



**Consolidated Financial Results for the  
Fiscal Year Ending March 31, 2023**  
(From April 1, 2022 to March 31, 2023)

Financial Results Briefing Materials

May 9, 2023

Digital Arts Inc.  
(Securities Code: 2326)

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**Material on Consolidated Financial Results the Fiscal Year Ending  
March 31, 2023**

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# **Consolidated Results Highlights**

## Contracts

**10,190 million yen**

(up +979 million yen or +10.6%  
year on year)

- In the enterprise section market, the Group achieved growth by winning new projects and new customers for DAC. It did so by offering a new optional function to respond rising demand for cloud services and comprehensive security needs.
- In the public sector market, the Group won new GIGA School Concept projects and strong orders from local governments.

## Net sales

**10,436 million yen**

(up +1,384 million yen or +15.3%  
year on year)

- Net sales increased in the enterprise sector market thanks to growth in sales of cloud service products and DAC growth.
- In the public sector market, net sales grew following the acquisition of good orders from local governments in addition to posted sales of GIGA School Concept projects.

## Operating profit

**4,413 million yen**

(up +286 million yen or +7.0%  
year on year)

- In cost of sales, server expenses increased due to growth in licenses for cloud service products and the impact of rapid yen depreciation.
- SG&A expenses were affected by an increase in advertising expenses and an increase in recruiting expenses after DAC increased consultants.

# Consolidated Results Summary



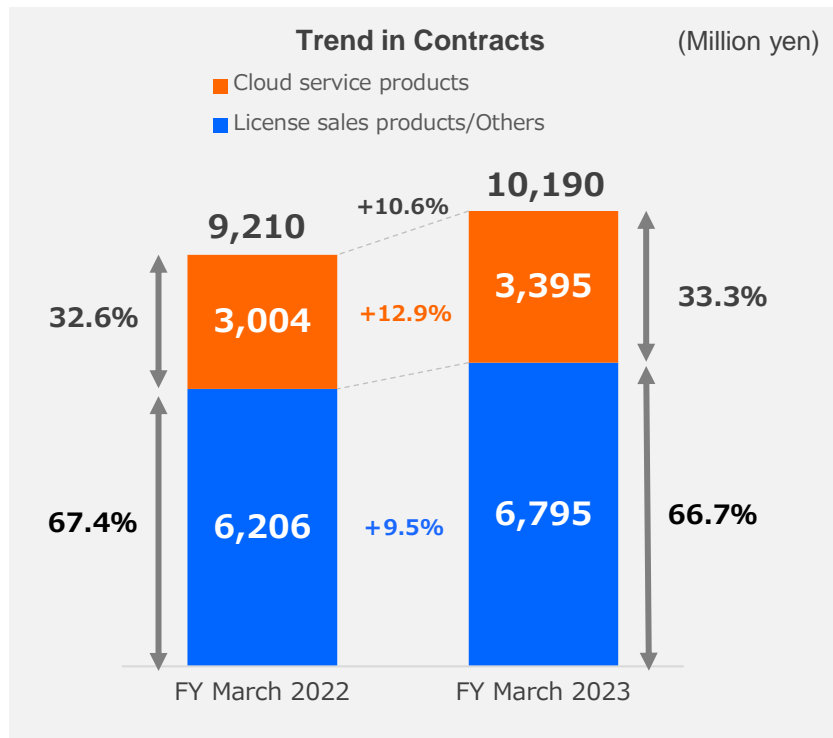
| (Million yen)                                | FY March 2022 | FY March 2023 | Change YoY | FY March 2023<br>Full-Year<br>Forecast |
|--|---------------|---------------|------------|--|
| Contracts                                    | 9,210         | 10,190        | +10.6%     | -                                      |
| Net sales                                    | 9,051         | 10,436        | +15.3%     | 10,500                                 |
| Cost of goods sold                           | 2,676         | 3,666         | +37.0%     | 3,350                                  |
| Gross profit                                 | 6,374         | 6,769         | +6.2%      | 7,150                                  |
| Selling, general and administrative expenses | 2,248         | 2,356         | +4.8%      | 2,450                                  |
| Operating profit                             | 4,126         | 4,413         | +7.0%      | 4,700                                  |
| Operating margin                             | 45.6%         | 42.3%         | -          | 44.8%                                  |
| Ordinary profit                              | 4,135         | 4,429         | +7.1%      | 4,700                                  |
| Profit attributable to owners of parent      | 2,900         | 3,062         | +5.6%      | 3,250                                  |
| EBITDA                                       | 5,099         | 5,388         | +5.7%      | -                                      |

\* Financial Forecast is the consolidated financial forecast announced on May 10, 2022.

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

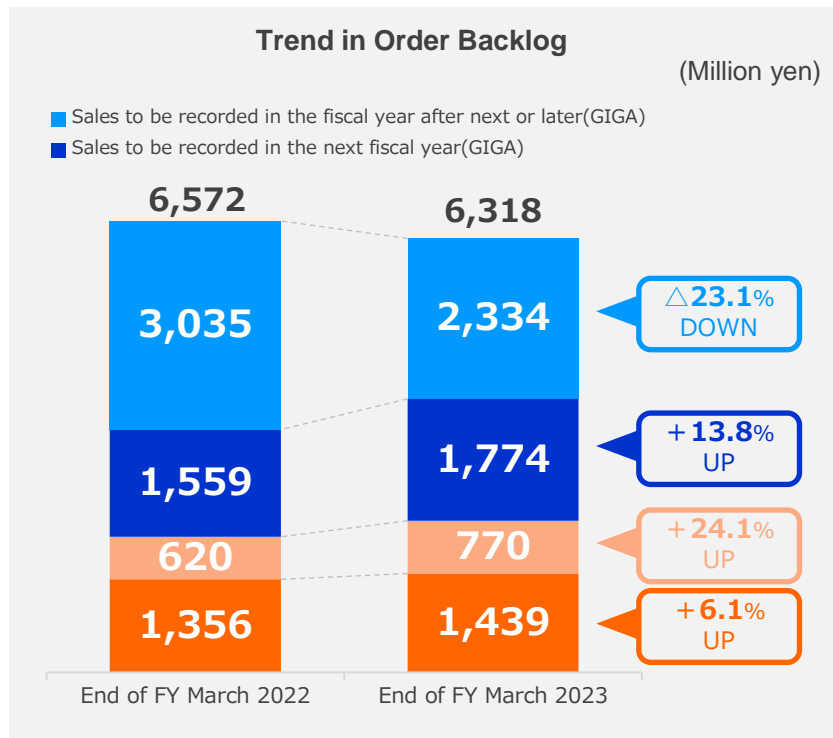
# Trend in Consolidated Contracts

Consolidated contracts totaled **10,190 million yen**, up **+10.6%** year on year.



- **Contracts for both cloud services and license sales increased year on year.**
- **Contracts for cloud service products increased 12.9%, as the Group steadily won new projects amid growing cloud demand in the enterprise sector market.**
- **In the category of license sales products and other, the reactionary fall from a large government office project in the public sector market in the previous fiscal year was more than offset by receiving local government projects and the steady growth of the market for enterprises, resulting in a 9.5% increase.**

Sales of GIGA School Concept projects were posted, and orders for cloud service projects increased.

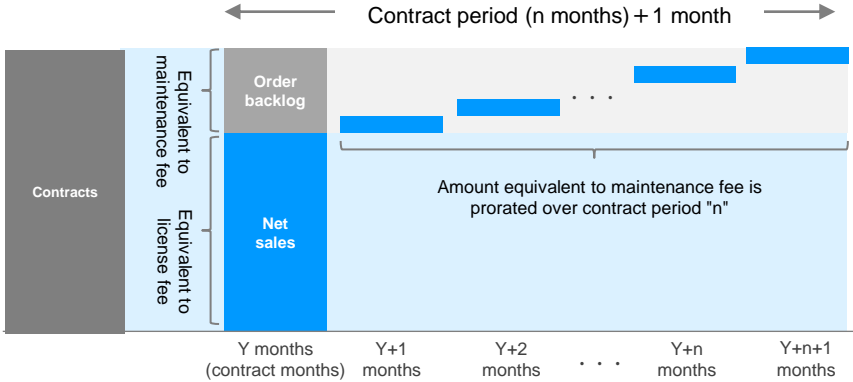


- Many GIGA School Concept projects are five-year contracts. Over time, more sales are posted. The amount of sales to be recorded will drop in FY March 2025 and later.
- For the current fiscal year, the Group will continue winning new GIGA School Concept projects. Sales to be recorded for the next fiscal year will rise.
- From FY March 2025 onwards, a majority of the GIGA School Concept projects will expire. Contracts will grow towards a new peak.
- Many projects for enterprises are one-year contracts. Of them, the percentage that are cloud service products is gradually rising. Sales to be recorded for the next fiscal year will increase.

# Supplement) Method of recording sales by product

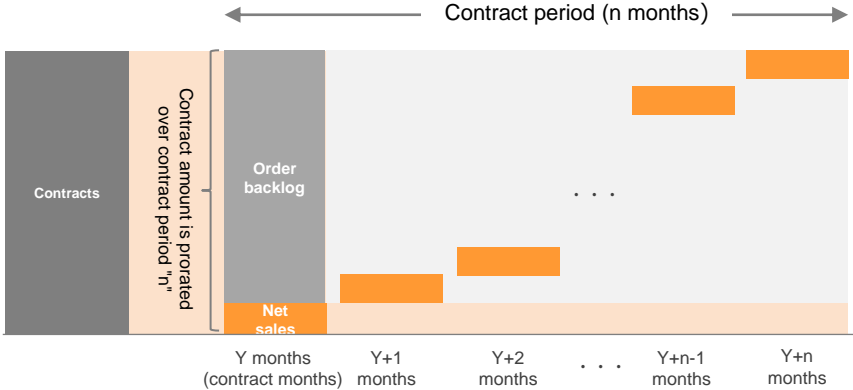


## License sales products



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

## Cloud service products



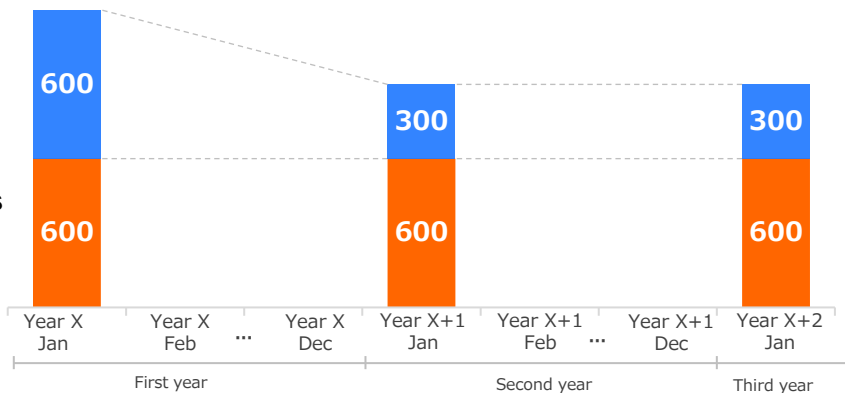
- Contract amount is recorded as sales on a pro rata basis over the contract period (split into equal monthly amounts).
- As the contract amount of cloud service products rises, the contract amount that is deferred (order backlog) increases.



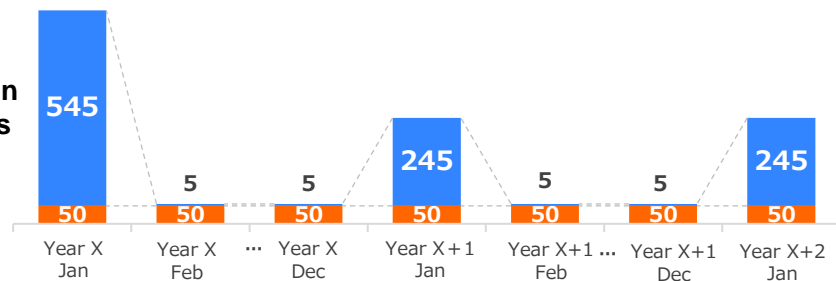
# Supplement) Relationship between contract amount and sales by product (one-year contracts)

- License sales products
- Cloud service products

**Trend in Contracts**



**Change in Net Sales**



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.

### 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.

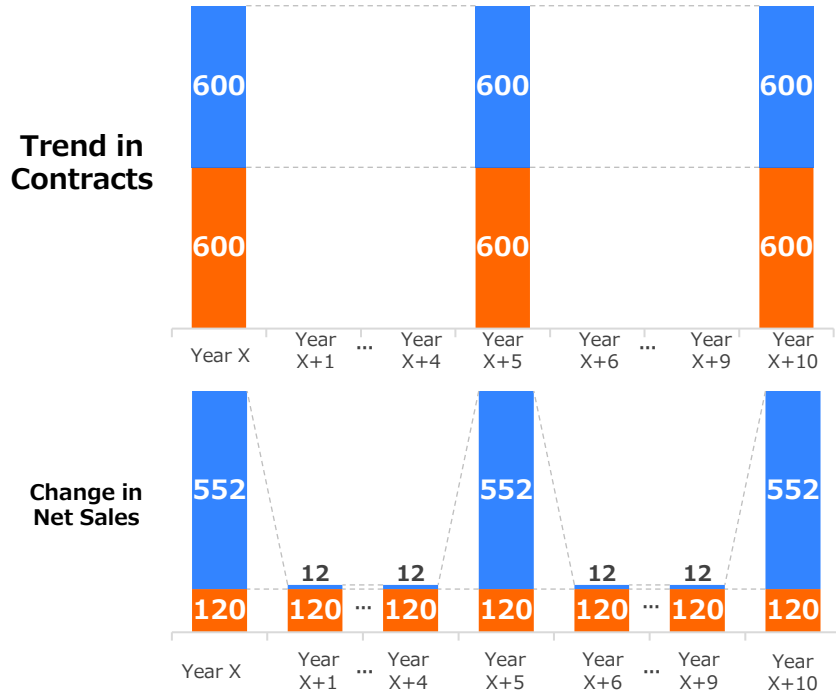
### Net sales

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.

# Supplement) 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.

- License sales products
- Cloud service products



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.

## Contracts

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

## Net sales

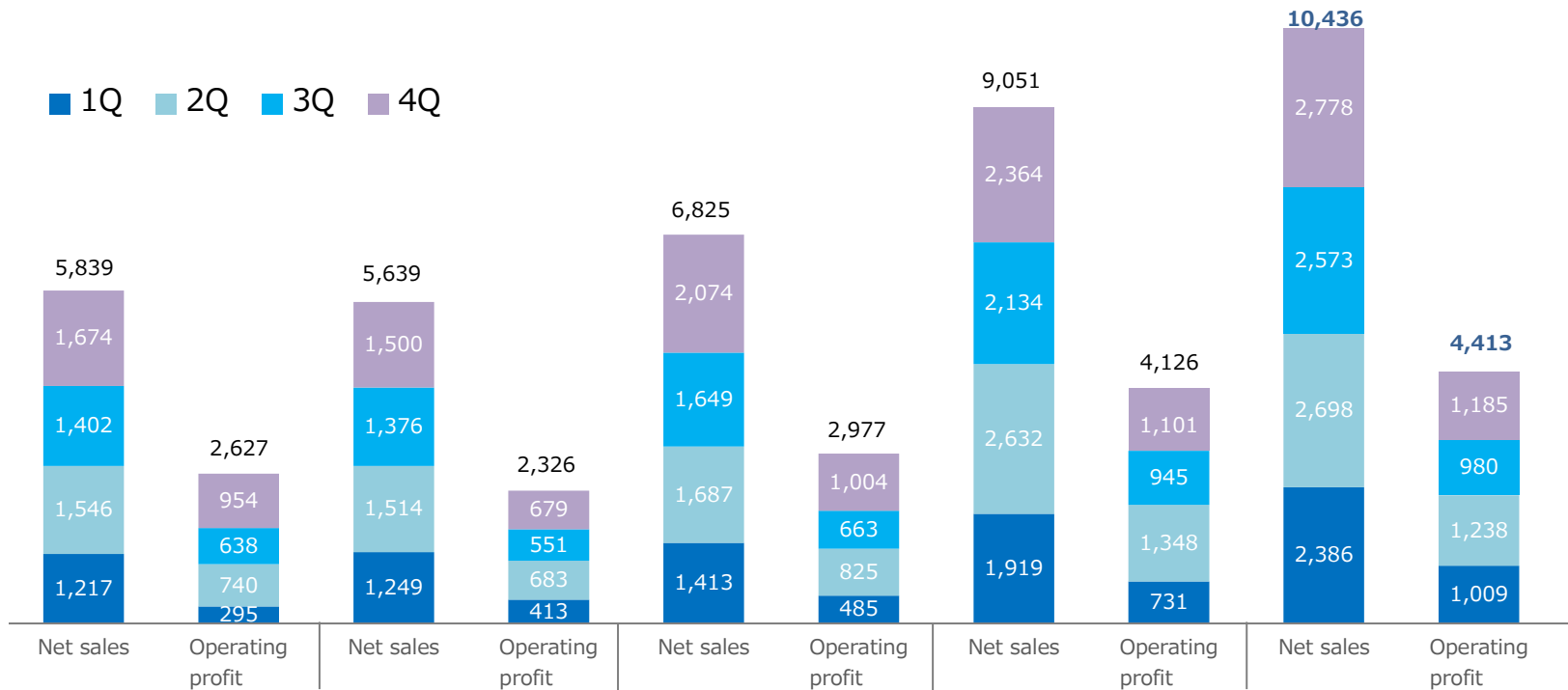
For license sales products, a high percentage of net sales is recorded at the time of contract. For cloud service products, sales are recorded in monthly installments for a period of five years. This means a wider gap between the contract amount and net sales (order backlog).

# Quarterly Trend in Net sales, Operating profit



Quality net sales and operating profit marked **new highs**.

(Million yen)



# Consolidated Cost of Goods Sold and Selling, General and Administrative Expenses

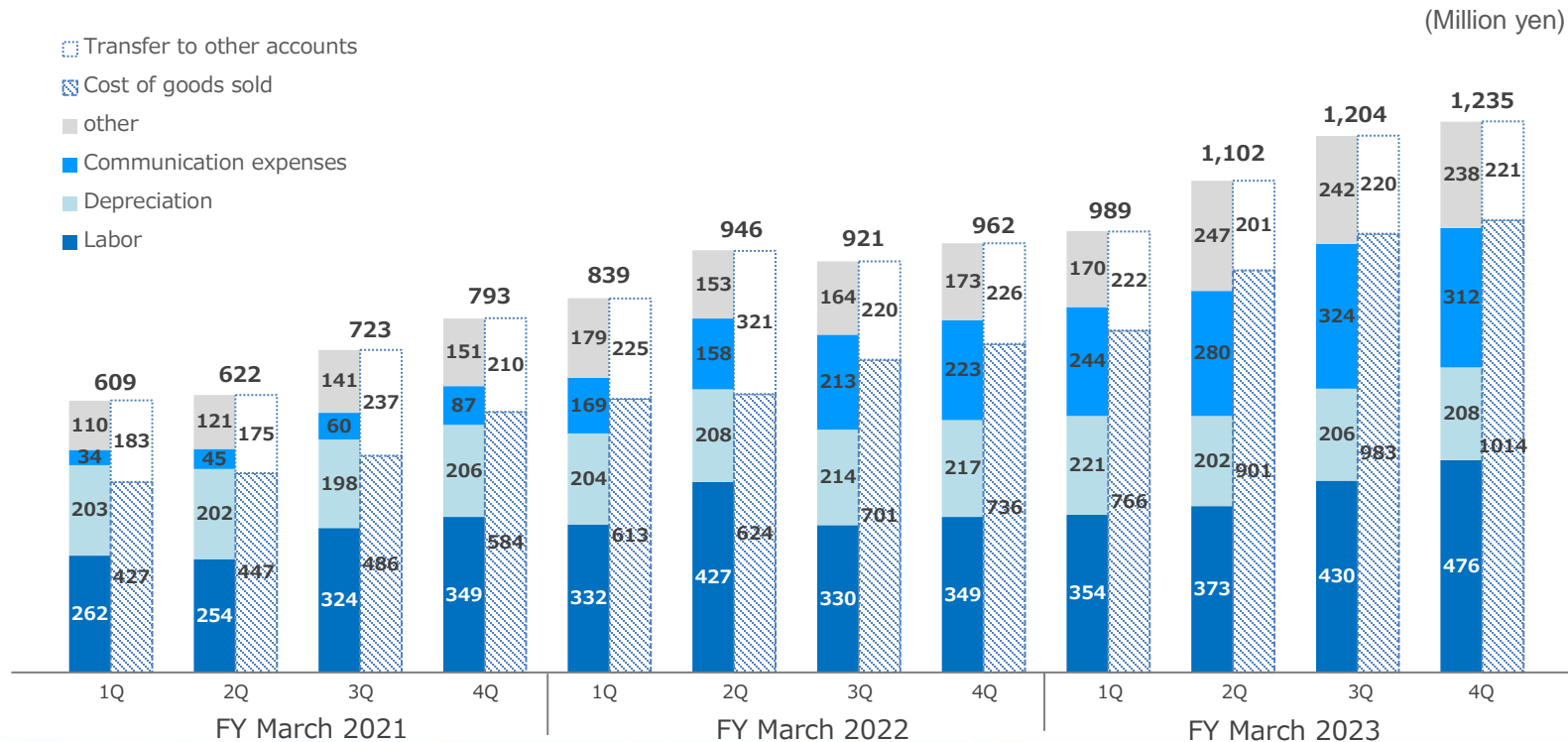


| (Million yen)                                       | FY March 2022 | FY March 2023 | Change YoY  | Main Factors for Change  |
|---|---------------|---------------|-------------|--|
| <b>Cost of goods sold</b>                           | <b>2,676</b>  | <b>3,666</b>  | <b>+990</b> |  |
| Labor   | <b>1,440</b>  | <b>1,634</b>  | <b>+193</b> | Rise is after increasing DAC consultants despite a reactionary fall from the large amount of bonuses paid in the previous fiscal year.       |
| Depreciation  | <b>844</b>    | <b>838</b>    | <b>△6</b>   |  |
| Communication expenses                              | <b>719</b>    | <b>1,162</b>  | <b>+443</b> | Increase by soaring cloud server expenses following a growth in licenses for cloud service products and rapid foreign exchange fluctuations. |
| Other   | <b>666</b>    | <b>895</b>    | <b>+229</b> | Increase in purchase of goods due to rises in DAC's outsourcing expenses and in license purchase projects.                                   |
| Transfer to other accounts                          | <b>△994</b>   | <b>△865</b>   | <b>+128</b> |  |
| <b>Selling, general and administrative expenses</b> | <b>2,248</b>  | <b>2,356</b>  | <b>+108</b> |  |
| Personnel expenses                                  | <b>1,296</b>  | <b>1,193</b>  | <b>△102</b> | Reactionary fall from the large amount of bonuses paid in the previous fiscal year.  |
| Advertising expenses                                | <b>239</b>    | <b>297</b>    | <b>+57</b>  |  |
| Other   | <b>712</b>    | <b>865</b>    | <b>+152</b> | Hiring expenses swelled after DAC increased consultants.   |

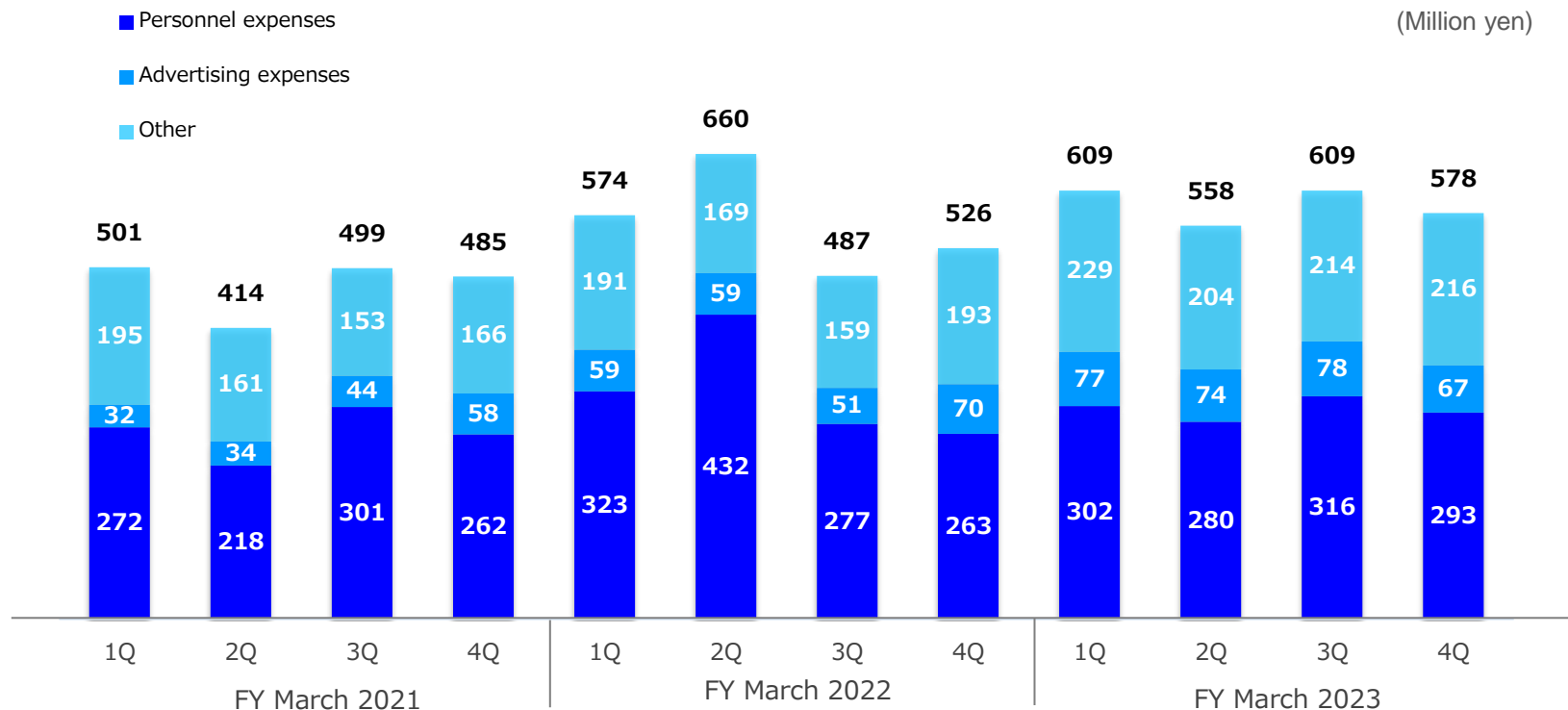
# Quarterly Trend in Consolidated Cost of Goods Sold



- Labor expenses swelled after DAC increased consultants
- Cloud server expenses (communication expenses) soared after growth in licenses for cloud service products and rapid foreign exchange fluctuations.



- Advertising expenses increased.
- Recruiting expenses (included in *Other*) rose following an increase in the number of DAC consultants.



# Summary of Consolidated Balance Sheet



As sales of GIGA School Concept projects were recorded, advances received shrank. The financial health continued to improve, with an equity ratio of 66.9%

(Million yen)

|                         | As of end of FY March<br>2022 | As of end of FY March<br>2023 | Change from end of FY<br>March 2022 |
|-------------------------|-------------------------------|-------------------------------|-------------------------------------|
| Current assets          | 17,105                        | 18,925                        | +10.6%                              |
| (Cash and deposits)     | 15,773                        | 17,018                        | +7.9%                               |
| Non-current assets      | 2,236                         | 2,223                         | △0.6%                               |
| Total assets            | 19,341                        | 21,149                        | +9.3%                               |
| Current liabilities     | 7,130                         | 6,924                         | △2.9%                               |
| (Advanced received)     | 5,684                         | 5,187                         | △8.7%                               |
| Non-current liabilities | 50                            | 50                            | +0.7%                               |
| Equity capital          | 12,129                        | 14,141                        | +16.6%                              |
| Net assets              | 12,159                        | 14,173                        | +16.6%                              |
| Equity ratio            | 62.7%                         | 66.9%                         | -                                   |
| ROE                     | 26.2%                         | 23.3%                         | -                                   |
| ROA                     | 17.0%                         | 15.1%                         | -                                   |

**Material on Consolidated Financial Results the Fiscal Year Ending  
March 31, 2023**

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# **Non-consolidated Results Highlights**



# Summary of Non-consolidated Results



| (Million yen)                                | FY March 2022 | FY March 2023 | Change YoY | FY March 2023 Full-Year Forecast |
|--|---------------|---------------|------------|----------------------------------|
| Contracts                                    | 8,163         | 8,738         | +7.0%      | -                                |
| Net sales                                    | 8,003         | 8,984         | +12.3%     | 9,000                            |
| Cost of goods sold                           | 1,821         | 2,425         | +33.1%     | 2,150                            |
| Gross profit                                 | 6,182         | 6,559         | +6.1%      | 6,850                            |
| Selling, general and administrative expenses | 2,141         | 2,163         | +1.0%      | 2,250                            |
| Operating profit                             | 4,040         | 4,395         | +8.8%      | 4,600                            |
| Operating margin                             | 50.5%         | 48.9%         | -          | 51.1%                            |
| Ordinary profit                              | 4,052         | 4,407         | +8.8%      | 4,600                            |
| Profit                                       | 2,832         | 3,048         | +7.6%      | 3,200                            |

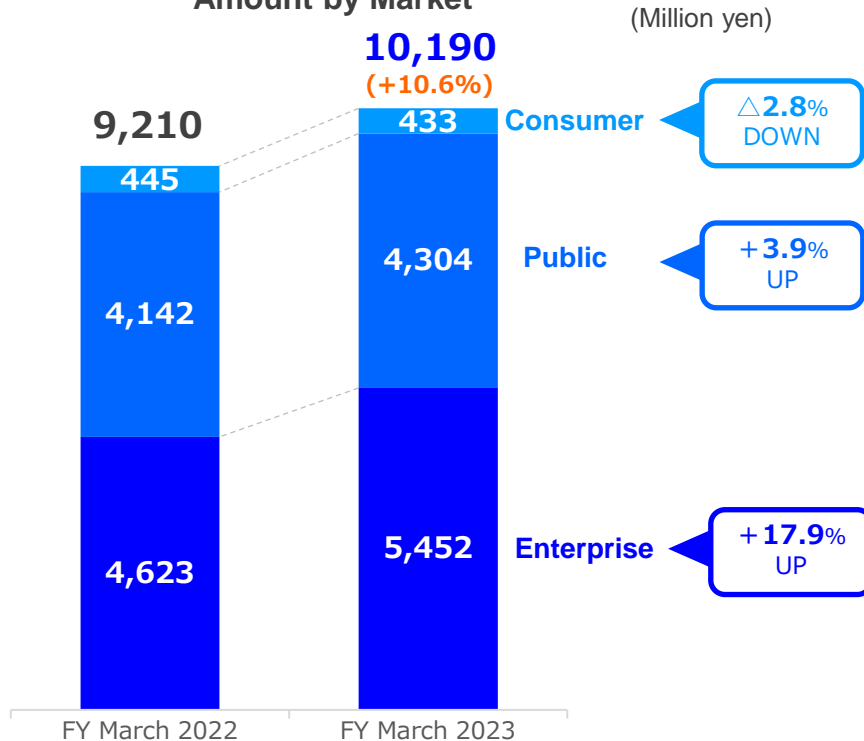
\* Financial Forecast is the non-consolidated financial forecast announced on May 10, 2022.

## Material on Consolidated Financial Results the Fiscal Year Ending March 31, 2023

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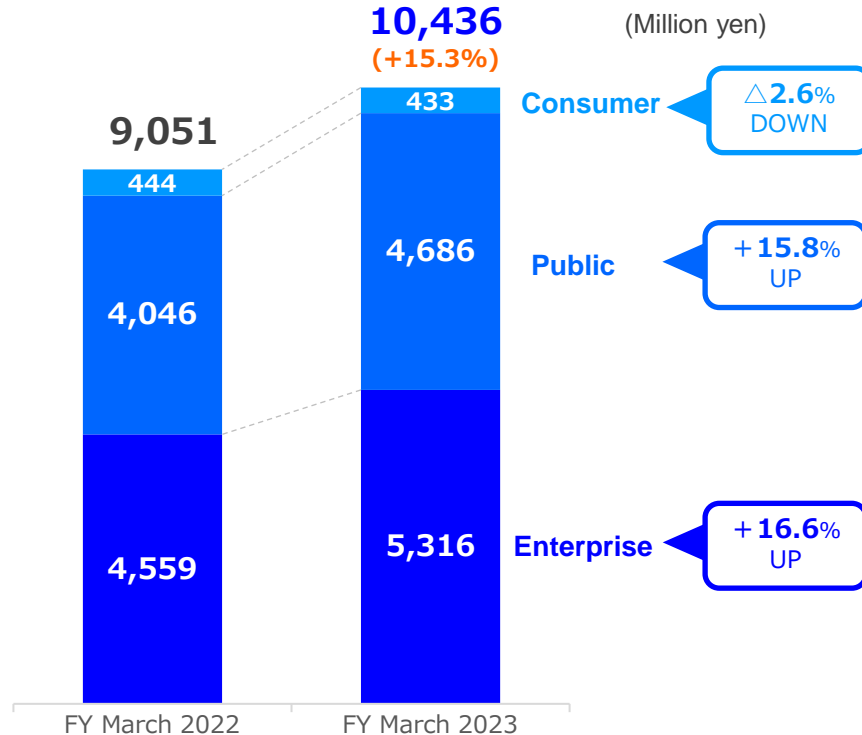
# By Market

Trend in Consolidated Contract Amount by Market



- In the enterprise sector market, the contract amount was up 828 million yen, or 17.9%. This was due mainly to brisk orders gained for cloud service products amid growing demand for cloud services, increased orders for new projects in association with the new functional option ready for total security added to the i-FILTER and m-FILTER series, and DAC's steady growth.
- In the public sector market, the contract amount rose 162 million yen, or 3.9%. This was due chiefly to the receipt of orders for new GIGA School Concept projects and orders for local government projects, which started gathering momentum in the current fiscal year, offsetting a reactionary fall after winning large projects from public agencies in the previous fiscal year.

## Trend in Consolidated Net Sales by Market



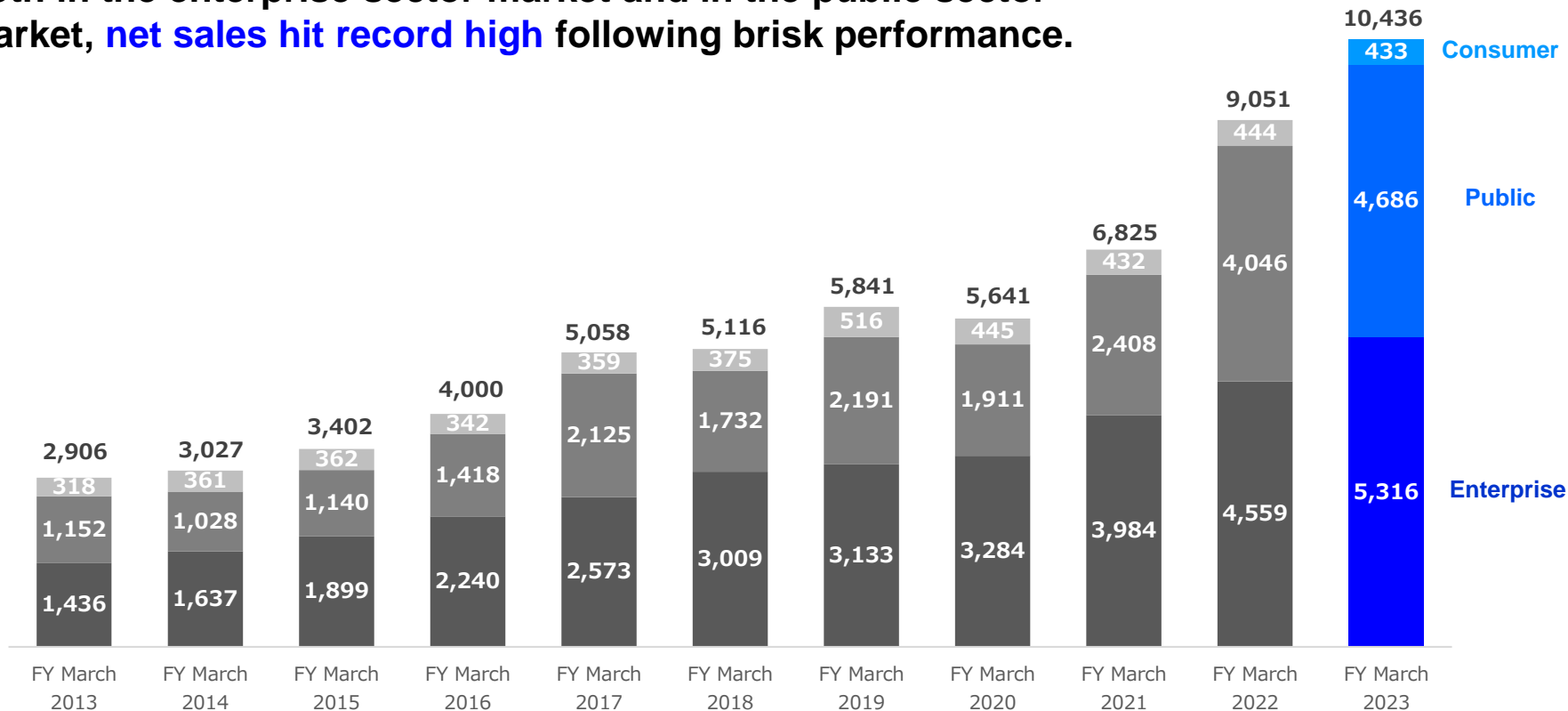
- In the enterprise sector market, net sales for cloud service products increased due to a rise in contracts in response to growing demand for cloud services, in addition to growth based on new customers for DAC, resulting in an increase of 758 million yen (16.6%).
- In the public sector market, net sales rose 639 million yen, or 15.8%, reflecting a high volume of orders received for the projects of public agencies and local governments, in addition to posted sales of GIGA School Concept projects that had continued since before the previous fiscal year.

# Trend in Consolidated Net Sales by Market



Both in the enterprise sector market and in the public sector market, **net sales hit record high** following brisk performance.

(Million yen)

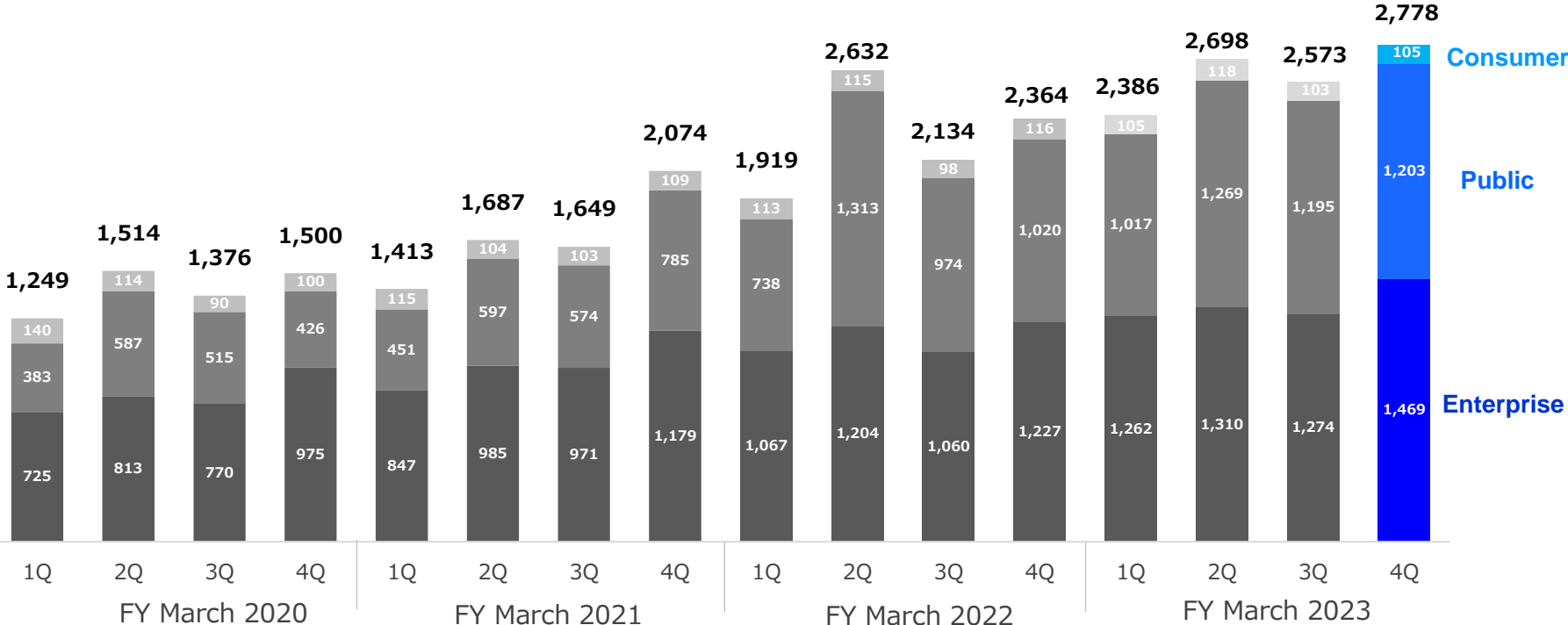


# Quarterly Trend in Consolidated Net Sales by Market



Net sales for the for quarters reached a record high, bolstered by strong performances in the enterprise sector and public sector markets.

(Million yen)

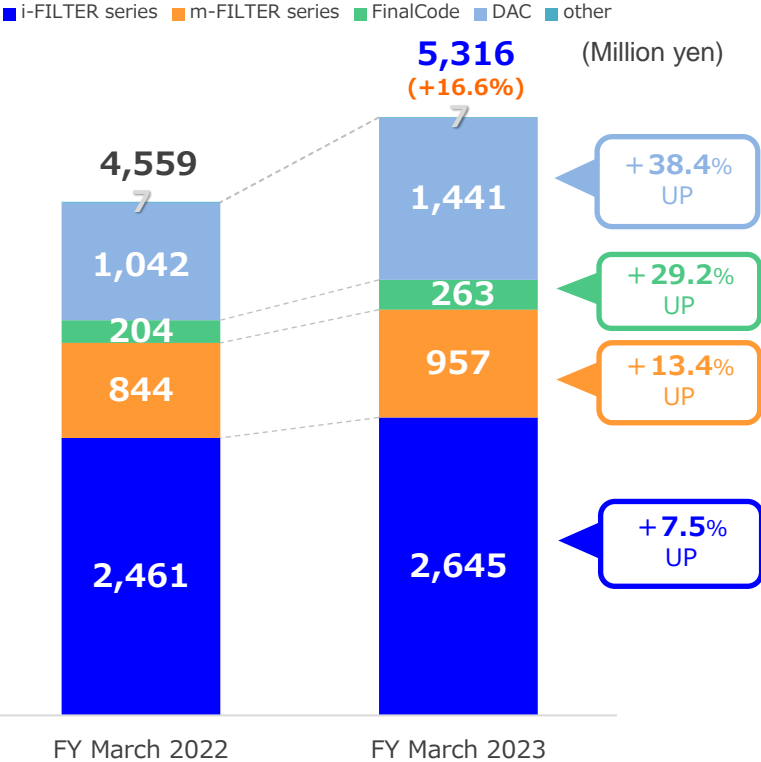


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# **Enterprise Sector**

## Trend in Net Sales in Enterprise Sector Market by Product

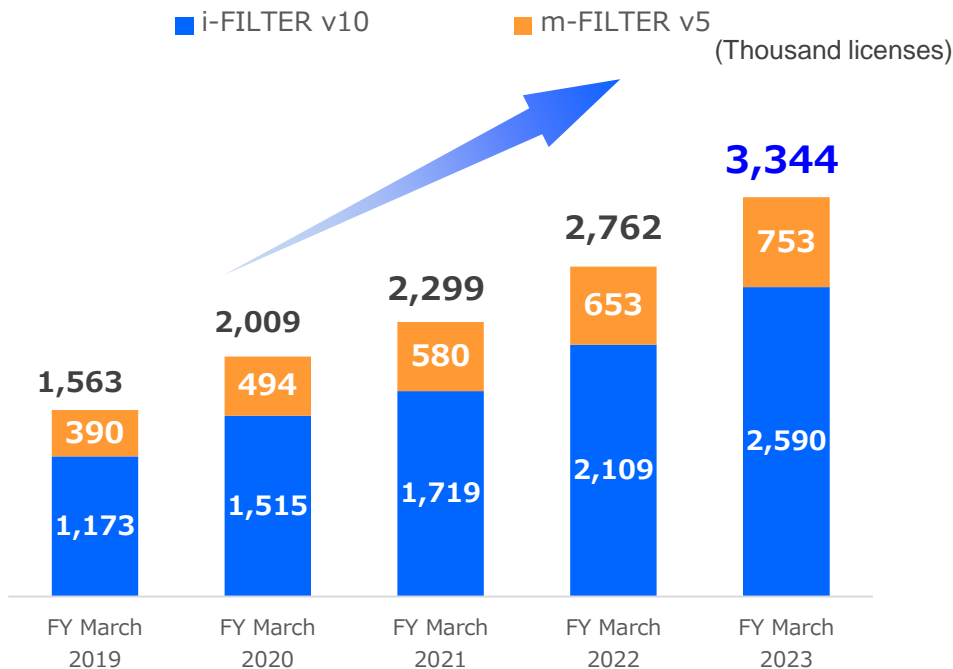


Functions were added to products and cooperation with agencies were strengthened in response to more frequent, diverse cyber attacks.

- Sales of the i-FILTER series remained strong, rising 184 million yen, 7.5%, in response to growing corporate demand for cybersecurity.
- Sales of the m-FILTER series remained solid, owing to rising demand for email security and PPAP problem-solving. (+113 million yen or +13.4%)
- Sales of the FinalCode series remained strong, meeting demand for responses to PPAP and the revised Act on the Protection of Personal Information. (+59 million yen or +29.2%)
- DAC made good progress acquiring new clients and achieved substantial sales growth (up 399 million yen or 38.4%), reflecting growing DX needs and demand for security measures among enterprises.



## Trend in i-FILTERv10 and m-FILTERv5 Licenses Used in the Enterprise Sector Market



Realizing safe office IT environments protected through "White Operation"



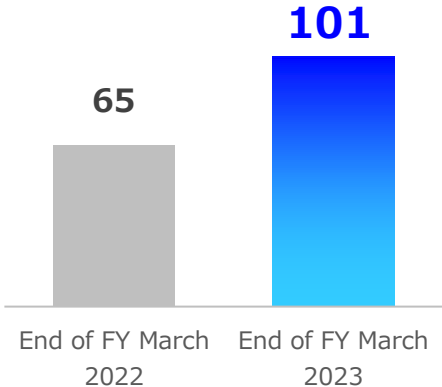
Penetration in the enterprise sector market progressed steadily, with the 5-year **CAGR** of user licenses standing at

**21%.**

※ CAGR (Compound Average Growth Rate)

## Number of consultants

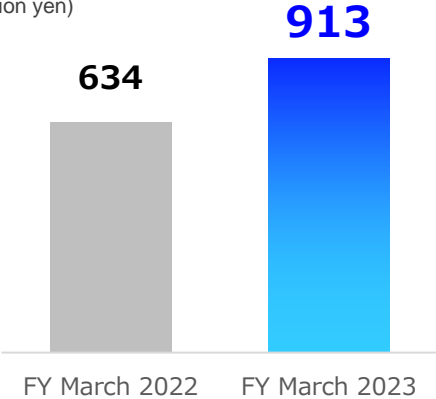
(Persons)



DAC actively hired talent, focusing on those from leading consulting firms and leading systems integrators.

## Security consulting sales\*

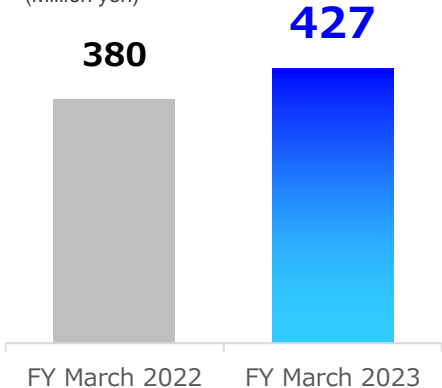
(Million yen)



Offering comprehensive services including security checkups and analysis, proposals of measures and solutions for raising the security level and support for implementation

## IT strategy consulting sales\*

(Million yen)



DAC proposed initiatives and solutions to promote DX at customers in consideration of security and provided comprehensive consulting services, including implementation support.

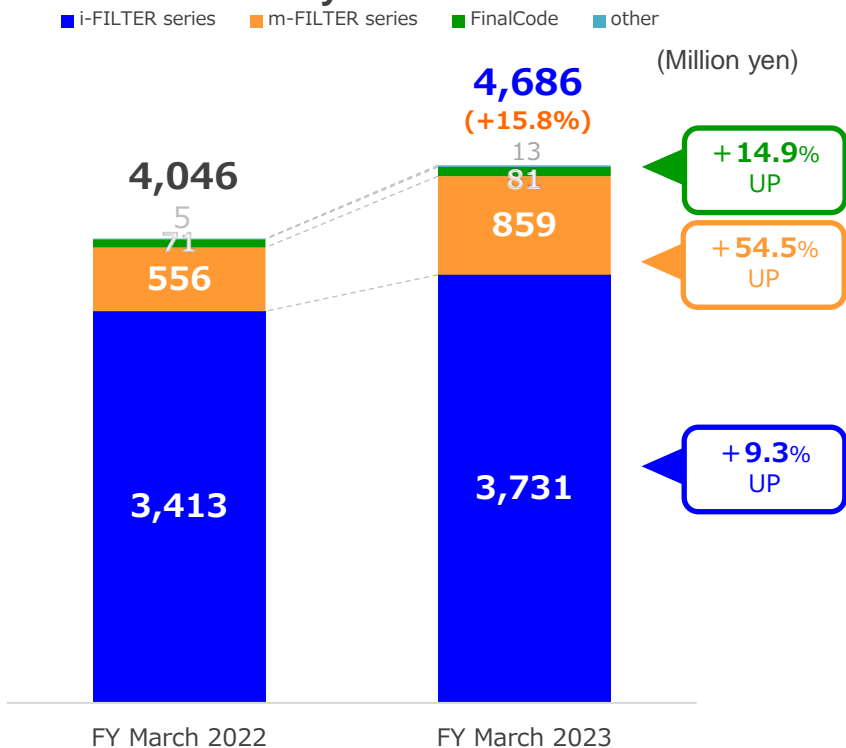
\*: DAC's non-consolidated net sales

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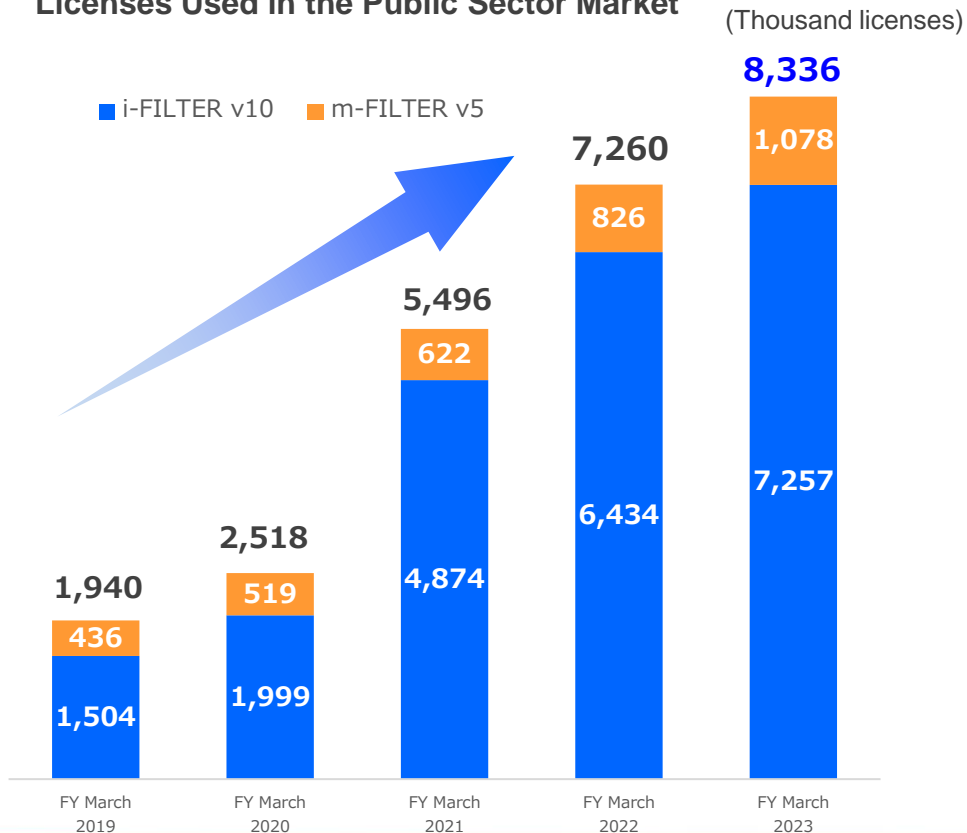
# **Public Sector**

## Trend in Net Sales of Public Sector Market by Product



- In addition to posted sales of GIGA School Concept projects that had continued since before the previous fiscal year, contracts gained from public agencies and local governments increased and sales of the i-FILTER series remained strong, which offset a reactionary fall from large projects contracted by government offices in the first half of the last fiscal year. (+317 million yen or +9.3%)
- Brisk orders were received from local governments and sales of the m-FILTER series leaped (+303 million yen or +54.5%).

## Trend in i-FILTERv10 and m-FILTERv5 Licenses Used in the Public Sector Market



Realizing safe public facility IT environments protected through "White Operation"

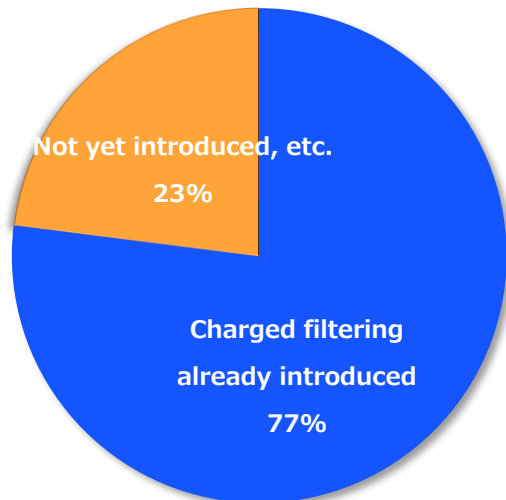


Users increased sharply alongside advancement of the GIGA School Concept, with the 5-year **CAGR** of user licenses reaching **44%**.

※ CAGR (Compound Average Growth Rate)

## GIGA School Status<sup>\*1</sup>

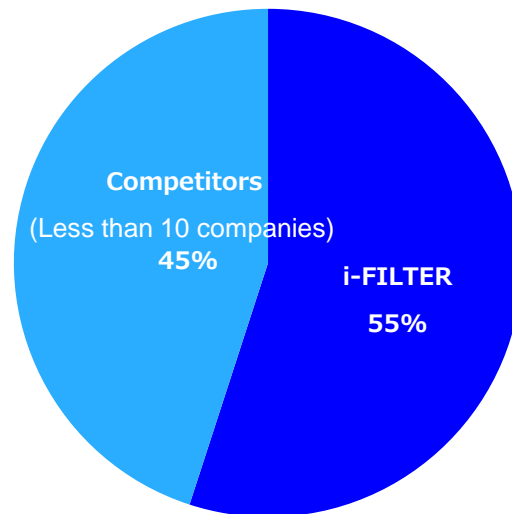
Introduction of charged filtering



- The proportion of Boards of Education which have adopted paid-for filtering increased from 73% at the end of the previous fiscal year to **77%**.

\*1 : According to our survey of 1,741boards of education Mar 2023)

Share of charged filtering introduced



- i-FILTER's share grew from 51% at the end of the previous fiscal year to **55%**.
- Cumulative contracts reached **8.6 billion yen** at the end of the third quarter from 6.9 billion yen at the end of the previous fiscal year.

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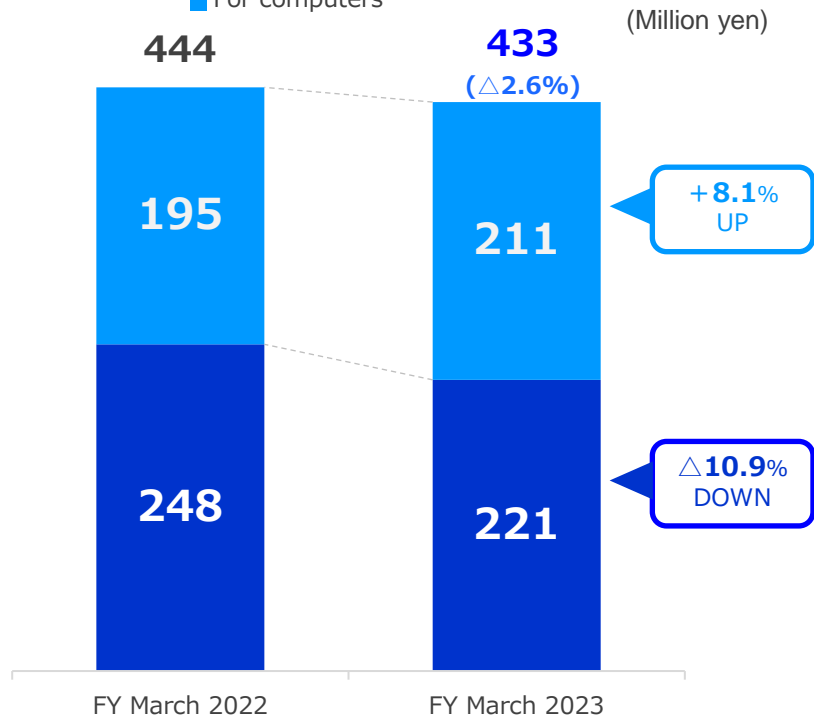
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# **Consumer Sector**

## Trend in Net Sales of Consumer Sector Market by Product

■ For mobile terminals, other

■ For computers



- In products for computers, the number of users of multiple-year package products and i-FILTER® for Multi-Device, which are available on multiple terminals, remained strong.
- Revenue from contract development of products for mobile terminals for carriers decreased despite an increase in the number of users.



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# **RESULTS OF MEASURES FOR FISCAL YEAR ENDING MARCH 2023**

①

## Mounting needs for comprehensive security

Diversification of cloud services and the spread of remote working and home learning meant an increase in ICT assets that need to be protected and expansion of the domain of security threats.

②

## Measures against malware infections

Malware threats are intensifying due to diversification and sophistication of cyberattacks from rampant ransomware, Emotet and other malware.



- Link between i-FILTER, m-FILTER and FinalCode to combat infections and data theft
- Anti-Virus & Sandbox as a new functional option (launched in May 2022)
- Link between m-FILTER and Crypto-bin to combat the practice of sending a zipped file attachment and a separate e-mail message with password (launched in September 2022)
- D Alert Reporting Service as a measure against malware infections  
(Released on i-FILTER in December 2022 and to be released on m-FILTER in February 2023)

After organic growth and the release of Anti-Virus & Sandbox, the Company earned net sales of **358 million yen** by the end of FY March 2023. The figure has already surpassed the target of **55 million yen** in connection with the next-generation Secure Web Gateway (SWG) in the Medium-Term Management Plan and is continuing to rise steadily.

③

## Strengthening security measures for public institutions

- Local governments seek security cloud and greater security resilience.
- Medical institutions have growing needs for cyber security measures.



- Combine i-FILTER, m-FILTER and FinalCode to meet local governments' guidelines of countermeasures
- Respond to the policy of toughening guidelines in the medical industry

- Cumulative contracts for security cloud services reached **523 million yen** at the end of this fiscal year from 319 million yen at the end of the previous fiscal year.
- Cumulative contracts for Enhancement of resilience of municipalities reached **1,739 million yen** at the end of this fiscal year from 704 million yen at the end of the previous fiscal year.

④

## Enhancing security measures for GIGA School devices

Not only is there demand from those who have yet to introduce filtering but also demand for switching from free filtering and DNS filtering to high performance filtering software for protecting schoolchildren.



- Shift of some boards of education which had introduced free or DNS filtering to paid filtering

- i-FILTER's share grew from 51% at the end of the previous fiscal year to **55%**.
- Cumulative contracts reached **8.6 billion yen** at the end of this fiscal year from 6.9 billion yen at the end of the previous fiscal year.

\*For details, see pages 30.

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# **Full-Year Financial Forecast for Fiscal Year Ending March 31, 2024**

Expand existing businesses and develop new businesses with the aim of increasing net sales and profit

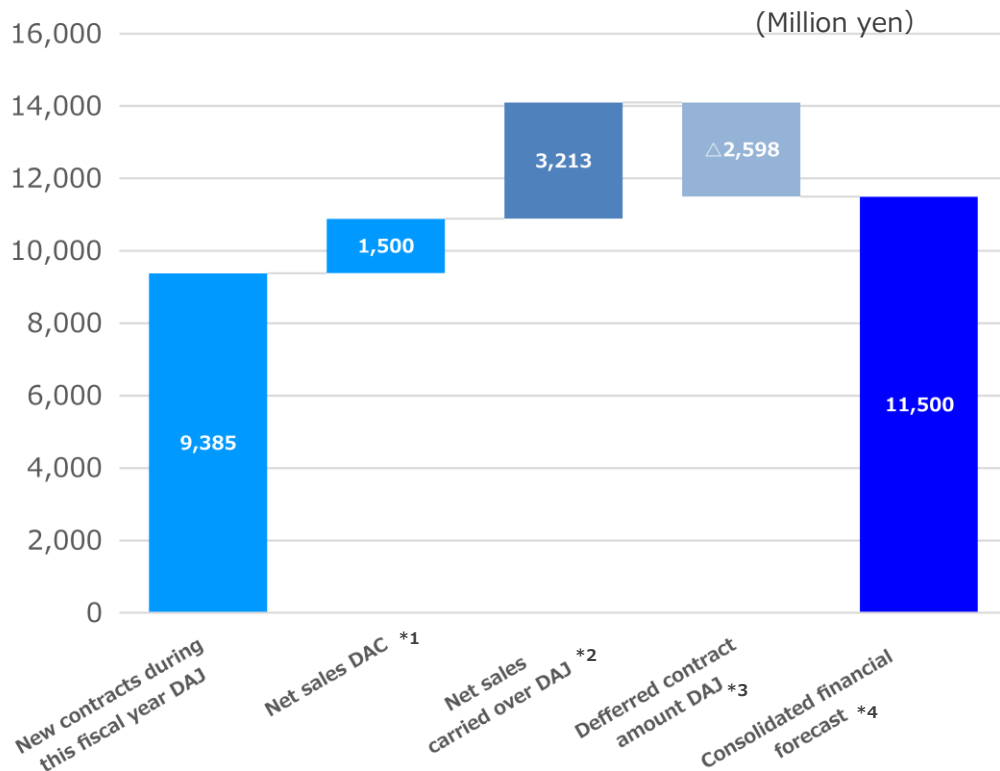
| (Million yen)                                | FY March 2023<br>Full-Year<br>Results | FY March 2024<br>Full-Year<br>Forecasts | Change | % Change |
|--|---------------------------------------|---|--------|----------|
| Net sales                                    | 10,436                                | 11,500                                  | +1,063 | +10.2 %  |
| Cost of goods sold                           | 3,666                                 | 3,850                                   | +183   | +5.0 %   |
| Gross profit                                 | 6,769                                 | 7,650                                   | +880   | +13.0 %  |
| Gross profit margin                          | 64.9%                                 | 66.5%                                   | -      | -        |
| Selling, general and administrative expenses | 2,356                                 | 2,500                                   | +143   | +6.1 %   |
| Operating profit                             | 4,413                                 | 5,150                                   | +736   | +16.7 %  |
| Operating margin                             | 42.3%                                 | 44.8%                                   | -      | -        |
| Ordinary profit                              | 4,429                                 | 5,150                                   | +720   | +16.3 %  |
| Profit attributable to owners of parent      | 3,062                                 | 3,550                                   | +487   | +15.9 %  |

# Forecasts for Fiscal Year Ending March 31, 2023 (Non-consolidated)



| (Million yen)                                   | FY March 2023<br>Full-Year<br>Results | FY March 2024<br>Full-Year<br>Forecasts | Change | % Change |
|---|---------------------------------------|---|--------|----------|
| Net sales                                       | 8,984                                 | 10,000                                  | +1,015 | +11.3 %  |
| Cost of goods sold                              | 2,425                                 | 2,650                                   | +224   | +9.3 %   |
| Gross profit                                    | 6,559                                 | 7,350                                   | +790   | +12.1 %  |
| Gross profit margin                             | 73.0%                                 | 73.5%                                   | -      | -        |
| Selling, general and<br>administrative expenses | 2,163                                 | 2,350                                   | +186   | +8.6 %   |
| Operating profit                                | 4,395                                 | 5,000                                   | +604   | +13.7 %  |
| Operating margin                                | 48.9%                                 | 50.0%                                   | -      | -        |
| Ordinary profit                                 | 4,407                                 | 5,000                                   | +592   | +13.4 %  |
| Profit  | 3,048                                 | 3,450                                   | +401   | +13.2 %  |

## Consolidated Forecast



- Net sales that will be carried over to and posted for the fiscal year in question will increase given an increase in the number of contracts acquired in previous fiscal years in connection with the GIGA School Concept in the public sector market.
- New DAJ contracts are expected to amount to 9,385 million yen following measures to expand sales of new functions and new products for the enterprise sector market and public sector market, together with strategic sales measures.

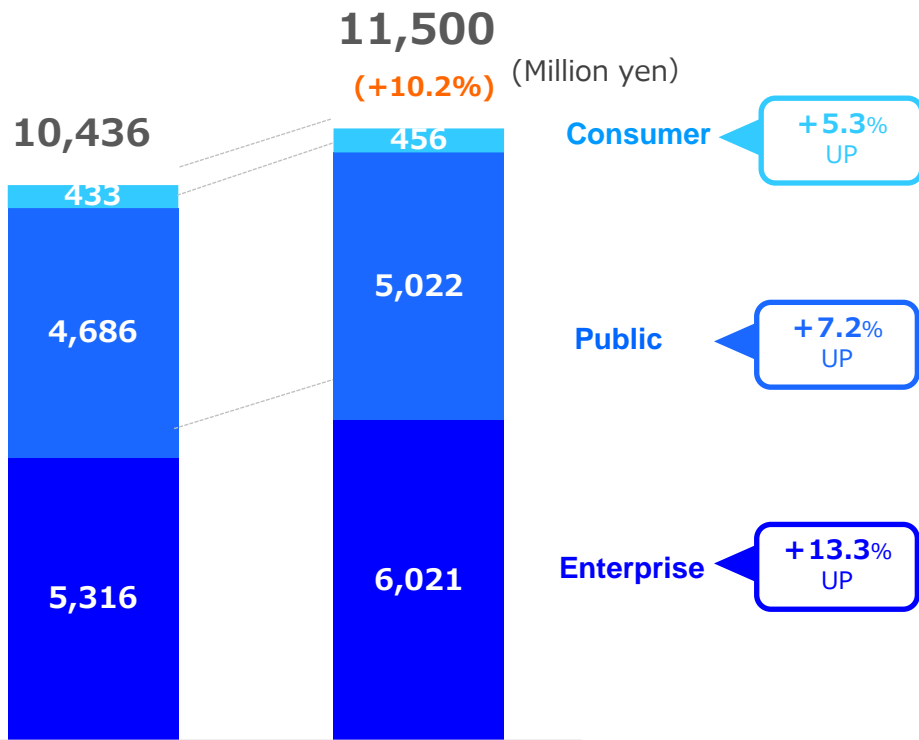
\*1 : DAJ = Digital Arts Inc.

\*2 : DAC = Digital Arts Consulting Inc.

\*3 : Sales recorded from the order backlog of contracts acquired in previous fiscal years

\*4 : Sales deferred to subsequent fiscal years (order backlog)

## Forecast by Market



Results for FY March 2023

Forecast for FY March 2024

- In response to corporate needs for total security solutions, we will enhance the product lineup and improve links with other companies' products in order to attract new clients.
- Net sales that will be carried over to and posted for the fiscal year in question will increase given an increase in the number of contracts acquired in previous fiscal years in connection with the GIGA School Concept in the public sector market.
- The market share in GIGA School Concept projects will increase and solidify security for local governments to expand sales



# Consolidated Cost of Goods Sold and Selling, General and Administrative Expenses

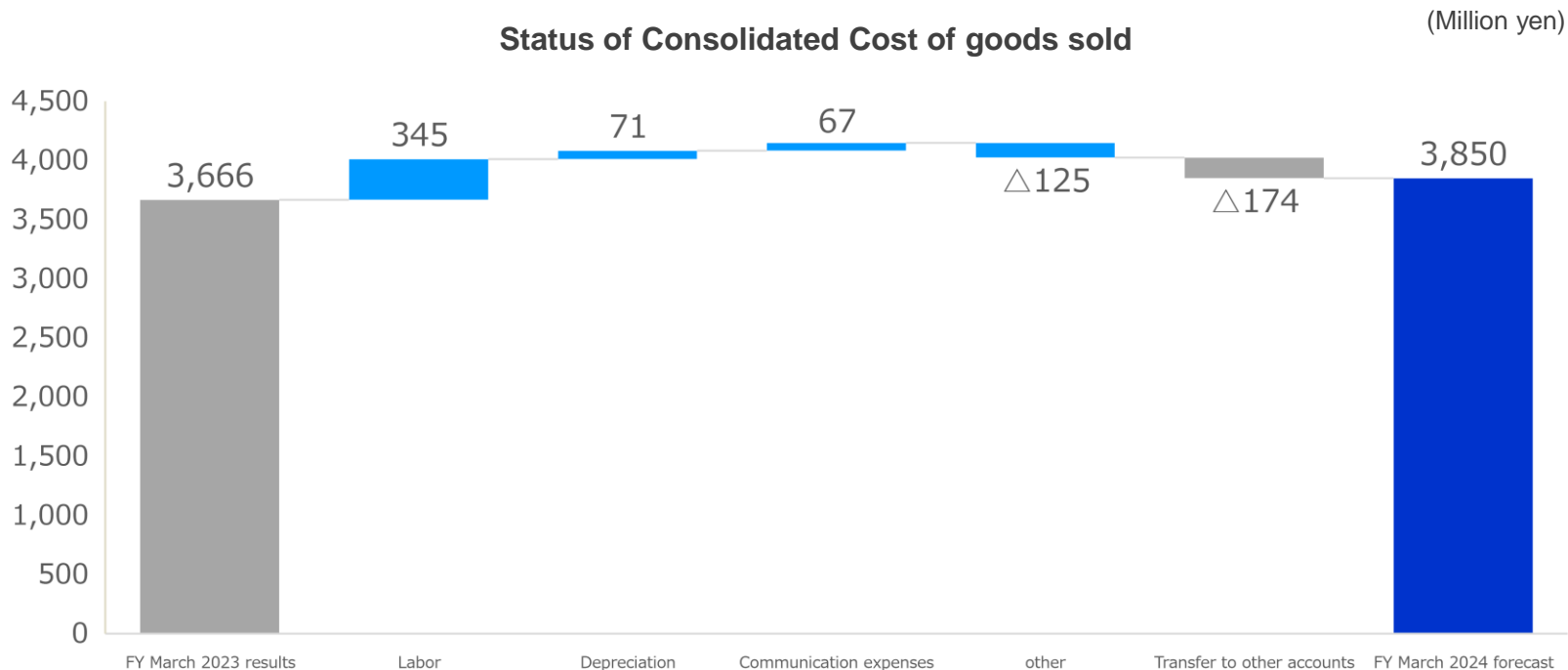


| (Million yen)                                       | Results for FY<br>March 2023 | Forecast for FY<br>March 2024 | Change<br>YoY | Main Factors for Change   |
|---|------------------------------|-------------------------------|---------------|---|
| <b>Cost of goods sold</b>                           | <b>3,666</b>                 | <b>3,850</b>                  | <b>+5.0%</b>  |   |
| Labor   | <b>1,634</b>                 | <b>1,980</b>                  | <b>+21.1%</b> | Increase in number of DAJ's development personnel.  |
| Depreciation  | <b>838</b>                   | <b>910</b>                    | <b>+8.5%</b>  | Increase in depreciation of software for cloud products.  |
| Communication expenses                              | <b>1,162</b>                 | <b>1,230</b>                  | <b>+5.8%</b>  | An increase in cloud server expenses as a result of the expansion of sales of cloud service products and an increase in the number of licenses. |
| Other   | <b>895</b>                   | <b>770</b>                    | <b>△14.1%</b> | A decrease in outsourcing expenses following a shift of engineering operations outsourced by DAC to internal operation.                         |
| Transfer to other accounts                          | <b>△865</b>                  | <b>△1,040</b>                 | <b>+20.1%</b> |   |
| <b>Selling, general and administrative expenses</b> | <b>2,356</b>                 | <b>2,500</b>                  | <b>+6.1%</b>  |   |
| Personnel expenses                                  | <b>1,193</b>                 | <b>1,310</b>                  | <b>+9.7%</b>  | An increase in the number of personnel due to the recruitment of new graduates.   |
| Advertising expenses                                | <b>297</b>                   | <b>310</b>                    | <b>+4.1%</b>  | Advertising in newspapers and other media will increase.  |
| Other   | <b>865</b>                   | <b>880</b>                    | <b>+1.7%</b>  | An increase in travel and transportation expenses as the COVID-19 pandemic fades.   |

# Status of Consolidated Cost of Goods Sold



The increase in DAJ's development personnel will lead to a rise in labor expenses. Cloud server expenses (communication expenses) will grow with the expansion of sales of cloud service products and an increase in the number of licenses.



# Status of Consolidated Cost of Goods Sold

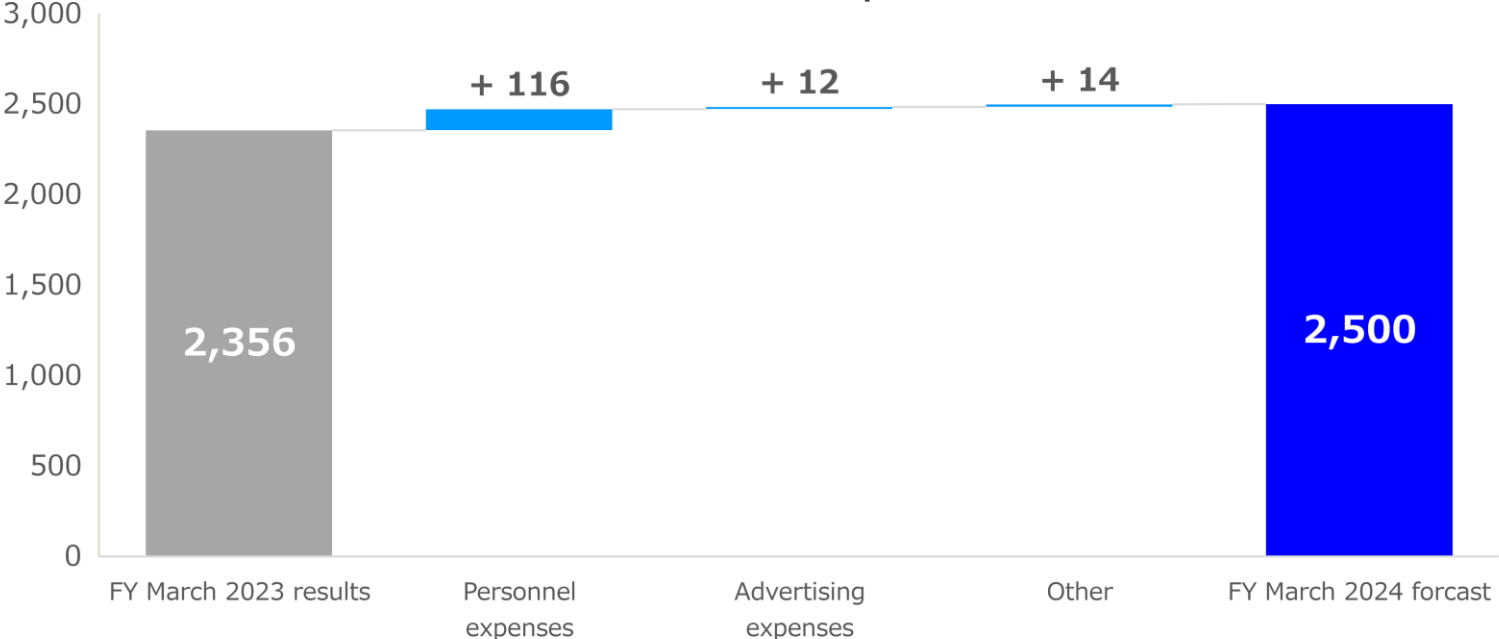


Personnel expenses will surge due to an increase in the number of staff after new graduates employees joined the Group.

Travel and transportation expenses as well as entertainment expenses (as part of Other) will increase as the COVID-19 pandemic fades.

Status of Consolidated Selling, General and Administrative Expenses

(Million yen)



**Material on Consolidated Financial Results the Fiscal Year Ending  
March 31, 2023**

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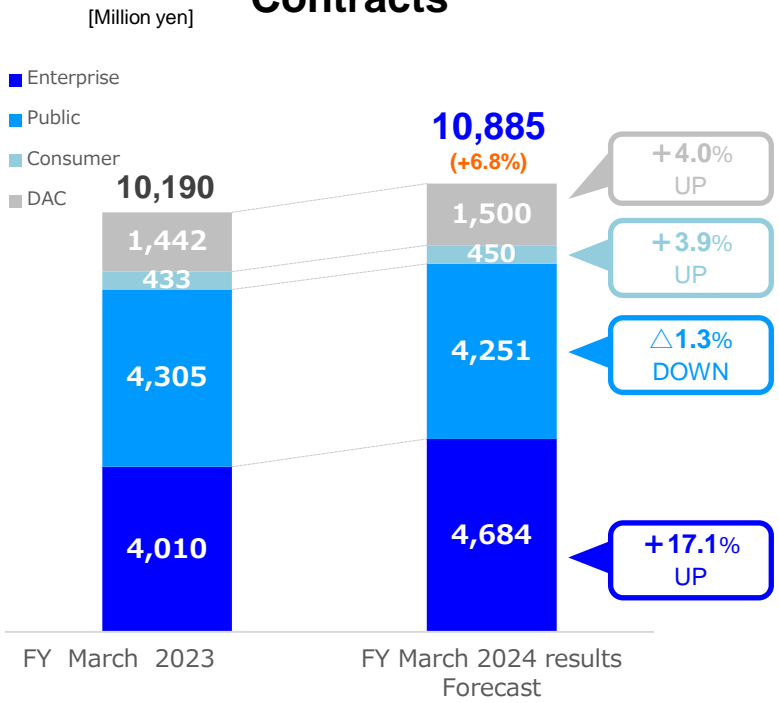
# **FY03/24 Initiatives**

# Consolidated Contracts and Net Sales Forecast by Market for FY March 2024

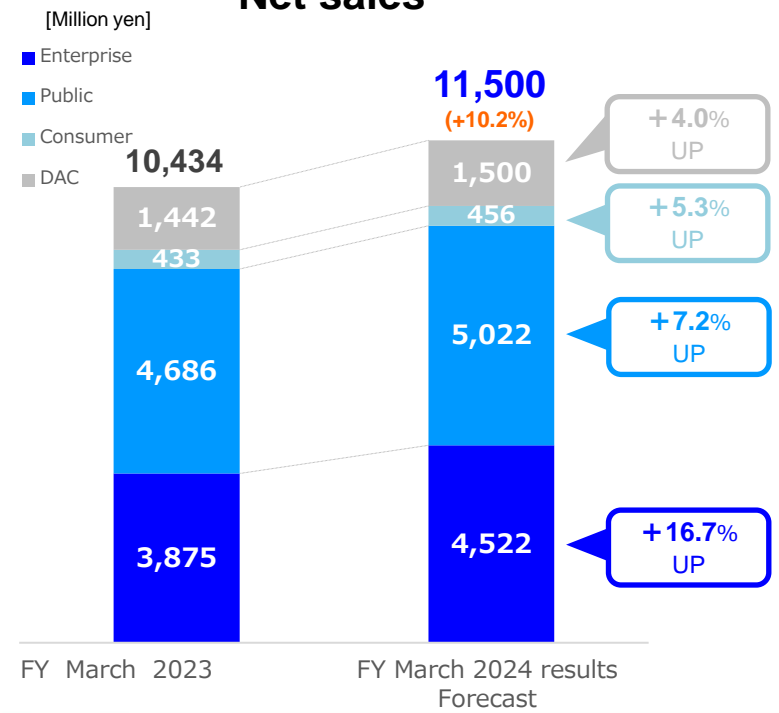


Forecasting contracts and net sales to rise 6.8% and 10.2%, respectively, year on year for FY2023, we will be pursuing a number of different measures.

## Contracts



## Net sales



We will improve our response to needs for comprehensive security, enter the authentication market, and launch the communication business as one of the initiatives to address a vision of creating new value and increasing demand set out in the medium-term management plan.

## 1. Respond to needs for comprehensive security

- Use the CASB function to improve the next-generation SWG function
- Upgrade measures for detecting and responding to malware infections
- Improve measures against PPAP and erroneous email transmission
- Develop non-VPN remote access products

## 3. Launch the communication business

Roll out Desk as a secure communications tool for the online communication market, where security issues remain to be solved

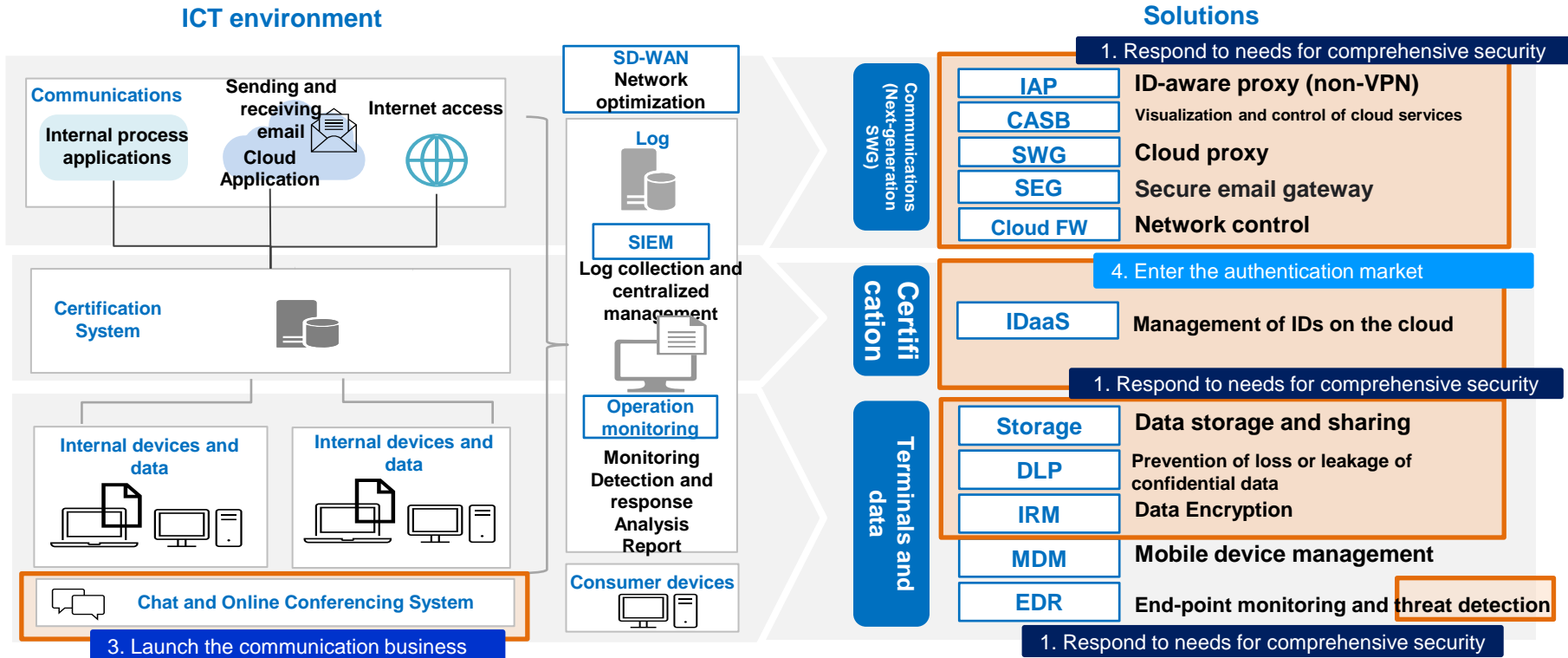
## 2. Expand sales to public organizations and schools

- Expand sales in enhanced security for local governments
- Increase market share in GIGA School Concept projects

## 4. Enter the authentication (IDaaS) market

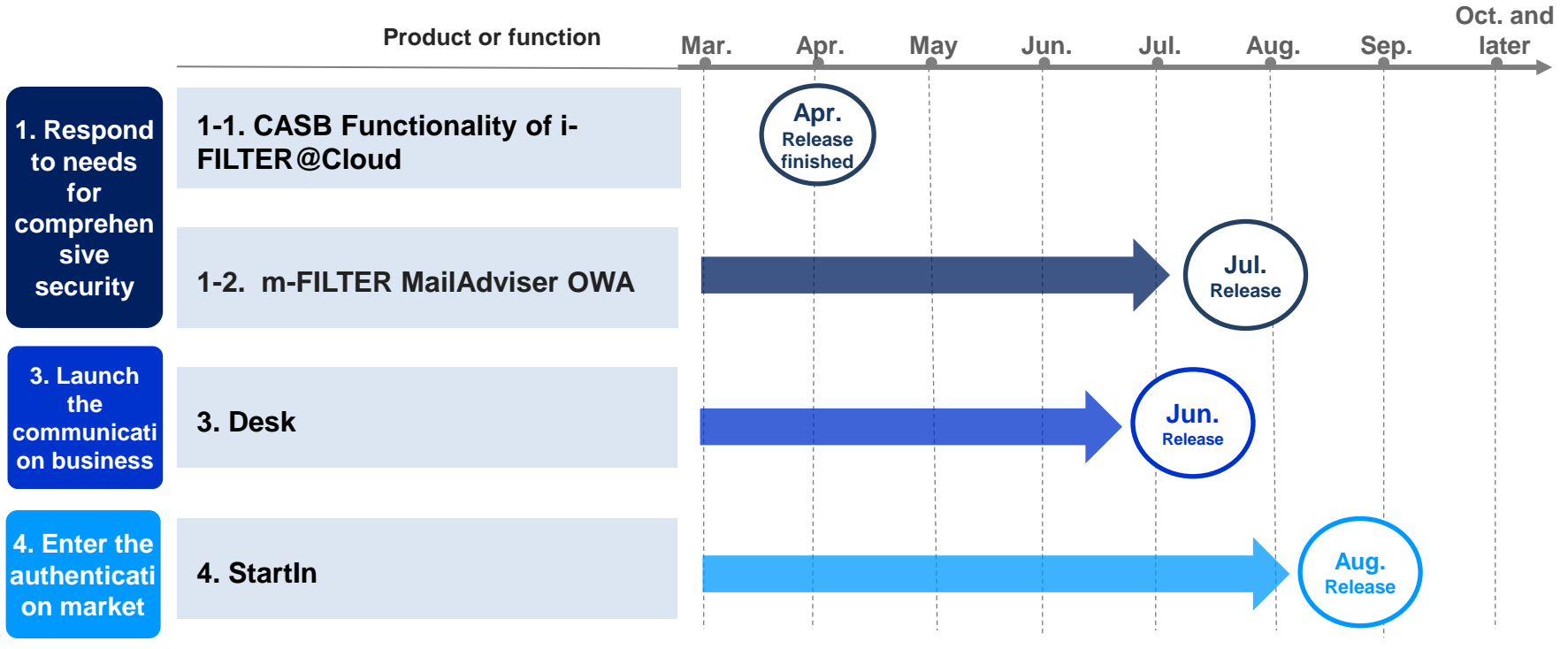
Introduce to the market StartIn, an original IDaaS solution for enhanced authentication security (with positional information and third-party authentication) and reduced ID management burdens (ID provisioning function)

Execute measures for comprehensively supporting the ICT environment centering on the cloud



# Schedules of Main Measures for FY March 2024

Improve functions for responding to needs for comprehensive security and introduce new products to markets  
Launch the communications business ahead of the schedule set in the medium-term management plan

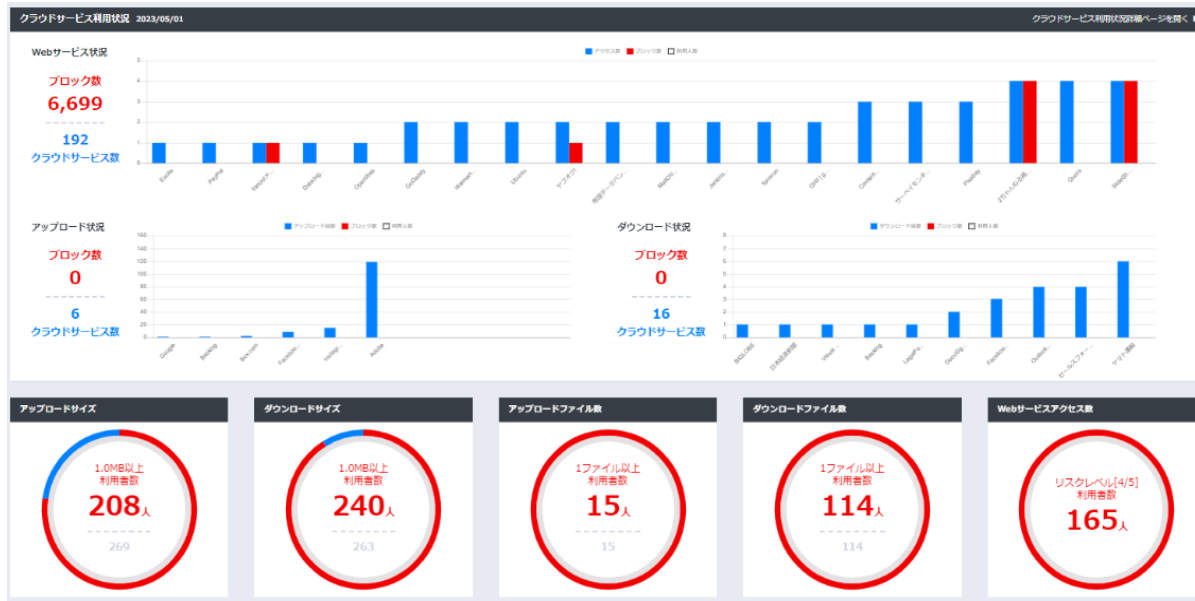




# 1-1. CASB functionality of i-FILTER@Cloud

Visualizing the status of use of cloud services by employees (to meet needs for measures against shadow IT and for measures to manage sanctioned IT), the function got off to a good start after its release.

[Schematic of visualization of the status of use of cloud services]



- Count the number of connections to individual cloud services and the number of file downloads and uploads to visualize trends in use
- Strengthen measures against shadow IT (introduction and use of IT tools at employees' discretion without permission from the IT department or the system management department)
- Strengthening measures for sanctioned IT (cloud services, applications, computers and other IT equipment for which the company officially concludes contracts and the use of which is permitted)

## Improve functions including measures for PPAP (placing of file attachments into storage)

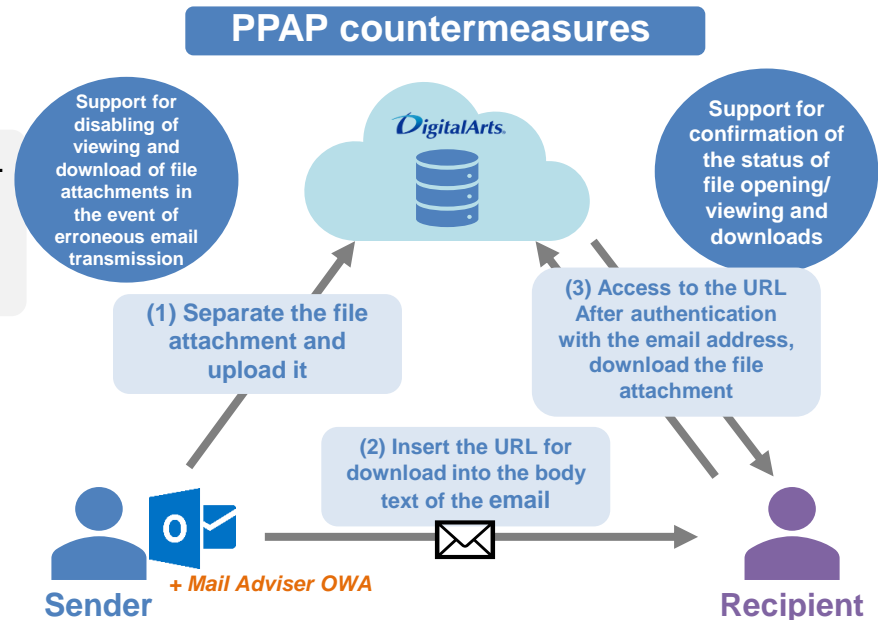
- Support the Outlook Web Access (OWA) and improve functions

### Countermeasure against wrong email transmission

A function similar to that of the existing MailAdviser is featured. It supports checking of the sender, body text and file attachment name and for setting attached file views and downloads.

### PPAP countermeasures

By placing the attached file in **storage**, the raw file can be downloaded if the mail recipient was given permission to download.



Roll out Desk as an application which can be used as a core of various operations

**NEW**

# Desk®

The name Desk embodies our hope that this application serves as a desk for work that is close to users in their computers, tablets or smartphones at any time and at any place.

Leveraging our knowledge in the security business, it will provide a communication space with security and comfort.

By moving up ahead of schedule, creating new value and increasing demand, the long-term vision stated in the medium-term management plan, execute a full-scale promotion of Desk as a new product in the communication business.

As online communication tools are increasingly used, they are more highly regarded for their convenience in helping make communication easy, irrespective of the place. On the other hand, new security risks have emerged.

### New security risks

**Erroneous chat transmission**

**Information leaks to outsiders**

**Cyberbullying**

**The Desk series provides a communication space with security and comfort.**

Desk has excellent features to provide a communication space with security and comfort.

#### Desk's excellent features

##### Security

- IP address restriction and two-factor authentication
- File encryption
- A feature to stop erroneous transmissions

##### Chat monitoring

- Bullying alert
- Suicide alert

##### Usability

- A user interface friendly to any user
- Collaboration with Azure AD  
Supporting batch user registration
- Reassurance linked to the made-in-Japan status

#### Providing a communication space with security and comfort

- Lowering the risks involved in erroneous transmissions through a feature to prevent them
- Robust authentication to reduce the risks of data leaks
- A monitoring feature to prevent cyberbullying



Provide a lineup of four different product editions matched with different types of users and scenarios  
Among them, focus on the GIGA School edition

[Desk product lineup]

|              |   |  |   |  |
|--------------|---|--|---|--|
| Product name | Desk  |  | Desk Event  |  |
| Category     | Chat and Online Conferencing System   |  | Webinar System  |  |
| Edition      | Regular   | GIGA School  | Regular   | Shareholders Meetings  |
| Outline      | Holding chat, online conferencing and file-sharing features to support one-to-one and multiple-to-multiple interactive communications | Offering features helpful to the education field such as chat monitoring to ensure safe and secure chats at school | Supporting one-to-multiple online communications such as morning meetings, internal workshops and online seminars | Paving the way for the distribution of virtual shareholders meetings and for electronic voting |
| Users        | Enterprises and public organizations  | Schools  | Enterprises, public organizations and schools   | Listed companies   |

## Enhance communication at school with the use of Desk

## GIGA School



We will be releasing an edition specially equipped with monitoring and other features and designed for use at schools within the current fiscal year.

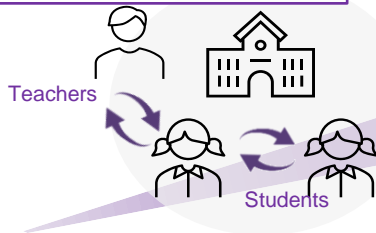
We will offer a platform for secure information sharing, mainly among teachers, students and parents, and aim to create a useful communication platform for schools covering external parties in the future.

We will expand Desk from enhancing communication at school to a regional communication platform.

## GIGA School

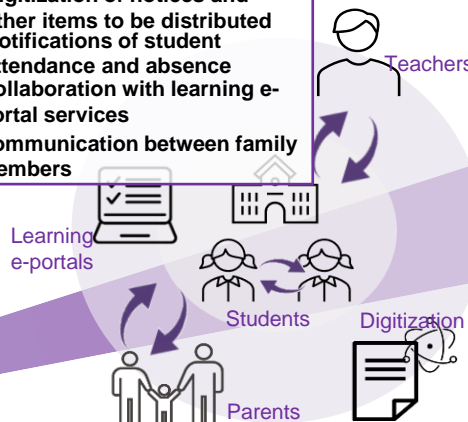
Supporting secure communication between teachers and students and between students

- ❑ Simplified initial settings
- ❑ School management features
- ❑ Group management features
- ❑ Communication in classes and lessons
- ❑ Chat monitoring
- ❑ Online lessons
- ❑ Chats between students



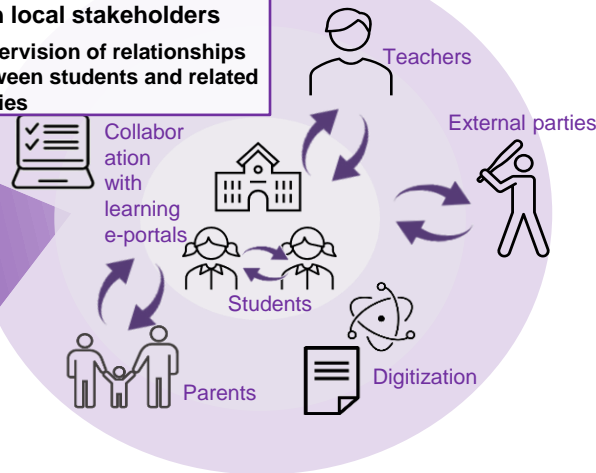
Supporting communication with parents

- ❑ Personal voice communication between students
- ❑ Digitization of notices and other items to be distributed
- ❑ Notifications of student attendance and absence
- ❑ Collaboration with learning e-portal services
- ❑ Communication between family members



Supporting secure communication with community stakeholders

- ❑ Build a system for linking with local stakeholders
- ❑ Supervision of relationships between students and related parties



Version 1 to be released in FY March 2024

Version 2 to be released in FY March 2024

Version 3 to be released in FY March 2025



Promote StartIn as the most secure and comfortable solution at the start of all processes in enterprises

**NEW**

# StartIn™

The name of StartIn has been coined by combining Start with In, given that an authentication solution is a system in which users should *start* by logging *in* before any process or learning.

It has an original authentication method using positional and other information to provide a comfortable environment.

It offers solutions to all issues involved in the corporate process of transfer to a cloud environment.

### Limitation of perimeter security

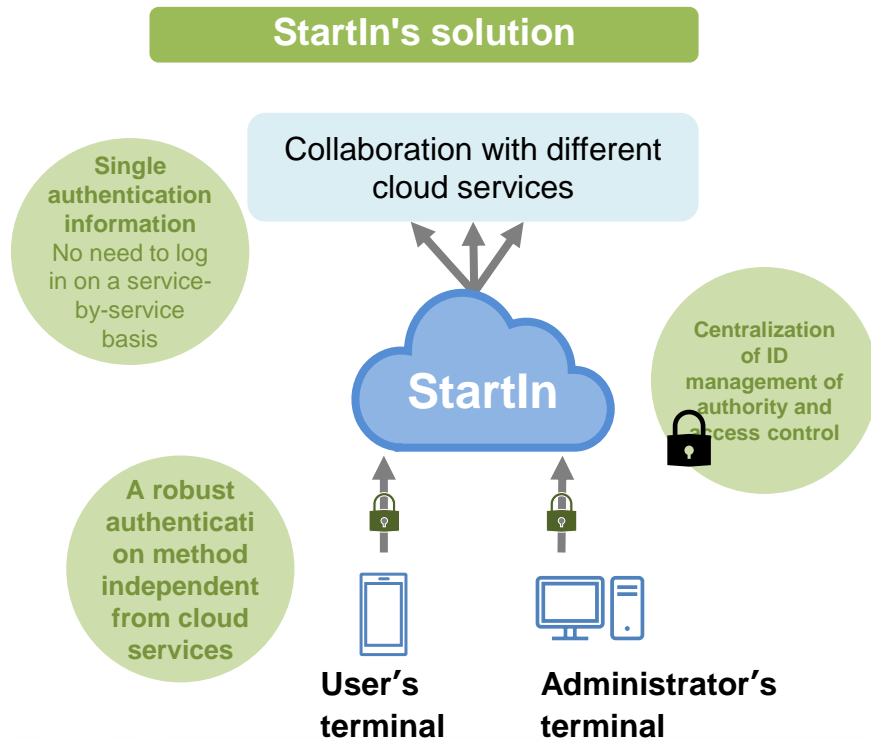
After the shift to a cloud environment, there is no boundary separating inside and outside the office. It is therefore difficult to manage IDs and to ensure the security of information assets.

### Lack of uniformity in security levels

Each cloud service requires separate authentication and authorization as well as data protection. It is difficult to attain a single security level for all services.

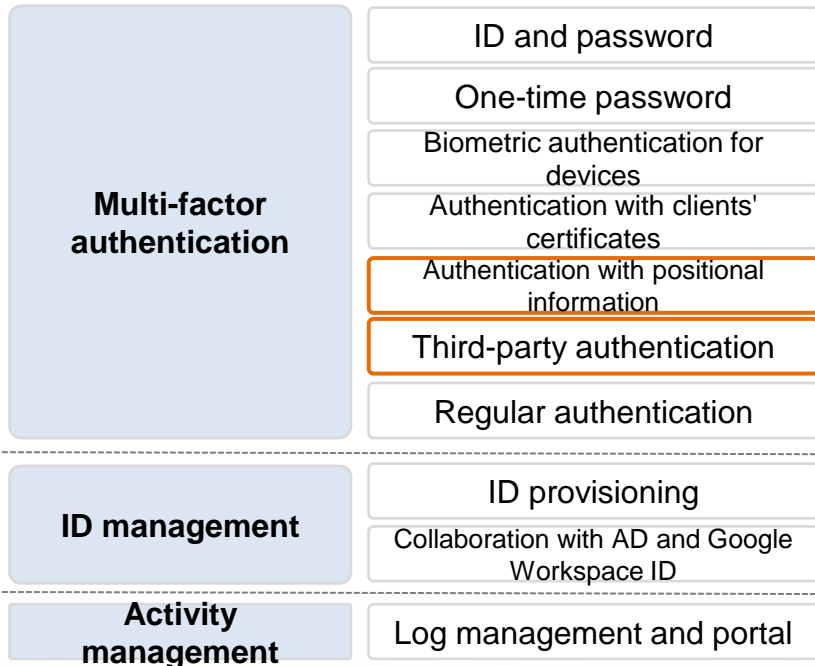
### Increasing the burden of ID management on administrators

Administrators face an increasing burden since it is necessary to separately manage IDs and passwords, make authority settings and implement security measures for different cloud services.



StartIn's superior features ensure a high security level in a cloud environment. They also reduce ID management burdens.

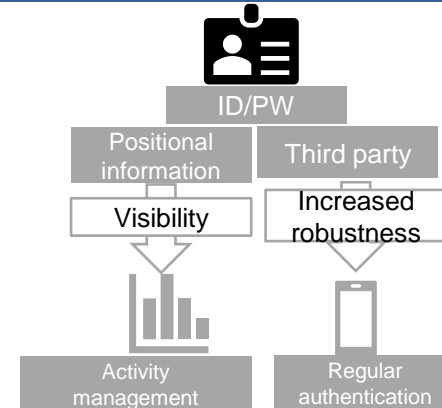
## StatIn's superior features



## Original robust authentication and simple ID management

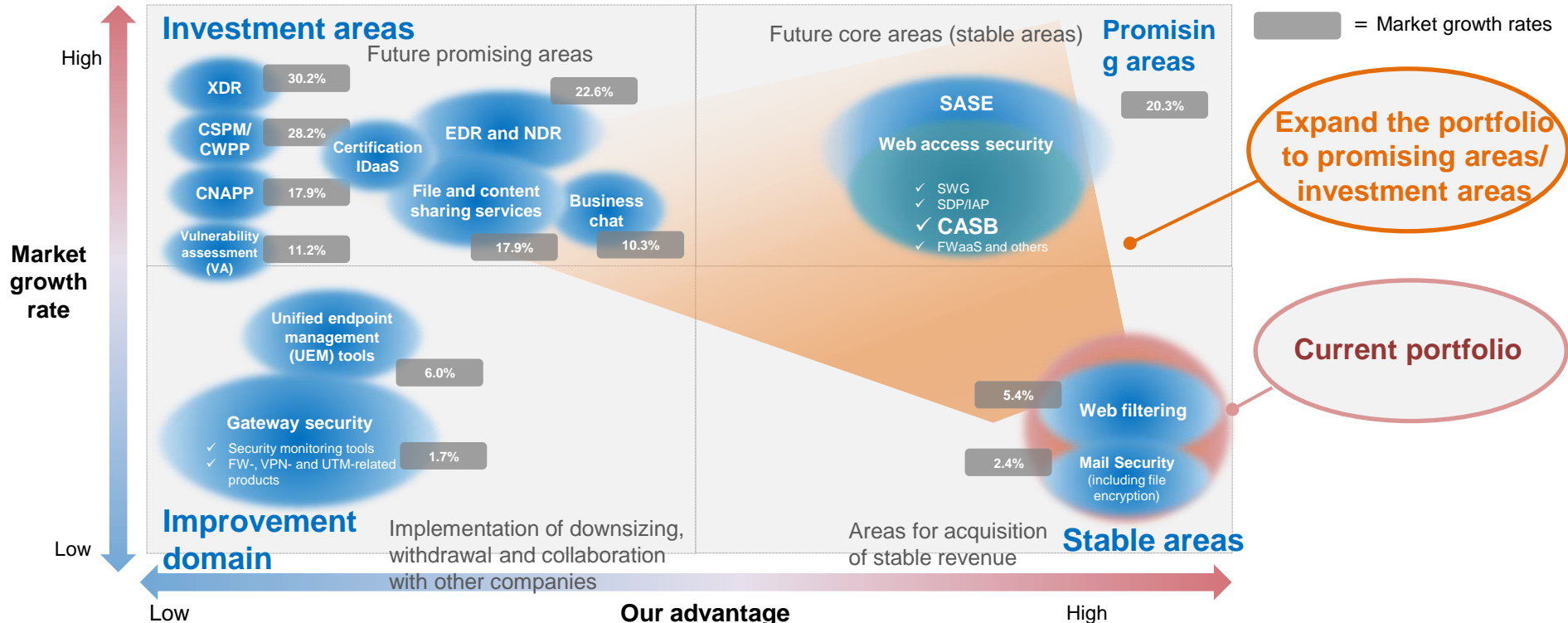
Its robust authentication feature ensures a high security level even in a cloud environment.

ID provisioning, AD collaboration and other features reduce the ID management burden.



# Strategy in Security Products Market

In addition to consistent growth in market share in stable areas, continue to expand the product portfolio to investment areas with high market growth rates and other promising areas to meet needs for comprehensive security



**Material on Consolidated Financial Results the Fiscal Year Ending  
March 31, 2023**

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# **Return to Shareholders for Fiscal Year Ending March 31, 2024**

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

Target payout ratio for fiscal year ending March 31, 2024: **31.6%**

Annual dividends of surplus forecasted for fiscal year ending March 31, 2024: **80.00 yen** per share.

We expect to increase the annual dividend by **5.00 yen** per share.

|                                     | Dividend (in yen) per share |              |              | Consolidated payout ratio |
|-------------------------------------|-----------------------------|--------------|--------------|---------------------------|
|                                     | 2Q-end                      | Year-end     | Annual       |                           |
| <b>FY March 2023</b>                | 35.00                       | 40.00        | 75.00        | 34.4%                     |
| <b>FY March 2024<br/>(forecast)</b> | <b>40.00</b>                | <b>40.00</b> | <b>80.00</b> | <b>31.6%</b>              |

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. on the basis of information currently available to it. They may be subject to considerable change depending on changes in the environment and other factors, and the Company does not in any way guarantee the achievement of the projections. Digital Arts Inc. will disclose any significant changes that occur in the future as appropriate.

With some exceptions, the basic figures in this presentation are rounded down to the nearest million yen.

- デジタルアーツ、DIGITAL ARTS、i-FILTER、i-FILTER@Cloud Anti-Virus & Sandbox、D-SPA、White Web、m-FILTER、m-FILTER MailFilter、m-FILTER Archive、m-FILTER Anti-Spam、m-FILTER Anti-Virus & Sandbox、m-FILTER@Cloud Anti-Virus & Sandbox、FinalCode、i-フィルター、DigitalArts@Cloud、Desk@Cloud、Desk、Dアアート and other logos and icons related to Digital Arts Inc. and its products are trademarks or registered trademarks of Digital Arts Inc.
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