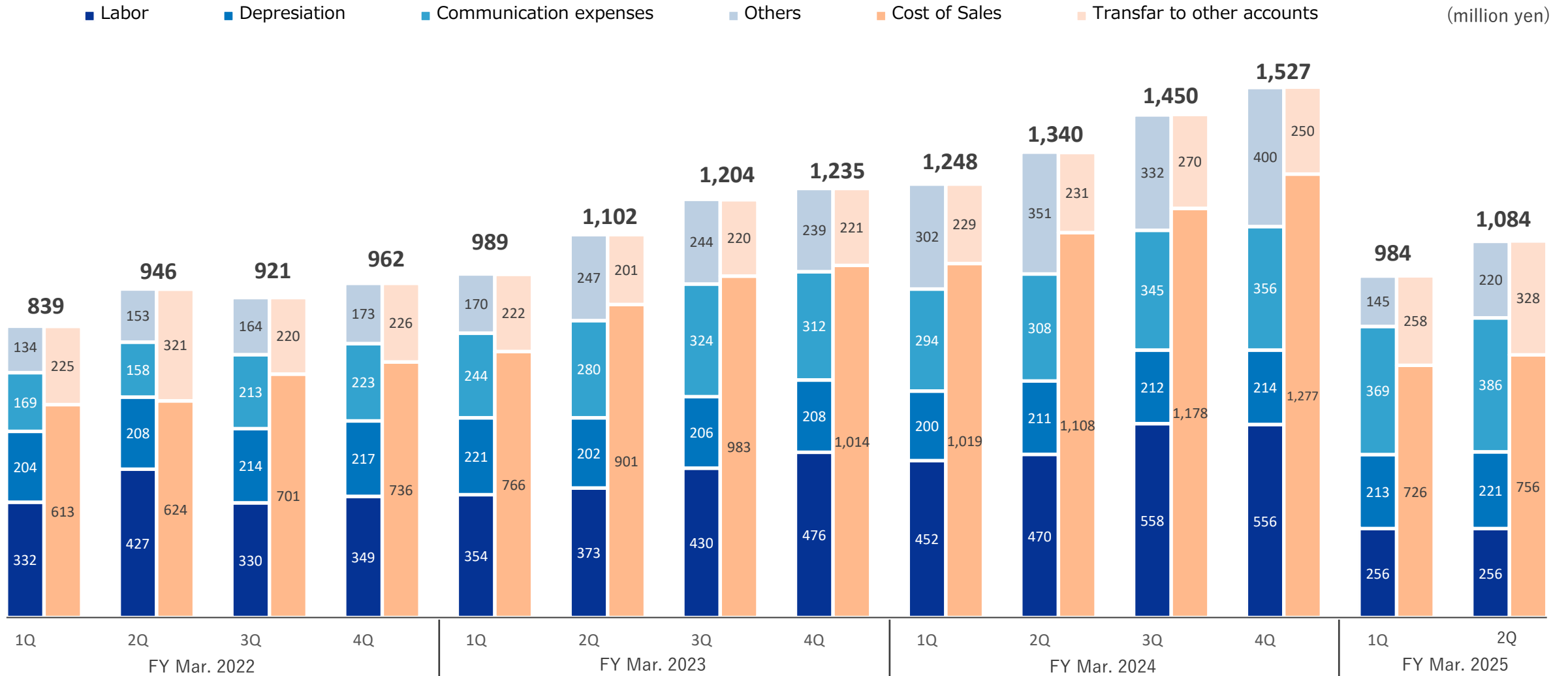
(million yen)

	First 6 Months FY March 2024	First 6 Months FY March 2025	Change YoY	Main Factors for Change
<b>Cost of sales</b>	<b>2,128</b>	<b>1,482</b>	<b>- 645</b>	
Labor	923	513	- 410	Increase due to the enhancement of DA's development workforce (+ 92M) Impact of exclusion of DAC from consolidated (Approx. -498M)
Depreciation	411	434	+22	
Communication expenses	602	755	+152	Data center communication expenses increased due to an increase in the number of cloud product users. (+151M) Note: Including an increase due to the effect of foreign exchange rates (+34M).
Others	651	365	- 285	Increase due to the development of new DA products (+ 15M) Impact of exclusion of DAC from consolidated (Approx. -300M)
Transfer to other accounts	- 461	- 586	- 125	
<b>Selling, general and administrative expenses</b>	<b>1,246</b>	<b>1,302</b>	<b>+56</b>	
Personnel expenses	614	610	- 4	Increase in DA's personnel expenses (+43M) Impact of exclusion of DAC from consolidated (Approx. -42M)
Advertising expenses	160	198	+38	Increased due to the implementation of sales promotions (+10M) and the provision of trial versions of cloud service products (+16M)
Others	471	493	+22	DA's Hiring expenses (+27M)

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



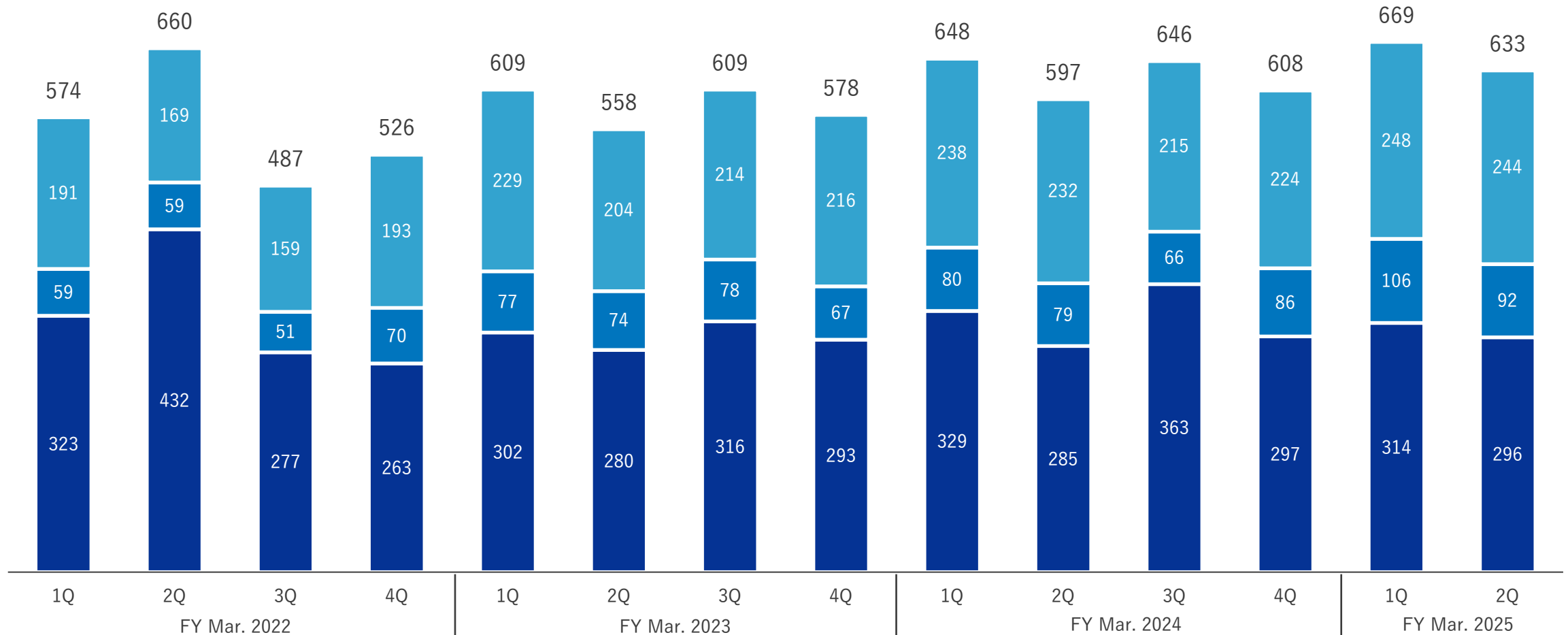
# Quarterly Trend in Consolidated Cost of Sales



# 01 Quarterly Trend in Consolidated Selling, General and Administrative Expenses

■ Personnel expenses ■ Advertising expenses ■ Others

(million yen)



# Consolidated Balance Sheet

The repurchase of our own stock that was announced on June 12, 2024 was completed as scheduled. (total acquisition price of 499 million yen). The equity ratio was up 3.3 percentage points from the end of the previous fiscal year, to 74.3%.

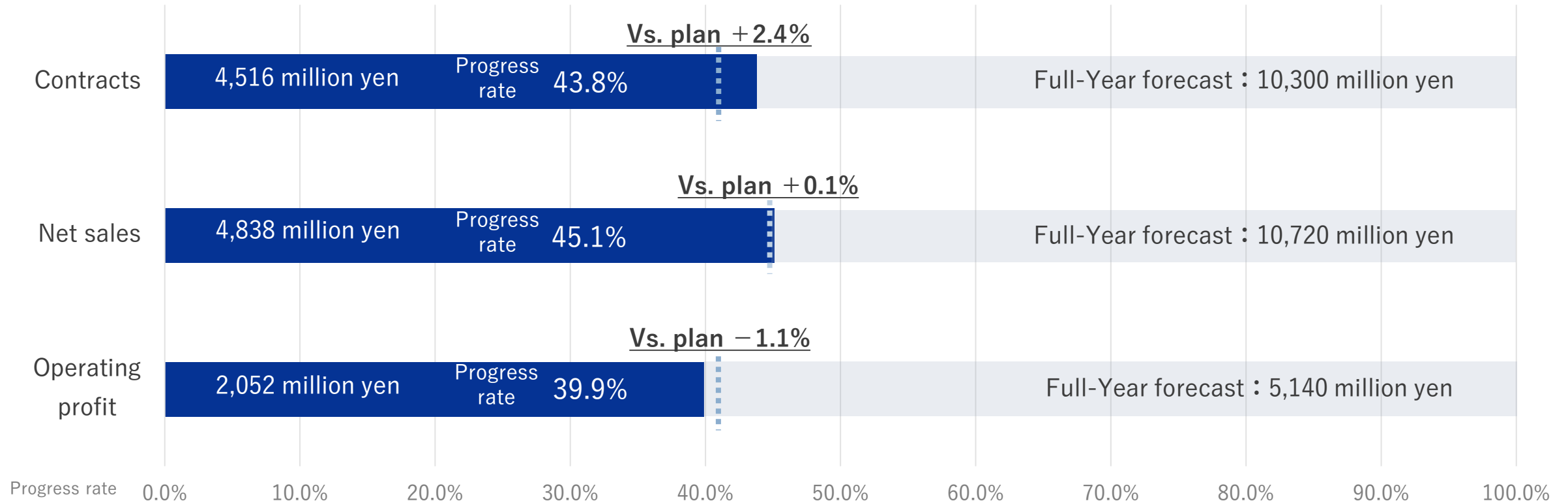
(million yen)

	As of end of 2Q FY March 2024	As of end of FY March 2024	As of end of 2Q FY March 2025	Change from end of FY March 2024	Main factors for changes
<b>Current assets</b>	<b>18,637</b>	<b>20,183</b>	<b>19,567</b>	<b>-3.1%</b>	Cash and deposits (-156M), accounts receivable (-343M)
(Cash and deposit)	16,259	18,339	18,183	-0.9%	Fund for treasury share purchases (-500M)
<b>Non-current assets</b>	<b>2,259</b>	<b>2,334</b>	<b>2,449</b>	<b>+4.9%</b>	
<b>Total assets</b>	<b>20,896</b>	<b>22,518</b>	<b>22,016</b>	<b>-2.2%</b>	
<b>Current liabilities</b>	<b>6,582</b>	<b>6,467</b>	<b>5,594</b>	<b>-13.5%</b>	Income taxes payable (-676M)
(Advanced received)	5,172	4,418	4,357	-1.4%	Decreased linked to the progress in the recording of sales.
<b>Non-current liabilities</b>	<b>50</b>	<b>52</b>	<b>51</b>	<b>-0.5%</b>	
<b>Equity capital</b>	<b>14,229</b>	<b>15,986</b>	<b>16,358</b>	<b>+2.3%</b>	Treasury share buy-back(-492M), Dividends paid (-550M), Profit(+1,417M), and others
<b>Net assets</b>	<b>14,262</b>	<b>15,998</b>	<b>16,370</b>	<b>+2.3%</b>	
<b>Equity ratio</b>	<b>68.1%</b>	<b>71.0%</b>	<b>74.3%</b>	-	
<b>ROE</b>	<b>10.7%</b>	<b>29.1%</b>	<b>8.8%</b>	-	
<b>ROA</b>	<b>7.2%</b>	<b>20.1%</b>	<b>6.4%</b>	-	

# Operating Profit Forecast

As of the end of the first six months, the rate of progress in contract amount and net sales exceeded the plan, but the rate of progress in operating profit fell short of the plan. Operating profit was lower planned due to a deviation in the timing of the posting of sales due to larger-than-expected orders for cloud service products. If the progress in the contract amount and net sales continues in line with the forecast in the second half, full-year consolidated operating profit is expected to be in line with the plan, partly reflecting the accumulation of sales of cloud products, for which orders were received in the first six months.

[Rate of progress in the first six months compared to full-year consolidated financial results forecast and changes from the plan]



# 02 | Non-consolidated Results Highlights

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025

# Summary of Non-consolidated Results

While **the contract amount increased more than planned** due to the strong enterprise and public sector market conditions, the increase in net sales remained in line with the plan, reflecting slow progress in the posting of net sales which is attributable to the greater-than-planned growth of the percentage of sales that are cloud product sales. Operating profit decreased not offset by the increase in net sales because the cost of sales increased, reflecting a rise in data center communication expenses due to an increase in the number of cloud product users.

(million yen)

	First 6 months FY March 2024	First 6 Months FY March 2025	Change YoY	FY March 2025 Full-Year Forecast <sup>*1</sup>
Contracts	3,962	4,511	+13.9%	-
Net sales	4,548	4,833	+6.2%	10,710
Cost of sales	1,244	1,481	+19.1%	2,850
Gross profit	3,304	3,351	+1.4%	7,860
Selling, general and administrative expenses	1,133	1,296	+14.4%	2,710
Operating profit	2,171	2,055	-5.3%	5,150
Operating margin	47.7%	42.5%	-	48.1%
Ordinary profit	2,183	2,057	-5.8%	5,150
Profit	1,512	1,421	-6.0%	3,550

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

# 03 | Net Sales by Market

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025

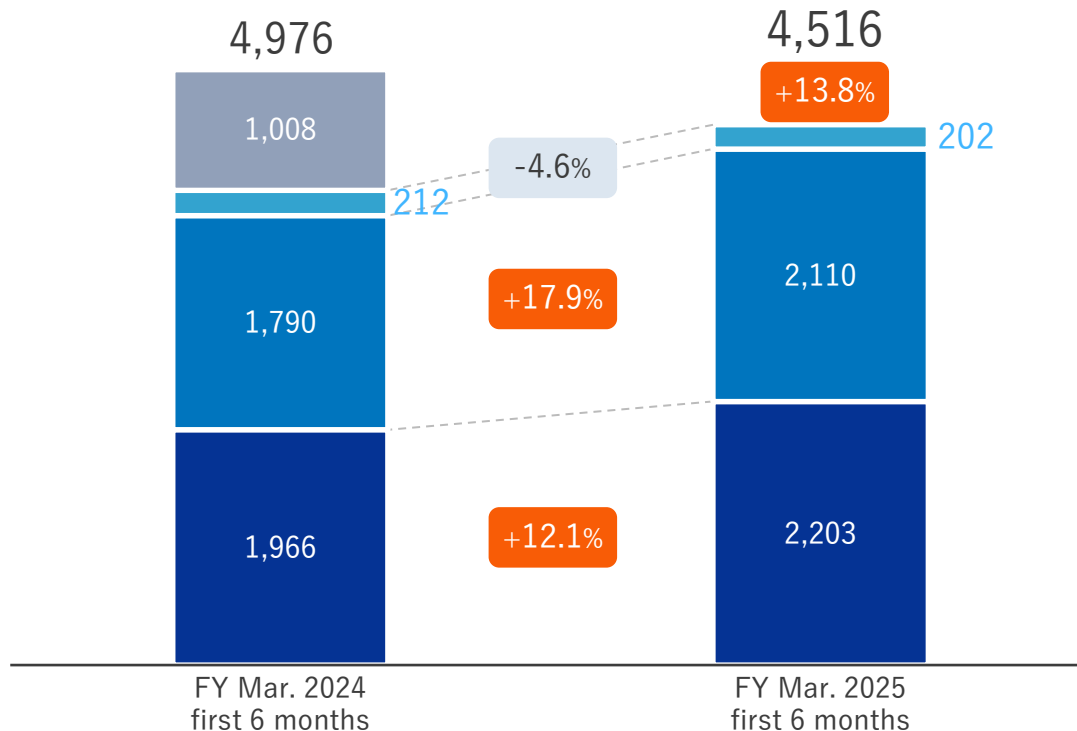
# Consolidated Contract Amount by Market

The positive growth of the contract amount was achieved in both the enterprise sector market and the public sector market. (Excluding DAC\*1)

Trend in Consolidated Contract Amount by Market

(million yen)

■ Enterprise ■ Public ■ Consumer ■ DAC



## Enterprise sector market

- Sales of i-FILTER and its optional products remained strong, reflecting the efforts to fulfill needs related to the transition to cloud security and needs related to the switch to the Company's products due to the EOS of (termination of support for) competitors' security products. As a result, an increase of 237 million yen. (+12.1%) was recorded. (Excluding DAC)

## Public sector market

- Steady progress was made in the acquisition of Security Improvement for Local Governments projects and other projects including large projects aimed at addressing needs related to the Next-Generation School Affairs DX program. With projects for the GIGA School initiative being acquired as expected, an increase of 320 million yen (+17.9%) was achieved.

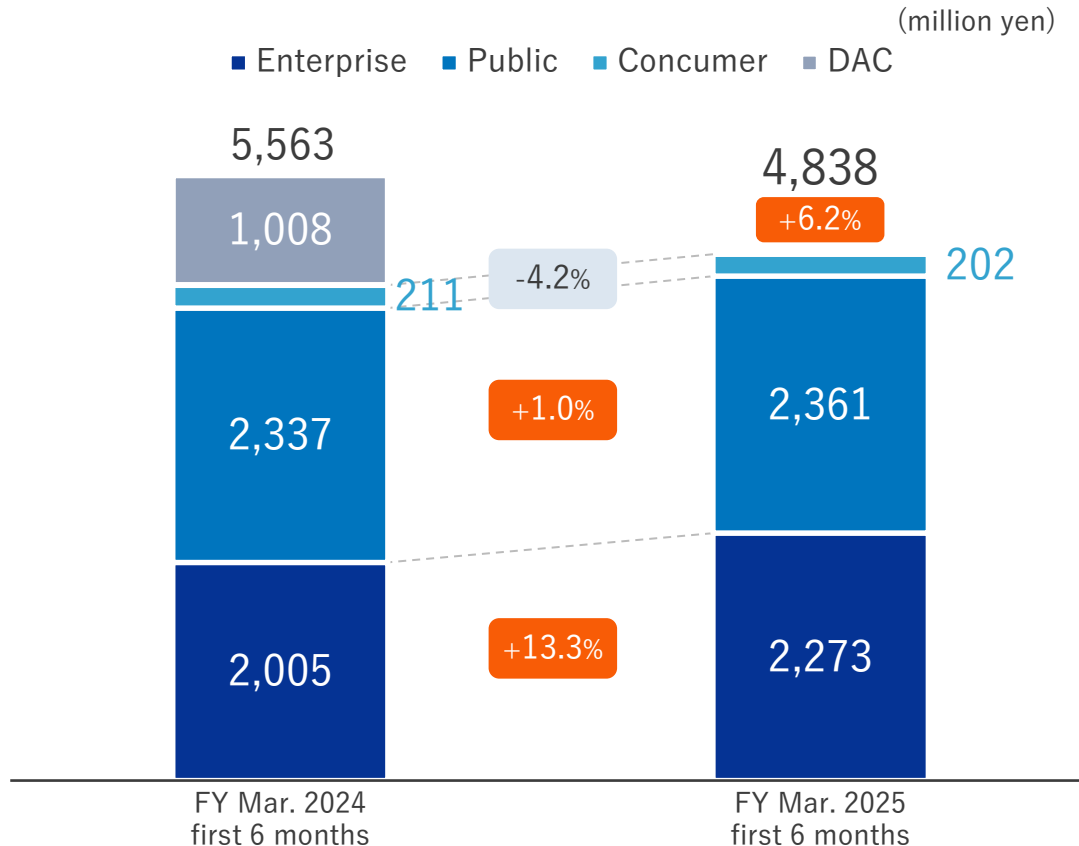


# Consolidated Net sales by Market

Solid growth was achieved in the contract amount in the enterprise sector market, but growth was minimal in the public sector market due to an increase in the percentage of cloud products.

(Excluding DAC\*1)

Trend in Consolidated Net Sales by Market (million yen)



## Enterprise sector market

- With a trend that appears similar to the trend for contracts, sales increased 267 million yen (+13.3%) (Excluding DAC<sup>\*1</sup>), reflecting the strong sales of i-FILTER and its optional products through the fulfilling of needs related to the shift to cloud security products and needs related to the switch to the Company's products due to the EOS of competitors' security products.

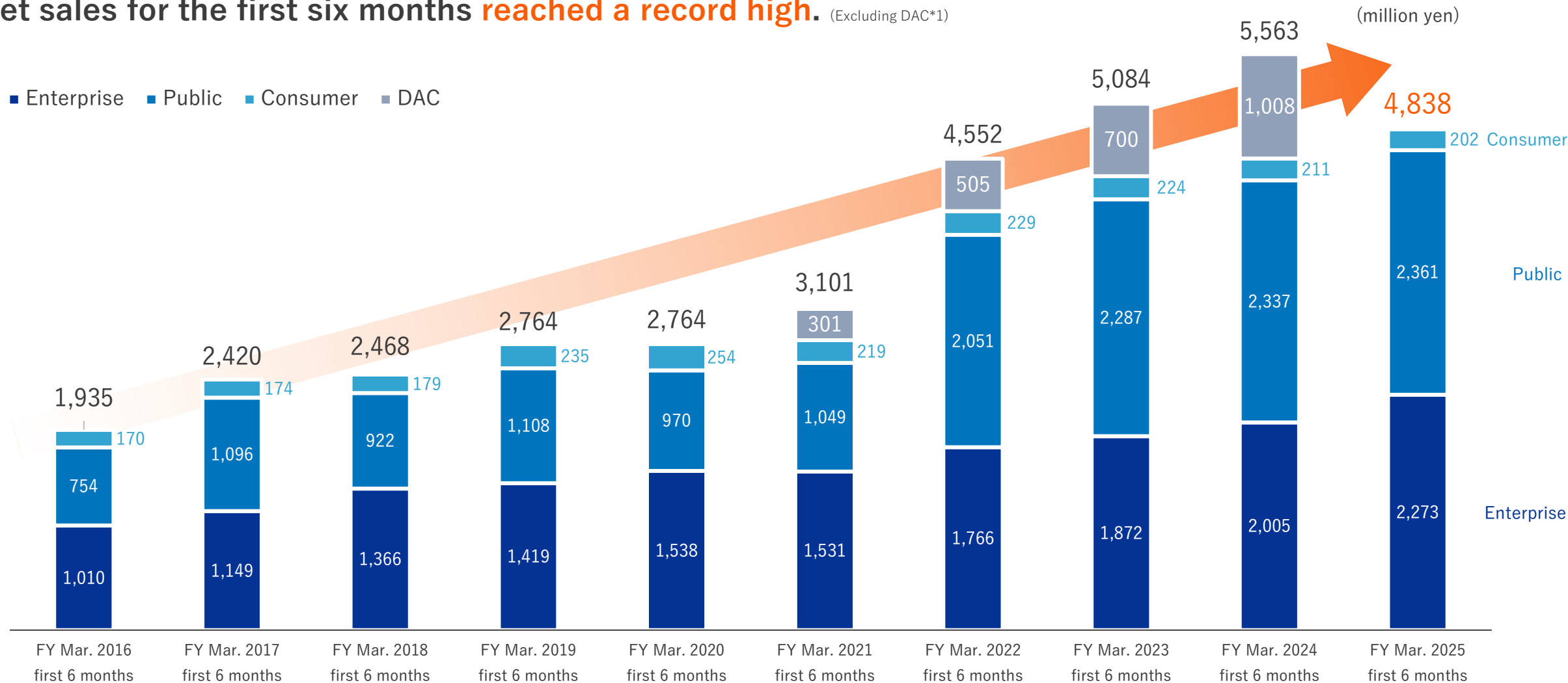
## Public sector market

- Sales related to projects connected to the Security Improvements for Local Governments program and the GIGA School Concept project, the orders for which having been received before the previous fiscal year, are being recorded smoothly. However, given the growing percentage of cloud-related orders in connection with the Next-Generation School Affairs DX project, for which many orders are received on a contract basis, sales connected to this project are not recorded in a timely fashion. As a result, sales increased only 24 million yen (+1.0%).

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

# Trend in Consolidated Net Sales by Market

Net sales for the first six months **reached a record high.** (Excluding DAC\*1)

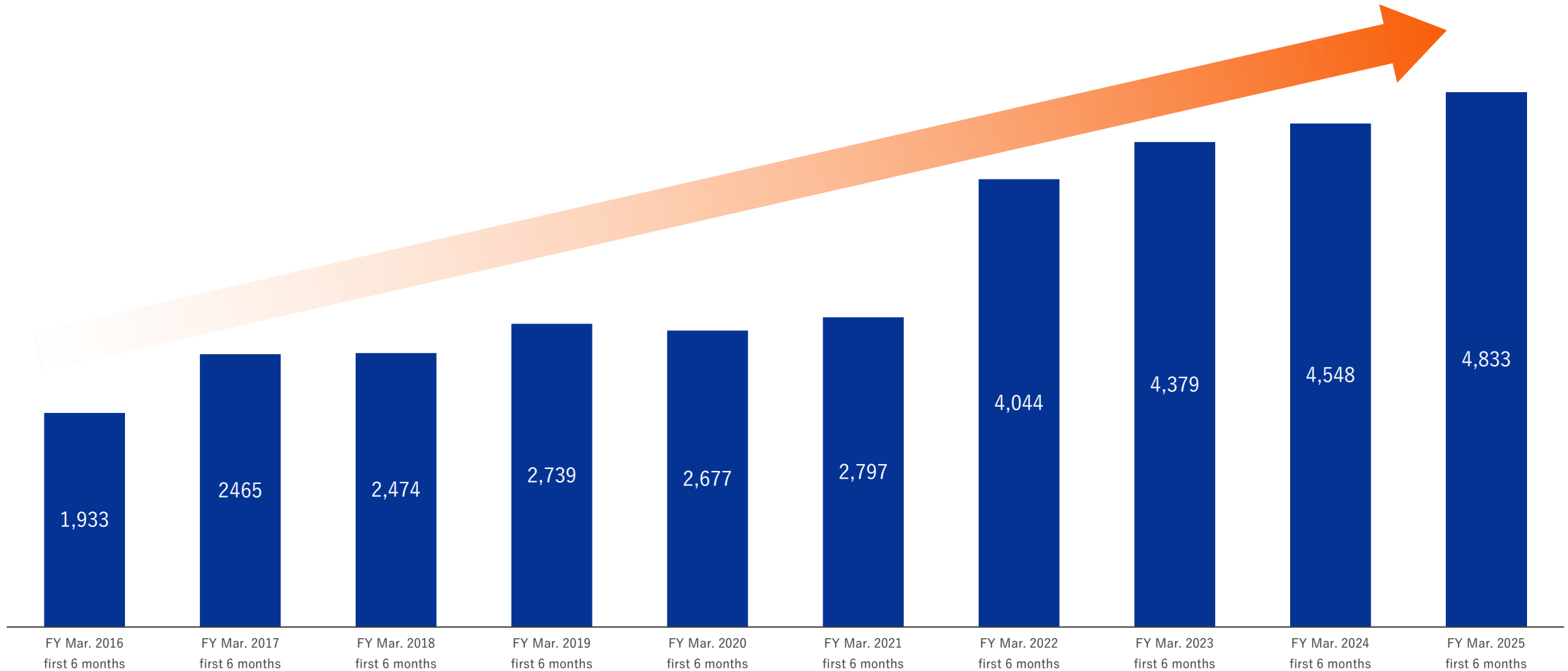


\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

## Trends in Non-Consolidated Net Sales

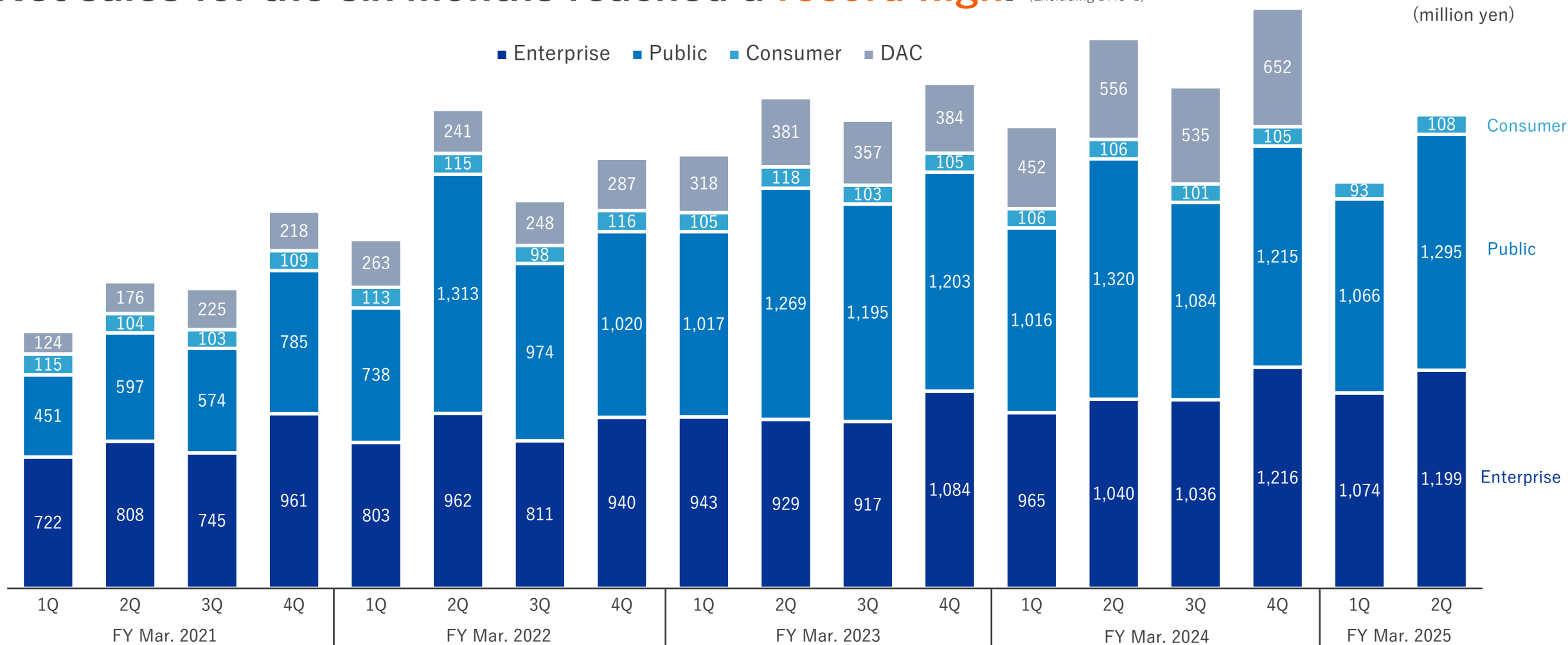
Net sales for the first six months reached a **record high**.

(million yen)



# Quarterly Trend in Consolidated Net Sales by Market

Net sales for the six months reached a **record high**. (Excluding DAC\*1)



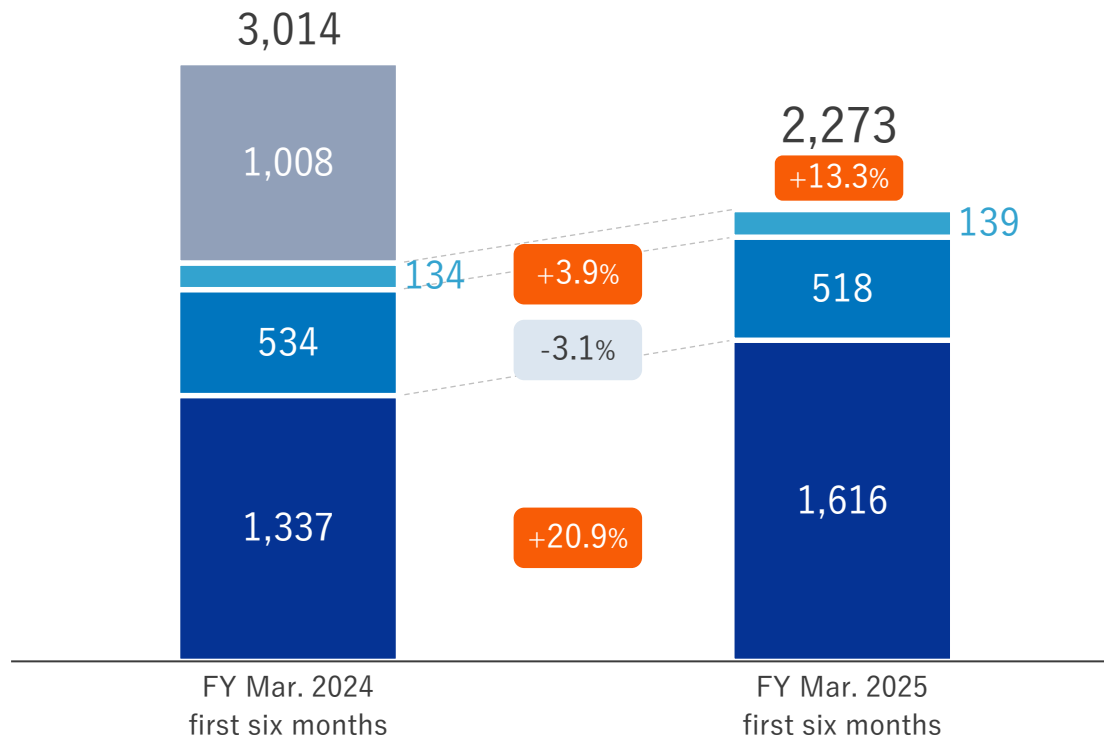
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Net Sales in Market by Product

**Net sales achieved enormous growth**, reflecting a major leap in the i-FILTER series following the acquisition of projects for shifting to cloud security and for shifting from competitors' products, as well as strong sales of options. (Excluding DAC\*1)

Trend in Net Sales in Enterprise Sector Market by Product  
(million yen)

■ i-FILTER series ■ m-FILTER series ■ FinalCode/Other products ■ DAC



## i-FILTER series

- The results reflected the strong sales of Anti-Virus & Sandbox, an optional product, as well as successful efforts to respond to needs for cloud-based secure web gateways for small and medium-sized companies and needs for a switch to the Company's on-premises products due to the EOS of competitors' on-premises products. In addition, the acquisition of large projects contributed to the high growth (+279 million yen/+20.9%).

## m-FILTER series

- Sales contracted (by -16 million yen / -3.1%) due to the impact of the large project acquired in the previous year, despite the brisk acquisition of new projects following the high evaluation of our products' comprehensive functions that fulfill multiple email security needs, such as endpoint protection to defeat ransomware attacks and cloud-based email security products, due to the popularization of cloud-based email services including Exchange Online.

## FinalCode/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<sup>2</sup> issue.

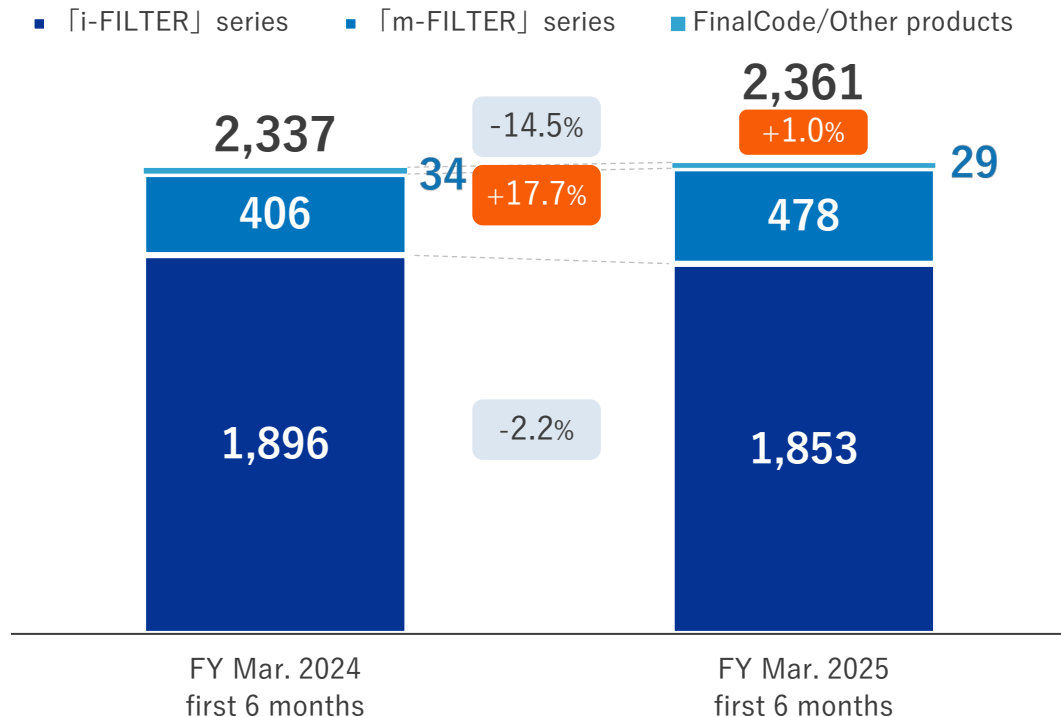
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

\*2: 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.

# Net Sales Market by Product

While the **contract amount increased significantly (+17.9%)** due to the acquisition of projects for the Security Improvements for Local Governments and Next-Generation School Affairs programs (see page 24), sales increase slightly due to slow progress in the recording of sales as a result of an increase in cloud service-related orders.

Trend in Net Sales in Public Sector Market by Product  
(million yen)

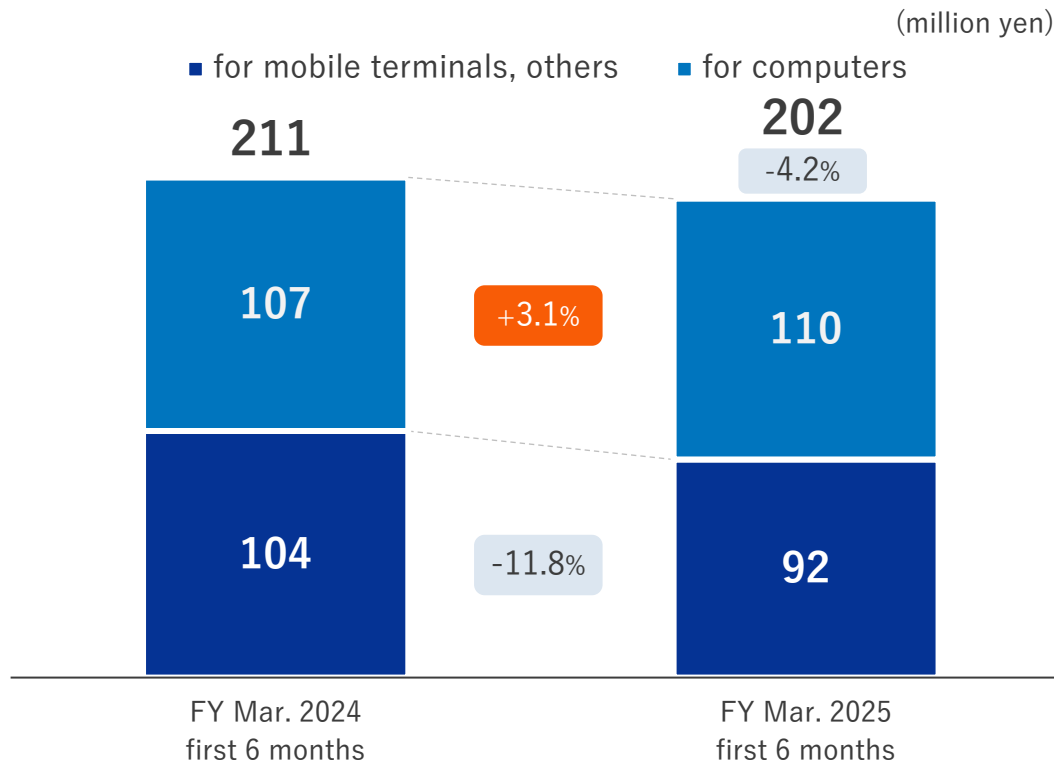


- Steady progress was made in the acquisition of projects for the Security Improvements for Local Governments program, projects including large projects aimed at addressing Next-Generation School Affairs DX needs and GIGA School Concept projects. However, sales were not posted as expected due to larger-than-expected orders for cloud service products, resulting in a slight contraction in sales of i-FILTER series products (-42 million yen/-2.2%).
- Sales of m-FILTER series products grew sharply (+71 million yen/+17.7%), reflecting the brisk acquisition of large projects linked to the Security Improvements for Local Governments program and strong sales for Next-Generation School Affairs DX projects.
- An order for a large project (a contract amount of approximately 280 million yen) was received following the proposal of the combined use of f-FILTER, which is a new product, i-FILTER and m-FILTER, which are mainstay products for the Next-Generation School Affair DX project. Going forward, we will apply this good example of a proposal for combined usage in other projects.

# Net Sales Market by Product

In the consumer sector market, net sales did not increase as expected due to the sense of plateauing with respect to demand for filtering measures. The Group will facilitate the strengthening of products and expand target customers, aiming to tap into new demand.

Trend in Net Sales in Consumer Sector Market by Product



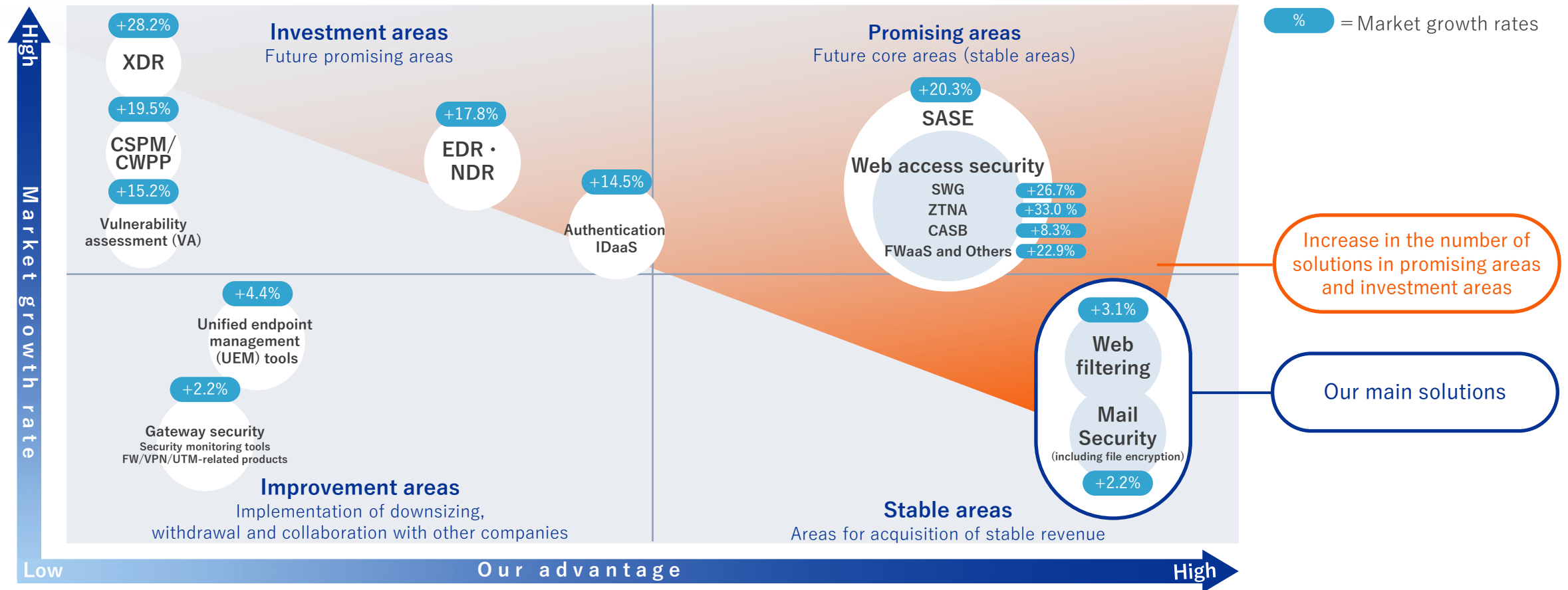
- Net sales of products for computers rose (by +3 million yen or +3.1%) as a result of advertising multiple-year package products and taking initiatives for products for Internet cafes.
- Net sales of products for mobile terminals and others declined (by -12 million yen or -11.8%), reflecting a slowdown in new contracts obtained.
- 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.

# 04 | FY03/25 Initiatives

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025

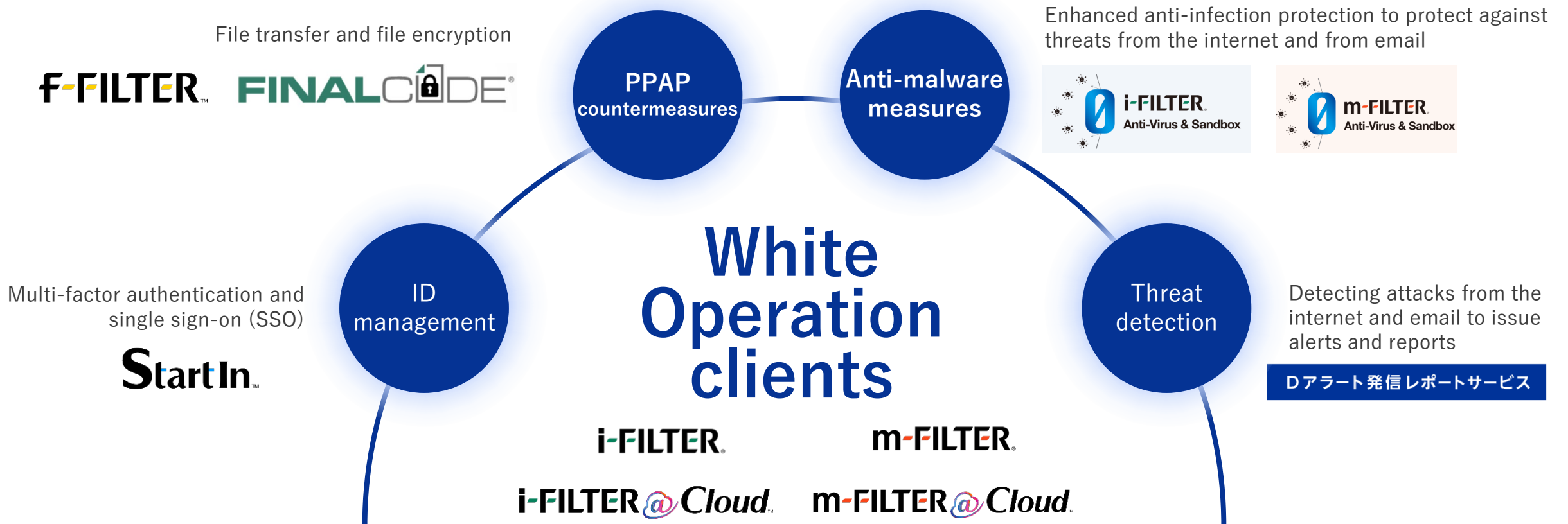


In view of the rate of growth of the product market and our advantages, we will increase solutions in promising areas and investment areas to maximize synergy with our mainstay solutions.



## Carry out upselling and cross-selling

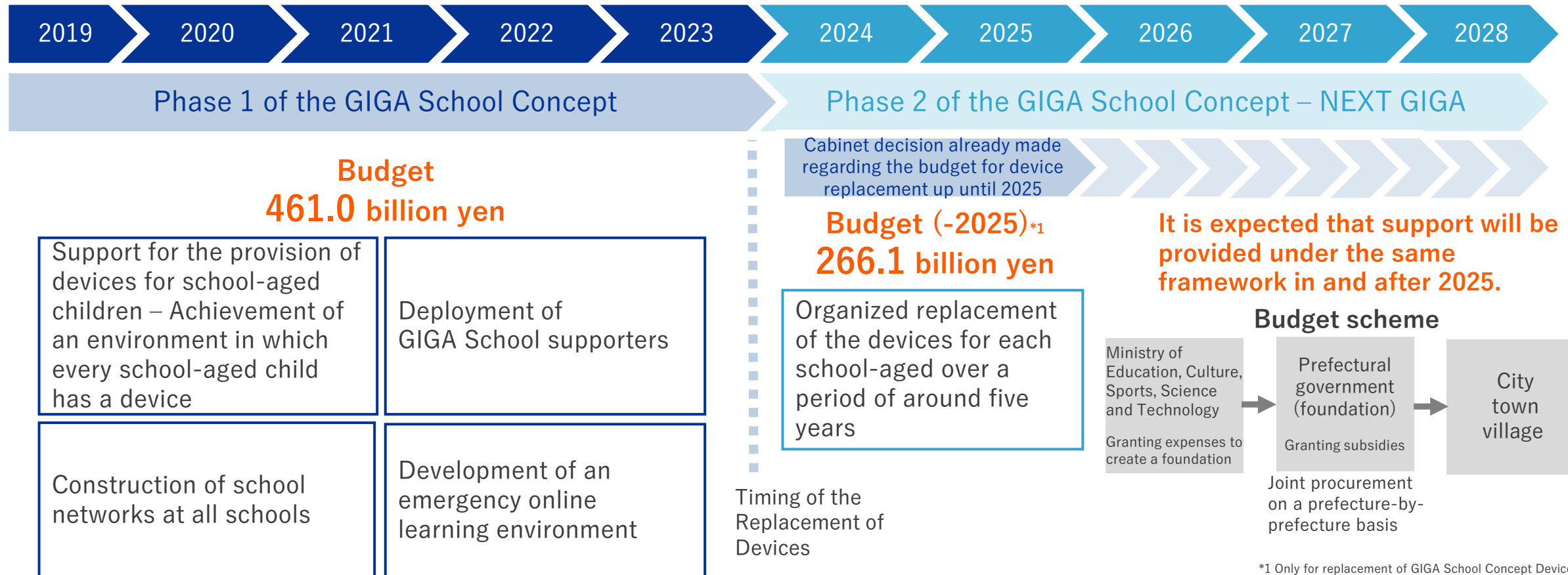
We will promote cross-selling and upselling for White Operation customers.



# Phase 2 of the GIGA School Concept

The implementation of Phase 2 of the GIGA School Concept was planned for the five-year period starting in FY2024.

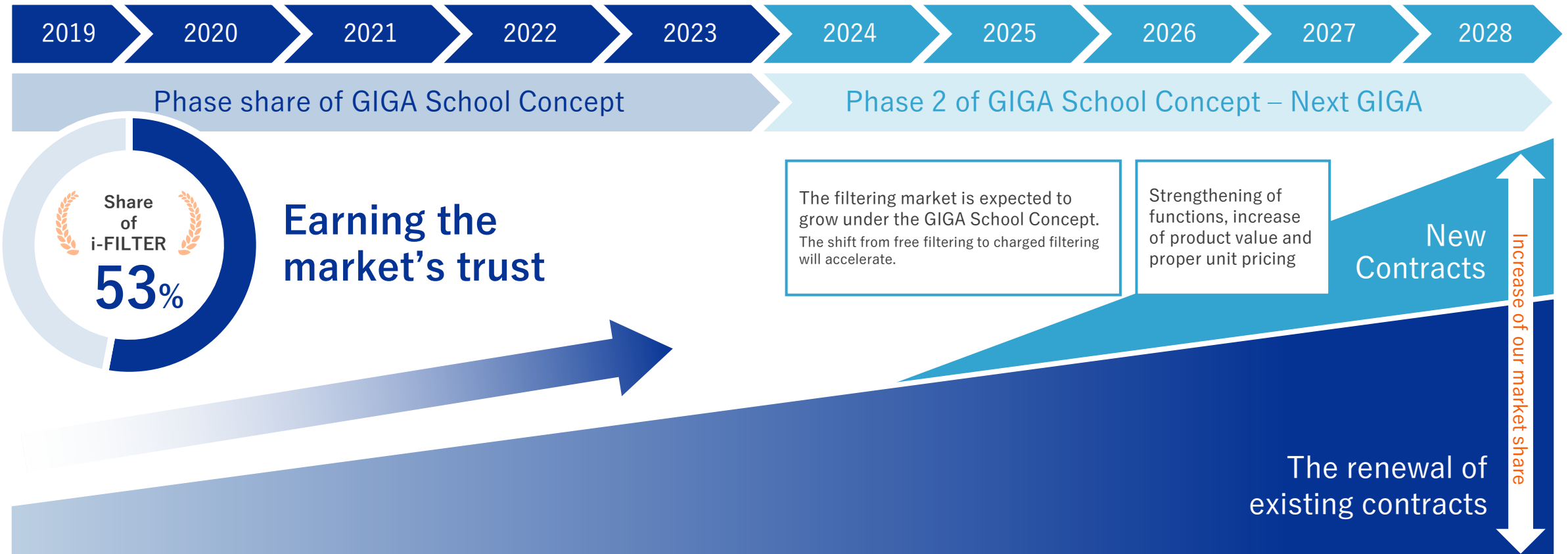
[ GIGA School Concept operated by the Ministry of Education, Culture, Sports, Science and Technology ]



# Phase 2 of the GIGA School Concept

We will work proactively to ensure the renewal of existing contracts as well as receive new contracts to increase our market share.

[ Our share of the GIGA School Concept market ]

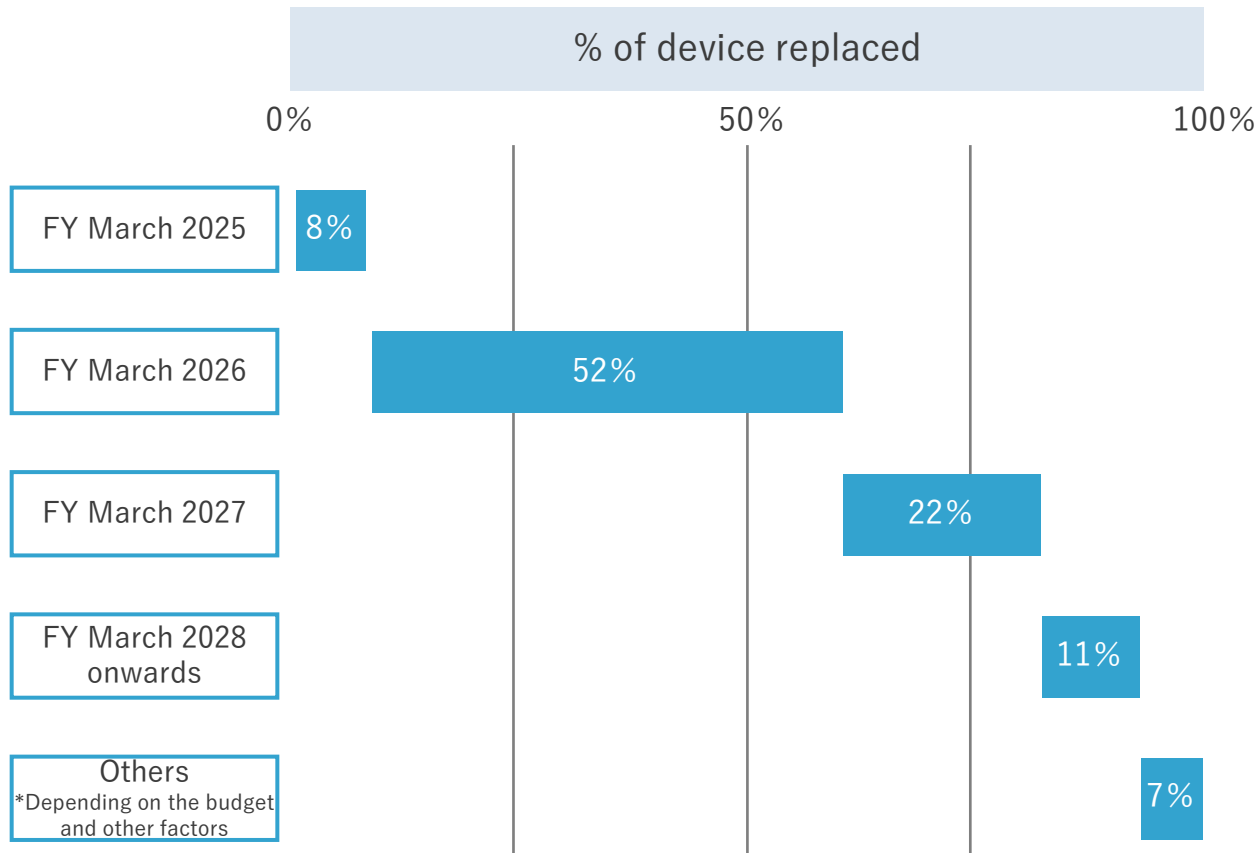


# Phase 2 of the GIGA School Concept

## – Timing of the Replacement of GIGA School Concept Devices –

The GIGA School Concept device replacement will start in the fiscal year ending March 31, 2025 and will be fully implemented in the fiscal year ending March 31, 2026.

[ GIGA device replacement timing ]

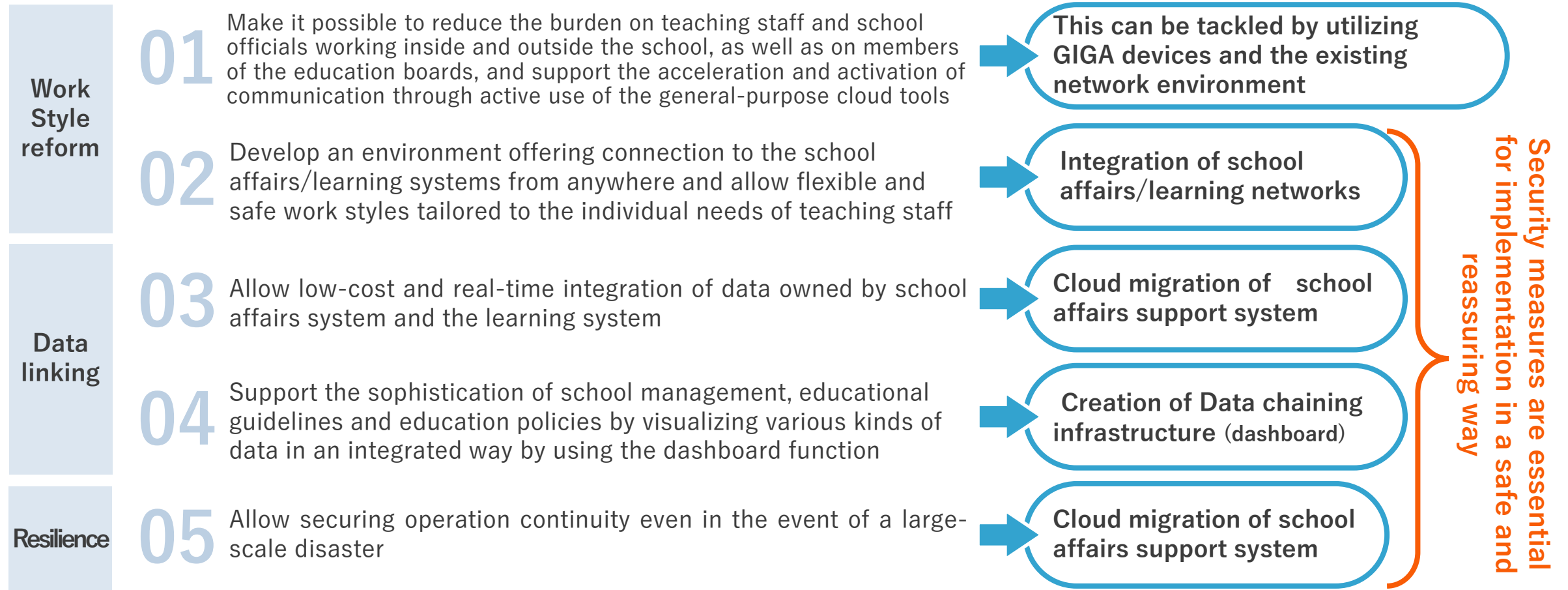


### POINT

- 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.

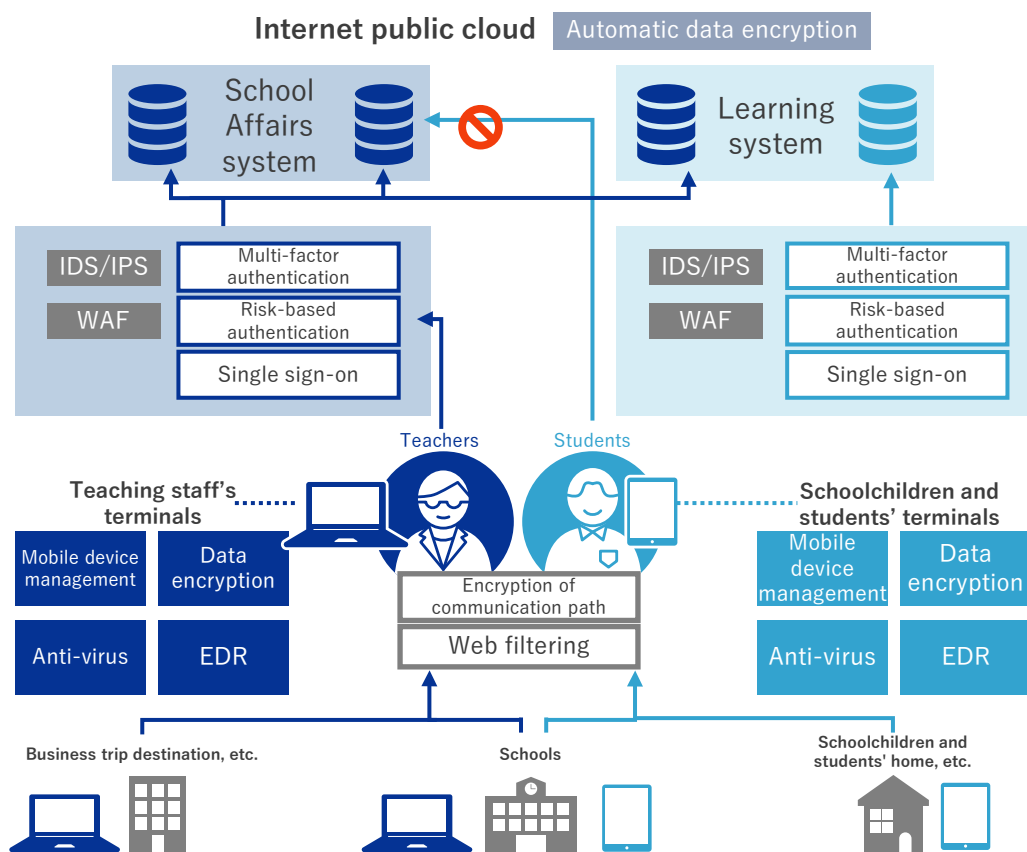
The Ministry of Education, Culture, Sports, Science and Technology calls for the following implementation as the direction of the next-generation school affairs DX:

\*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



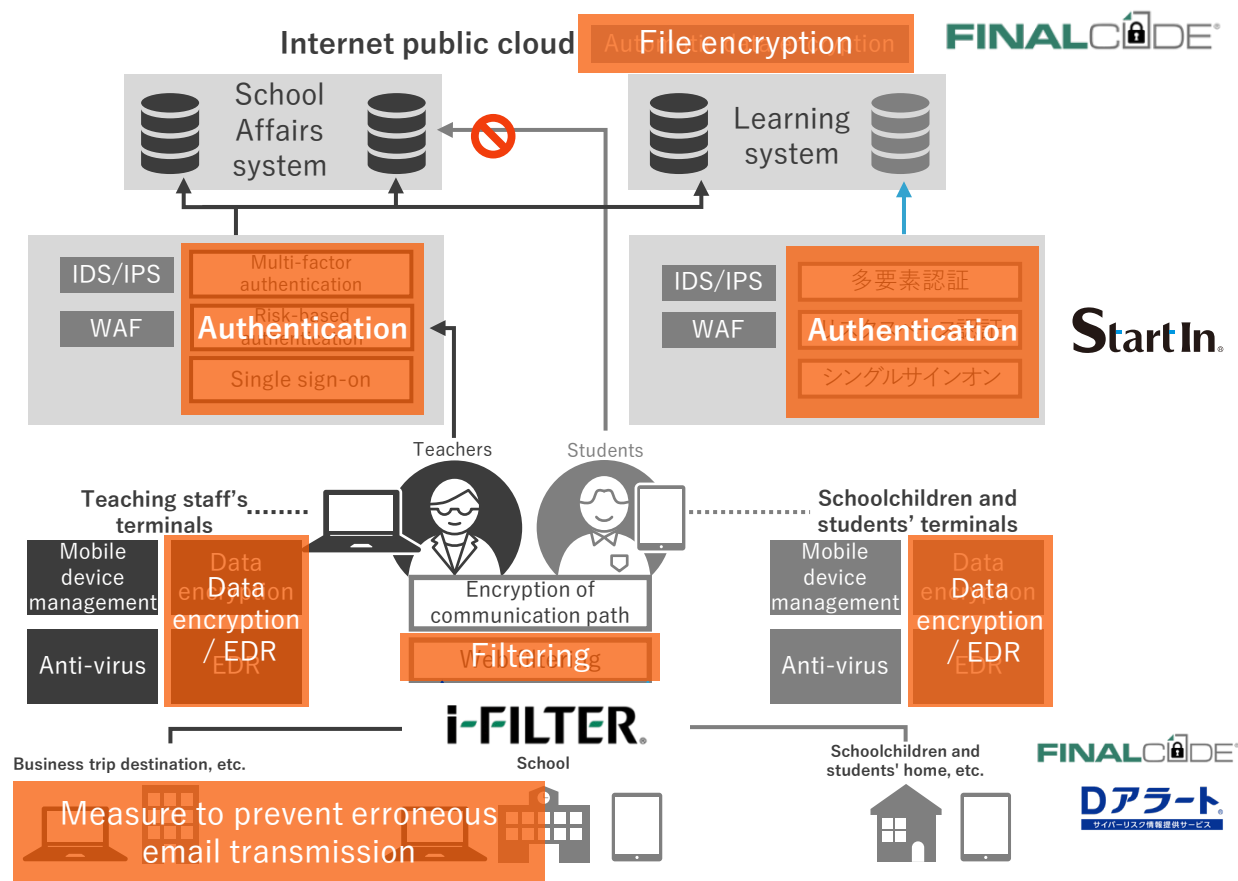
Our products are applicable in many different areas to ensure security. We will proactively advertise the value of our products.

Overview diagram of security measures in school affairs DX



Security support map with our products

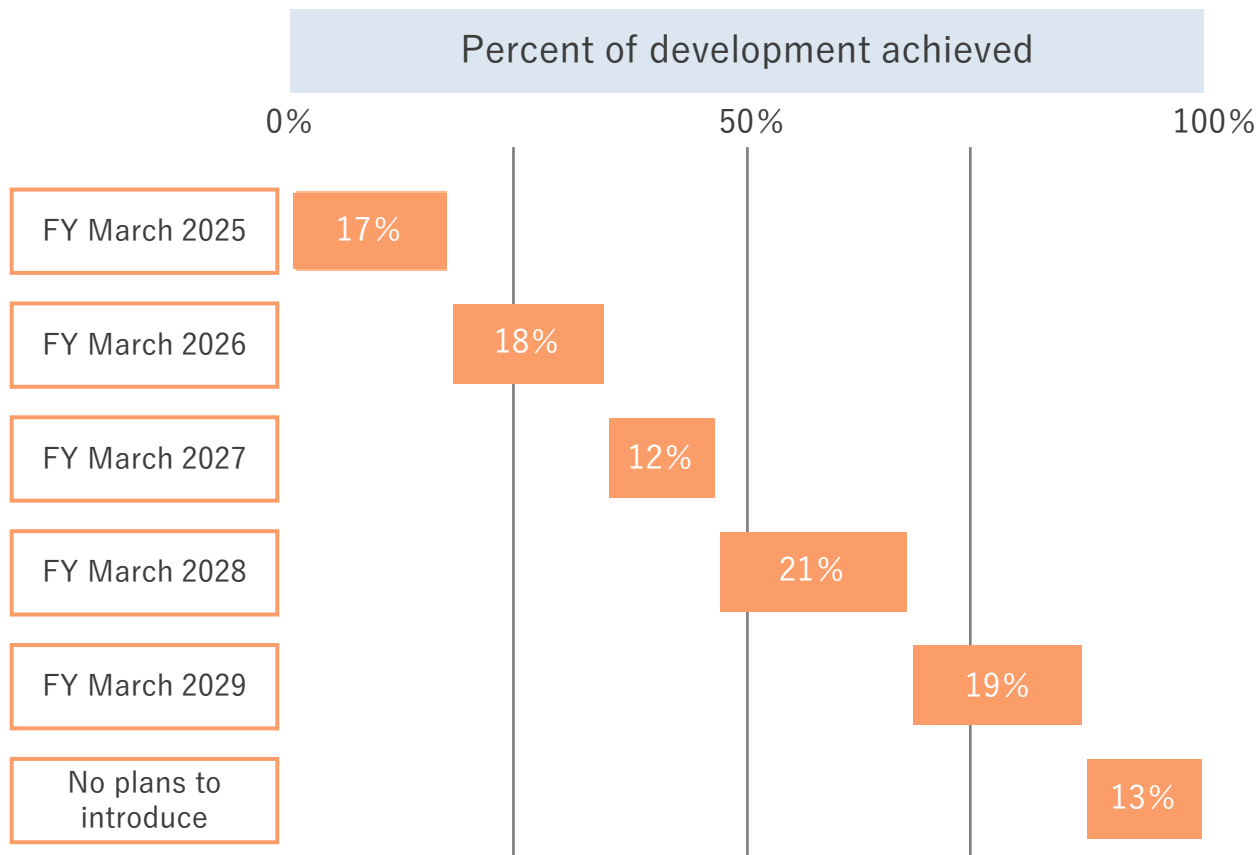
= Scope of supports



# Schedule for Development of Next-Generation School Affairs DX

Procurement of products is expected to start in the fiscal year ending March 31, 2025 with a view toward the operation of a 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.**



# 05 | Status of Measures for the Fiscal Year Ending March 2025

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2025

New Functions released in July

## 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

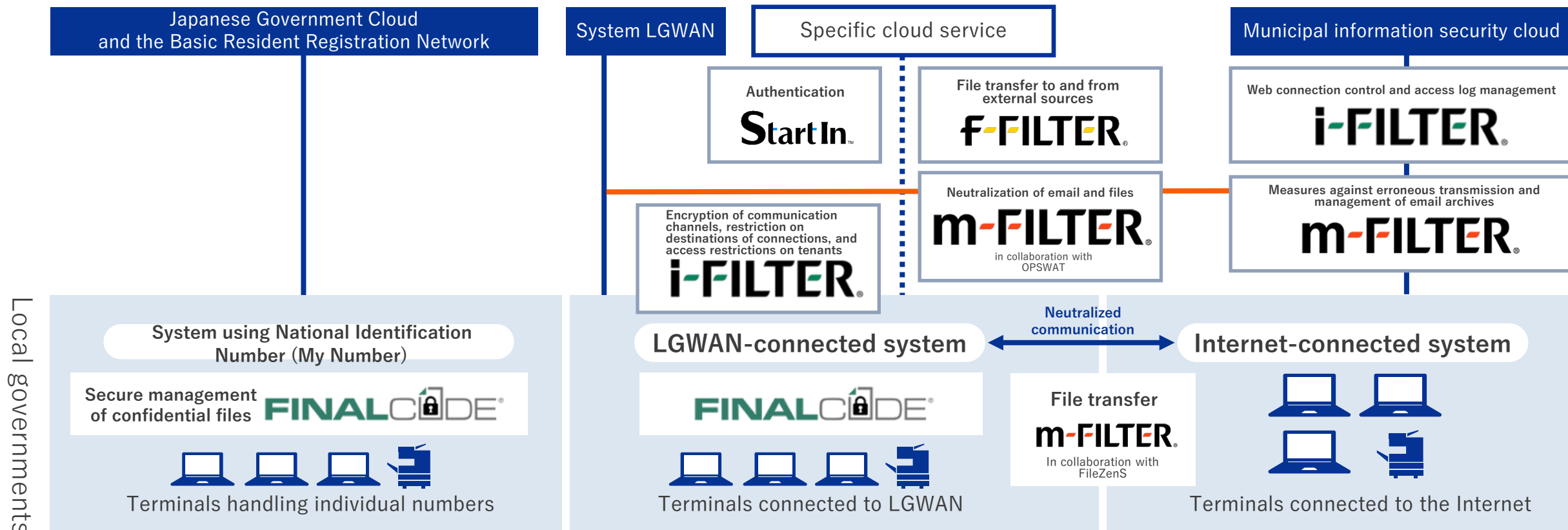
▶ The **uploadable file size is increased to 20 GB** and an option is provided that allows users to choose from different levels of storage capacity according to their needs.

▶ 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.

## 05 Toughening of Security for Local Government: Compliance with New Guidelines

The  $\alpha$  model, defined as a method for connecting directly to cloud services from LGWAN-connected business devices, has been re-defined, as is, as the  $\alpha'$  model. There are a number of points that can be dealt with using the Company's solutions, and acquisition of certification under the Information system Security Management and Assessment Program (ISMAP<sup>\*1</sup>) is significant for implementing the measures. It is likely that the situation will be advantageous to the Company.



\*1: Security assessment system for government information systems

# Digital Arts' Solutions: Status of ISMAP<sup>\*1</sup> Registration

## Web Security

Enabling users to securely connect to websites without security concerns



## Mail Security

Enabling users to securely send and receive email



## File Encryption

File encryption solution

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



## Secure file transfer

Registration Pending with ISMAP

DLP / File transfer solution

Supporting secure file transfers without leaking critical information



## IDaaS

Registration Pending with ISMAP

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



\*1: Security assessment system for government information systems

# New Function for GIGA School Concept 1

New functions released in April

## 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



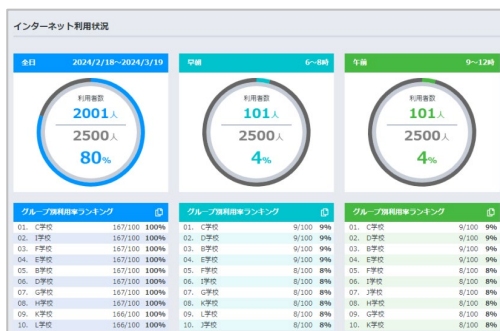
Duration of use by online service

CASE 4



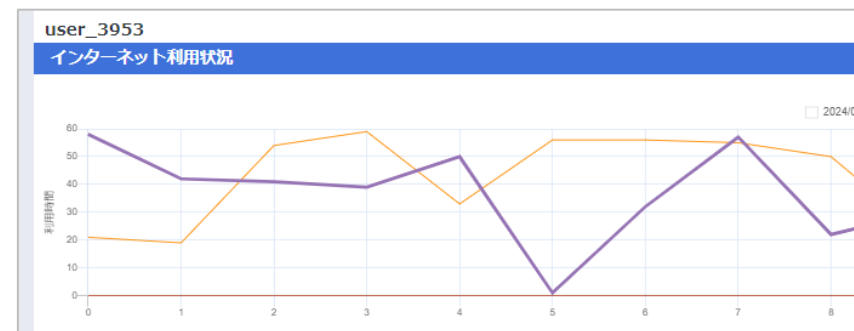
Ranking of time slots in terms of ratio of use

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.



Webサービス毎の累計利用時間

#	Webサービス	累計	早朝	午前
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



# New Function for GIGA School Concept 2

A major update in April



It is a portal website that put together online learning videos.

It supports search by grade or by subject and indication of videos in the order of popularity. It can be used by schoolchildren and students for home learning and for educational materials in school classes.

## POINT

- **For previews and reviews of school classes**

What is learned at school can be previewed and reviewed at any time and anywhere!

- **For educational materials in school classes**

Videos can be used as education materials for a more intuitive understanding!

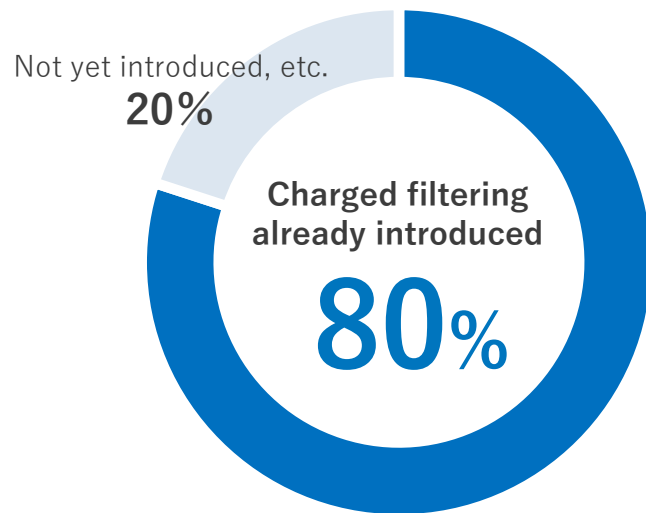


# GIGA School Concept

Advertise the superiority of i-FILTER to boards of education that have yet to introduce filtering and those which have introduced competitors' products in order to hold an even larger market share

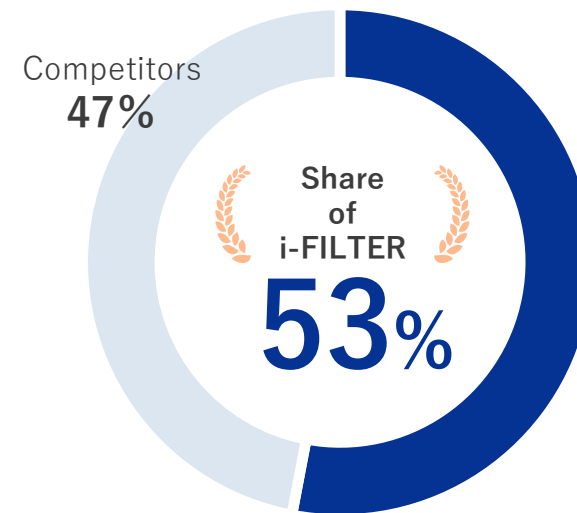
## Introduction of filtering under the GIGA School Concept<sup>\*1</sup>

Introduction of pay filtering by Boards of Education



The percentage of boards of education that have adopted pay filtering reached **80%**.

Share of charged filtering introduced



Of the boards of education that have introduced charged filtering, **53%** have implemented i-FILTER.

\*1: According to our survey of 1,741 boards of education (Sep. 2024)

# 06 | Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2025

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025



# Forecasts for Fiscal Year Ending March 31, 2025 (Consolidated)

DAC's sales of 2.3 billion yen and expenses of 2.2 billion yen, which were included in the financial results of the previous fiscal year, are excluded from consolidated earnings forecasts for the current fiscal year. Therefore, DA's growth in sales is expected to result in significant improvements in the gross profit and operating profit margins. Meanwhile, profit attributable to owners of parent of the previous financial results included extraordinary income of approximately 1.9 billion yen due to the transfer of shares in DAC\*1.

(million yen)

	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change	% Change	Main Factors for Change
Net sales	11,512	10,720	-792	-6.9%	DAC's sales, which were of 2.3 billion yen in the previous fiscal year, are excluded from consolidation, starting from the current fiscal year.
Cost of sales	4,583	2,850	-1,733	-37.8%	For the above reason, DAC's cost of sales, which was 1.9 billion yen in the previous fiscal year, is excluded from consolidation, starting from the current fiscal year.
Gross profit	6,928	7,870	+941	+13.6%	
Gross profit point	60.2%	73.4%	-	-	Improved significantly due to the deconsolidation of DAC whose cost of sales ratio is high.
SG & A	2,500	2,730	+229	+9.2%	For the above reason, DAC's selling, general and administrative expenses, which were 200 million yen in the previous fiscal year, are excluded from consolidation, starting from the current fiscal year. Approximately 330 million yen are expected to be invested in human resources.
Operating profit	4,427	5,140	+712	+16.1%	
Operating margin	38.5%	47.9%	-	-	Improved significantly due to the deconsolidation of DAC
Ordinary profit	4,443	5,140	+696	+15.7%	
Profit attributable to owners of parent	4,377	3,540	-837	-19.1%	The previous fiscal year's profit reflects extraordinary income of approximately 1.9 billion yen due to the transfer of shares in DAC.

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

## 06 Forecasts for Fiscal Year Ending March 31, 2025 (Non-consolidated)



The Group aims to achieve growth in net sales and operating profit through the initiatives for the three priority areas set out in the Medium-Term Management Plan (FY2025-FY2027).

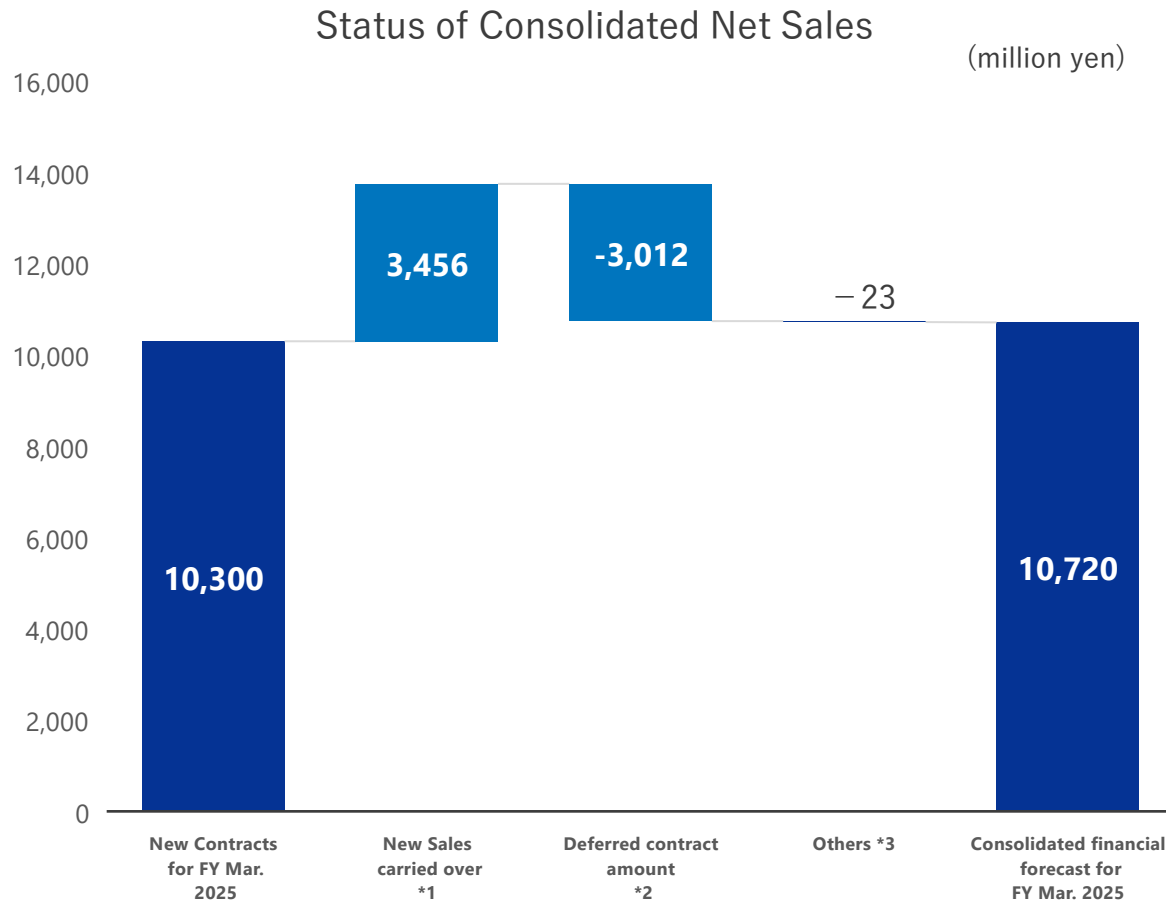
(million yen)

	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change	% Change	Main Factors for Change
Net sales	9,304	10,710	+1,405	+15.1%	Sales are expected to grow through the implementation of product/sales strategies and public sector market-focused measures.
Cost of sales	2,664	2,850	+185	+7.0%	Approximately 180 million yen are expected to be invested in human resources of engineering.
Gross profit	6,639	7,860	+1,220	+18.4%	
Gross profit point	71.4%	73.4%	-	-	
SG & A	2,309	2,710	+400	+17.3%	Approximately 330 million yen are expected to be invested in human resources.
Operating profit	4,330	5,150	+819	+18.9%	
Operating margin	46.5%	48.1%	-	-	
Ordinary profit	4,348	5,150	+801	+18.4%	
Profit	4,536	3,550	-986	-21.7%	The previous fiscal year's result reflects extraordinary income of approximately 2.15 billion yen due to the transfer of shares in DAC <sup>*1</sup> .

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

# Status of Consolidated Net Sales

Consolidated net sales are forecast as follows:



## Contracts for the current fiscal year

- New contracts are expected to be 10,300 million yen in the current fiscal year, reflecting the facilitation of the acquisition of new customers and cross-selling and upselling with a focus on existing customers in the enterprise sector market and the winning of the second phase of GIGA School Concept projects and Next-Generation School Affairs DX projects in the public sector market.
- 3,456 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.

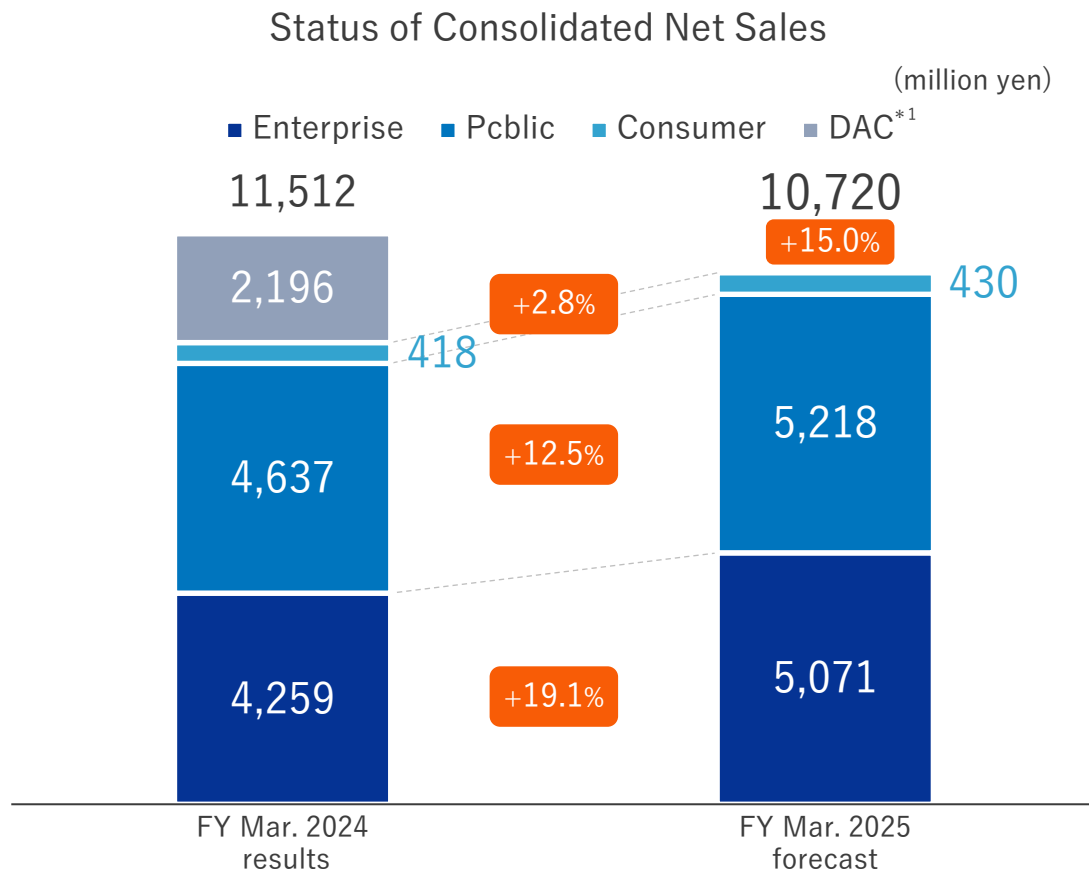
\*1 : Sales recorded from the order backlog of contracts acquired in previous fiscal years

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

\*3 : Sales returns and sales at overseas subsidiaries

# Status of Consolidated Net Sales

Consolidated net sales by market are forecast as follows:



## Enterprise sector market

- The Group expects to increase sales by increasing customers that use White Operation and facilitating cross-selling and upselling to customers who adopt White Operation, as well as continuous product enhancement efforts.

\*1: The results of the previous fiscal year reflect DAC's sales of approximately 2,196 million yen. Excluding such sales, the Group expects an increase by 812 million yen, or +19.1%.

## Public sector market

- The Group expects sales growth through the implementation of sales and marketing measures for the second phase of GIGA School Concept projects and Next-Generation School Affairs DX projects.

## 06 Consolidated Cost of Sales and Selling, General and Administrative Expenses



The cost of sales is expected to improve significantly because DAC's<sup>\*1</sup> cost of sales in the previous fiscal year is excluded from consolidation. Selling, general and administrative expenses are expected to rise mainly due to the increased investment in human resources.

(million yen)

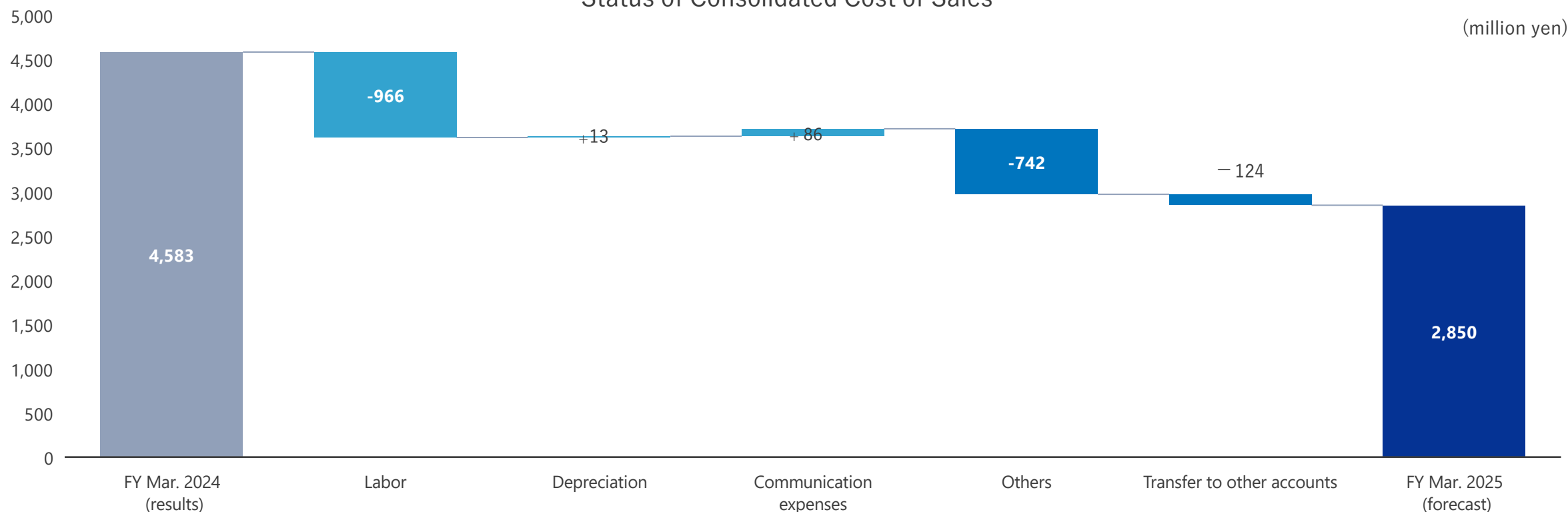
	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change	% Change
<b>Cost of Sales</b>	<b>4,583</b>	<b>2,850</b>	<b>− 37.8%</b>	<b>Impact of the deconsolidation of DAC</b>
Labor	2,038	1,071	− 47.4%	
Depreciation	839	852	+1.6%	
Communication expenses	1,304	1,390	+6.6%	An increase in cloud server expenses as a result of the expansion of sales of cloud service products and an increase in the number of licenses.
Others	1,384	642	− 53.6%	
Transfer to other accounts	− 982	− 1,107	+12.7%	
<b>SG &amp; A</b>	<b>2,500</b>	<b>2,730</b>	<b>+9.2%</b>	
Personnel expenses	1,275	1,457	+14.3%	Investments in human resources including the hiring of new graduates, strengthening of employment activities and incentive plans
Advertising expenses	313	320	+2.0%	
Others	911	952	+4.5%	

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

# Status of Consolidated Cost of Sales

The labor cost and other expenses are expected to be reduced significantly because DAC's<sup>\*1</sup> labor cost and other expenses are excluded from consolidation. Regarding communication expenses, cloud server expenses are expected to increase, reflecting an increase in the number of customers as a result of the expansion of sales of cloud service products.

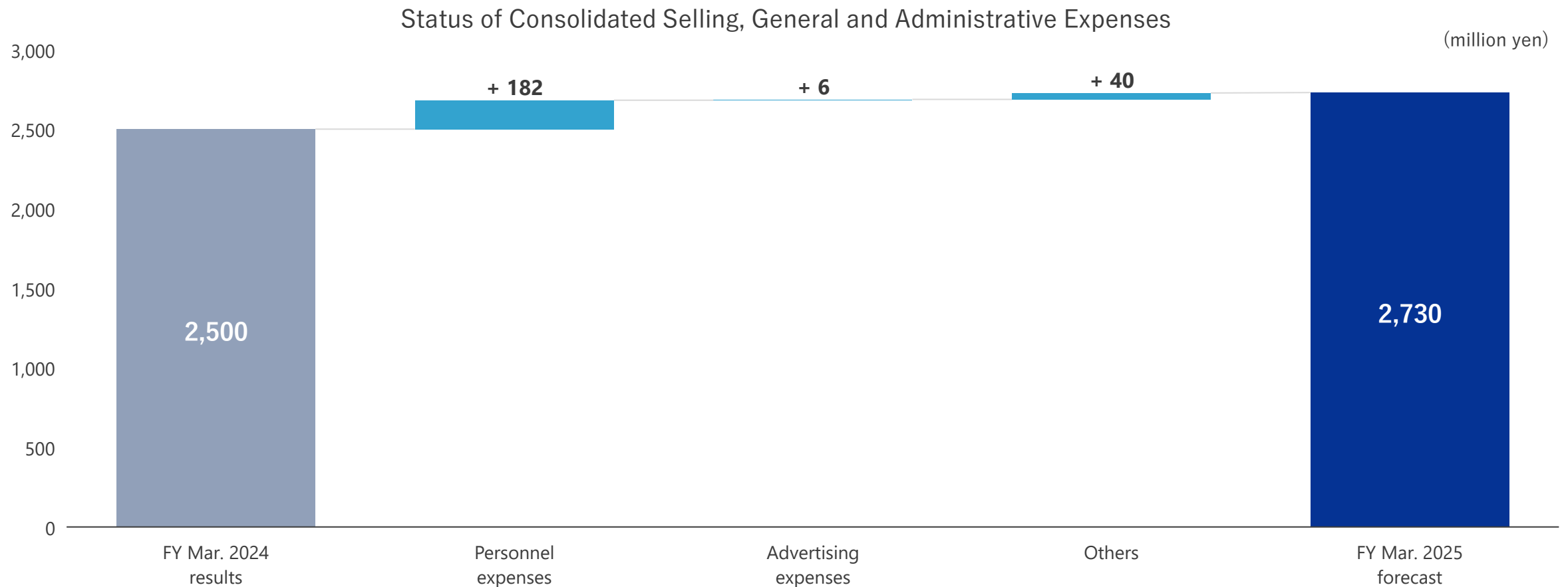
Status of Consolidated Cost of Sales



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

## 06 Status of Consolidated Selling, General and Administrative Expenses

Personnel expenses are expected to increase with the enhancement of investments in human resources, which is a priority area in the Medium-Term Management Plan (FY2025 - FY2027).



# 07 | Return to Shareholders for the Fiscal Year Ending March 31, 2025

Consolidated Financial Results for the First Six Months  
of the Fiscal Year Ending March 31, 2025



# Return to Shareholders for the Fiscal Year Ending March 31, 2025

We are planning to **pay dividends** as follows to return a portion of our earnings to our shareholders.

- Target payout ratio for fiscal year ending March 31, 2025: 33.0%
- Annual dividends of surplus forecasted for fiscal year ending March 31, 2025: 85.00 yen per share.
- We expect to increase the annual dividend by 5.00 yen per share. (**planned to increase for 11 consecutive years**)

	Dividend (in yen) per share			Consolidated payout ratio
	2Q-end	Year-end	Annual	
FY March 2024	40.00	40.00	80.00	36.5% <sup>*1</sup>
<b>FY March 2025</b>	<b>40.00</b>			
<b>FY March 2025 (forecast)</b>		<b>45.00</b>	<b>85.00</b>	<b>33.0%</b>

Treasury shares will be purchased using a **flexible approach**, with a focus on returns to shareholders while taking into consideration trends in business performance and stock market movements.

## ■ Reference [Total payout ratio]

(million yen)

	Dividends paid	Amount of treasury stock acquired	Total return	Total payout ratio
FY March 2024 (results)	1,105	1,429	2,534	82.6% <sup>*1</sup>
<b>FY March 2025 (forecast)</b>	<b>1,158</b>	<b>500<sup>*2</sup></b>	<b>1,658</b>	<b>46.9%</b>

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

\*2 Announced on June 12, 2024

- 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.

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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.



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