

Digital Arts Inc.

Financial Results Briefing for the Fiscal Year Ended March 31, 2026

[Transcript]

*Note: This document is an edited and organized version of the remarks made during the financial results briefing for IR disclosure and investor reference.

Event Overview

Company name	Digital Arts Inc.
Securities Code	2326
Event name	Financial Results Briefing of the Fiscal Year Ending March 31, 2026
Event Type	Briefing for Institutional Investors and Analysts
Fiscal Period Under Review	Fiscal Year Ended March 31, 2026
Schedule	Friday, May 8, 2026
Time	4:00pm-5:00pm (JST)
Format	Streamed Online
Speakers	Toshio Dogu, Representative Director, President and CEO Fumihiko Tanizaki, General Manager, Investor Relations Office

Moderator's Remarks

As scheduled, we will now begin the Digital Arts Inc. financial results briefing of the fiscal year ended March 31, 2026.

Today's attendees are Toshio Dogu, Representative Director, President and CEO, and Fumihiko Tanizaki, General Manager of the Investor Relations Office. Mr. Dogu will now provide an overview of our financial results.

Presentation by Toshio Dogu, Representative Director, President and CEO

Thank you for taking the time out of your busy schedules to join us at this briefing today. I will now explain our full-year financial results for the fiscal year ended March 2026 and our outlook for the fiscal year ending March 2027. Please note that in this presentation, we will refer to the fiscal year ended March 2026 as "the current fiscal year," and the fiscal year ending March 2027 as "the next fiscal year."

Reassessment of Medium-Term Management Plan



The projections for the fiscal year ending March 31, 2027 in the Medium-Term Management Plan have been revised for the following reasons.

1. Slower-than-expected growth in the enterprise sector market
2. A higher ratio of Cloud Service Products in contracts, which is reflected in net sales at a slower pace than initially expected
3. A review of personnel and cost plans due to the use of AI and other factors

(Millions of Yen)

	FY Mar. 2024 Results*	FY Mar. 2025 Results [initial plan]	FY Mar. 2026 Results [initial plan]	FY Mar. 2027 Revised plan [initial plan]
Consolidated contracts	8,630	10,570 [-]	16,604 [-]	13,500 [-]
Consolidated net sales	9,304	9,982 [10,720]	10,835 [12,550]	12,000 [15,000]
Operating income	4,330	4,558 [5,130]	4,791 [6,150]	5,400 [7,800]
Operating margin	46.5%	45.7% [47.9%]	44.2% [49.0%]	45.0% [52.0%]
Ordinary profit	4,348	4,562 [5,140]	4,840 [6,150]	5,505 [7,800]

*Note: The figures exclude the financial results of Digital Arts Consulting Co., Ltd., for which the share transfer was completed on March 29, 2024.

1

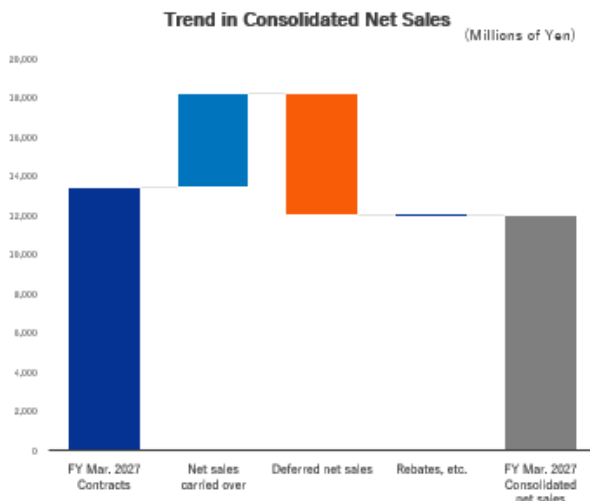
First, I would like to explain the revisions to the Medium-Term Management Plan—a three-year plan covering the fiscal years ending March 2025 through March 2027—which was included in the materials released yesterday. Regarding the plan for the next fiscal year, we have revised both net sales and profit compared to the original Medium-Term Management Plan. The main factors are, firstly, that growth in the enterprise sector market has been slower than anticipated; secondly, that the ratio of cloud service products to total contracts has increased, resulting in slower-than-expected sales posting; and thirdly, that we have revised our personnel and expense plans in light of AI utilization and other factors.

Approach to the plan for the fiscal year ending March 2027

FY Mar. 2027 Net Sales Forecast



Forecast based on a conservative estimate of the posting of net sales (revenue recognition) from secured contracts that will be fulfilled during the fiscal year ending March 2027



Contracts

- Projects that are scheduled to be fulfilled as multi-year contracts are treated as single-year contracts except contracts whose fulfillment is assured to a high degree of certainty.

Net sales carried over

- 40% of the net sales forecast for the fiscal year ending March 31, 2027 was carried over from the previous year.

Deferred net sales

- In anticipation of an increase in the ratio of Cloud Service Products to the total amount of contracts, the contracts of 13.5 billion yen include approximately 6.3 billion yen that will be deferred to the fiscal year ending March 31, 2028 or later.

Projected ratio of Cloud Service Products to the total amount of contracts:

64% (49% in the previous year) for Enterprise

71% (59% two years ago) for Public*

*Note: The comparison with two years ago was provided because projects for the second phase of the GIGA School Concept peaked in the previous fiscal year. The ratio of the Cloud Service Products to the total amount of contracts for Public came to 82% in the previous fiscal year.

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We project contracts for the next fiscal year to amount to 13,500 million yen. Projects scheduled to be fulfilled as multi-year contracts are incorporated conservatively as single-year contracts, except for those with a high degree of certainty. Approximately 40% of the planned net sales of 12,000 million yen consists of accrued sales that have already been booked. We anticipate that the contract balance to be deferred to the fiscal year ending March 2028 and beyond will be approximately 6,300 million yen.

The ratio of cloud service products affects the portion converted from contracts to net sales. For the next fiscal year, we assume that 64% of the corporate segment and 71% of the public sector segment will be cloud service products, and we have planned for net sales of 12,000 million yen against contracts of 13,500 million yen.

Ideally, based on the situation up to the current fiscal year, we recognize that we should be aiming for 13,500 million yen in net sales rather than 12,000 million yen, and 7,000 million yen in operating profit rather than 5,400 million yen. However, given the unexpected results in the fourth quarter of the current fiscal year, we have determined that it is necessary to review our sales structure, which has centered on our partner business for the past 30 years. Therefore, we are announcing our plan for the next fiscal year at a conservative level.

While we have set a conservative plan for the next fiscal year, we are working internally to achieve higher targets. Based on progress in the first half of the next fiscal year, we will assess the effectiveness of our high-touch initiatives in the enterprise sector market and the state of project acquisition, aiming for an upward revision as this is the final year of our Medium-Term Management Plan.

Fiscal Year Performance Review

Factors in the Figures Indicating Underperformance in the FY Mar. 2026 Results



The full-year forecasts were not achieved mainly for the following reasons:

1. Projects were not acquired as expected in the enterprise sector market due to insufficient contact with end users.
2. Projects expected to be fulfilled based on multi-year contracts were changed to single-year contracts (to be renewed every year) for reasons related to customers' budgets.
3. New projects were not acquired as anticipated in the second phase of the GIGA School Concept because competitors went on the offensive and the timing of the procurement of devices by some boards of education was shifted (pushed back) to the fiscal year ending March 31, 2027.

*Note: Regarding expenses, AI was used in budget formulation to establish an appropriate cost structure.



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Contracts for the current fiscal year grew by 57.1% year-on-year. In particular, the public sector market expanded significantly, driven primarily by projects under the second phase of the GIGA School Concept. However, in the fourth quarter of the current fiscal year, the competitive environment for the second phase of the GIGA School Concept projects changed more than anticipated, and we were unable to secure some projects as originally planned. Additionally, in the enterprise sector market, some of the anticipated projects were delayed until the next fiscal year, or were not secured.

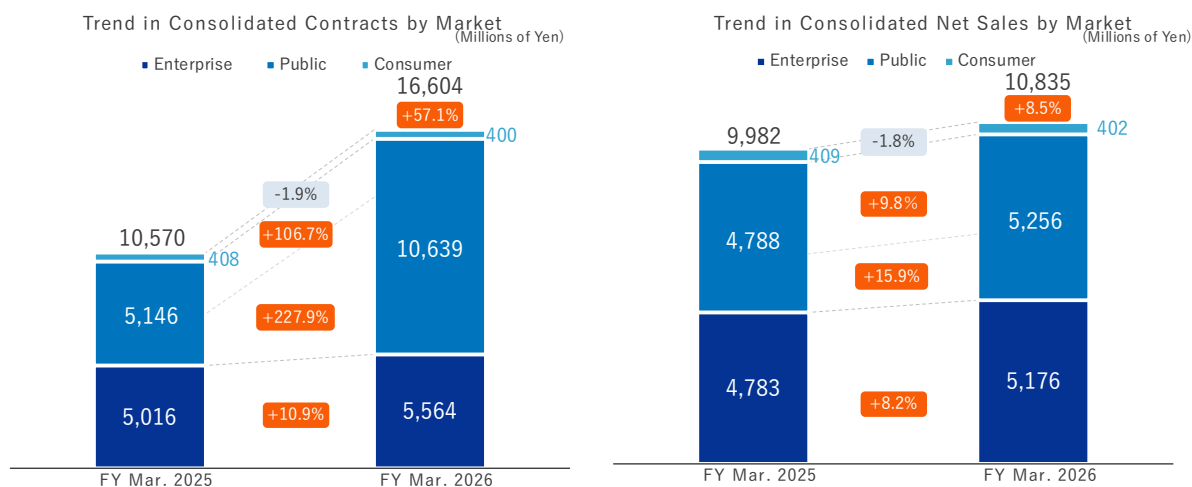
Previously, information regarding end users flowed to us through distributors (partners), so we were unable to fully anticipate the fourth-quarter results. This is a point of reflection for management, and we have determined that we need to work on structural reforms, employee training, and strengthening our sales capabilities for the next fiscal year.

Consolidated Contracts and Net sales by Market



Enterprise sector market: **Double-digit growth** of contracts was **achieved** as demand for cloud-based security measures was captured.

Public sector market: The acquisition of projects for Phase 2 of the GIGA School Concept **drove a major increase** in contracts.

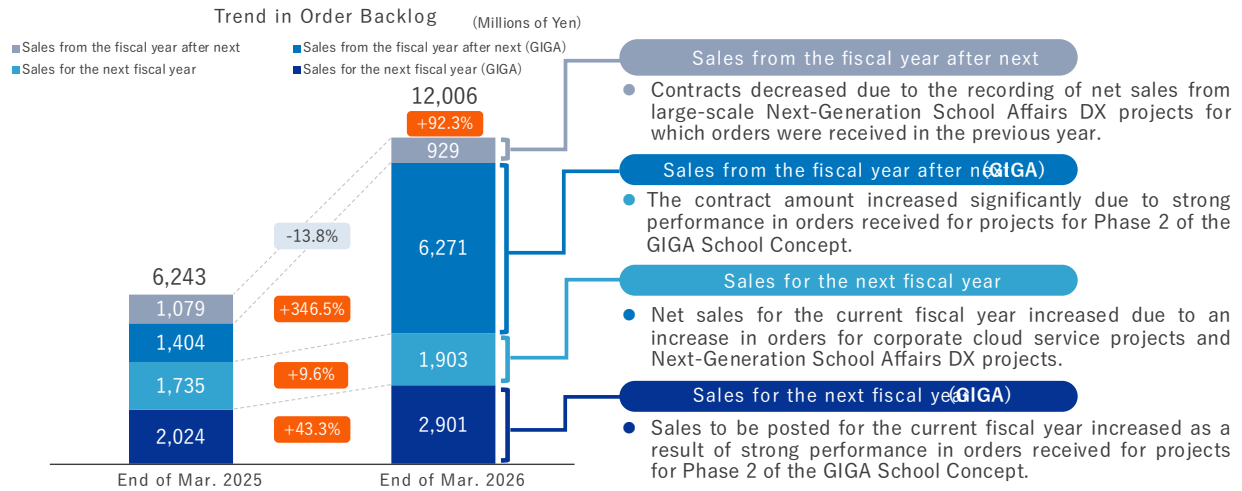


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The situation by market is as follows.

In the public sector market, nearly 80% of the approximately 10,600 million yen in contract value was attributable to the second phase of the GIGA School Concept, representing approximately double the growth compared to the previous year. However, due to an increase in orders for cloud service products and multi-year contracts, net sales grew by only 9.8% year-on-year. This is a characteristic of the cloud-based business model, and not all contract growth is fully reflected in the current fiscal year's sales, as a portion is deferred.

Contract balance grew significantly due to extremely strong orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects.



With regard to the contract backlog, sales to be posted in the fiscal year ending March 2027 amount to approximately 4,800 million yen, while the balance to be posted from the fiscal year ending March 2028 onward has accumulated to approximately 6,300 million yen. While posting of sales is deferred, advances received and cash flow are increasing, enhancing the stability of our financial foundation.

Cost Structure and Financial Condition

Consolidated Cost of Sales and Selling, General and Administrative Expenses



While the cost of sales and selling, general and administrative expenses increased year on year due to increased investment in human resources, **a cost structure appropriate for the plan was created** by deploying AI to advance and streamline operations.

(Millions of Yen)

	FY Mar. 2025	FY Mar. 2026	Change YoY	Main Factors for Change
Cost of sales	2,948	3,334	+386	
Labor	1,040	1,172	+131	Increased due to strengthening of development personnel
Depreciation	865	919	+54	
Communication expenses	1,505	1,707	+202	Increased due to an increase in the number of cloud product users Note: Including the effect of foreign exchange rates (-10M)
Others	653	685	+31	
Transfer to other accounts	-1,116	-1,150	-33	
Selling, general and administrative expenses	2,474	2,708	+234	Achieved an appropriate cost structure relative to plan by encouraging the use of AI in operations (e.g., system development, support, sales and marketing)
Personnel expenses	1,229	1,476	+247	Increased due to strengthening of sales and management departments.
Advertising expenses	309	240	-68	Spot promotion measures implemented in the previous fiscal year were not conducted in the current fiscal year, and expenses for offering trial versions of cloud service products were kept within planned limits.
Others	936	991	+54	

The Company's total annual expenses amount to approximately 6,000 million yen. Of this amount, approximately 1,700 million yen consists of communication expenses, which increase in line with the expansion of cloud service products. Conversely, expenses unrelated to cloud service products total approximately 4,300 million yen, creating a structure that allows the Company to maintain high profitability relative to net sales.

Consolidated Balance Sheet



Advances received increased due to the significant growth in contracts.

(Millions of Yen)

	As of end of FY Mar. 2025	As of end of FY Mar. 2026	Change from end of FY Mar. 2025	Main Factors for Changes
Current assets	20,112	25,080	+24.7%	Increase in cash and deposit (+5,131M), decrease in suspense payments that resulted from treasury share buybacks, etc.
(Cash and deposit)	17,952	23,083	+28.6%	Increased due to growth in orders
Non-current assets	2,515	2,784	+10.7%	Software (+439M), Software in progress (-214M)
Total assets	22,627	27,865	+23.1%	
Current liabilities	5,209	9,358	+79.6%	Advances received (+3,717M), Income taxes payable etc. (+424M)
(Advanced received)	4,082	7,800	+91.1%	Increased following a sharp increase in contracts for cloud service products
Non-current liabilities	52	52	+0.7%	
Equity capital	17,336	18,425	+6.3%	Treasury share buy-back (-1,122M), Dividends paid (-1,220M), Profit (+3,427M), and others
Net assets	17,365	18,454	+6.3%	
Equity ratio	76.6%	66.1%	-	Decreased due to an increase in advances received following growth in contracts
ROE	19.1%	19.2%	-	Remained high at 19.2%, unchanged from the previous fiscal year, as a result of the growth of profit.
ROA	14.1%	13.6%	-	Decreased following an increase in total assets, reflecting the growth in contracts that led to an increase in advances received.

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Advances received increased significantly due to the rise in multi-year contracts for cloud service products. Consequently, current assets also increased by approximately 5,000 million yen. On the other hand, while our equity-to-asset ratio has declined due to the increase in advances received, this is accompanied by an increase in cash, and the Company remains in a stable financial position.

Summary of Non-consolidated Results



Contracts grew significantly due to extremely strong orders for the Phase 2 of the GIGA School Concept.

(Millions of Yen)

	FY Mar. 2025	FY Mar. 2026	Change YoY	FY Mar. 2026 Full-Year Forecast ^{*1}
Contracts	10,561	16,598	+57.2%	18,995
NetSales	9,972	10,828	+8.6%	11,795
Cost of Sales	2,945	3,332	+13.1%	3,295
Grossprofit	7,026	7,496	+6.7%	8,499
Selling, general and administrative expenses	2,464	2,697	+9.5%	2,883
Contract operating profit	5,151	10,568	+105.1%	-
Contract operating profit margin ^{*3} (%)	48.8%	63.7%	-	-
Operating profit	4,562	4,798	+5.2%	5,615
Operating margin ^{*3} (%)	45.8%	44.3%	-	47.6%
Ordinary profit	4,569	4,850	+6.2%	5,635
Profit	3,187	3,439	+7.9%	3,888

*1: Financial Forecast is the consolidated financial forecast announced on October 30, 2025.

*2: Please refer to page 10 for the calculation formula.

*3: Calculated as contract operating profit margin = (Contract amount - Cost of sales - Selling and administrative expenses) / Contract amount × 100.

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Sales at overseas subsidiaries also remain in the range of several million yen for some, so there is no significant difference between the consolidated and non-consolidated figures.

Status by Market and Product

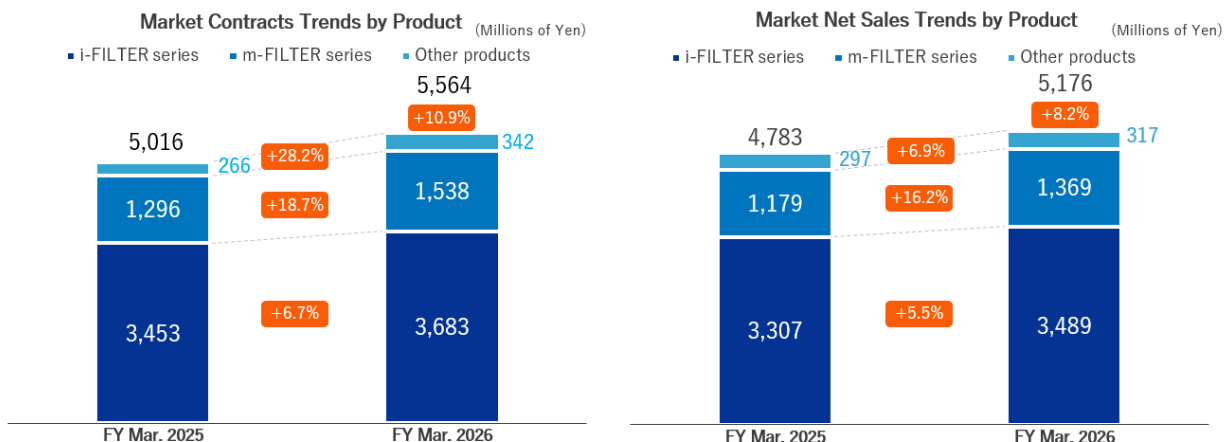
Enterprise
Sector Market

Contracts and Net Sales in Market by Product

DigitalArts

i-FILTER: Contracts and net sales **were buoyant** as demand for cloud-based web access security measures was steadily captured.

m-FILTER: **A high growth rate was maintained** as demand for measures against threats such as spoofed email, malicious file attachments and URLs was captured.



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In the enterprise sector market, contracts grew by approximately 10%, driven primarily by i-FILTER and m-FILTER. However, we believe we should have achieved even higher growth during the current fiscal year, and starting next fiscal year, we will prioritize the launch of the enterprise sector market as one of our top priorities.

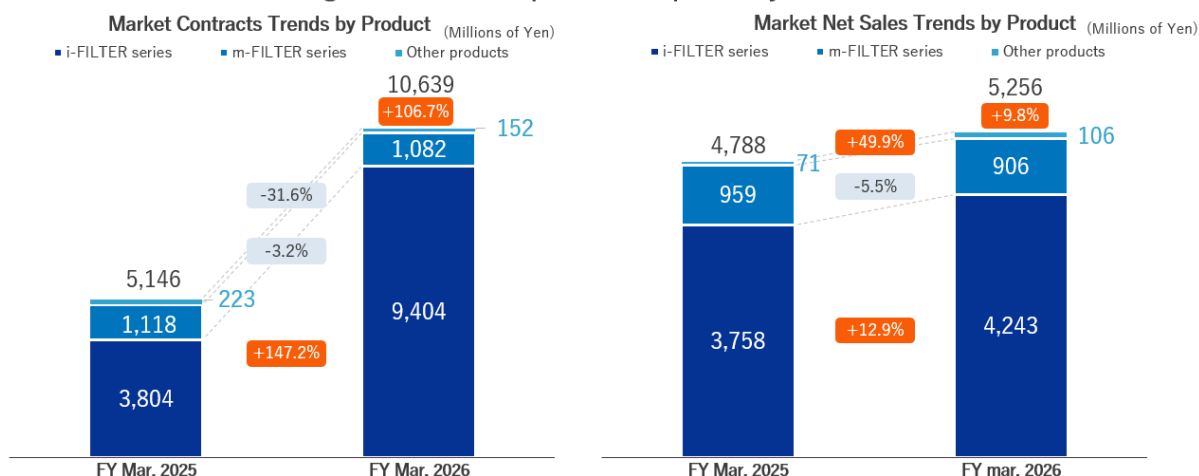
Public
Sector Market

Contracts and Net Sales in Market by Product

DigitalArts

i-FILTER: **Continued to grow fast** mainly due to the acquisition of projects for the GIGA School Concept and large-scale projects for public-sector organizations.

m-FILTER: Decreased due to the absence of the projects for improvements Security Improvements for Local Governments that were gained in the same period of the previous year.

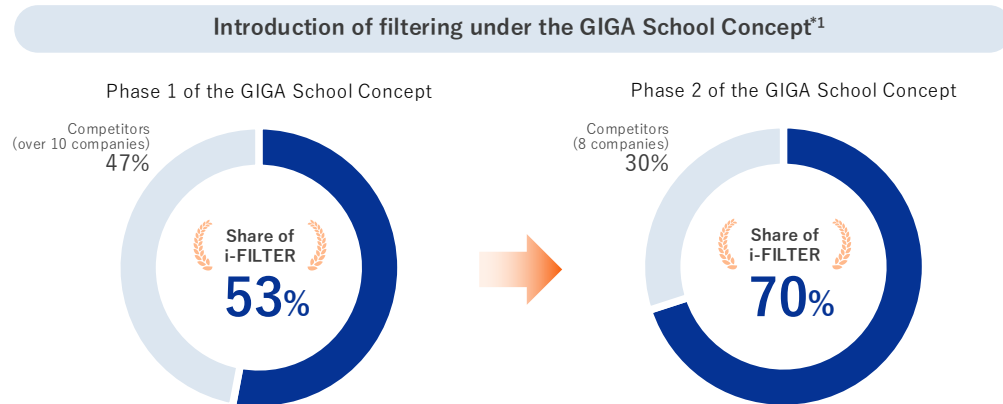


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In the public sector market, contracts for i-FILTER increased by 147.2% year-on-year, showing significant growth. While contracts grew significantly, the limited growth in net sales is due to the rise in the proportion of multi-year contracts and cloud service products. In reality, the key achievement was acquiring a large number of users.

i-FILTER secured a market share that was larger than in Phase 1 of the GIGA School Concept. In addition, the order unit prices was approximately 30% higher than in Phase 1 of the GIGA School Concept.



*1: According to our survey of 1,741 Boards of Education (Internal research) (March 2026)

With regard to the second phase of the GIGA School Concept, our market share remained high at over 90% through the third quarter, but fell to 70% in the fourth quarter due to intensifying competition. In the next fiscal year, we will make clearer decisions on a case-by-case basis regarding whether to prioritize market share or unit price per order, and continue to aim for new acquisitions.

Renewed Focus on Product Value and Sales Transformation

Product Lineup — New Product Releases



The new product releases expanded the scope of network security and authentication security offerings.

<p>SSE Supporting the achievement of simple and strong network security</p> <p>Z-FILTER ゼットフィルタ</p>	<p>Authentication Equipped with multi-factor authentication to help ensure the secure management of IDs for cloud services</p> <p>a-FILTER</p>	<p>File File encryption and remote deletion solutions</p> <p>FINALCODE FINALCODE@Cloud</p>
<p>Web Helping users securely connect to websites without security concerns</p> <p>i-FILTER i-FILTER@Cloud</p> <p>Endpoint Web Security Secure proxy appliance For households: Comprehensive security</p> <p>i-FILTER D-SPA i-フィルタ</p>	<p>Mail Helping users securely send and receive email without security concerns</p> <p>m-FILTER m-FILTER@Cloud</p> <p>Measures to provide pop-ups for email misdelivery</p> <p>m-FILTER MailAdviser</p>	<p>Data protection and file transfer services</p> <p>F-FILTER</p>

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During the current fiscal year, we released Z-FILTER and a-FILTER as new products. As a result, our product lineup has expanded to include the SSE and authentication security domains, in addition to our flagship products, i-FILTER and m-FILTER. We believe that by the fiscal year ending March 2027, our product portfolio alone will be sufficient to provide a lineup that ensures safe and secure internet usage.

On the other hand, we reflect on the fact that we have not fully communicated the value of our products to distributors (partners) and end users. In the past, we prepared detailed materials for each product and held training sessions for distributors (partners). However, our sales team itself needs to gain a deeper understanding of what end users ultimately perceive as value and communicate this clearly.

The fundamental value of i-FILTER lies in ensuring safe web access through whitelisting. To the best of our knowledge, there have been no reports of malware infections via i-FILTER for many years. We will communicate this value—of safety and security in web access—more clearly.

As for m-FILTER, its value lies in ensuring that received emails can be opened safely. Currently, many users must judge the safety of the emails they receive for themselves. By introducing m-FILTER, we can create an environment where users can open received emails with peace of mind. We need to promote these unique forms of value that Digital Arts offers more concisely and more strongly.

Roles of Z-FILTER, a-FILTER, and D Classroom

New Product
Release

Release of Z-FILTER

DigitalArts®

It creates an environment for conveniently and securely connecting to websites, SaaS products and internal systems from anywhere.

Z-FILTER®

01

Only providing necessary personnel with necessary access authorities



Preventing the unauthorized access of systems to prevent information leaks

02

Simple and secure without requiring a VPN



No cumbersome process needed to connect to an environment from anywhere

03

Also provides security measures for the use of websites and SaaS products



Blocking access to hazardous or inappropriate websites and systems
Preventing shadow IT practices as well

Z-FILTER is a product designed for users working from home or accessing internal company information from outside the office. While large corporations are increasingly adopting expensive overseas products, companies with fewer than 10,000 employees often find it difficult to introduce such solutions due to cost constraints. As a cost-effective, domestically produced (i.e., Japanese) product, inquiries for Z-FILTER are progressing steadily, and we aim to secure projects worth approximately one billion yen in the next fiscal year.

By replacing the cumbersome entry of passwords with a single tap on a smartphone, this new product reduces burdens borne by employees and the management workload at the same time, and it mitigates risks related to the leak of IDs and passwords and the unauthorized use of systems.

Integrated authentication platform

a-FILTER™
エーフィルター

Integrating authentication from device log-ins to cloud access

- Mitigating risks related to the unauthorized use of systems if IDs or passwords are leaked or devices are lost
- Reducing the operational workload of administrators to ensure operations are less susceptible to environmental factors

Multi-factor authentication for logging on to Windows on computers

Windows log-on authentication

Multi-Factor Authentication (MFA)

Single Sign-On (SSO)

ID synchronization and ID provisioning

Log management

Registered with ISMAP
Security assessment system for government information systems

Authentication using Authenticator or IC cards

Authenticator

IC card

User → Automatic log in → Cloud

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a-FILTER is an authentication security product that has been rebranded and enhanced from the previous StartIn. It eliminates the need for IDs and passwords not only for logging into SaaS applications but also at the Windows PC login stage, enabling two-factor authentication. It is a product that delivers clear value, such as allowing users to log in simply by authenticating via their smartphone when they turn on their PC.

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An online learning system that supports learning using knowledge cultivated in GIGA School Concept projects

i-FILTER@Cloud GIGA School Edition, a free service for a limited number of users

Helping children solidify their foundational understanding while

Issues to be solved

- While devices are ubiquitous, there are disparities in the adoption and continued use of devices for learning.
- There is a lack of support for children's personalized learning activities and the visualization of learning records, including homework.
- Teacher workloads are heavy, including checking the progress of students, preparing teaching materials, speaking to children and other operations.

Service orientation

- Evolution into an educational platform that provides one-stop support for the implementation of educational activities, record keeping, retention, and reviews of activities.

Expected effect

- Expanding points of contact with customers in the education market based on the existing GIGA School user base

The screenshot shows the D Classroom interface with the following features highlighted:

- Account function:** Keeping records of learning to review past activities.
- Reward points:** Giving users reward points for their work to increase their motivation to learn.
- Small-step learning:** Learning in four small steps and moving on to the next stage after a perfect score is achieved to ensure foundational knowledge is learned.
- Learning guide:** Automatically notifying users of what they will learn next to help them continue to learn without confusion.

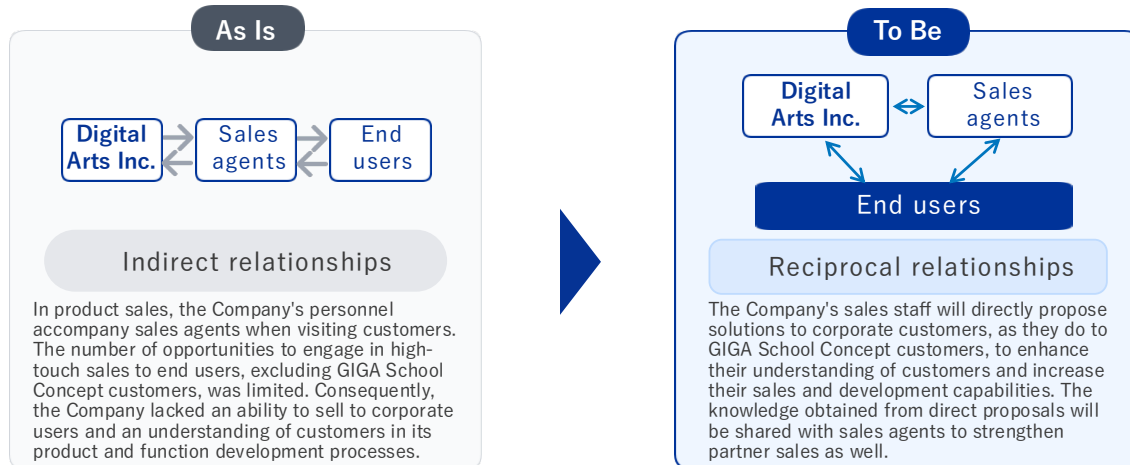
In the education sector, we will offer D Classroom. This is an educational content service provided to schools using i-FILTER, and i-FILTER users can access it free of charge. Many of Japan's approximately nine million elementary and junior high school students are i-FILTER users, and we will contribute to reducing teachers' workload and supporting internet-based learning. For GIGA School projects starting next fiscal year and beyond, we will promote not only security features but also these added-value benefits.

Sales Strategy for the fiscal year ending March 2027

Implementation of High-Touch Sales to End Users



Increase the proposal capabilities of sales personnel and increase points of contact with customers to increase sales power
In parallel, construct a structure for providing end user feedback directly to development teams to improve development capabilities



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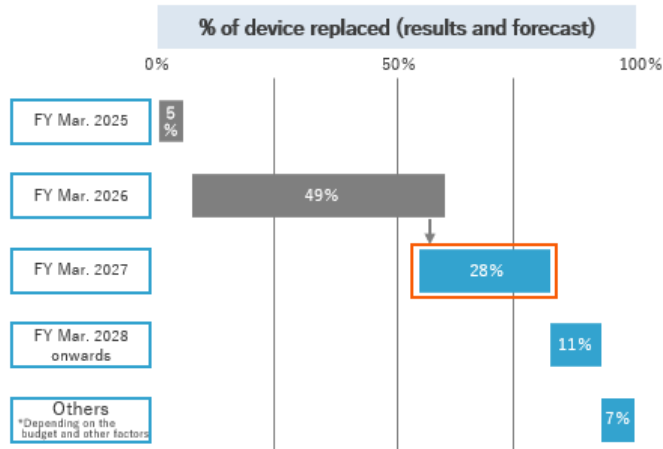
In the next fiscal year, we will expand the high-touch sales approach to end users—which we have practiced under the GIGA School Concept—to the enterprise sector market as well. This does not mean we are shifting to direct sales. While distributors (partners) will continue to handle the final sales, we will transition to a model where we make proposals directly to end users, identify their needs, and then coordinate the projects with distributors (partners).

This initiative will allow us to more accurately assess the timing, value, and likelihood of success for each project. As a manufacturer, we will also demonstrate how to effectively communicate product value to win over end users. By sharing these practical insights with our distributor (partner) sales teams, we believe we can further strengthen our relationships with them.

However, since we have long centered our sales activities on partner-based business, we cannot suddenly strengthen our direct engagement with end users. Therefore, we have stationed sales experts in Tokyo, Osaka, and other locations to provide training for our sales team and support the implementation of high-touch sales. By combining internal training with support from external experts, we will work to expand the enterprise sector market.

It is expected that projects in Phase 2 of the GIGA School Concept will be renewed continually. The Company aims to further increase its market share and the order unit prices in this area.

GIGA device replacement timing



POINT

- It is projected that **nearly 28%** of all of the boards of education will renew their contracts for GIGA School devices in FY March 2027.
- the Company will **continue to improve product features and rigidly manage individual projects**, aiming to increase market share and order unit prices.
- In addition, the Company will continue to approach **boards of education that have introduced free filtering products** in FY March 2026 to maximize earning opportunities.

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

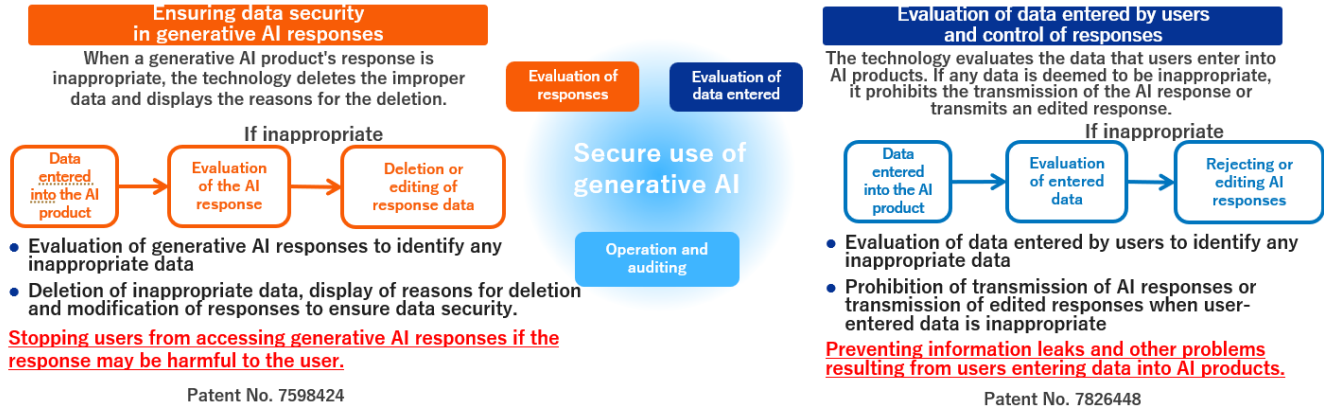
With regard to the second phase of the GIGA School Concept, there are still projects scheduled for the next fiscal year. Approximately 28% of the target projects are scheduled for the next fiscal year, so to ensure we stay on track in the second half, we will strengthen our engagement with end users and continue to aim for new business.

Business Opportunities in the AI Era

We believe the widespread adoption of AI presents a significant business opportunity for Digital Arts. We have been actively utilizing AI ourselves since last year, and recognize both its convenience and its risks. Going forward, to utilize AI in business operations, it will be crucial to establish a safe environment for its use while implementing security measures.

In addition to ensuring the security of generative AI responses, this technology evaluates the data users enter into generative AI products to protect the entire AI utilization process.

Dual protection by evaluating both the responses generated and the data entered to ensure generative AI products can be used securely.



Based on patented technologies, the Company is moving forward with AI security that protects all of the data entry, response and operation processes related to generative AI.

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We have announced patented technologies related to risks such as AI malfunctions, inappropriate output, and leaks of confidential information. As AI becomes more proactive in the future, the risk of internal confidential information unintentionally leaking to the outside will also increase. At Digital Arts, we have already incorporated related features into i-FILTER, and will leverage our technical strengths to create a secure usage environment in the AI era.

When the Internet first became widespread, the focus was on convenience, and security issues became apparent later on. We believe that with current AI tools, security demand for safe usage will expand following the widespread adoption of their convenience. We believe that as AI becomes more widespread, the importance of the security industry will grow with it.

Internal DX and Future Developments

We have begun utilizing AI in our development operations as well. Development productivity has improved significantly over the past six months. The revision of our personnel plan under the Medium-Term Management Plan was not a cutback driven by negative factors, but rather demonstrates that product development is now possible without significantly increasing personnel headcounts, through the use of AI.

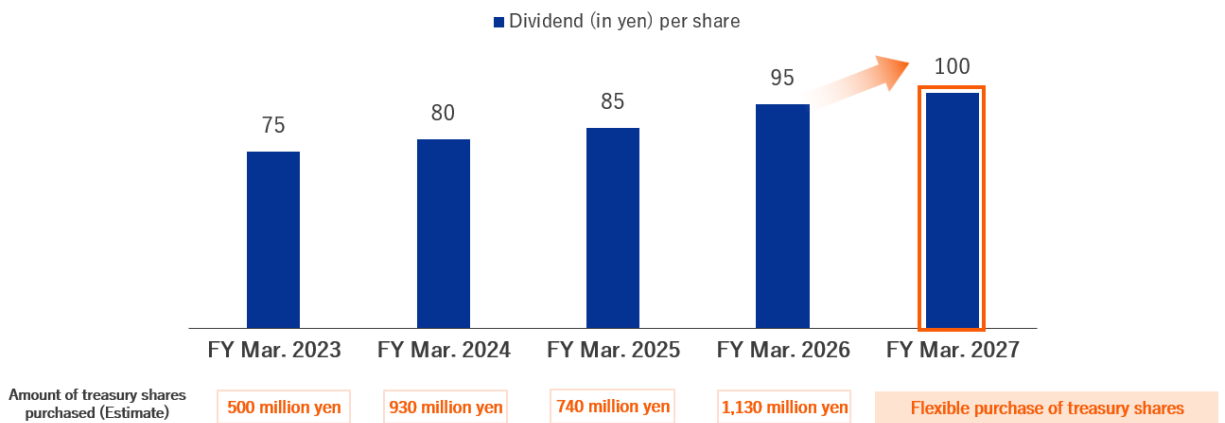
Internally, we are also developing several DX-related tools. We plan to further advance automation in areas such as project management. In the future, we may sell these DX tools externally and expand our business as a provider in the DX and SaaS sectors, in addition to our existing security business. To achieve this, it is crucial that we first firmly establish our presence in the enterprise sector market.

Shareholder Returns

Shareholder Return Policy



Shareholder Return Policy for FY Ending Mar. 2027	Major policy	<ul style="list-style-type: none"> Implementation of progressive dividends and a total return ratio target of 50% or more
	Dividends	<ul style="list-style-type: none"> Dividends of 100 yen per share. It is expected that dividends will increase for the 13th consecutive fiscal year.
	Purchase of treasury shares	<ul style="list-style-type: none"> We will purchase treasury shares flexibly in consideration of the trends in our performance and the stock market and other factors.



We plan to pay a dividend of 100 yen per share for the current fiscal year. We will flexibly consider share buybacks while monitoring stock price trends.

This concludes my presentation. Thank you for your attention.

[Q&A]

Q1. Contracts for the fiscal year ended March 2026 totaled 16.6 billion yen, falling short of the planned 19.0 billion yen. Is the primary reason for this shortfall changes in the competitive environment surrounding GIGA School Concept projects? Also, are there any projects that have been deferred to the fiscal year ending March 2027?

A1. As you pointed out, there are several factors at play. The most significant factor was projects in the second phase of the GIGA School Concept. While we had anticipated securing approximately 2.0 billion yen in the fourth quarter of the current fiscal year, part of that was deferred to the next fiscal year, and part was not secured due to the competitive landscape for each specific project.

In the next fiscal year, we will carefully assess the competitive landscape for each project to strike the right balance between securing market share and optimizing unit price per order. Additionally, in the enterprise sector market, some of the projects we had anticipated for the fourth quarter were either delayed or were not secured. In light of this, we will focus on improving the accuracy of our project management and strengthening our sales capabilities in the next fiscal year.

Q2. Are we correct in our understanding that the discrepancy between the plan and actual results this time is not attributable to the relationship with distributors (partners), but primarily due to the competitive environment for each project?

A2. There are no issues with our relationship with distributors (partners). In particular, since the launch of Z-FILTER, distributors (partners) who previously had limited sales of our products have joined us, and our sales network is expanding.

The shortfall this time is not due to a deterioration in our relationships with distributors (partners). It is due mainly to changes in the competitive environment centered on projects in the second phase of the GIGA School Concept, as well as timing delays in some projects. In the next fiscal year, we will take a more proactive role in proposing solutions to end users and ultimately strengthen the process of coordinating projects with our distributors (partners). Through this, we aim to deepen and strengthen our relationships with our distributors (partners).

Q3. Could the slow growth in enterprise contracts be influenced by the fact that customers are taking time to make product introduction decisions due to the rapid evolution of AI?

A3. While I believe there are cases where AI is used as a reference for product selection, I do not believe this has caused delays in product introduction decisions. The lesson learned this time is that we did not sufficiently create a situation where we could grasp what end users truly wanted and have them specifically request our products. Some distributors (partners) have come to play a role similar to that of simply providing quotes for products that end users already want. Therefore, it is crucial for us to directly communicate the value of our products to end users, and create a situation where they will choose our products. We have several hundred end-user touchpoints per month through online seminars and other events we host ourselves. Going forward, we will make more proactive use of these touchpoints.

Q4. What is the projected market share for GIGA School Concept projects for the fiscal year ending March 2027? We understand that market share declined in the fourth quarter of the current fiscal year. Is a recovery possible?

A4. We believe a recovery in market share is possible in the next fiscal year. We secured over 90% market share in the second and third quarters of the current fiscal year, and we aim to maintain that level in the next fiscal year. In the fourth quarter of the current fiscal year, our policy of prioritizing improvements in unit price per order also had an impact. In the next fiscal year, we will carefully assess the situation for each project and flexibly determine the balance between securing market share and optimizing unit price per order.

Q5. Going forward, how will you respond if the competitive environment becomes similarly intense in other areas, not limited to GIGA School Concept projects?

A5. Our strength lies in a business structure that allows us to maintain high profitability. Even during the past GIGA School Concept Phase 1, we secured a certain profit margin by responding flexibly to the circumstances of each project.

Going forward, while we do not intend to prioritize price in all projects, we can respond flexibly to projects where market share is a priority, taking the competitive environment into account. In the next fiscal year, we will carefully assess the situation for each project and make appropriate judgments regarding the balance between securing market share and maintaining profitability.

Q6. Today's stock price decline was significant. Did you not consider measures such as share buybacks to stabilize the stock price? Also, is there a possibility of implementing such measures in the future?

A6. We first wanted to assess the market's reaction following the earnings announcement. Taking into account stock price trends starting next week, we will hold internal discussions as a company and proactively consider necessary measures.

Conclusion

We recognize that the plan announced this time fell short of investors' expectations. At the same time, we believe we have entered a year of reform, reviewing the business practices we have maintained for 30 years. While leveraging the strengths of our distributors (partners), we will build a structure where we ourselves engage directly with end users to convey the value of our products. Although we have set a conservative plan for the next fiscal year, we aim to deliver results as early as possible and aim for an upward revision in the final year of our Medium-Term Management Plan.

This concludes the Digital Arts Inc. financial results briefing for the fiscal year ended March 31, 2026. Thank you for taking the time out of your busy schedules to be with us here today.