

June 8, 2026

To our shareholders and investors

Digital Arts Inc.

Toshio Dogu, Representative Director, President and CEO

Supplementary Explanation Concerning Our Business Environment and Future Growth Policy

Thank you very much for your continued understanding and support for our business.

In light of the questions we received from our shareholders and investors concerning our results for the fiscal year ended March 2026 and our financial forecast for the fiscal year ending March 2027, I would like to provide a supplementary explanation as follows with regard to our understanding and future initiatives.

1. Financial results for the fiscal year ended March 2026

Contracts and net sales for the fiscal year ended March 2026 fell short of our initial forecasts. These results reflect a range of factors, including greater-than-anticipated price competition for some contracts related to the GIGA School Concept in the public sector market as well as changes in the terms and conditions and duration of contracts and more modest early growth momentum in the enterprise sector market than was initially expected. We take these results seriously.

2. Our understanding of the status of contracts related to the GIGA School Concept

On the other hand, as we have transitioned from Phase 1 of the GIGA School Concept to Phase 2 of the GIGA School Concept, our market share has risen from 53% to 70%, and unit price per order has also increased by around 30%. We believe this indicates that the quality of filtering we provide, our operational track record, our support structure, and the value of the realization of a safe and secure Internet user environment in educational settings continues to be appreciated by the market.

Recently, some competitors have put price at the forefront to capture certain contracts; however, instead of simply taking action on the price front, we decided to attach importance to maintaining price levels commensurate with product value and profitability in the medium and long term and to maintaining our brand value in the education market. In view of this, it is our understanding that our failure to achieve the forecast on this occasion is not attributable to the erosion of our product competitiveness as such but rather reflects a combination of factors, including price competitiveness for certain contracts, changes in contractual terms and conditions, and the timing of contract renewals.

Going forward, we will continue aiming for further improvement in our share of the education market by strengthening cooperation with our sales partners and also further strengthening contact points with local governments, boards of education and other relevant parties, and by taking more care in promoting the value of our products. In the fiscal year ending March 2027 especially, we will leverage our strong customer base and the strong reputation of our products in the education market and implement a range of measures aimed at getting our market share back up to 90% or higher. These include ramping up proposal activities and increasing our capacity to accommodate renewed contracts.

3. Recurring revenue model and revenue base

Our strength is that our business does not rely solely on us winning large contracts and special demand contracts in a

single fiscal year but rather that we consistently maintain a high operating margin based on a recurring revenue model that assumes continued use. While our financial results may fluctuate to some extent in the short term due to changes in the timing of renewal of public contracts or the timing of recognition of net sales, we understand that our revenue base will remain solid because it is underpinned by ongoing business relationships with existing customers and stable continuous use of our mainstay products.

Going forward, we will continue further strengthening our stable revenue base through the maintenance and expansion of our existing customer base, continued use of our mainstay products, and the cross-selling and upselling of related products.

4. Growth strategies in the enterprise sector market

To achieve growth in the future, we will maintain and strengthen our customer base in the education market while at the same time seeking to expand growth areas by further accelerating growth in the enterprise sector market. In the enterprise sector market, we will continue to expand sales of our mainstay i-FILTER and m-FILTER products and work to increase sales of Z-FILTER and other new and related products. Especially by ramping up cross-selling and upselling to existing customers, we will aim for improvement in average spend per customer and continuous revenue expansion. Additionally, we will strengthen our touchpoints with end users while continuing to collaborate with sales partners. By doing this, we will actively propose solutions based on the issues and on-site needs of customers. This will increase the accuracy of proposals, improve the ratio of orders received, and increase unit prices per order, and will lead to further acceleration of growth in the enterprise sector market.

Z-FILTER is a product that extends the whitelisting approach we excel at to the zero trust security domain. We expect to cross-sell it to existing customers and tap into new demand in the enterprise sector market and have positioned it as a driver of growth in the medium term. Moving forward, we will make steady progress creating projects, strengthening the proposal structure and collaborating with sales partners, and transition to a new growth phase where the enterprise sector market is an earnings pillar alongside growth centered on the education market.

5. Financial forecast for the fiscal year ending March 2027

The financial forecast for the fiscal year ending March 2027 takes into account factors such as the buildup of contracts, while at the same time carefully factoring in changes in the duration of contracts, the timing of recognition of net sales, the timing of renewal of public sector contracts and other factors. It is a forecast with greater emphasis on the certainty of achievement. This does not signal a pessimistic attitude towards growth on our part. Rather, in view of our failure to achieve the forecast in the fiscal year ended March 2026, our priority was to present shareholders and investors with a forecast with greater emphasis on achievability.

However, if we make progress with expanding our share in contracts related to the GIGA School Concept, with cross-selling and upselling to existing customers, and with winning contracts for new products such as Z-FILTER, we believe there is scope for additional growth.

6. My message to our shareholders and investors

We take our failure to achieve the targets for the fiscal year ended March 2026 and the revision of the financial forecast for the fiscal year ending March 2027 very seriously. However, it is our understanding that there has been no substantive change in our customer base, product competitiveness, brand value in the education market or high earning

potential based on the recurring revenue model.

Looking ahead, we will maintain and strengthen the customer base established via contracts related to the GIGA School Concept while at the same time steadily transitioning to a new growth phase through sales expansion of mainstay products in the enterprise sector market, cross-selling and upselling to existing customers, and cultivating new products such as Z-FILTER.

I would like to ask shareholders and investors to look beyond the short-term fluctuation in our results to our customer base, product competitiveness, recurring revenue model and the scope for growth in the enterprise security market and I ask for your continued understanding from a medium- to long-term perspective.

I also urge you to refer to the FAQ section of our website (<https://www.daj.jp/en/ir/faq/>), where you will find answers to questions frequently asked by shareholders and investors following the disclosure of our results.

If you have any further inquiries about this matter, please contact us on the following number.

[Contact for inquiries]

Investor Relations Office, Digital Arts Inc.

TEL: +81-3-5220-1670

Our senior management team and employees will continue working together to meet your expectations and achieve business growth and improvement in corporate value. We greatly appreciate your continued support.