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From April 1, 2025 to June 30, 2025

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2026

July 31, 2025

Digital Arts Inc.

Securities Code: 2326



For Internet Convenience, Safety and Security

Domestic
security provider

“White Operation”
13.80 million
active users*1

High operating
profit and
net sales

Company Name	Digital Arts Inc.
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Date of Establishment	June 1995
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Listed on	September 2002
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Service	Planning, Development and Sale of Internet Security Software
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Head Office	14F Otemachi First Square West Tower, 1-5-1 Otemachi, Chiyoda-ku, Tokyo
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Stock Market	Tokyo Stock Exchange Prime Market (Securities Code: 2326)
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Number of Employees	Consolidated: 318 (As of March 31, 2025)
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Sales Offices	Hokkaido Sales Office/ Tohoku Sales Office / Chubu Sales Office/ Kansai Sales Office/ Chushikoku Sales Office/ Kyushu Sales Office
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*1: The number of users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of June 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

i-FILTER.
ブラウザ & クラウド

Secure proxy
appliance

ID-SPA.

Malicious website-filtering
software for home use

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

[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

FINALCODE
FINALCODE@Cloud.

**Data Protection/
File transfer**

Supporting secure
file transfers
without leaking
critical information

f-FILTER.

Single Sign On (SSO) ID management

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

In the current fiscal year, we expect to receive a large number of new orders for cloud service products, and therefore anticipate a significant difference between net sales and contract amount. To provide our investors and shareholders with a clearer understanding of the Company's current business performance, this supplementary explanatory material offers more detailed information on contract amounts than in previous years. We would appreciate it if you could review this information. Please refer to the following for the definitions of "contracts" and "net sales."

Contracts

The total amount of orders received by the Company from its customers during the current accounting period (essentially equivalent to orders received).

As an indicator, it shows the company's current performance in a more timely manner than net sales.

Net sales

The total of the amount of contracts acquired before the previous period that will be recognized as net sales in the current accounting period (net sales carried over) and the amount of contracts acquired during the current accounting period minus the amount of contracts that will be deferred and recognized as net sales in the next period and thereafter (deferred net sales).

Contracts

Contracts **achieved double-digit growth** and exceeded plans following strong sales growth in the enterprise sector market and healthy orders received for projects for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX.

Net sales

In terms of net sales, despite steady growth in the enterprise sector market, high growth in contracts in the public sector market was not recorded as sales revenue under corporate accounting rules. As a result, net sales increased only slightly, and **progress remains in line with the plan**.

Operating profit

Operating profit decreased as a result of the slight increase in sales, despite the fact that cost of sales and selling, general and administrative expenses were kept within plan limits. **Progress remains in line with the plan**.

Enterprise Sector Market

Net sales **increased** as a result of m-FILTER@Cloud capturing demand for email cloud security measures and successful cross-selling and upselling.

Public Sector Market

Orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects are **progressing well**, resulting in a substantial increase in contracts. However, since these projects involve orders for cloud service products, posting of net sales was delayed under corporate accounting rules, leading to a decrease in net sales.

Revenue

Both cost of sales and selling, general and administrative expenses increased year on year, but were kept within plan limits thanks to measures to limit communication expenses and efficient investment in human resources. On the other hand, high growth in contracts was not immediately reflected in sales due to corporate accounting rules, resulting in a decrease in operating profit.

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Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending March 31, 2026

01. Consolidated Results Highlights



Consolidated Results Highlights

Contracts	2,306 million yen +313 million yen / +15.7% YoY	Enterprise Sector Market Public Sector Market	<p>The Group achieved growth by capturing the demand for email cloud security measures and by successfully cross-selling and upselling mainstay products, optional products, and file transfer products.</p> <p>The Group achieved substantial growth by receiving projects for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX.</p>
Net Sales	2,270 million yen +36 million yen / +1.6% YoY	Enterprise Sector Market Public Sector Market	<p>Net sales grew due to recorded sales of m-FILTER@Cloud, the optional product Anti-Virus & Sandbox, and f-FILTER integration option.</p> <p>Although contracts grew significantly, mainly due to orders received for cloud service products, revenue recognition did not progress due to corporate accounting rules, resulting in a decrease in net sales.</p>
Contract operating profit	831 million yen +233 million yen / +39.1% YoY	Note	<p>A reference indicator calculated by deducting cost of sales and selling, general and administrative expenses from the contract amount.</p> <p>*Contract operating profit = Contract amount – Cost of sales – Selling and administrative expenses</p>
Operating profit	795 million yen -43 million yen / -5.2% YoY	Cost of Sales SG & A expenses Overall	<p>Labor and communication expenses increased year on year, but were kept within plan limits thanks to measures to limit communication expenses.</p> <p>Under our policy of strengthening investment in human resources, personnel-related expenses increased year on year, but were kept within plan limits through investments considering the efficiency of personnel costs.</p> <p>High growth in contracts was not immediately reflected in sales due to corporate accounting rules, resulting in a decrease in operating profit.</p>

Consolidated Statement of Income

Contracts achieved **double-digit growth**, driven by the high growth of the public sector market, **surpassing initial projections**. In terms of net sales, high growth in contracts in the public sector market was not immediately reflected as sales revenue under corporate accounting rules. As a result, net sales increased only slightly, and **progress remains in line with the plan**. Operating profit decreased as a result of the slight increase in sales, despite the fact that expenses were kept within plan limits. **Progress remains in line with the plan**.

(Millions of Yen)

	FY Mar. 2025 1Q	FY Mar. 2026 1Q	Change YoY	FY Mar. 2026 Full-Year Forecast ^{*1}
Contracts	1,993	2,306	+15.7%	16,475
Net Sales	2,234	2,270	+1.6%	12,550
Cost of Sales	726	739	+1.9%	3,290
Gross profit	1,508	1,531	+1.5%	9,260
Selling, general and administrative expenses	669	735	+9.9%	3,110
Contract operating profit ^{*2}	597	831	+39.1%	-
Contract operating profit margin (%) ^{*3}	30.0%	36.0%	-	-
Operating profit	838	795	-5.2%	6,150
Operating margin (%)	37.6%	35.0%	-	49.0%
Ordinary profit	847	806	-4.8%	6,150
Profit attributable to owners of parent	584	556	-4.9%	4,200
EBITDA ^{*4}	1,089	1,037	-4.8%	-

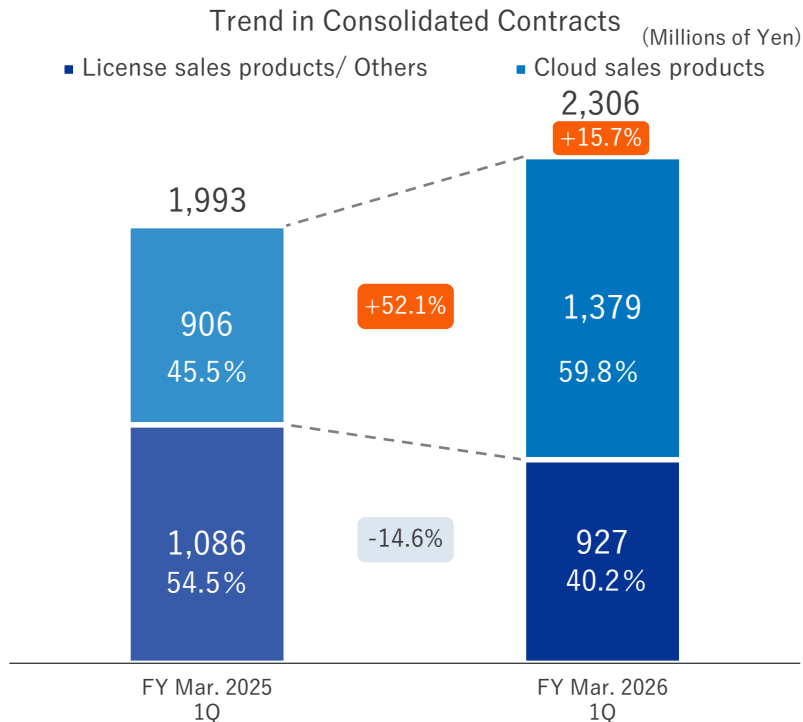
*1: Financial Forecast is the consolidated financial forecast announced on May 8, 2025.

*2: Please refer to page 9 for the calculation formula.

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

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

Consolidated contracts **climbed 15.7%** year on year to **2,306 million yen**, as a result of the substantial growth of cloud service products.



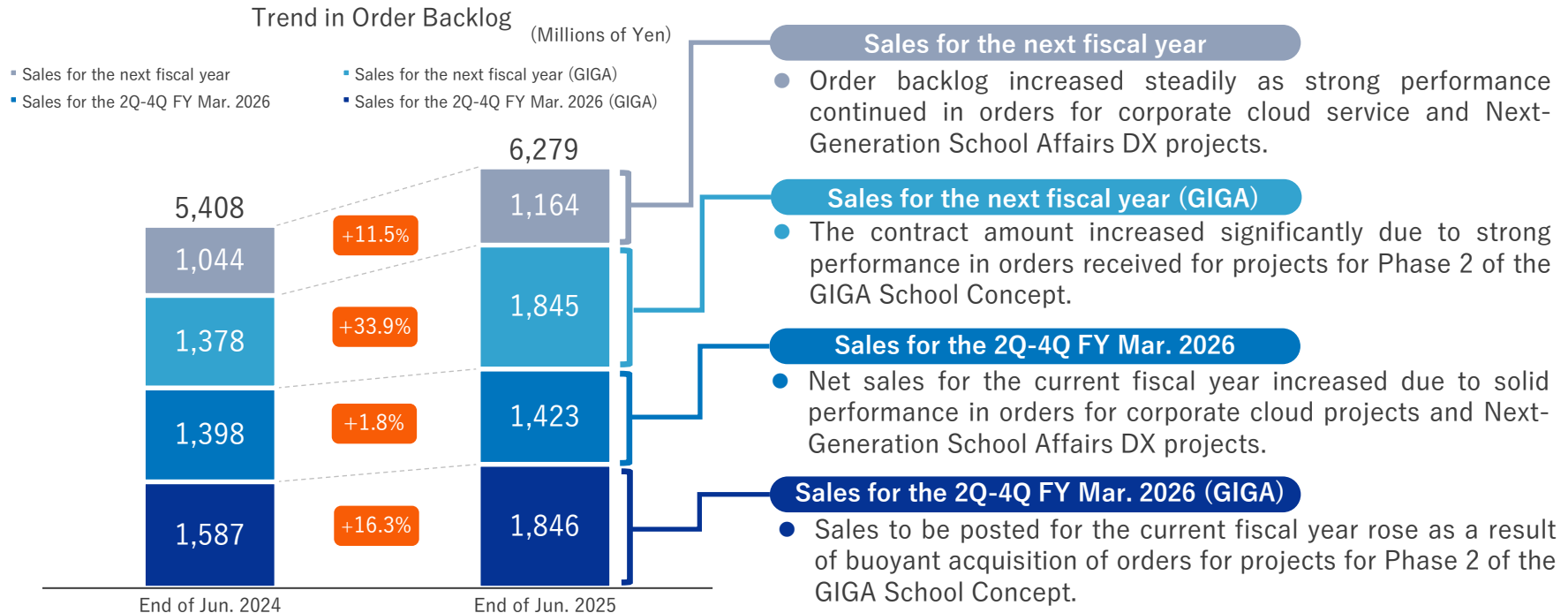
Cloud sales products

- In response to the trend toward cloud-based email servers in the enterprise sector market, demand for cloud security measures has expanded, and m-FILTER@Cloud (which addresses this demand) is experiencing high growth.
- In the public sector market, the Group achieved substantial growth as a result of project orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX.

License sales products/ Others

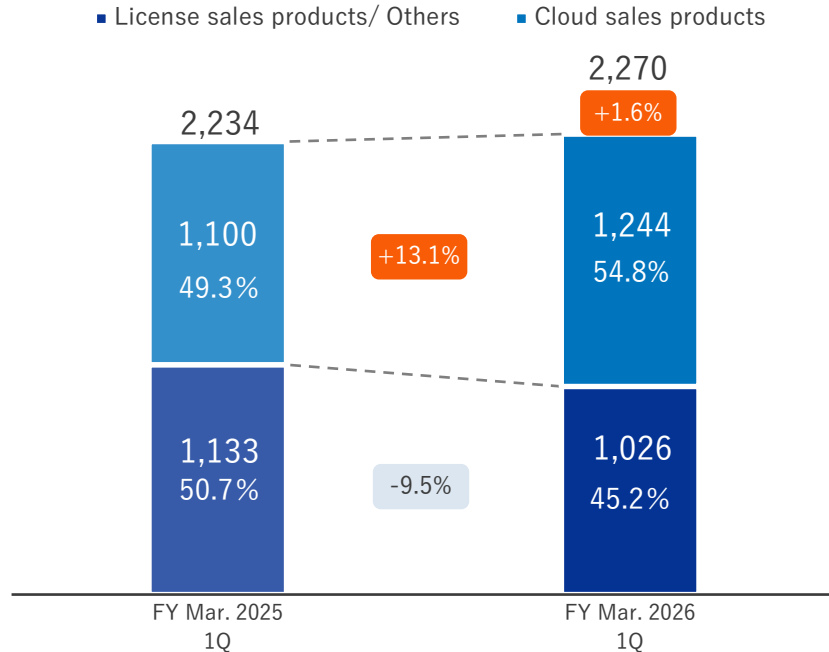
- In the enterprise sector market, the loss of large-scale project orders received in the previous fiscal year has resulted in negative growth.
- In the public sector market, the loss of large-scale project orders for Security Improvements for Local Governments has resulted in negative growth.

Order backlog increased steadily due to the receipt of orders for Phase 2 of the GIGA School Concept, Next-Generation School Affairs DX, corporate cloud projects, and other projects.



Consolidated net sales **grew 1.6%** year on year, to **2,270 million yen** due to solid growth in cloud services products.

Trend in Consolidated Net Sales
(Millions of Yen)



Cloud sales products

- Net sales increased due to progress in the posting of contract sales as a result of stronger sales of m-FILTER@Cloud than in the previous fiscal year, responding to demand for email cloud security measures in the enterprise sector market.
- In the public sector market, the Group achieved growth as a result of project orders for Phase 1 and phase 2 of the GIGA School Concept.

License sales products/ Others

- In the enterprise sector market, the loss of large-scale project orders received in the previous fiscal year has resulted in negative growth.
- In the public sector market, the loss of large-scale project orders for Security Improvements for Local Governments has resulted in negative growth.

Consolidated Cost of Sales and Selling, General and Administrative Expenses

Although communication expenses for data centers increased, measures to reduce the cost of sales were successful, and cost of sales was **kept within plan limits**. Selling, general, and administrative expenses increased as a result of reviewing and revising our compensation system and strengthening investments in human resources (such as recruitment) in line with our policy for this fiscal year. Despite this increase, selling, general, and administrative expenses were **also kept within plan limits**, due to investments aimed at improving the efficiency of personnel costs.

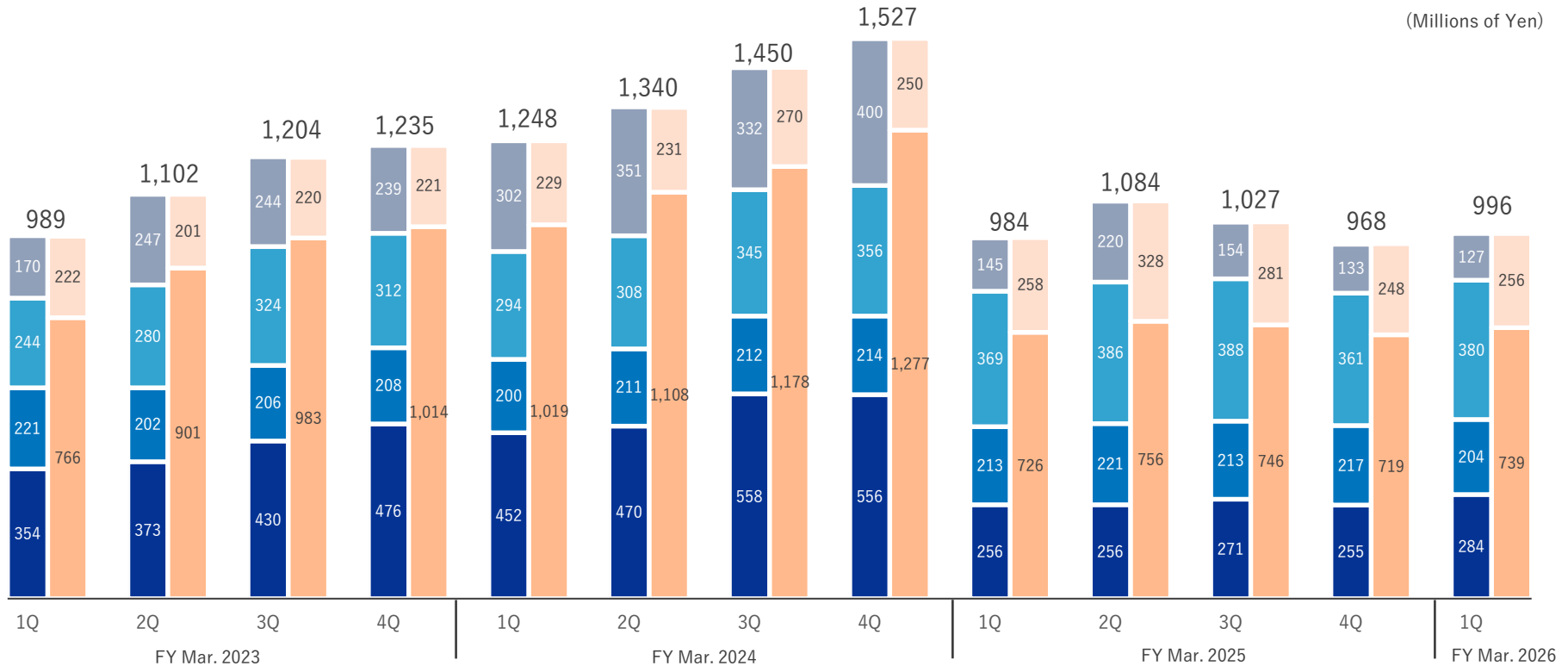
(Millions of Yen)

	FY Mar. 2025 1Q	FY Mar. 2026 1Q	Change YoY	Main Factors for Change
Cost of sales	726	739	+13	
Labor	256	284	+27	Increased due to strengthening of development personnel and internalization of outsourced work (+27M)
Depreciation	213	204	-9	
Communication expenses	369	380	+11	Increased due to an increase in the number of cloud product users (+11M) Note: Including the effect of foreign exchange rates (-7M).
Others	145	127	-17	Decreased due to partial internalization of outsourced work (-17M)
Transfer to other accounts	-258	-256	+1	
Selling, general and administrative expenses	669	735	+66	
Personnel expenses	314	353	+39	Increased due to personnel increases (+39M)
Advertising expenses	106	74	-31	Limited by the fact that no promotional events were held this year for the GIGA School Concept project (as implemented in the previous fiscal year), and trial version provision costs limited by measures to reduce communication expenses
Others	248	307	+58	Hiring expenses (+27M), Compensation (+12M), 30th anniversary-related expenses (+13M), etc.

Quarterly Trend in Consolidated Cost of Sales

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

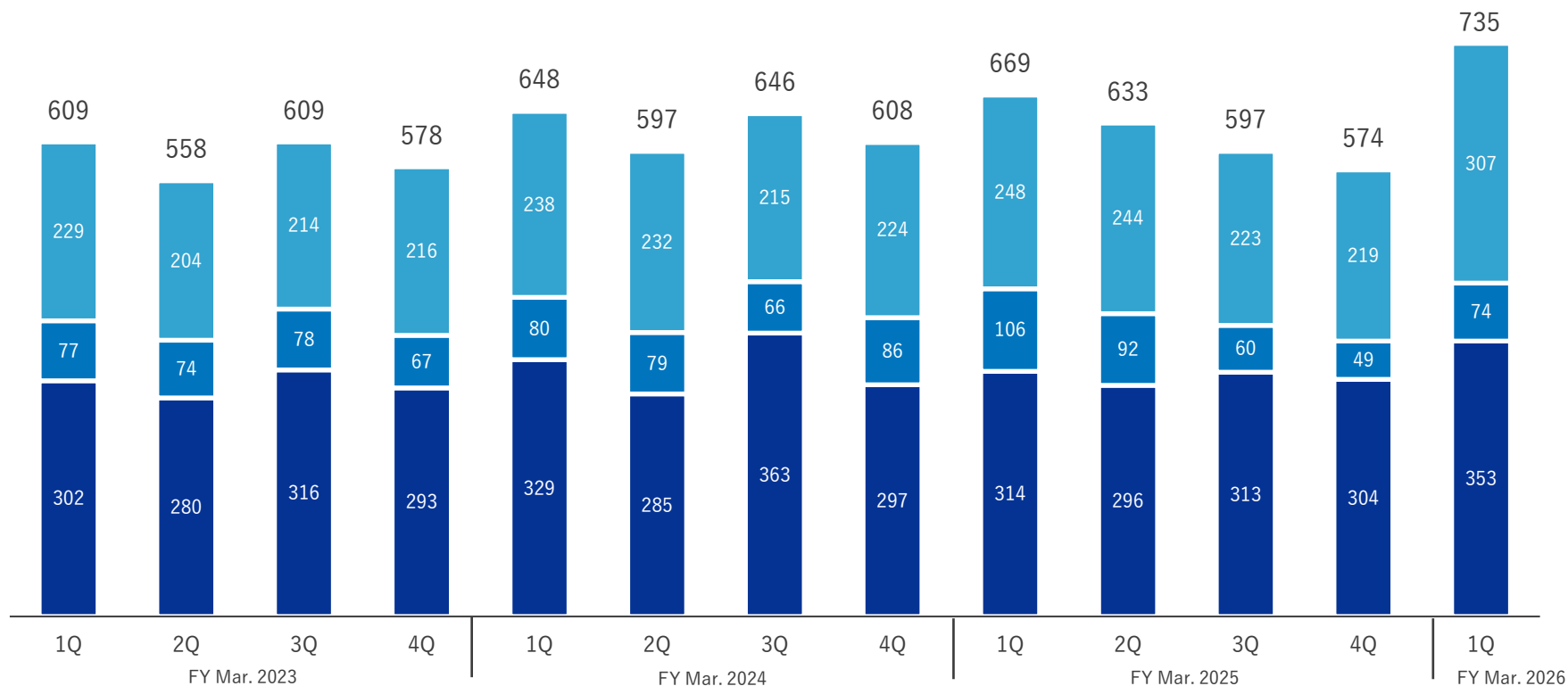
(Millions of Yen)



Quarterly Trend in Consolidated Selling, General and Administrative Expenses

■ Personnel expenses ■ Advertising expenses ■ Others

(Millions of Yen)



Consolidated Balance Sheet

Advances received increased due to strong orders for cloud service products. Treasury share buybacks started in the previous fiscal year were completed as planned.

(Millions of Yen)

	As of end of 1Q FY Mar. 2025	As of end of FY Mar. 2025	As of end of 1Q FY Mar. 2026	Change from end of FY Mar. 2025	Main Factors for Changes
Current assets	19,108	20,112	19,907	-1.0%	Cash and deposits (-385M)
(Cash and deposit)	17,049	17,952	18,431	+2.7%	
Non-current assets	2,363	2,515	2,537	+0.9%	Software in progress (+148M)
Total assets	21,471	22,627	22,444	-0.8%	
Current liabilities	5,451	5,209	5,339	+2.5%	Income taxes payable (-119M), Advances received (+208M)
(Advanced received)	4,395	4,082	4,291	+5.1%	Increased due to progress in contract acquisition.
Non-current liabilities	52	52	52	+0.4%	
Equity capital	15,955	17,336	17,023	-1.8%	Treasury share buy-back (-255M), Dividends paid (-612M), Profit(+556M), and others
Net assets	15,967	17,365	17,052	-1.8%	
Equity ratio	74.3%	76.6%	75.8%	-	
ROE	3.7%	19.1%	3.2%	-	
ROA	2.7%	14.1%	2.5%	-	

Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending March 31, 2026

02. Non-consolidated Results Highlights



Summary of Non-consolidated Results

Contracts achieved **double-digit growth**, driven by the high growth of the public sector market, **surpassing initial projections**. In terms of net sales, high growth in contracts in the public sector market was not immediately reflected as sales revenue under corporate accounting rules. As a result, net sales increased only slightly, and **progress remains in line with the plan**. Operating profit decreased as a result of the slight increase in sales, despite the fact that expenses were kept within plan limits. **Progress remains in line with the plan**.

(Millions of Yen)

	FY Mar. 2025 1Q	FY Mar. 2026 1Q	Change YoY	FY Mar. 2026 Full-Year Forecast*1
Contracts	1,990	2,304	+15.8%	16,470
Net Sales	2,231	2,268	+1.7%	12,545
Cost of Sales	725	738	+1.9%	3,290
Gross profit	1,506	1,529	+1.6%	9,255
Selling, general and administrative expenses	665	733	+10.1%	3,095
Contract operating profit *2	599	832	+38.9%	-
Contract operating profit margin (%) *3	30.1%	36.1%	-	-
Operating profit	840	796	-5.2%	6,160
Operating margin (%)	37.7%	35.1%	-	49.1%
Ordinary profit	849	808	-4.8%	6,160
Profit	586	558	-4.9%	4,210

*1: Financial Forecast is the financial forecast announced on May 8, 2025.

*2: Please refer to page 9 for the calculation formula.

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

Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending March 31, 2026

03. Net Sales by Market

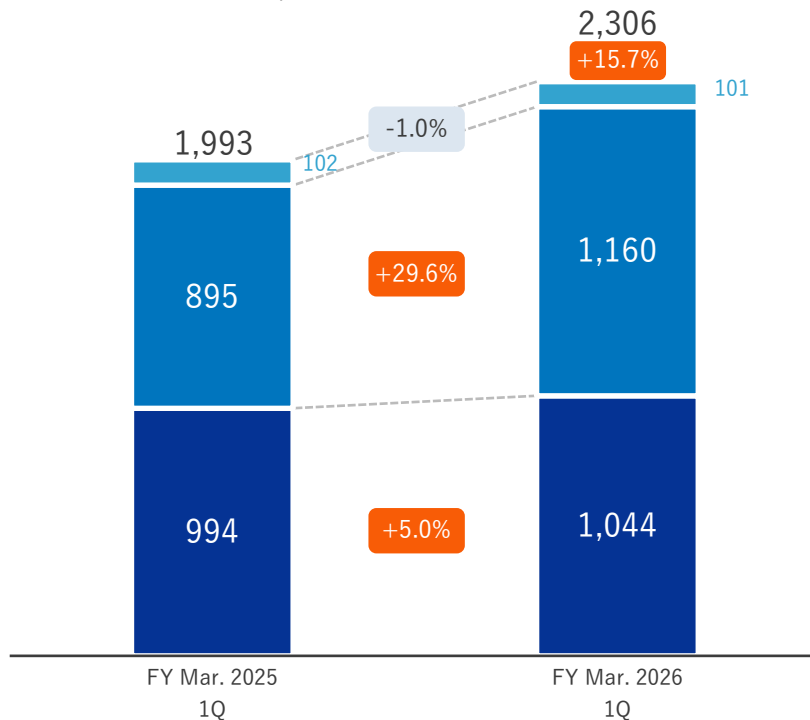


Consolidated Contracts by Market

The enterprise sector market is growing steadily, while the public sector market is experiencing significant growth.

Trend in Consolidated Contracts by Market

■ Enterprise ■ Public ■ Consumer (Millions of Yen)



Enterprise sector market

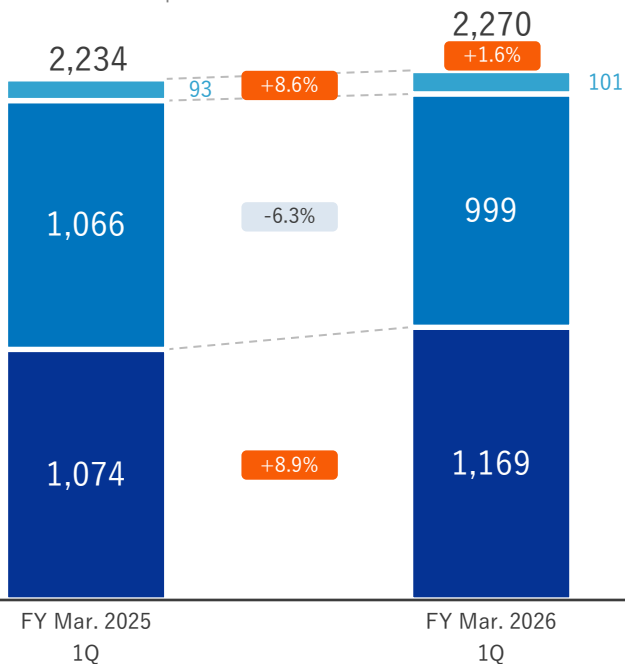
- In the enterprise sector market, contracts increased by 50 million yen (+5.0%) due to m-FILTER@Cloud capturing market demand for email cloud security solutions, and steady performance in cross-selling and upselling of our core products and optional products such as Anti-Virus & Sandbox and f-FILTER.

Public sector market

- In the public sector market, contracts increased substantially by 264 million yen (+29.6%) due to strong progress in project orders for Phase 2 of the GIGA School Concept, which will begin full-scale procurement this fiscal year, and Next-Generation School Affairs DX.

Despite steady growth in the enterprise sector market, substantial growth in contracts in the public sector market was not immediately reflected as sales revenue under corporate accounting rules, resulting in a decrease in net sales.

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



Enterprise sector market

- The trend in net sales is similar to that for contracts. Sales increased 95 million yen (+8.9%), reflecting our success in capturing the demand for email cloud security measures with m-FILTER@Cloud and in cross-selling and upselling of mainstay products and optional products such as Anti-Virus & Sandbox and f-FILTER.

Public sector market

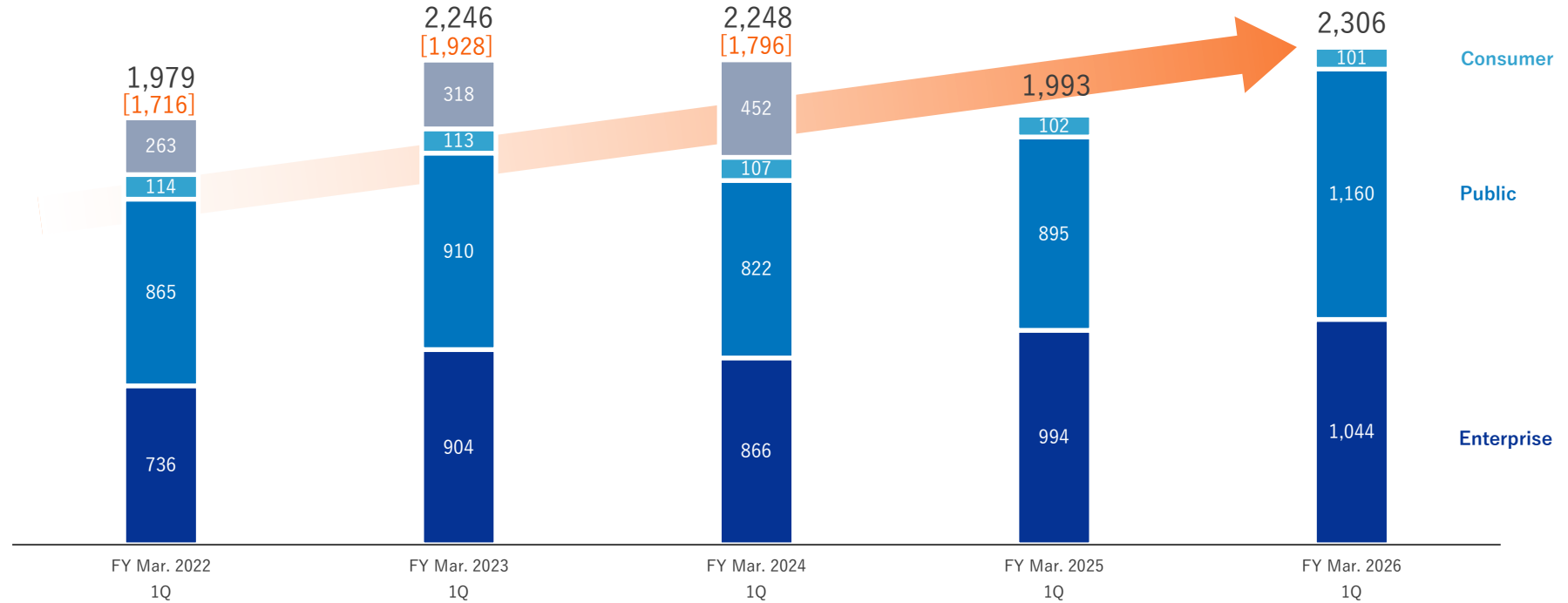
- Despite progress in the posting of sales in connection with projects under Phase 1 of the GIGA School Concept, net sales decreased by 66 million yen (-6.3%), since projects under Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX are primarily orders for cloud service-related products for which the contract amount is not immediately reflected in net sales figures under corporate accounting rules.

Trend in Consolidated Contracts by Market

The contract amount for 1Q reached a **record high**. (Excluding DAC)

■ Enterprise ■ Public ■ Consumer ■ DAC

(Millions of Yen)



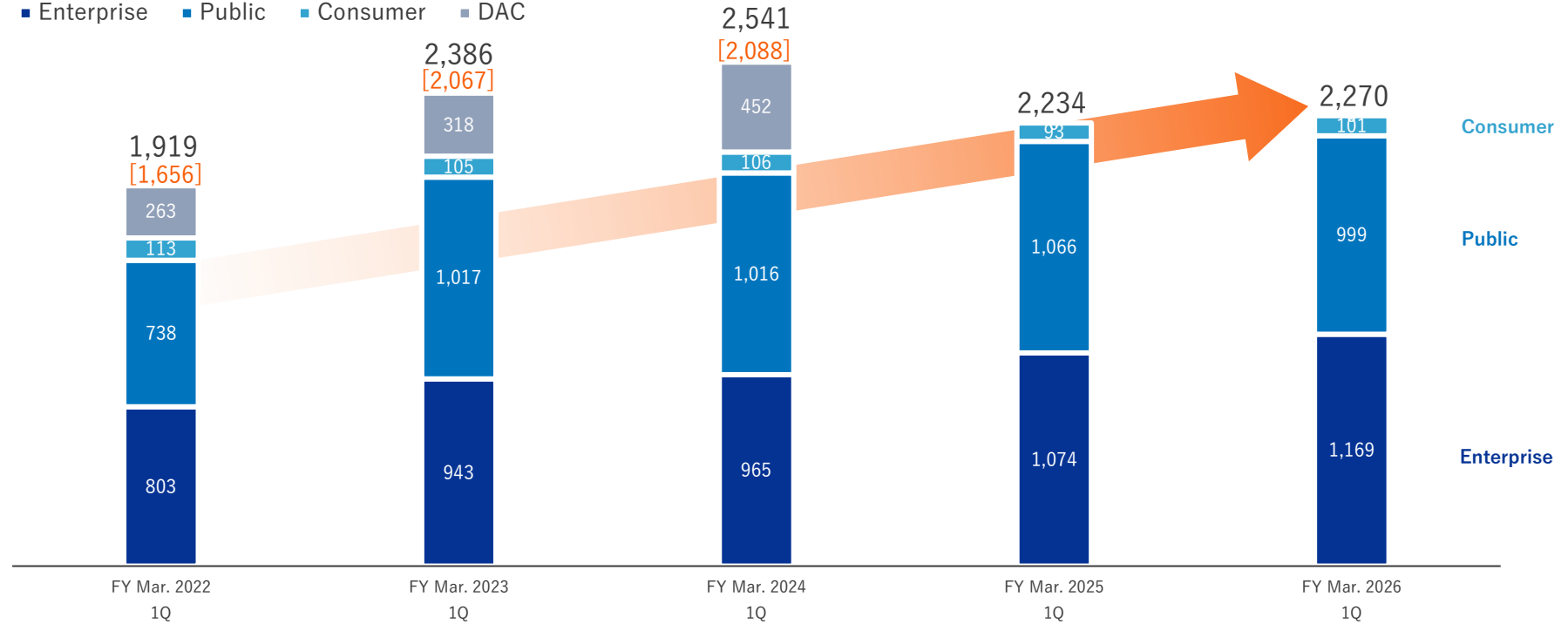
*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)
The figure in square brackets [] represents contracts excluding DAC.

Trend in Consolidated Net Sales by Market

The Net sales for 1Q reached a **record high**. (Excluding DAC)

(Millions of Yen)

■ Enterprise ■ Public ■ Consumer ■ DAC



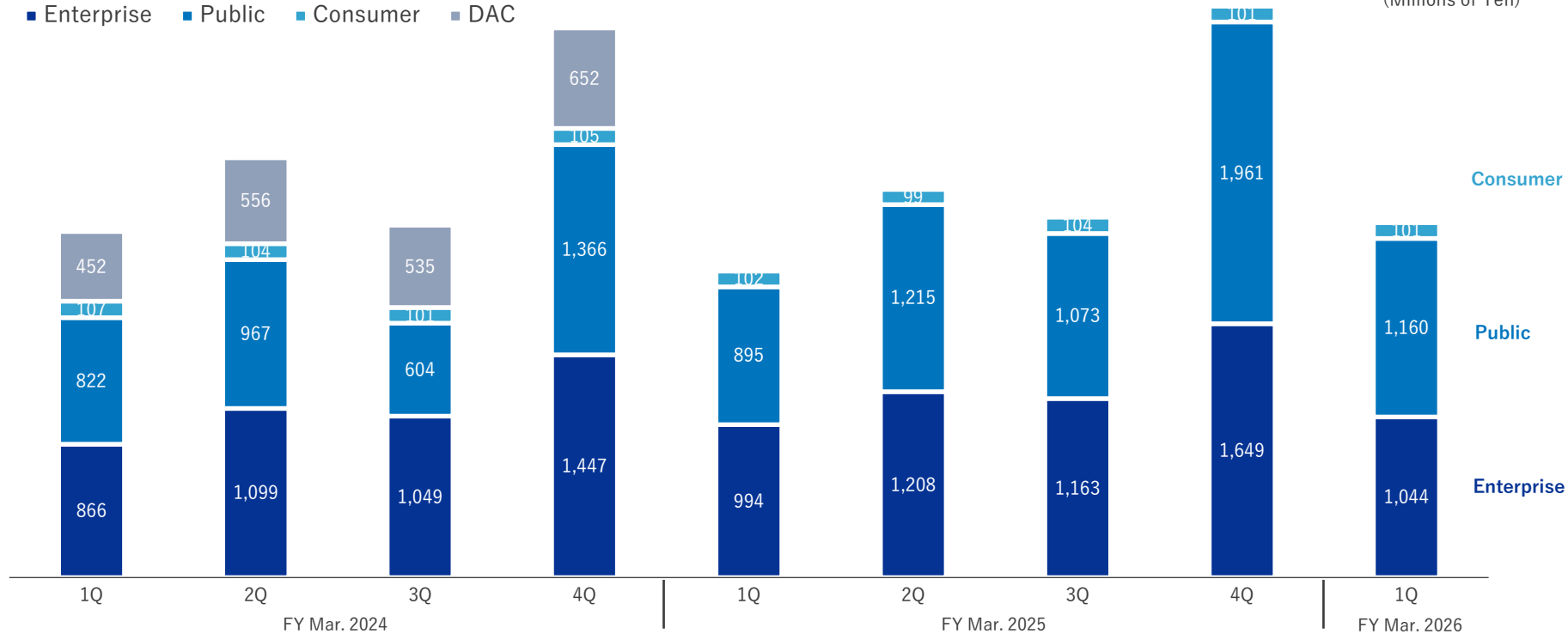
*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)
The figure in square brackets [] represents net sales excluding DAC.

Quarterly Trend in Consolidated Contracts by Market

The contracts for 1Q reached a **record high**. (Excluding DAC)

■ Enterprise ■ Public ■ Consumer ■ DAC

(Millions of Yen)



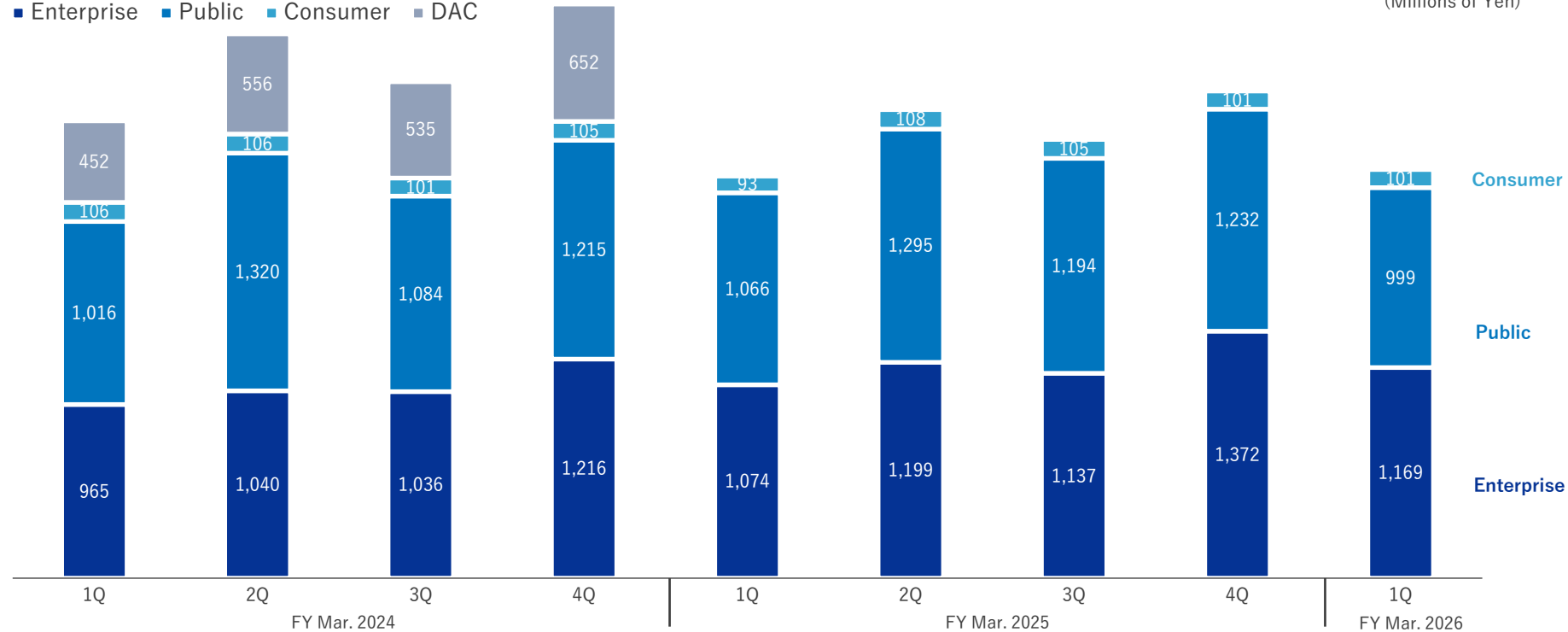
*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)

Quarterly Trend in Consolidated Net Sales by Market

The Net sales for 1Q reached a **record high**. (Excluding DAC)

■ Enterprise ■ Public ■ Consumer ■ DAC

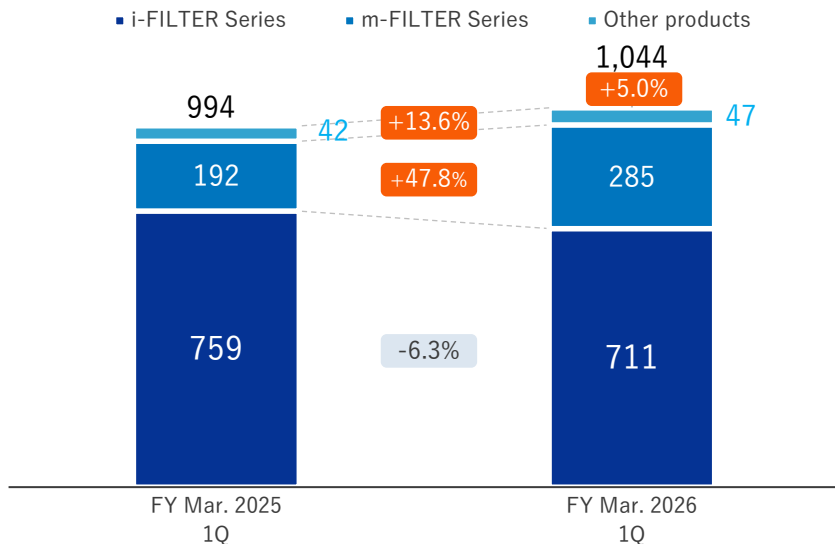
(Millions of Yen)



*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)

Despite the decline in large orders received in the previous fiscal year, **we achieved growth** due to capturing needs for email cloud security measures, as well as strong sales of the optional products Anti-Virus & Sandbox and f-FILTER integration options.

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



i-FILTER Series

- Although i-FILTER@Cloud captured demand for security measures for mobile devices and external devices, and sales of the optional product Anti-Virus & Sandbox remained steady, the loss of large-scale contracts received in the previous fiscal year resulted in negative growth of -47 million yen (-6.3%).

m-FILTER Series

- Demand for cloud security measures grew, driven by the trend toward cloud migration of email servers. This demand was captured by m-FILTER@Cloud, which offers comprehensive email security features, leading to strong performance in securing new orders. As a result, contracts grew significantly. (+92 million yen/+47.8%)

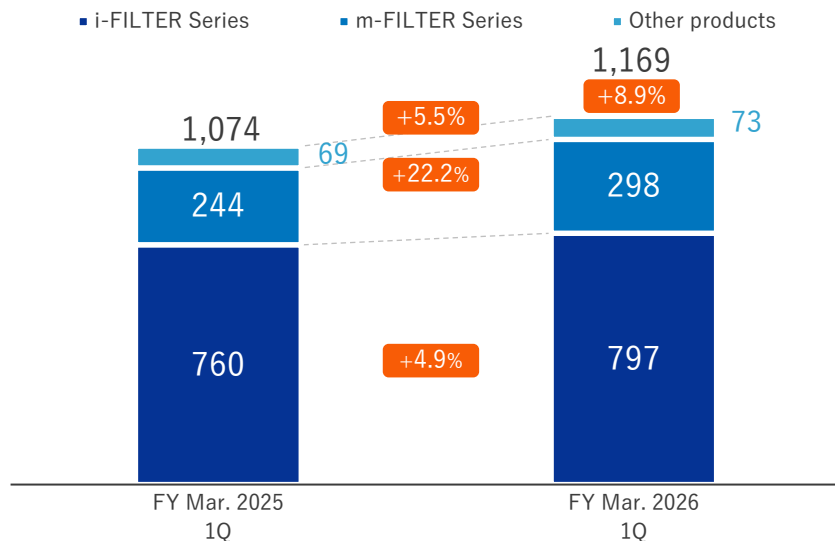
Other products

- f-FILTER has also captured demand by catering to the needs of companies seeking to implement PPAP* countermeasures through integration with m-FILTER, also resulting in strong performance.

*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.

We achieved steady growth due to m-FILTER@Cloud capturing demand for email cloud security measures, as well as strong sales of the optional products Anti-Virus & Sandbox and f-FILTER integration options.

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



i-FILTER Series

- i-FILTER@Cloud catered to demand for security measures for mobile devices and external devices, and sales of the optional product Anti-Virus & Sandbox remained steady. Net sales grew steadily, in part due to the posting of sales for project orders received in the previous fiscal year.

m-FILTER Series

- Demand for cloud security measures grew, driven by the trend toward cloud migration of email servers. This demand was captured by m-FILTER@Cloud, which offers comprehensive email security features, leading to strong performance in securing new orders. As a result, net sales grew significantly. (+54 million yen/+22.2%)

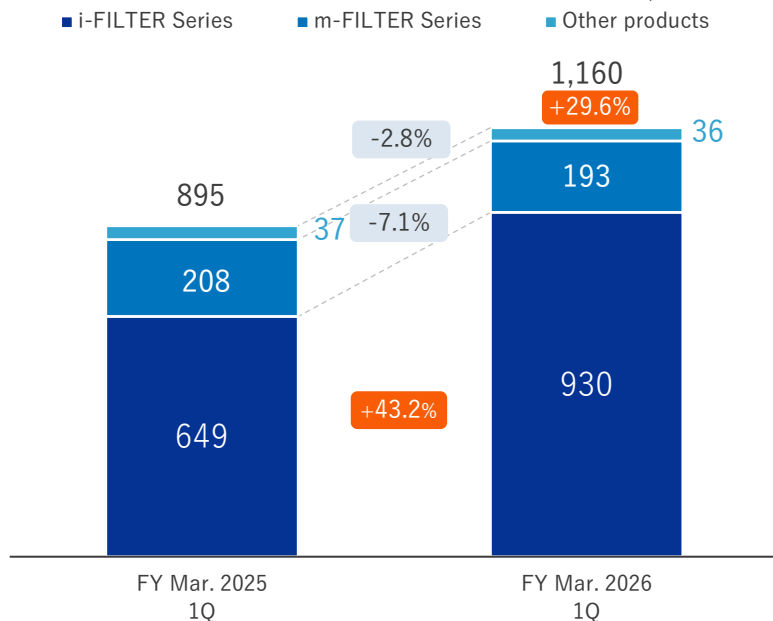
Other products

- f-FILTER had also captured demand by catering to the needs of companies seeking to implement PPAP* countermeasures through integration with m-FILTER, also resulting in growth.

*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.

Despite the loss of a major projects in Security improvements for local governments from the previous fiscal year, the Group **achieved significant growth** due to strong performance in securing orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects. Market share for Phase 2 of the GIGA School Concept **expanded further** in comparison with the end of the previous fiscal year.

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



i-FILTER Series

- As a result of rigorous project management, orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects have progressed strongly, resulting in significant growth for the i-FILTER series (+280 million yen/+43.2%).

m-FILTER Series

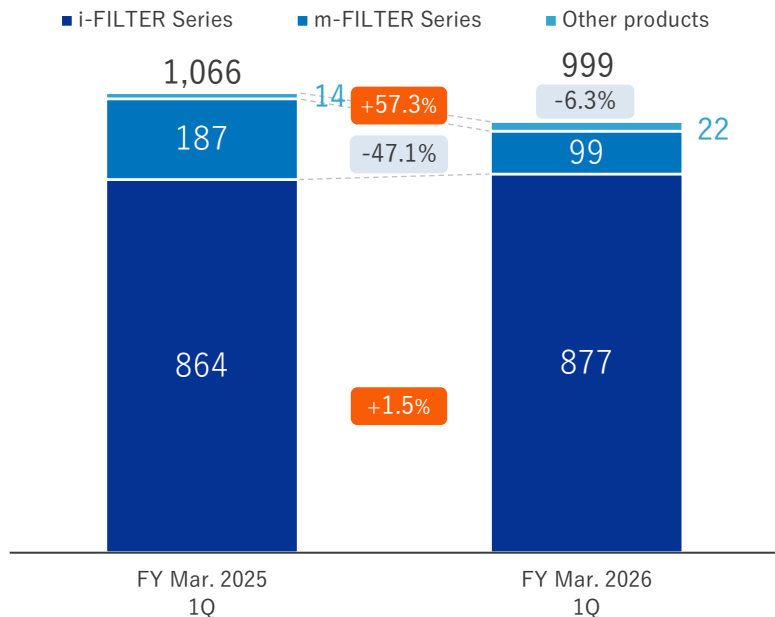
- Although orders for Next-Generation School Affairs DX projects are progressing well, the contract amount experienced negative growth (-14 million yen/-7.1%) due to the loss of large-scale Security Improvements for Local Governments Projects from the previous fiscal year.

Other products

- In Next-Generation School Affairs DX projects, while bundled sales of f-FILTER and m-FILTER remained steady, the loss of orders for FinalCode projects secured in the previous fiscal year resulted in negative growth.

Orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects are progressing well, resulting in a **substantial increase in contracts**. However, since this increase in contracts is mainly an increase in cloud service products, it was not immediately reflected in net sales under corporate accounting rules, leading to a decrease in net sales.

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



i-FILTER Series

- As a result of rigorous project management, orders for Phase 2 of the GIGA School Concept and Next-Generation School Affairs DX projects are progressing smoothly. However, these projects primarily involve orders for cloud service-related products, which, under corporate accounting rules, are not immediately reflected in posting of net sales. As a result, net sales saw only modest growth (+12 million yen/+1.5%).

m-FILTER Series

- Although orders for Next-Generation School Affairs DX Projects are progressing smoothly, net sales experienced negative growth (-88 million yen/-47.1%). This is because these orders are primarily orders for cloud service-related products, so they are not immediately reflected in revenue under corporate accounting rules. Moreover, there was the loss of orders for large-scale Security Improvements for Local Governments Projects from the previous fiscal year.

Other products

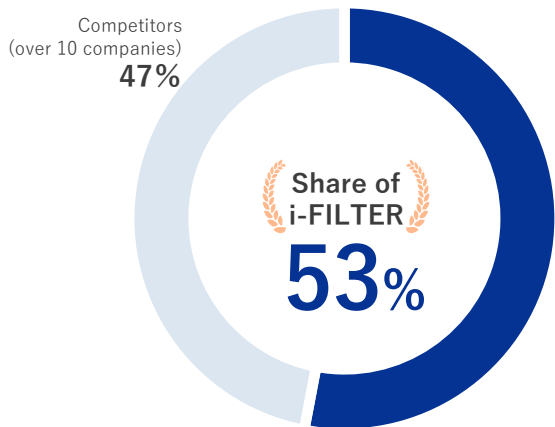
- Posting of net sales for FinalCode and f-FILTER in the Next-Generation School Affairs DX projects is progressing, resulting in significant growth.

Progress of Phase 2 of the GIGA School Concept

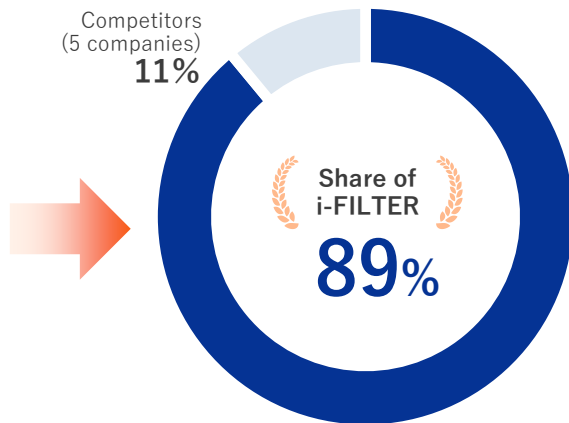
The market share gained by broadly advertising i-FILTER—a product that has a competitive advantage—through sales and marketing activities has grown **even further** since the end of March, 2025.

Introduction of filtering under the GIGA Schol Concept*1

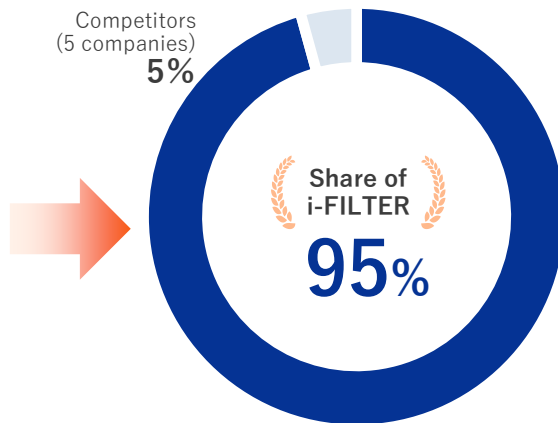
Phase 1 of the GIGA Schol Concept



Phase 2 of the GIGA School Concept as of March 2025



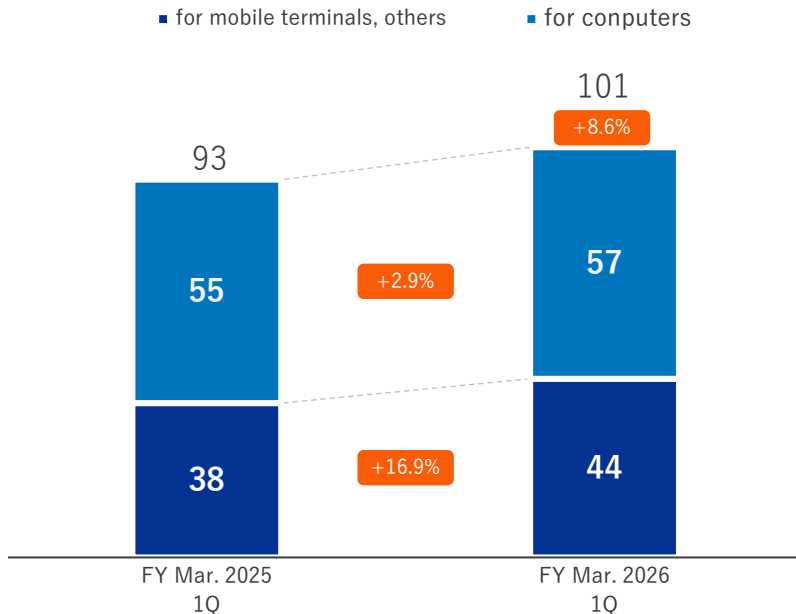
Phase 2 of the GIGA School Concept as of June 2025



*1: According to our survey of 1,741boards of education (Internal research) (June 2025)

In the consumer sector market, we **achieved growth** as a result of strengthening promotional efforts with regard to MVNO distribution channels and OEM providers. We aim to achieve further growth through the release of security products for individual customers.

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



- MVNO distribution channels, OEM providers, and promotional efforts for multi-year package products have been successful, driving growth (+8 million yen/+8.6%).
- In recent years, issues such as online securities account hijacking and phishing scams have become social issues, and there is a growing need for measures to address security risks associated with personal Internet use. To meet such needs, we plan to release security products for individual customers during the current fiscal year.

Consolidated Financial Results for the First Three Months
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04. 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

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

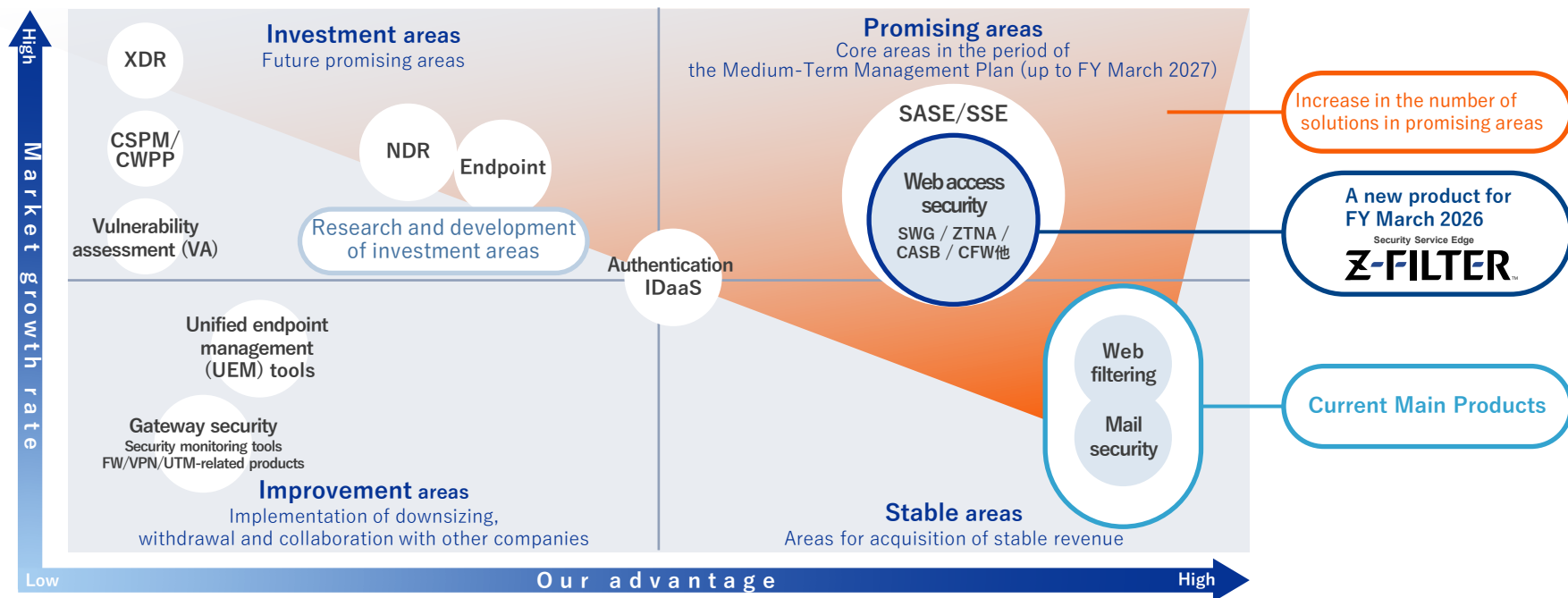
Web filtering /
Mail Filtering/
Integrated SWG / CASB/
IDaaS / EDR

CAGR 18%

At the time of the formulation of the
Medium-Term Management Plan
CAGR 17.0%

*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

We will develop sales strategies tailored to company size, centered around our new product, Z-FILTER.



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



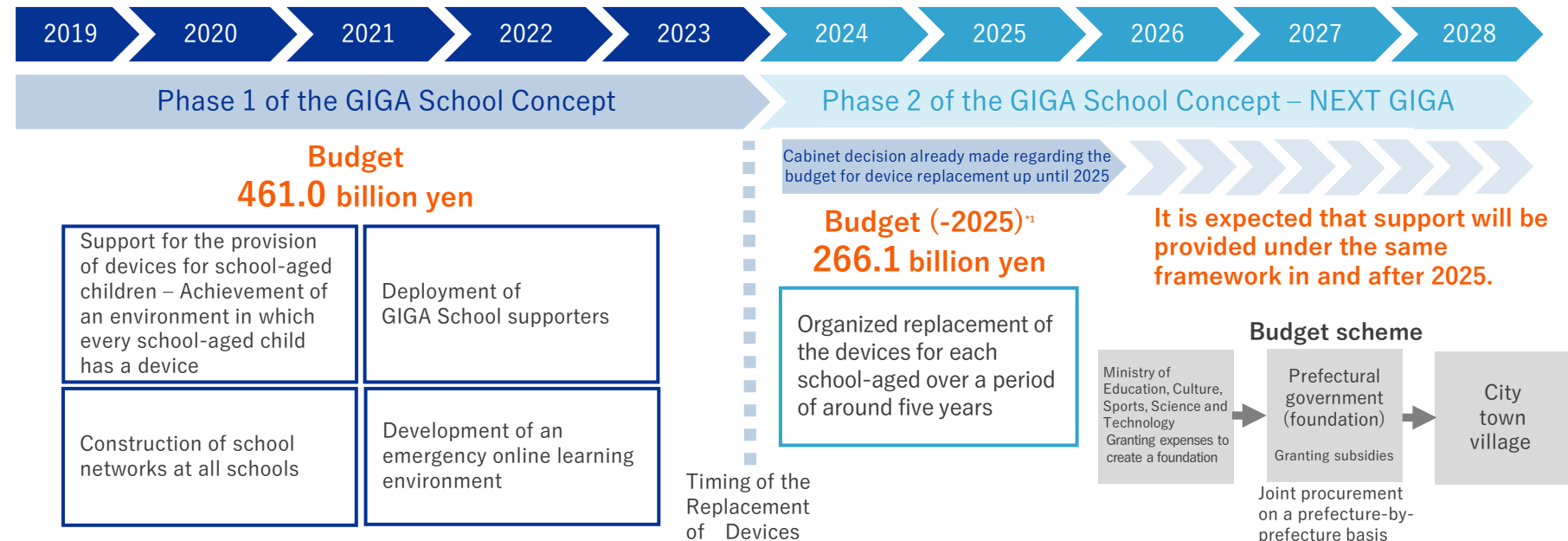
Compliance with ISMS standards

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).

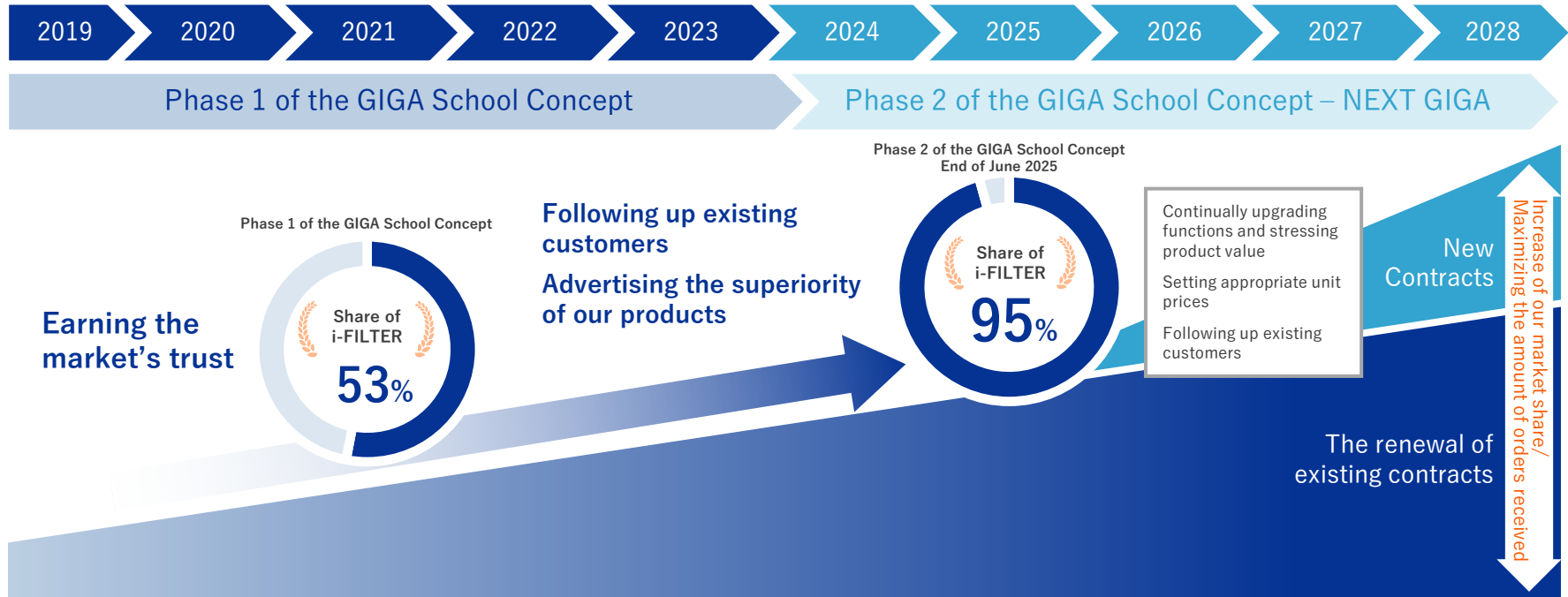
[GIGA School Concept operated by the Ministry of Education, Culture, Sports, Science and Technology]



*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.

As a result of following up with existing customers and promoting the advantages of our products, our **market share has expanded**. Furthermore, we will work on setting **appropriate unit prices (raising unit prices)** with the aim of **maximizing order amounts**.

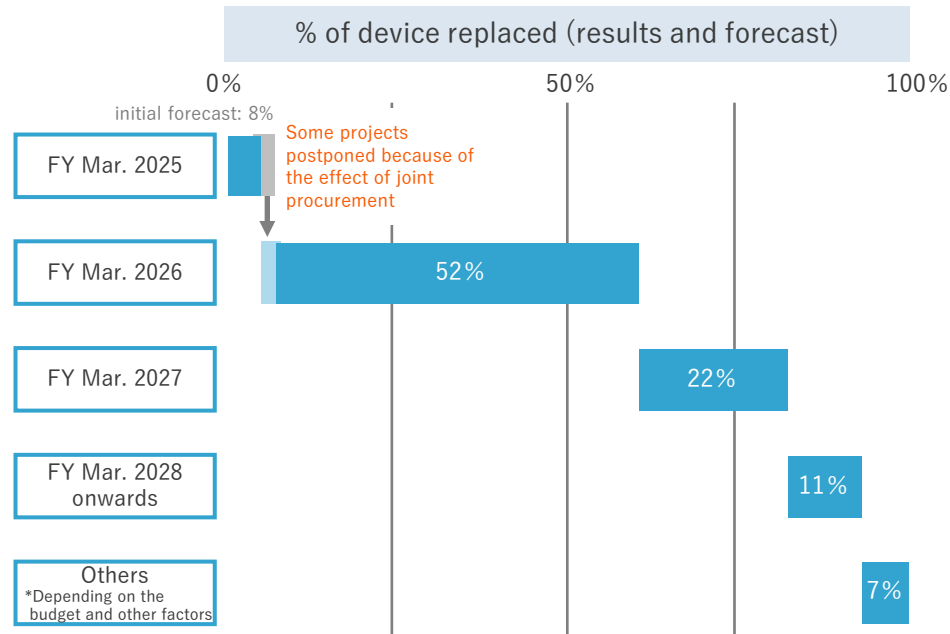


Phase 2 of the GIGA School Concept

- 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]



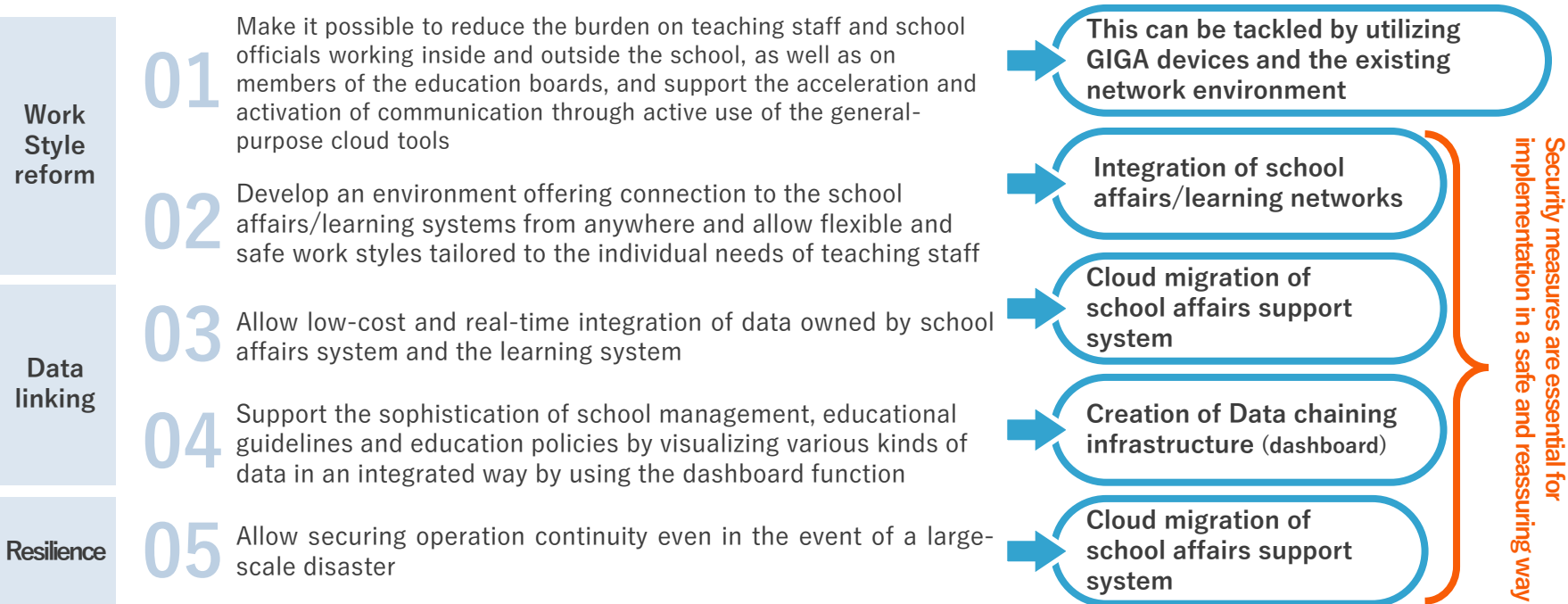
POINT

- 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



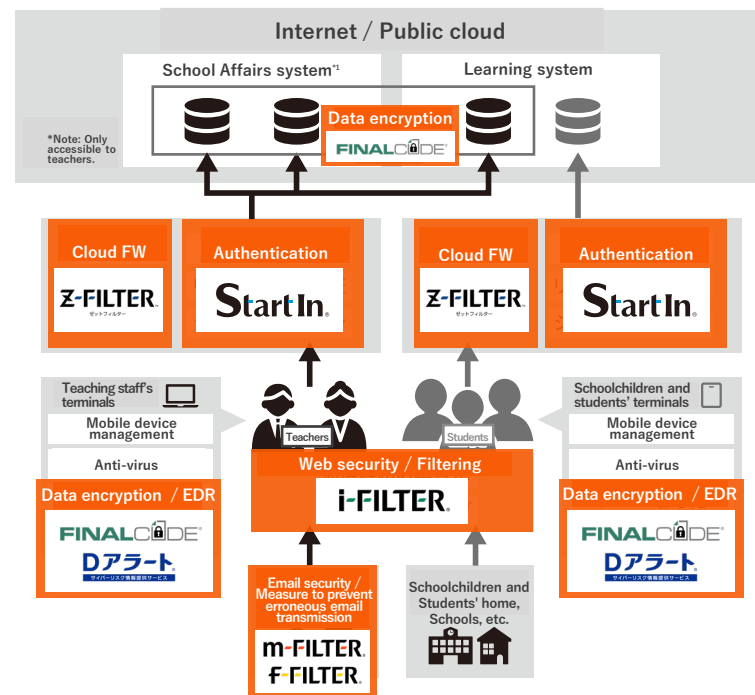
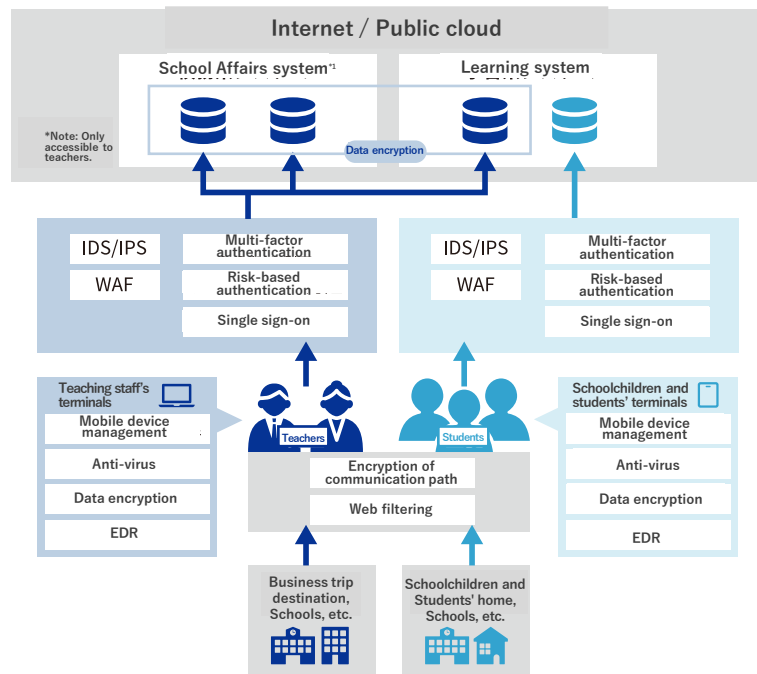
Source: Created by the Company based on https://www.mext.go.jp/b_menu/shingi/chousa/shotou/175/mext_01385.html

The release of “Z-FILTER” expands the range of areas our products cover, and we expect this to lead to an increase in project unit prices.

Overview diagram of security measures in school affairs DX

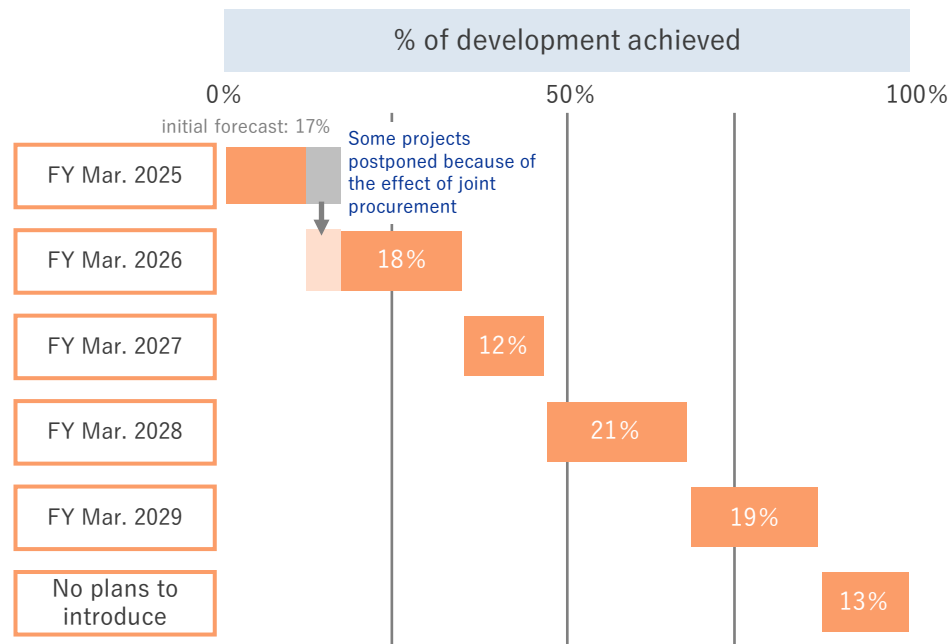


Security support map with our products = Scope of supports



Preparations for the launch of the school affairs support system are expected to progress even further this fiscal year than previous fiscal year.

[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 for the First Three Months
of the Fiscal Year Ending March 31, 2026

05. FY03/26 Status of Measures

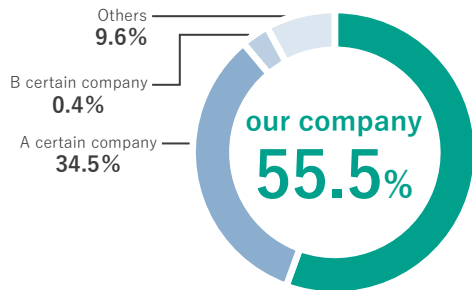


Market shares of i-FILTER and m-FILTER in the enterprise sector and public sector markets

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

According to the ITR Market Review: Cyber Security Solutions Market 2025 market research report published by ITR Corporation, i-FILTER had a 55.5% market share in "Web Filtering Market: Sales Share by Vendor" in FY2023, indicating it had the largest share of the market.

Web Filtering Market: Sales Share by Vendor in FY2023^{*1}

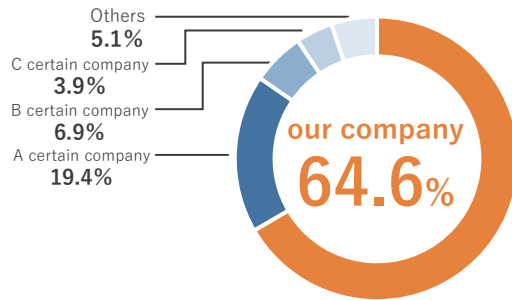


^{*1} Source: "Web Filtering Market: Sales Share by Vendor (FY2023)" in ITR Corporation: ITR Market Review: Cyber Security Solutions Market 2025

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 FY2024 (<https://micr.co.jp/mr/03010/>) market research report by Deloitte Tohmatsu MIC Research Institute Co., Ltd., m-FILTER had a 64.6% market share in "Shipment Volume Share in Email Filtering and Archive Tools Market" in FY2023. This affirms that it had the largest share of the market.

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



^{*2} Source: MIC Research Institute Ltd. "Information Security Solutions Market: Status and Outlook 2024 - Internal Information Leakage Prevention Solutions (<https://micr.co.jp/mr/03370/>)" Email Filtering/Archive Market: Vendor Share (by shipment) (FY2023) (Published March 2025).

Japan's Financial Services Agency (FSA) has reportedly requested financial institutions to stop using PPAP. There is a high likelihood that demand for PPAP countermeasures will accelerate in the financial industry.

The Financial Services Agency has called for a stop to the sending of emails with passwords.

2025.05.22 04:35

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目 保存する



Media report, May 22, 2025

- In May 2025, during a discussion with regional banks, a senior official of Japan's Financial Services Agency (FSA) clearly stated that "PPAP should not be used as a basic rule."
- Shizuoka Bank and Bank of Kyoto have already switched to file transfer using online storage, but few financial institutions have yet completed their response.

Going forward, FSA plans to confirm the progress of corrective measures through inspections and monitoring.

Source: Nikkin Online <https://www.nikkinonline.com/article/274197>

Reference: What is our mainstay solutions “White Operation” ?

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)



Access to unknown hazardous websites

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



Receive of unknown hazardous email

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



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.

Security measures other than DA (blacklist method)

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

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

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



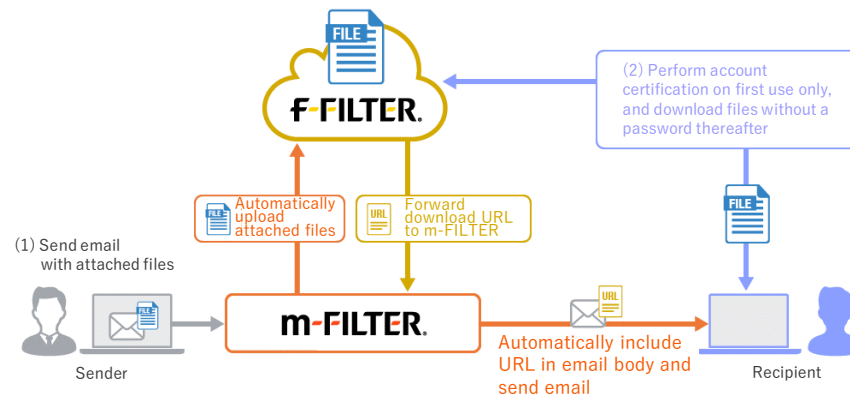
2

The implementation of measures to prevent the falsification of the database

Increasing case studies of PPAP measures through m-FILTER integration

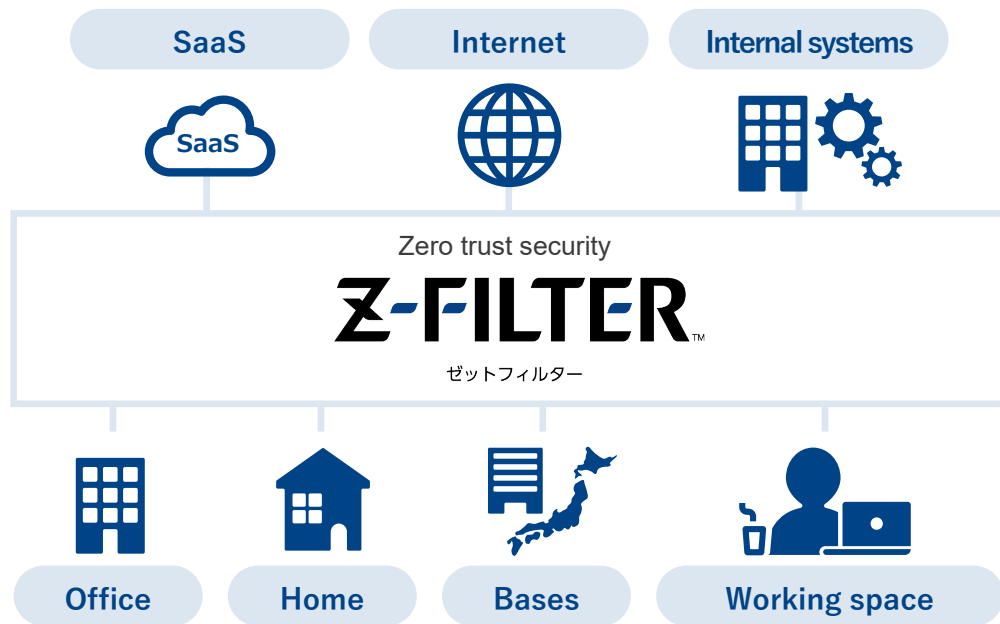
Chugoku Electric Power

Chugoku Electric Power Co., Inc. has adopted Digital Arts' data protection and file transfer service f-FILTER and integrated it with the email security solution m-FILTER to eliminate the need for ZIP encryption measures (PPAP measures). This solution replaces traditional ZIP encryption with a download URL method for file transfers, enabling recipients to receive files safely without a password using certification. Compatibility with m-FILTER and secure access restrictions were key factors in the decision to adopt f-FILTER, with enhancements in email environment security expected.



New Product [Z-FILTER] scheduled for release this fall

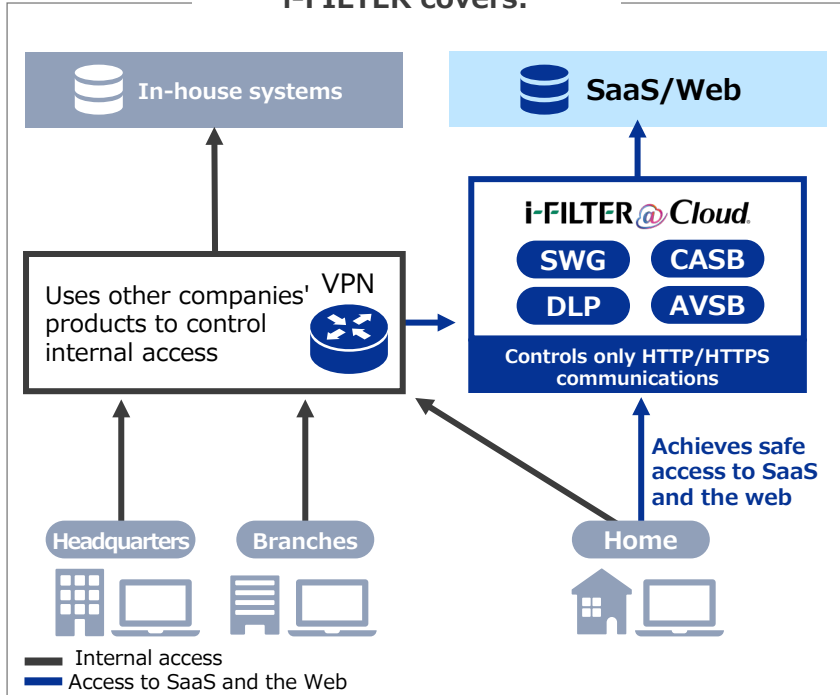
Achieves secure access from inside and outside of a company to not only its external resources but also its internal resources. **Solves the issues of existing zero trust security products** such as deployment settings, operational loads and costs.



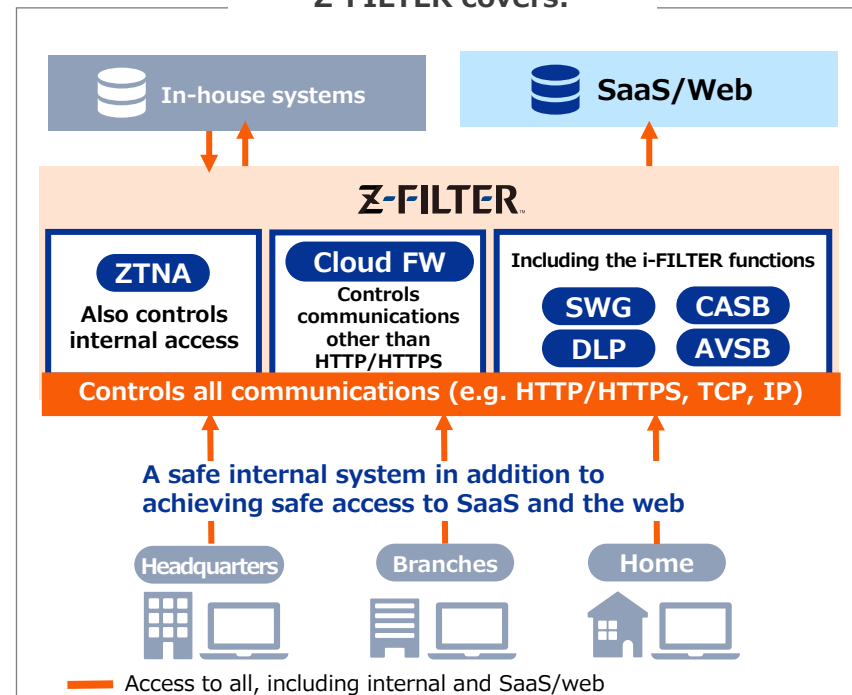
- 1 Achieves high-level safety through white operation
- 2 Equipped with the ZTNA (non-VPN) function
- 3 Easily deployable and reduces operational loads
- 4 Available with a simple plan and at an affordable price

Z-FILTER includes all of the functions of i-FILTER. In addition, it is equipped with ZTNA and cloud FW functions and **can thus control all communications**.

i-FILTER covers:



Z-FILTER covers:

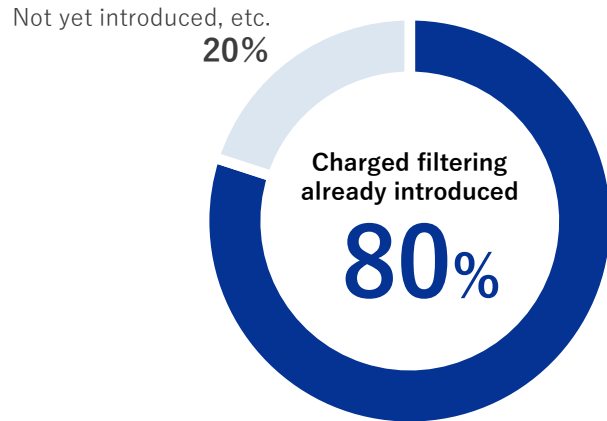


Progress of Phase 2 of the GIGA School Concept (1)

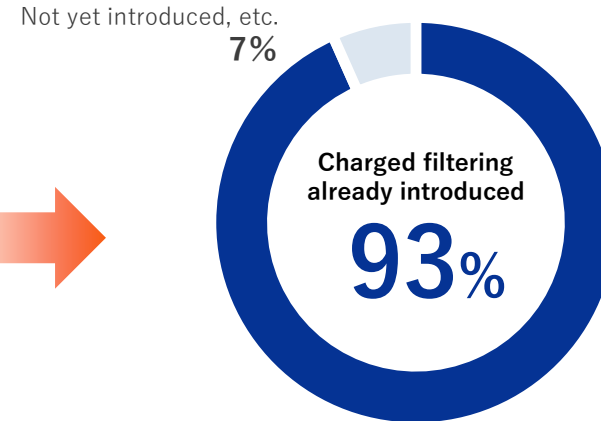
The percentage of boards of education introducing pay filtering is now higher than in the first phase of GIGA School Concept.

Introduction of filtering under the GIGA Schol Concept*1

Phase 1 of the GIGA Schol Concept



Phase 2 of the GIGA Schol Concept

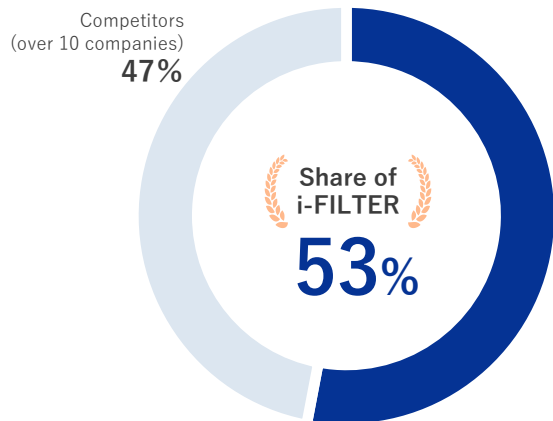


*1: According to our survey of 1,741 boards of education (Internal research) (June 2025)

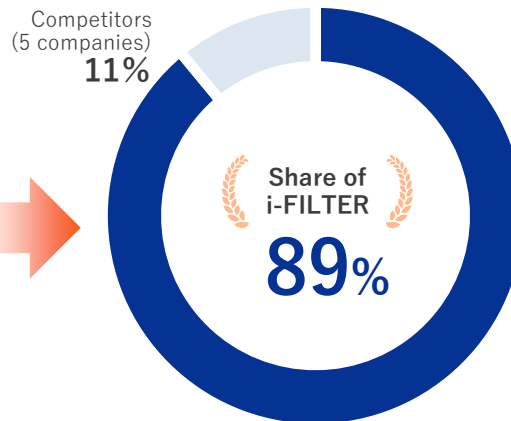
By promoting the competitive advantage of i-FILTER through sales and marketing activities, **market share expanded further** from the end of March 2025.

Introduction of filtering under the GIGA Schol Concept*1

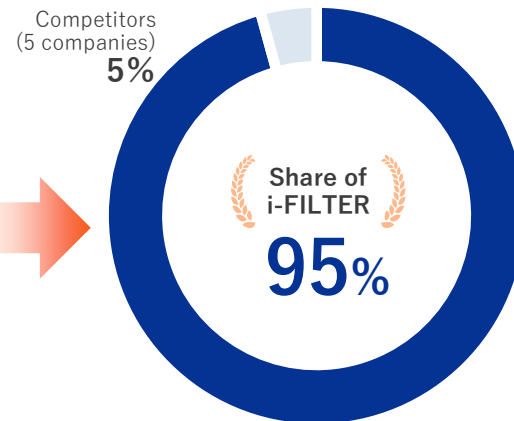
Phase 1 of the GIGA Schol Concept



Phase 2 of the GIGA School Concept as of March 2025



Phase 2 of the GIGA School Concept as of June 2025



*1: According to our survey of 1,741boards of education (Internal research) (June 2025)

The market share gained by broadly advertising i-FILTER—a product that has a competitive advantage—through sales and marketing activities has grown **even further** since the end of March, 2025.

Major security threats associated
with Internet use

Online hijacking of
securities accounts

Spam and scam calls

Phishing scams

Connecting to dangerous
Wi-Fi networks



Unknown
Security
threats

Consolidated Financial Results for the First Three Months
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06. FY03/26 Full-Year Financial Forecast



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%	

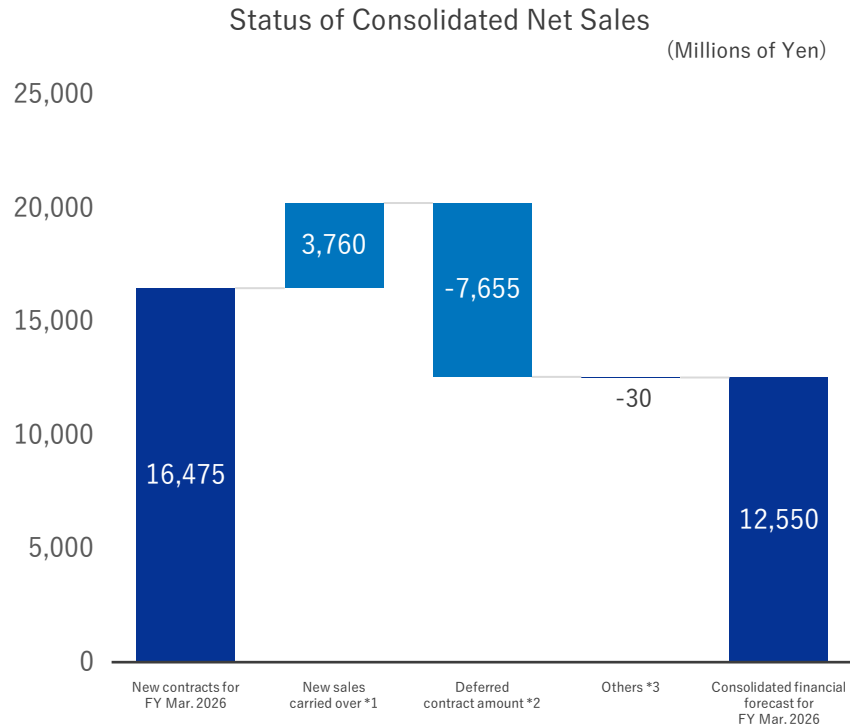
Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2026 (Non-Consolidated)

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

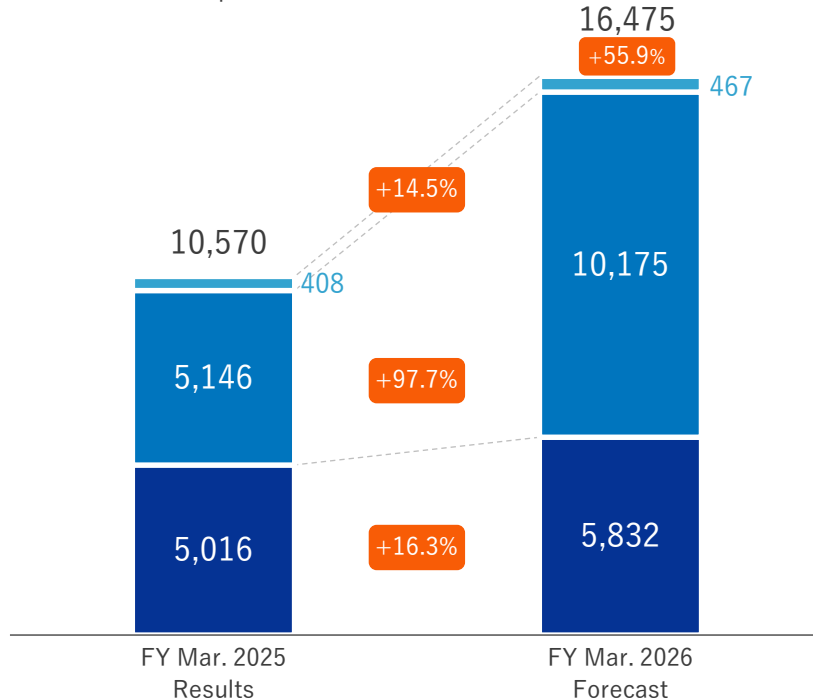
*2 : Contracts for the current fiscal year that are deferred to subsequent fiscal years (contract backlogs)

*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 ■ Public ■ Consumer



Enterprise sector market

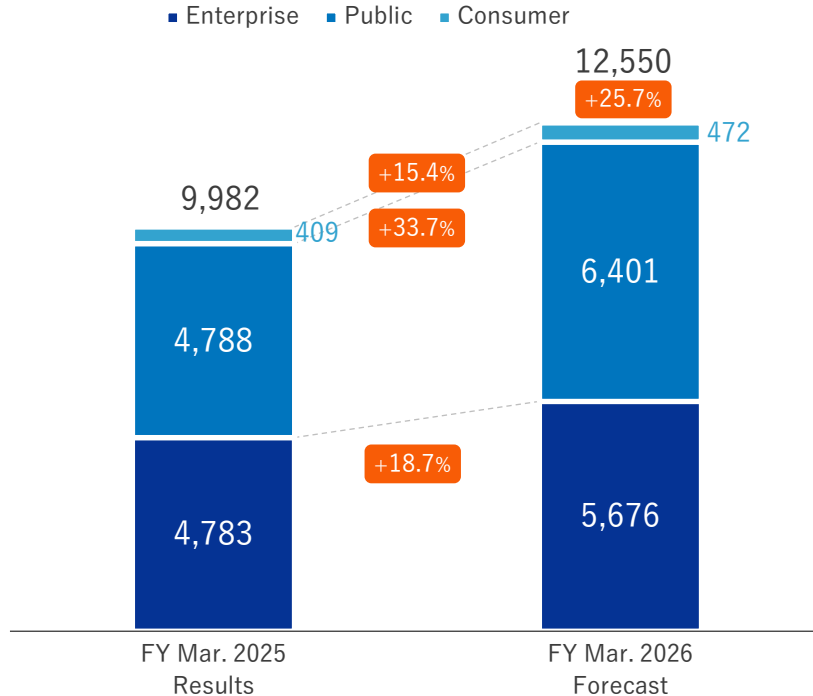
- Contracts are expected to grow, reflecting the expansion of White Operation through proposal activities targeting customers selected in consideration of their industry and the size of their business to cultivate new customers, the proposal of solutions involving a combination of cross-selling and up-selling 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.

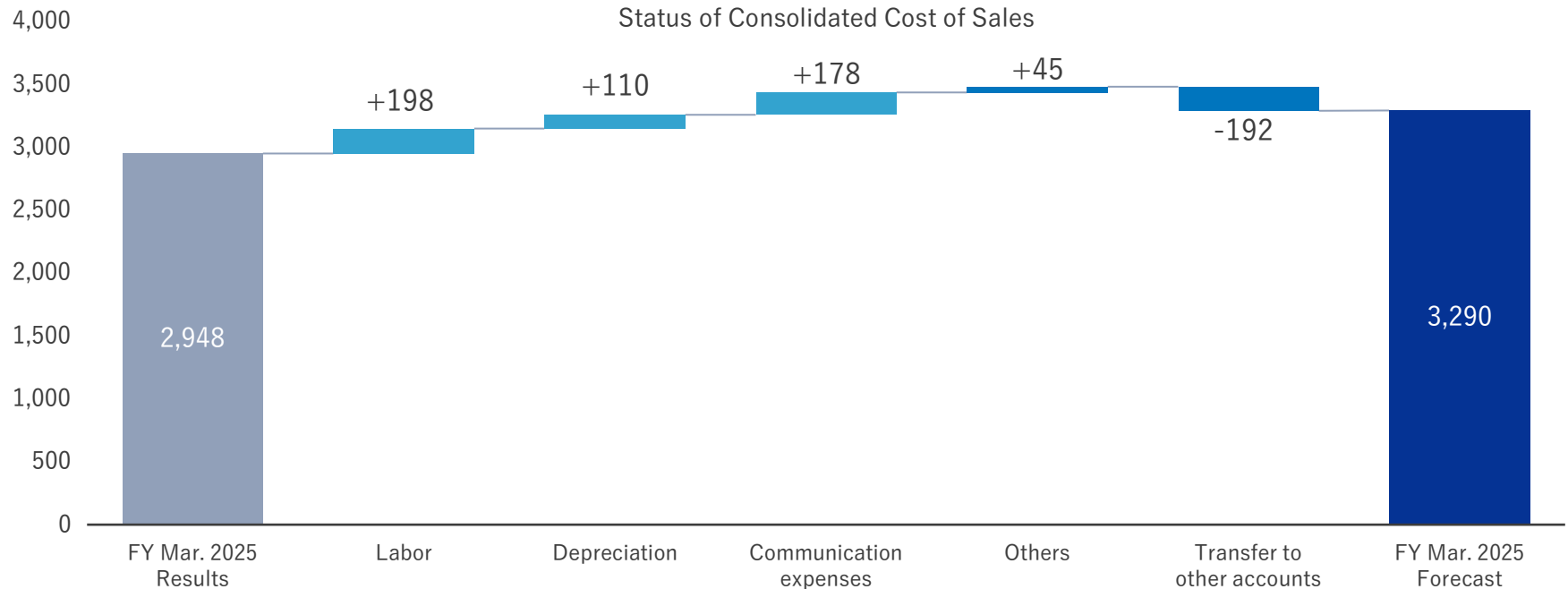
(Millions of Yen)

	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

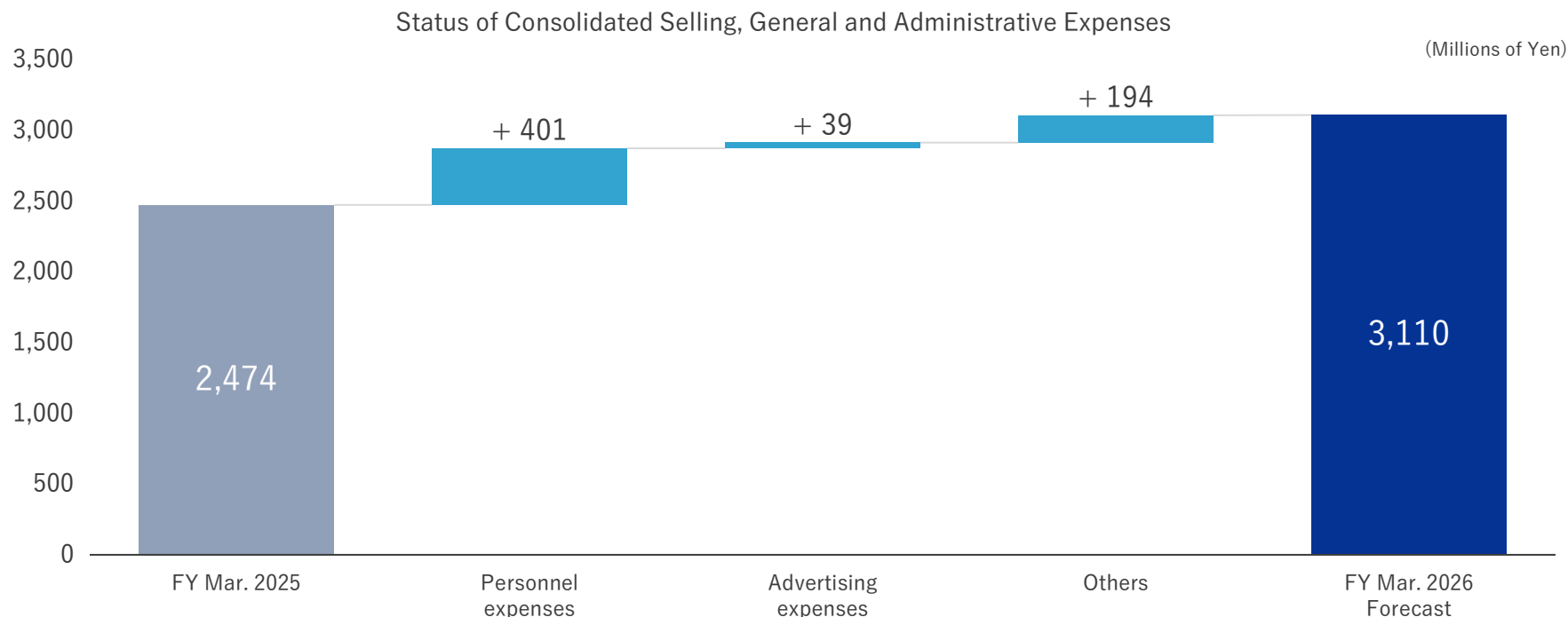
Depreciation is expected to increase due to investments in personnel for the development of new products and new functions and the development and improvement of software. Communication expenses are forecast to increase slightly after implementation of fundamental cost control measures.

(Millions of Yen)



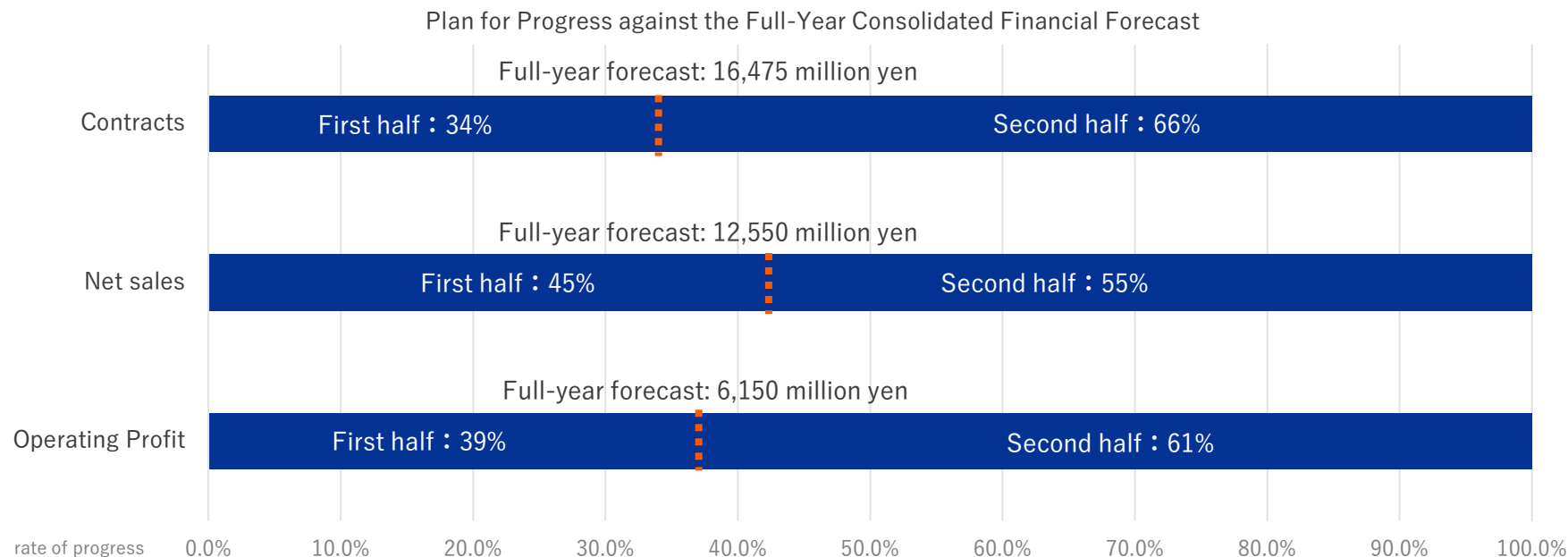
Status of Consolidated Selling, General and Administrative Expenses

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.



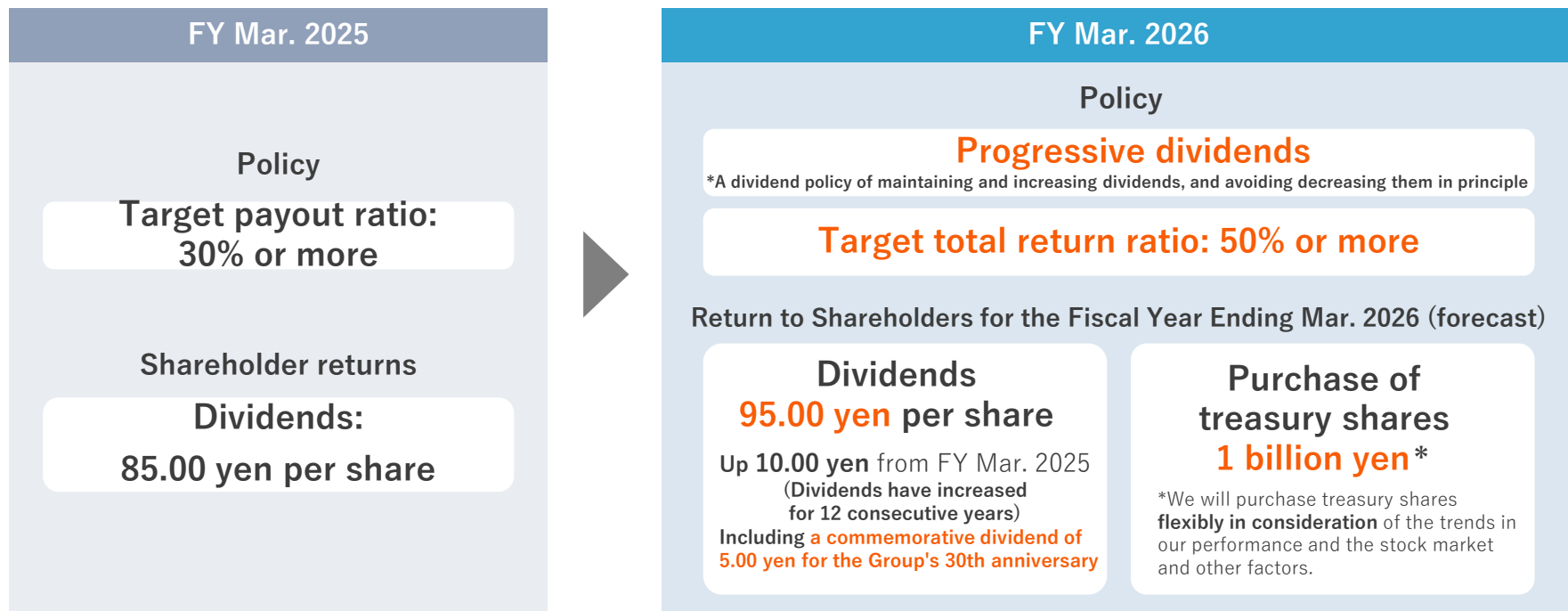
Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending March 31, 2026

07. FY03/26 Return to Shareholders



Return to Shareholders for the Fiscal Year Ending Mar. 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.

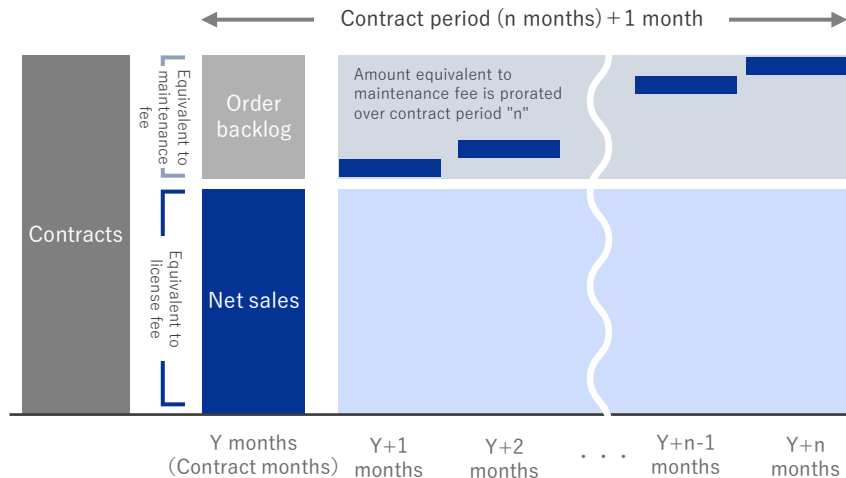


Consolidated Financial Results for the First Three Months
of the Fiscal Year Ending March 31, 2026

08. Appendix

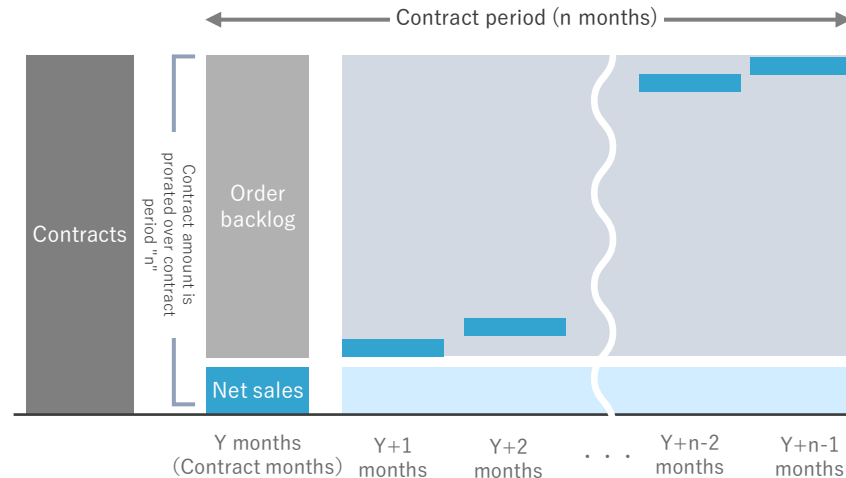


License sales products



- 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

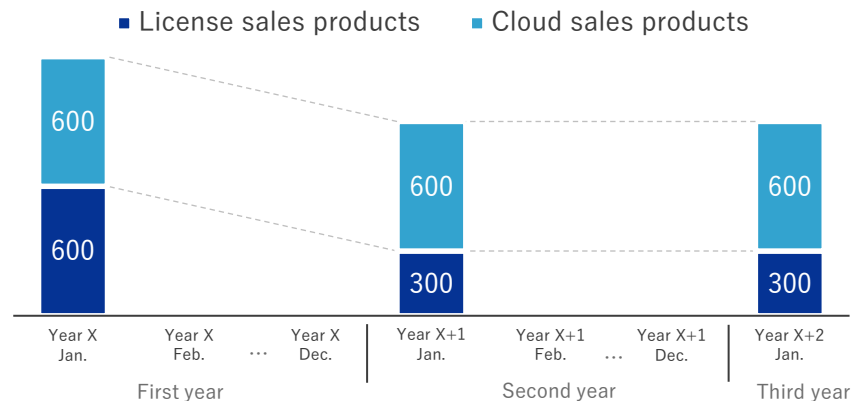


- Contract amount is recorded as sales on a pro rata basis over the contract period (split into equal monthly amounts).
- As the contract amount of cloud service products rises, the contract amount that is deferred (order backlog) increases.

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

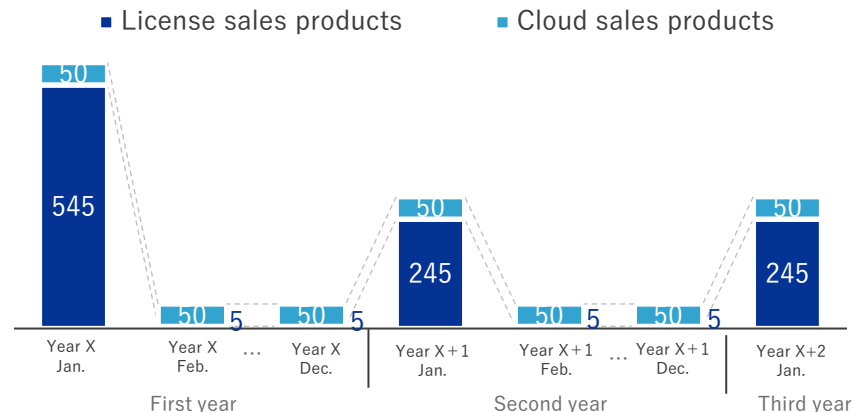
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a one-year contract at the amount of 600 million yen.

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



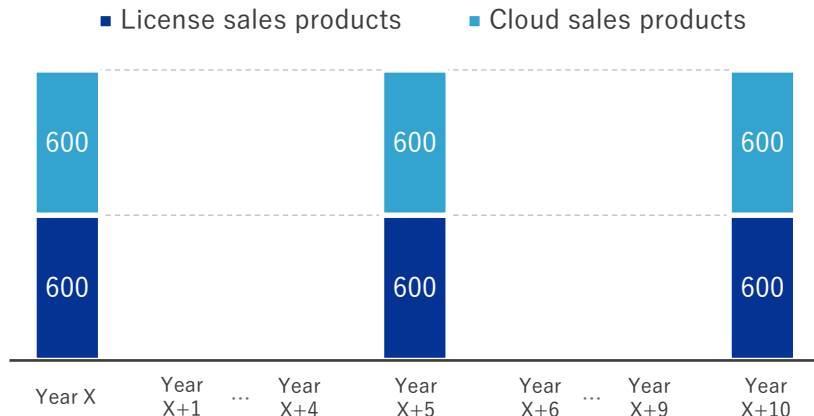
For license sales products, a high percentage of net sales is recorded at the time of the contract. For cloud service products, net sales are posted in monthly installments. For license sales products, net sales decrease because of a decline in contracts at the time of renewal. For cloud service products,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

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

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

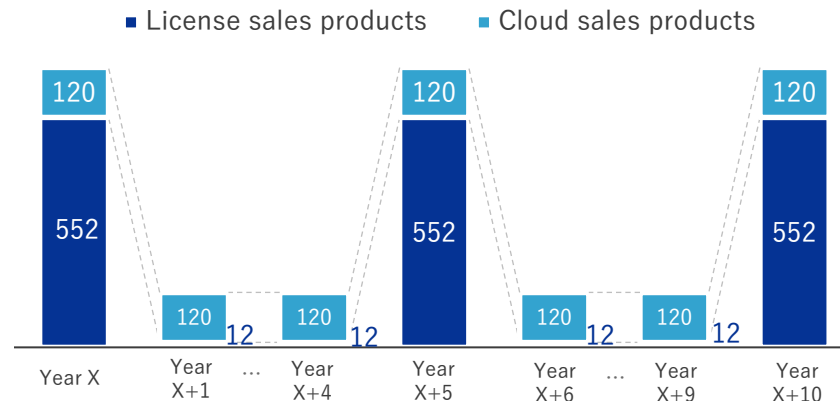
For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a five-year contract of 600 million yen.

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).

- 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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