



**Consolidated Financial Results for the First Three
Quarters of the Fiscal Year Ending March 31, 2023**

(From April 1, 2022 to December 31, 2022)

Financial Results Briefing Materials

January 31, 2023

Digital Arts Inc.
(Securities Code: 2326)

- **Consolidated Results Highlights**
- **Non-consolidated Results Highlights**
- **By Market**
- **Full-Year financial Forecast for the Fiscal Year Ending March 2023**
- **FY03/23 Initiatives**
- **Return to Shareholders for Fiscal Year Ending March 31, 2023**

**Material on Consolidated Financial Results for the First Three
Quarters of the Fiscal Year Ending March 31, 2023**

Consolidated Results Highlights

Contracts

7,043million yen

(up +578million yen or +8.9%
year on year)

- In the enterprise section market, the Group won new projects by offering a new optional function to meet security needs, and DAC maintained steady growth.
- In the public sector market, orders from public agencies and local governments remained strong, despite a reactionary fall from the peak of new GIGA School Concept projects.

Net sales

7,658million yen

(up +971 million yen or +14.5%
year on year)

- Net sales increased in the enterprise sector market due to growth in sales of cloud service products, reflecting an increase in contracts for those products and growth in new customers for DAC.
- In the public sector market, orders received from public agencies and local governments grew significantly, in addition to posted sales of GIGA School Concept projects.

Operating profit

3,228million yen

(up +203 million yen or +6.7%
year on year)

- In cost of sales, server expenses increased due to growth in licenses for cloud service products.
- SG&A expenses were affected by an increase in advertising expenses, including press advertising, and an increase in hiring expenses after DAC increased consultants.

Consolidated Results Summary

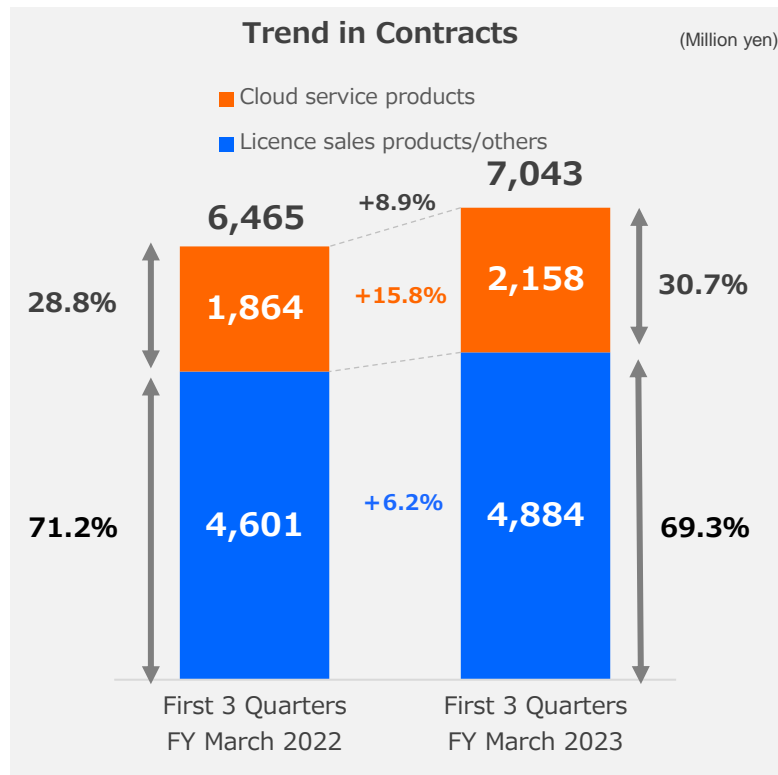


(Million yen)	First 3 Quarters FY March 2022	First 3 Quarters FY March 2023	Change YoY	FY March 2023 Full- Year Forecast
Contracts	6,465	7,043	8.9%	-
Net sales	6,686	7,658	14.5%	10,500
Cost of goods sold	1,940	2,651	36.7%	3,350
Gross profit	4,746	5,006	5.5%	7,150
Selling, general and administrative expenses	1,721	1,778	3.3%	2,450
Operating profit	3,024	3,228	6.7%	4,700
Operating margin	45.2%	42.2%	-	44.8%
Ordinary profit	3,027	3,241	7.0%	4,700
Profit attributable to owners of Parent	2,081	2,235	7.4%	3,250
EBITDA	3,736	3,966	6.1%	-

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

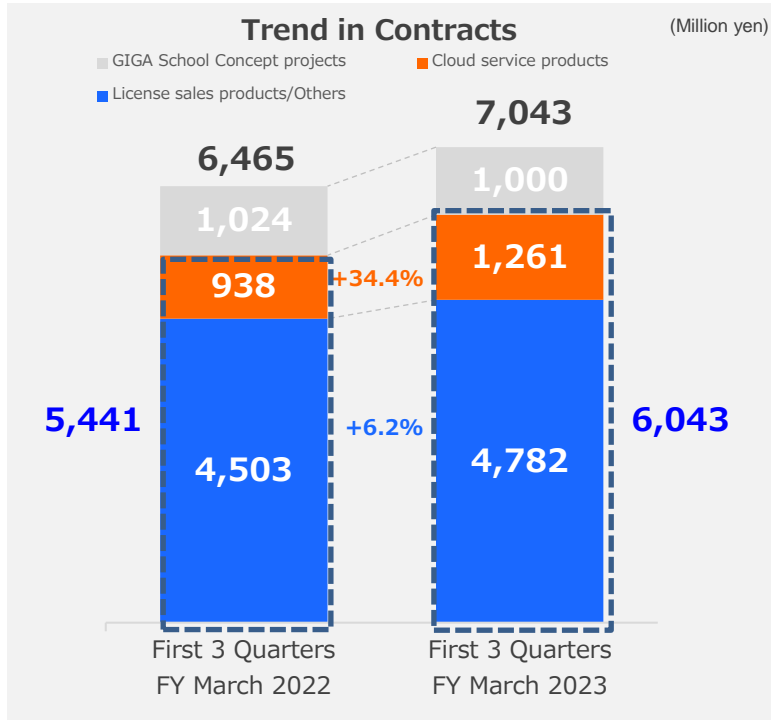
* EBITDA = Operating profit + Depreciation + Tax expenses included in operating expenses

Consolidated contracts totaled **7,043 million yen**, up **+8.9%** year on year.



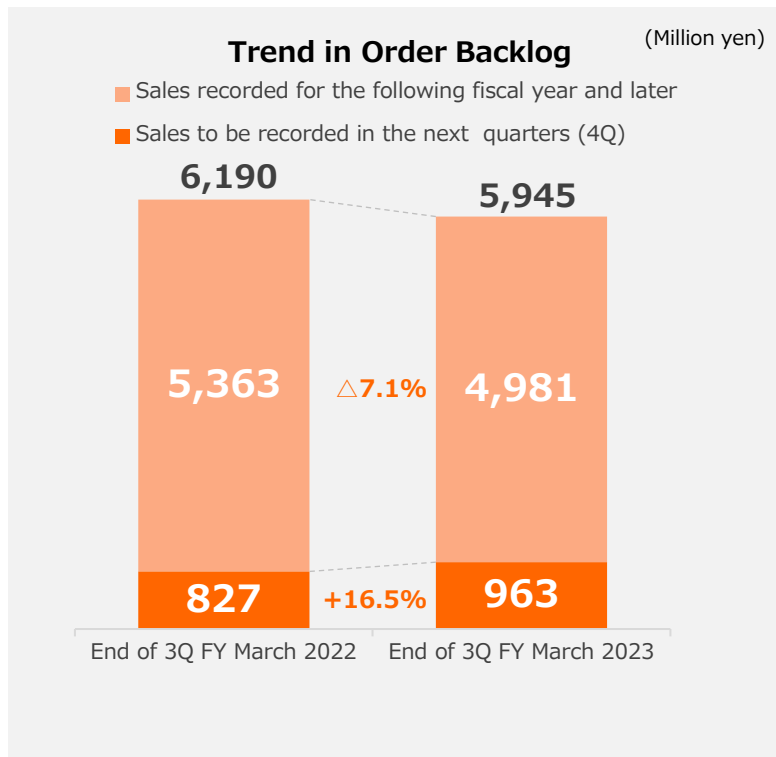
- **Contracts for both cloud services and license sales increased year on year.**
- **Contracts for cloud service products declined due to a fall in GIGA School Concept projects in the public sector market after penetration, which was more than offset by steady orders for new projects received in the enterprise sector market, resulting in a 15.8% increase.**
- **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 6.2% increase.**

Contracts for cloud service products were strong in the enterprise sector, except for the impact of GIGA School Concept projects.



- **Contracts for cloud service products increased 34.4% (938 million yen in the previous fiscal year and 1,261 million yen in the fiscal period under review) excluding the impact of GIGA School Concept projects (1,024 million yen in the previous fiscal year and 1,000 million yen in the fiscal year under review).**
- **Contracts for cloud service products increased, reflecting growing demand for security in the cloud environment primarily in the enterprise sector market.**

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



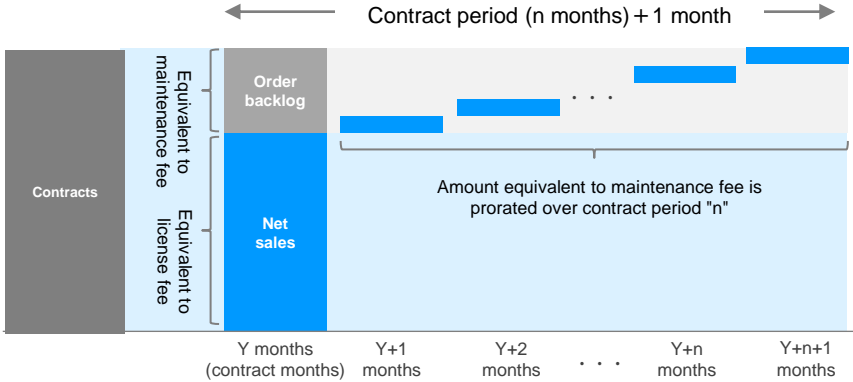
- New contracts for GIGA School Concept projects, many of which are five-year contracts, have run their course as a result of the widespread use of learning terminals*, and sales of GIGA projects will decline from the next fiscal year. The projects will be moving to a contract renewal phase gradually.
- Sales posted in the fiscal year under review increased due to a rise in orders for cloud service products, for which contracts are mostly one-year contracts.
- **Characteristics of cloud service products** (please refer to supplementary information in pp. 9 and 10)
 - Contract amount is recorded as sales on a pro rata basis, split into equal monthly amounts, over the contract period. As a result, the longer the contract period, the larger the contract amount that is deferred (order backlog).
 - Since the contracts are renewable at fixed prices (whereas the renewal price for license sales products is half the contract price for the first year), this recurring revenue business model creates a stable profit base.

* Progress against the goal of providing a terminal to each pupil in compulsory education (Ministry of Education, Culture, Sports, Science and Technology)
https://www.mext.go.jp/content/20220204-mxt_shuukyuo01-000009827_001.pdf

Supplement) Method of recording sales by product

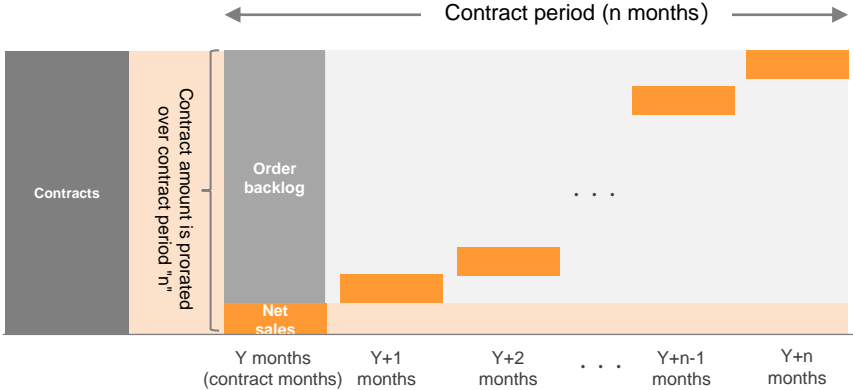


License sales products



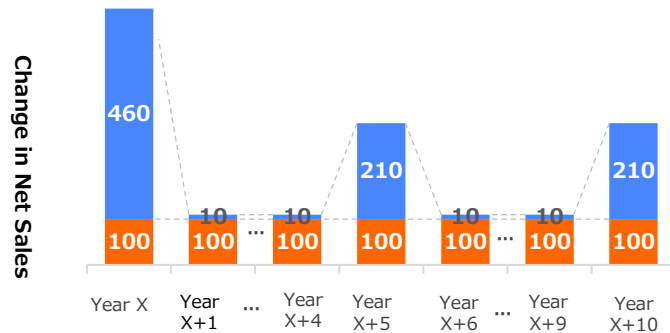
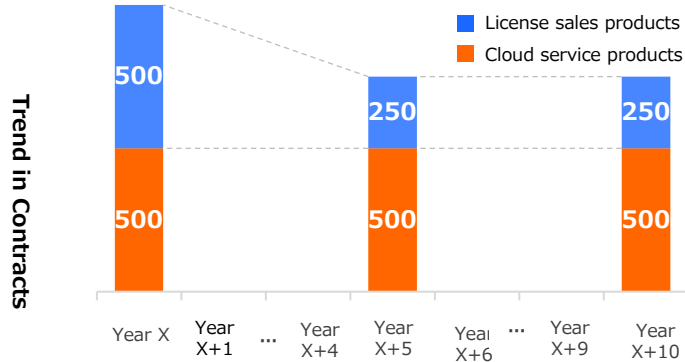
- License fees make up a large proportion of the contract amount. This portion is recorded in a lump sum as sales in the month when the contract is obtained.
- Amount equivalent to maintenance fee is recorded on a pro rata basis over the contract period.

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.

Many projects in the public sector market are multi-year contracts, such as five-year contracts. License sales products and cloud service products both earn from contract renewals.



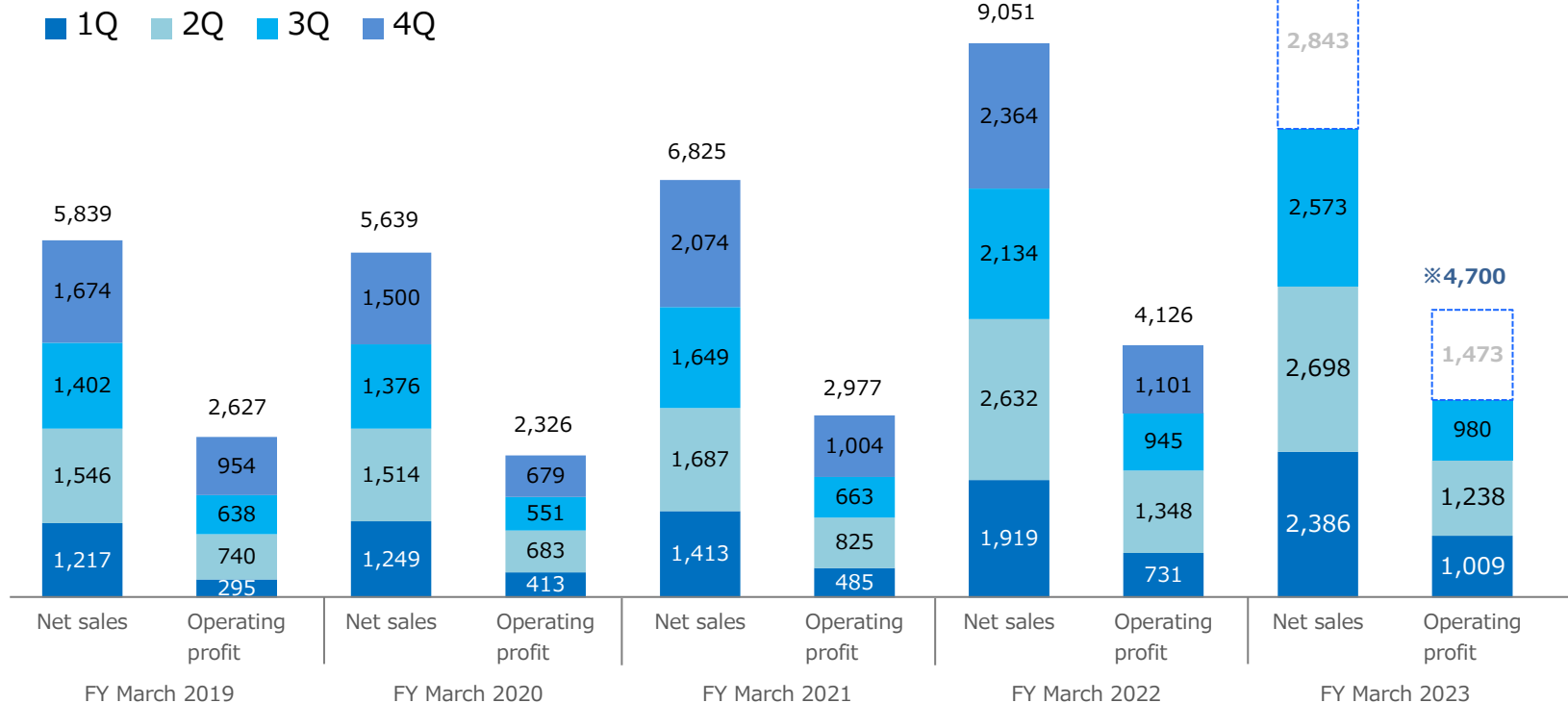
The diagrams on the left show the relationships between the contract amount and sales in license sales products and cloud service products on the assumption of a five-year contract with an amount of 500 million yen.

- In a multi-year contract for cloud service products, there is a large gap between the contract amount and sales. The order backlog is high.
- For license sales products, a high percentage of sales is recorded at the time of contract conclusion. The amount of contract renewal is half the amount of the initial contract. That means a small gap between the contract amount and sales and a very limited order backlog.

Trend in Net sales, Operating profit

Net sales and Operating profit **reached a new record high** for the third quarter.

※ 10,500 (Million yen)



*Full-year consolidated financial forecast announced on May 10, 2022

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



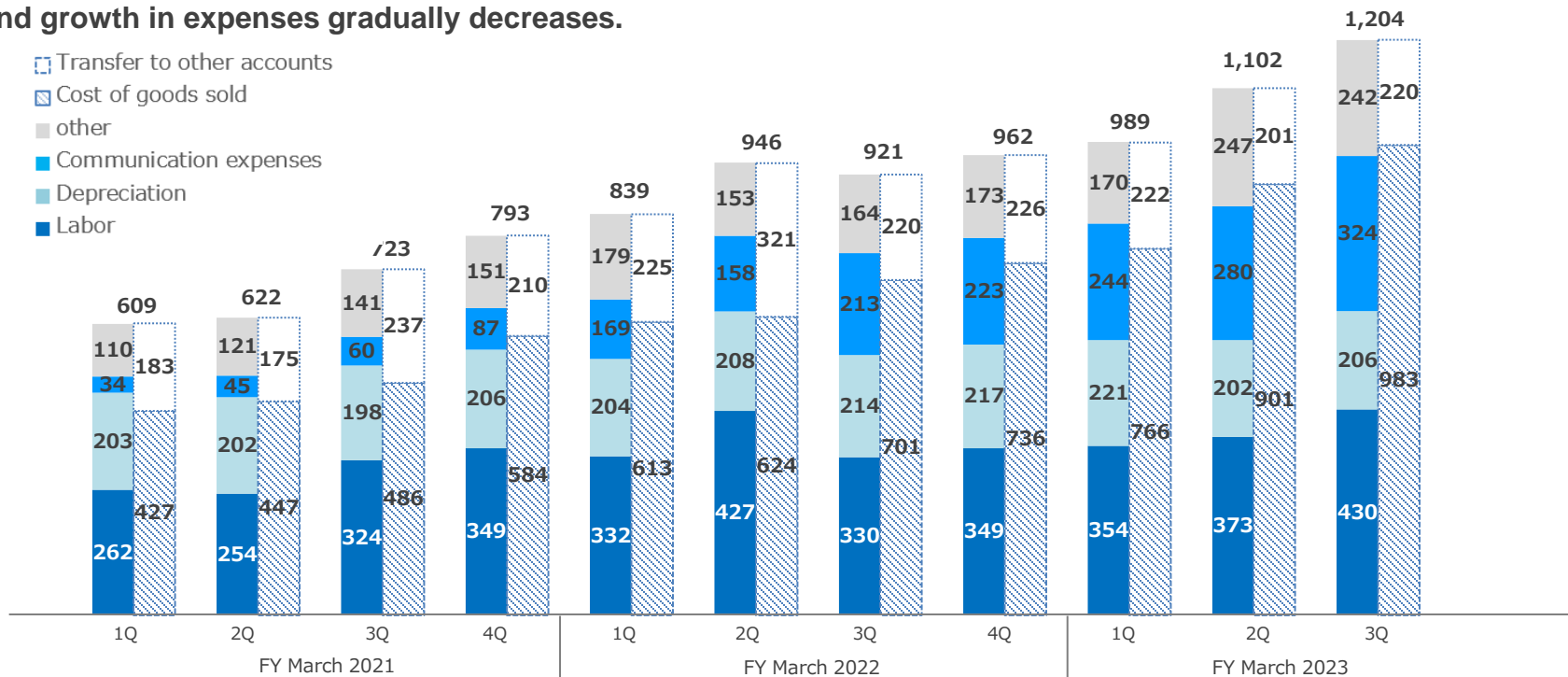
(Million yen)	First 3 Quarters FY March 2022	First 3 Quarters FY March 2023	Change YoY	Main Factors for Change
Cost of goods sold	1,940	2,651	+711	
Labor	1,090	1,158	+67	DAC increased consultants Reactionary fall from the large amount of bonuses paid in the previous fiscal year
Depreciation	627	629	+2	
Communication expenses	495	850	+354	Cloud server expenses rose as a result of sales expansion of cloud products.
Other	494	657	+163	
Transfer to other accounts	△768	△644	+123	
Selling, general and administrative expenses	1,721	1,778	+56	
Personnel expenses	1,032	899	△132	Reactionary fall from the large amount of bonuses paid in the previous fiscal year
Advertising expenses	169	230	+60	Increase due to and press advertising.
Other	519	648	+129	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 rose as a result of sales expansion of cloud products.

(Million yen)

The business entered the phase of a decrease in new contracts for GIGA School Concept projects and growth in expenses gradually decreases.

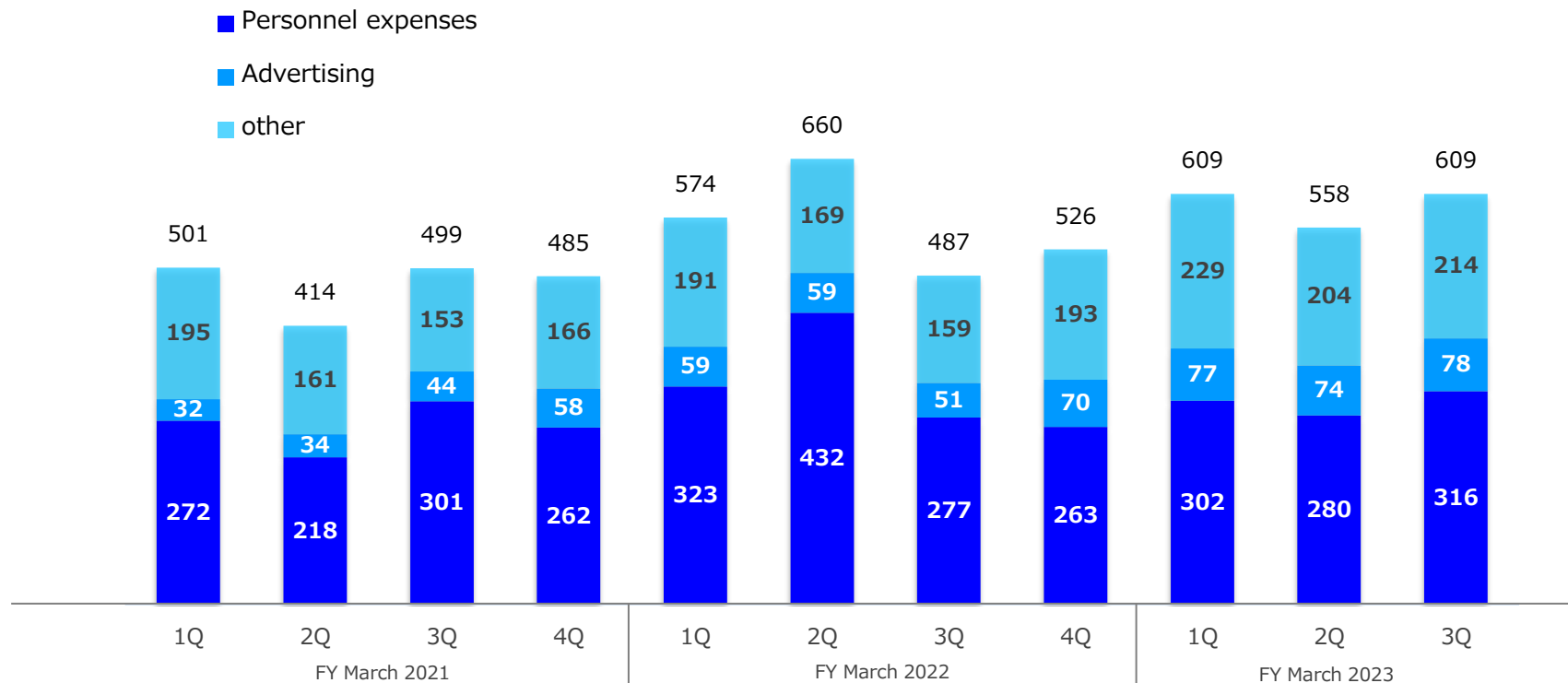


Quarterly Trend in Consolidated Selling, General and Administrative Expenses



- Increase due to and press advertising.
- Hiring expenses swelled after DAC increased consultants.

(Million yen)



Summary of Consolidated Balance Sheet



The financial health continued to improve, with an equity ratio of 67.1%.

(Million yen)	As of end of 3Q FY March 2022	As of end of FY March 2022	As of end of 3Q FY March 2023	Change from end of FY March 2022
Current assets	15,959	17,105	17,631	+3.1%
Cash and deposits	14,255	15,773	16,072	+1.9%
Non-current assets	2,274	2,236	2,209	△1.2%
Total assets	18,233	19,341	19,840	+2.6%
Current liabilities	6,857	7,130	6,442	△9.7%
Advanced received	5,644	5,684	5,326	△6.3%
Non-current liabilities	50	50	50	△0.1%
Equity capital	11,297	12,129	13,314	+9.8%
Net assets	11,325	12,159	13,347	+9.8%
Equity ratio	62.0%	62.7%	67.1%	-
ROE	19.5%	26.2%	17.6%	-
ROA	12.6%	17.0%	11.4%	-

**Material on Consolidated Financial Results for the First Three
Quarters of the Fiscal Year Ending March 31, 2023**

Non-consolidated Results Highlights

Summary of Non-consolidated Results



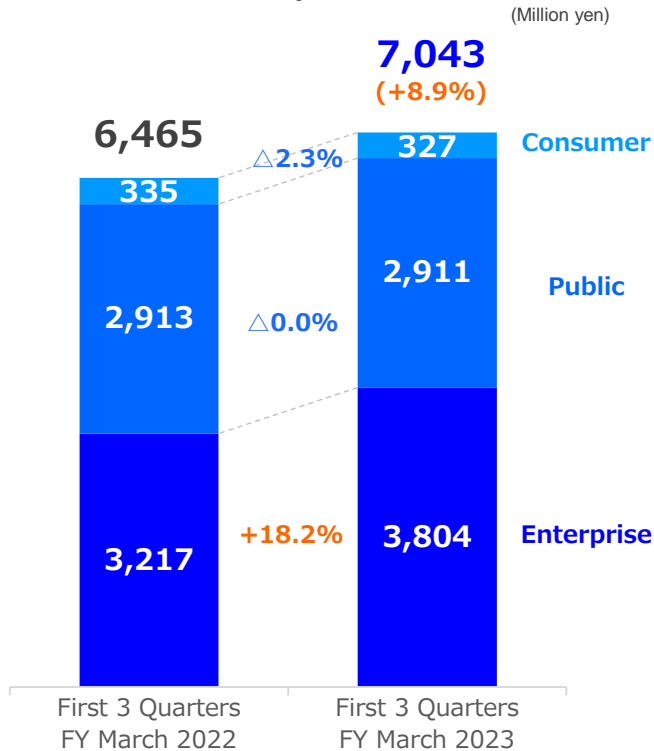
(Million yen)	First 3 Quarters FY March 2022	First 3 Quarters FY March 2023	Change YoY	FY March 2023 Full-Year Forecast
Contracts	5,706	5,978	+4.8%	-
Net sales	5,928	6,593	+11.2%	9,000
Cost of sales	1,312	1,769	+34.8%	2,150
Gross profit	4,615	4,824	+4.5%	6,850
Selling, general and administrative expenses	1,635	1,629	△0.3%	2,250
Operating profit	2,980	3,194	+7.2%	4,600
Operating margin	50.3%	48.5%	-	51.1%
Ordinary profit	2,986	3,202	+7.2%	4,600
Profit	2,063	2,213	+7.3%	3,200

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

Material on Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023

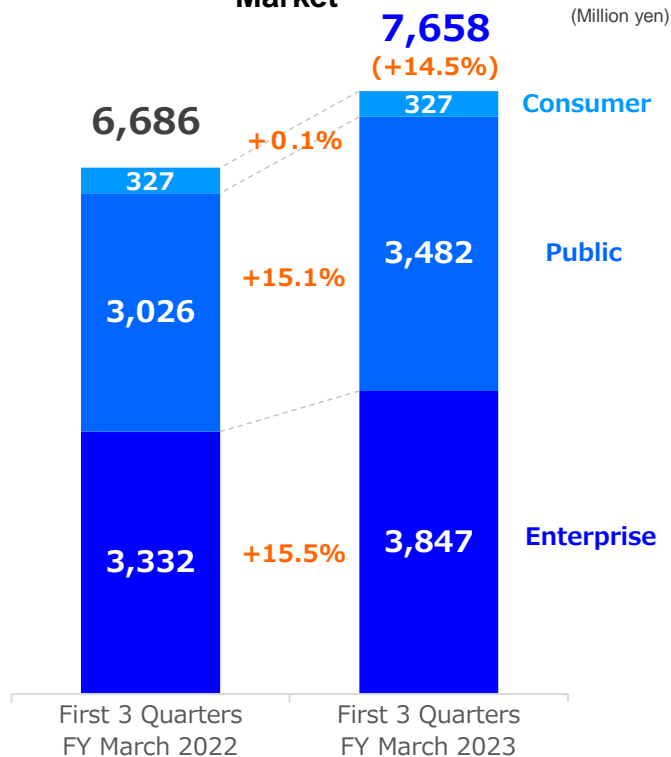
By Market

Trend in Consolidated Contract Amount by Market



- In the enterprise sector market, in addition to growth in contracts for cloud service products in response to a rise in demand for cloud services, the contract amount rose 586 million yen or 18.2% due to increased orders received resulting from the additional functions of i-FILTER and m-FILTER series, new contracts that the Group won by implementing a sales promotion strategy with to specific targets, and the growth of DAC.
- In the public sector market, the contract amount decreased 1 million yen, or 0.0%, after meeting demand for GIGA School Concept projects for the time being despite growth in orders received from public agencies and local governments.

Trend in Consolidated Net Sales by Market



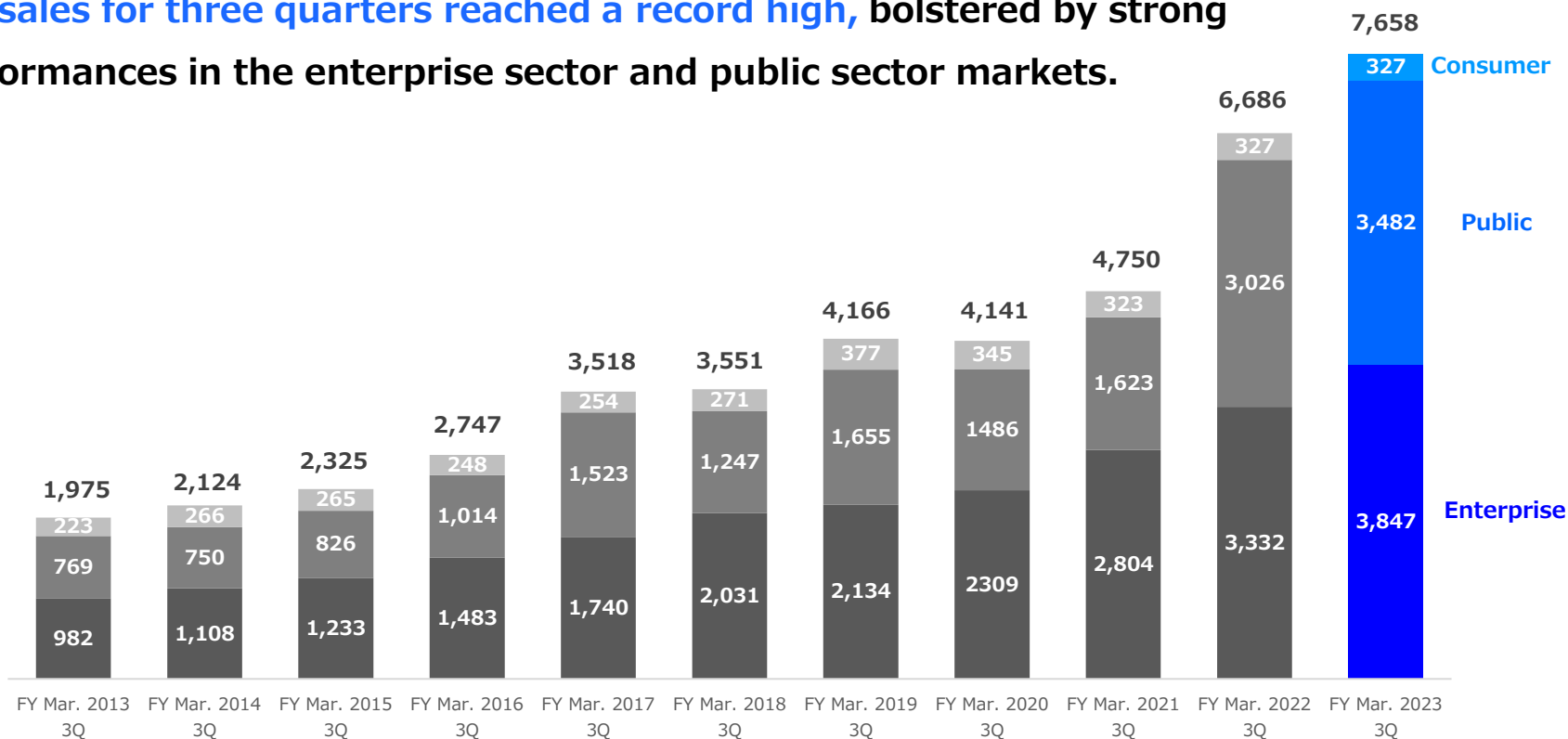
- In the enterprise sector market, net sales for cloud service products increased due to a rise in contracts in response to growing demand for cloud services, in addition to growth based on new customers for DAC, resulting in an increase of 515 million yen (15.5%).
- In the public sector market, net sales rose 456 million yen, or 15.1%, 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



(Million yen)

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

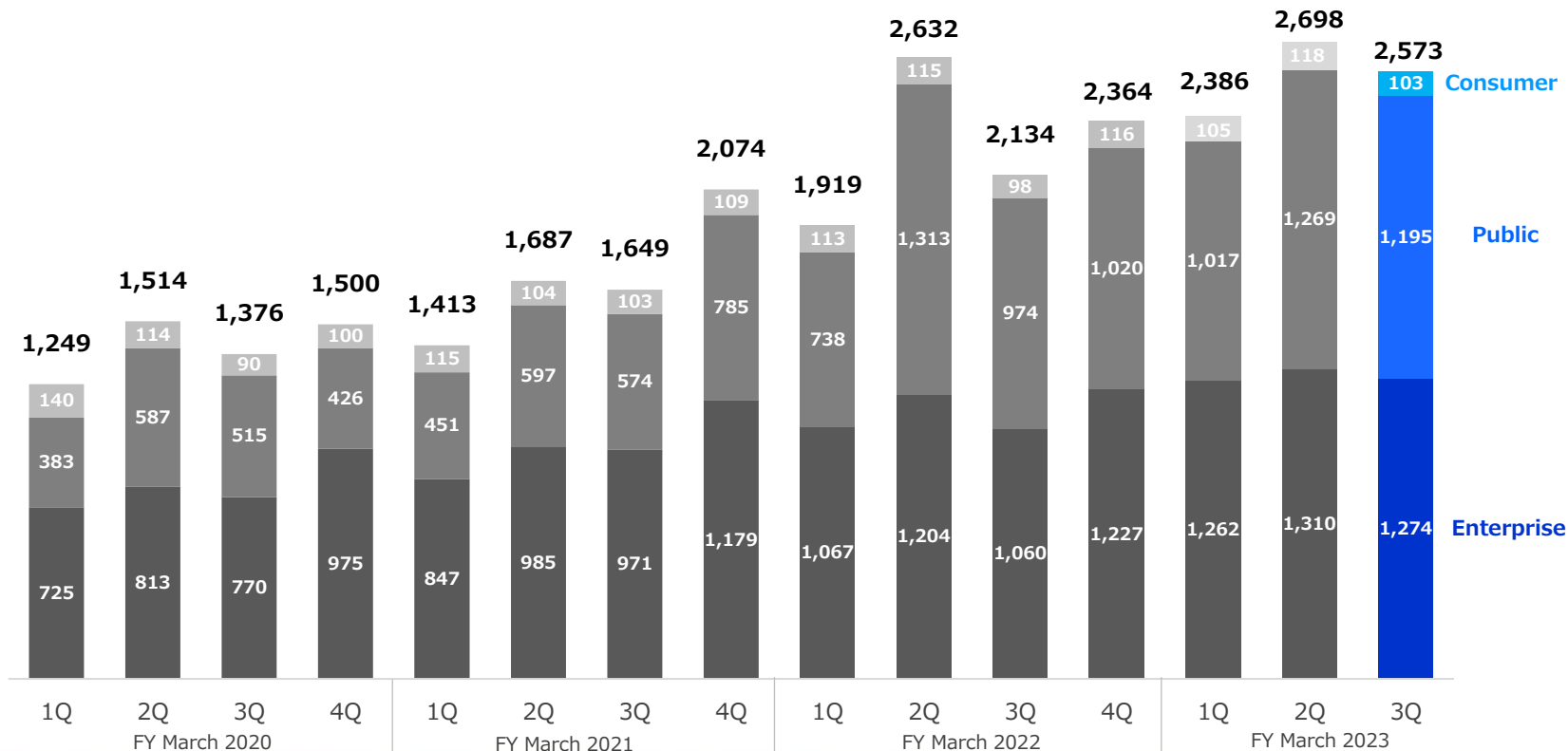


Quarterly Trend in Consolidated Net Sales by Market



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

(Million yen)

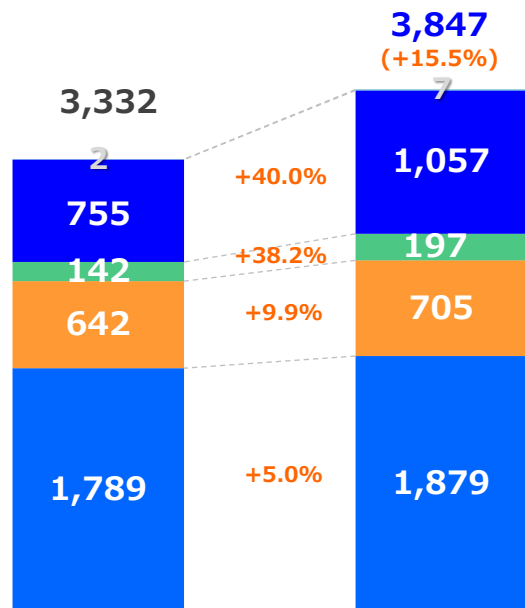


**Material on Consolidated Financial Results for the First
Three Quarters of the Fiscal Year Ending March 31, 2023**

Enterprise Sector

Trend in Net Sales in Enterprise Sector Market by Product

■ i-FILTER series
 ■ m-FILTER series
 ■ FinalCode
 ■ DAC
 ■ other
 (Million yen)



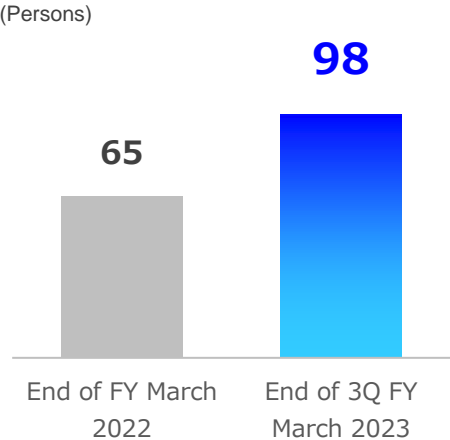
First 3 Quarters
FY March 2022

First 3 Quarters
FY March 2023

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 90 million yen, 5.0%, 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. (+63 million yen or +9.9%)
- Sales of the FinalCode series remained strong, meeting demand for responses to PPAP and the revised Act on the Protection of Personal Information. (+54 million yen or +38.2%)
- DAC made good progress acquiring new clients and achieved substantial sales growth (up 302 million yen or 40.0%), reflecting growing DX needs and demand for security measures among enterprises.

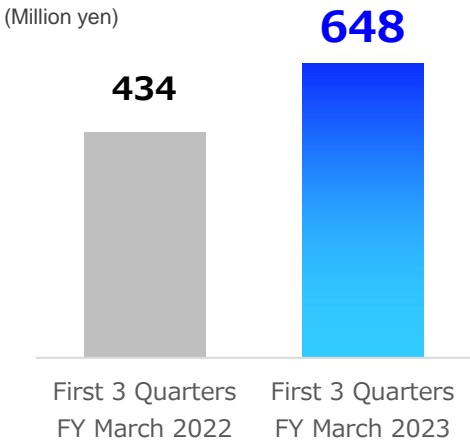
Number of consultants



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

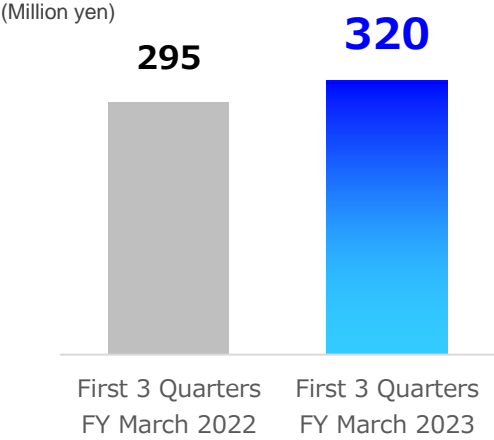
*: DAC's non-consolidated net sales

Security consulting sales*



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*



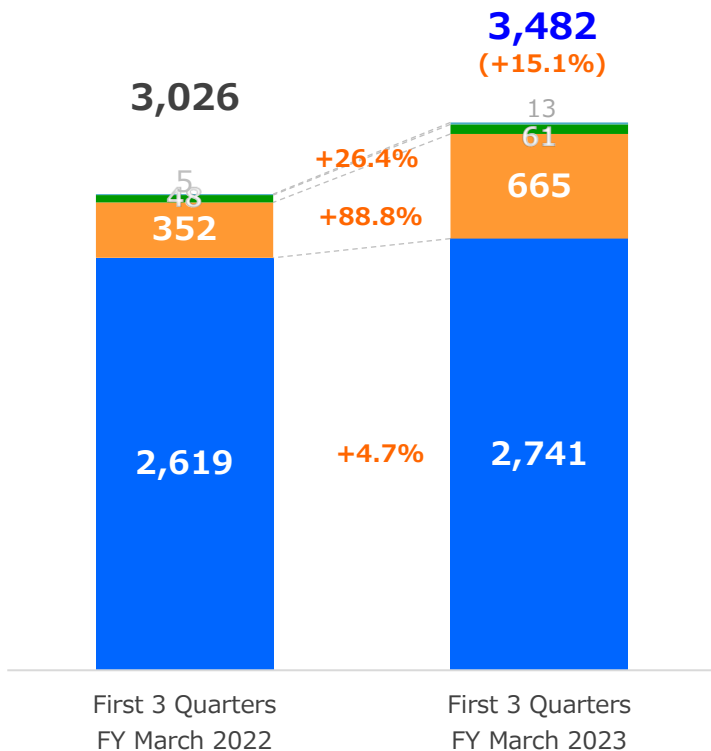
DAC proposed initiatives and solutions to promote DX at customers in consideration of security and provided comprehensive consulting services, including implementation support.

**Material on Consolidated Financial Results for the First
Three Quarters of the Fiscal Year Ending March 31, 2023**

Public Sector

Trend in Net Sales of Public Sector Market by Product

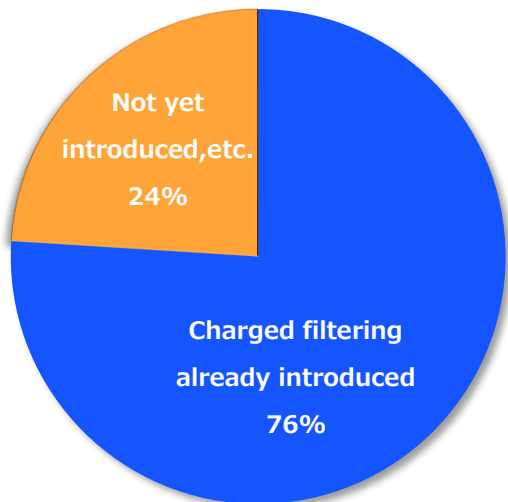
■ i-FILTER series ■ m-FILTER series ■ FinalCode ■ other (Million yen)



- 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. (+122 million yen or +4.7%)
- Brisk orders were received from local governments and sales of the m-FILTER series leaped (+313 million yen or +88.8%).

GIGA School Status*1

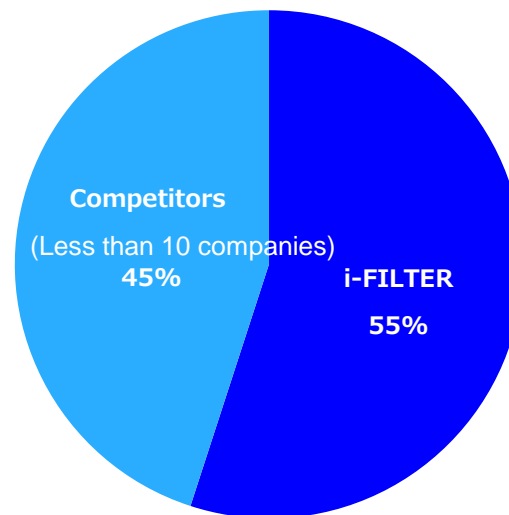
Introduction of charged filtering



- The proportion of Boards of Education which have adopted paid-for filtering increased from 73% at the end of the previous fiscal year to **76%**.

*1 : According to our survey of 1,741boards of education Dec 2022)

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 **7.9 billion yen** at the end of the third quarter from 6.9 billion yen at the end of the previous fiscal year.

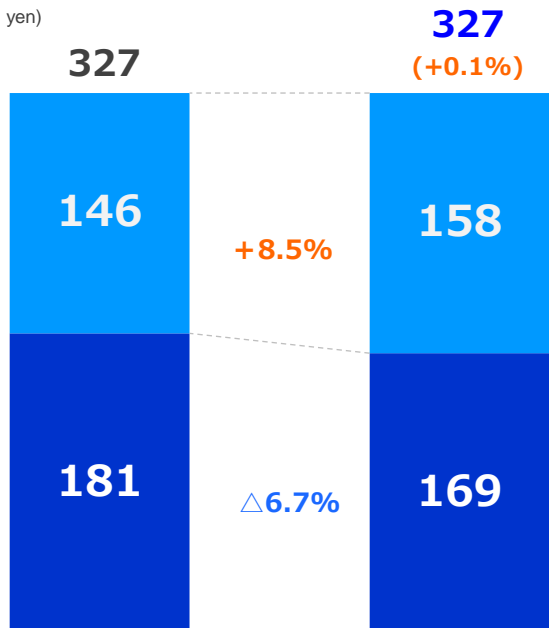
**Material on Consolidated Financial Results for the First
Three Quarters of the Fiscal Year Ending March 31, 2023**

Consumer Sector

Trend in Net Sales of Consumer Sector Market by Product

- For mobile terminals, other
- For computers

(Million yen)



First 3 Quarters
FY March 2022

First 3 Quarters
FY March 2023

- 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.

**Material on Consolidated Financial Results for the First Three Quarters of
the Fiscal Year Ending March 31, 2023**

Full-Year Financial Forecast for Fiscal Year Ending March 31, 2023

Forecasts for Fiscal Year Ending March 31, 2023 (Consolidated)



(Million yen)	FY March 2022 Full-Year Results	FY March 2023 Full-Year Forecasts	Change	% Change
Net sales	9,051	10,500	+1,448	+16.0 %
Cost of goods sold	2,676	3,350	+673	+25.2 %
Gross profit	6,374	7,150	+775	+12.2 %
Gross profit margin	70.4%	68.1%	-	-
Selling, general and administrative expenses	2,248	2,450	+201	+9.0 %
Operating profit	4,126	4,700	+573	+13.9 %
Operating margin	45.6%	44.8%	-	-
Ordinary profit	4,135	4,700	+564	+13.7 %
Profit attributable to owners of parent	2,900	3,250	+349	+12.0 %

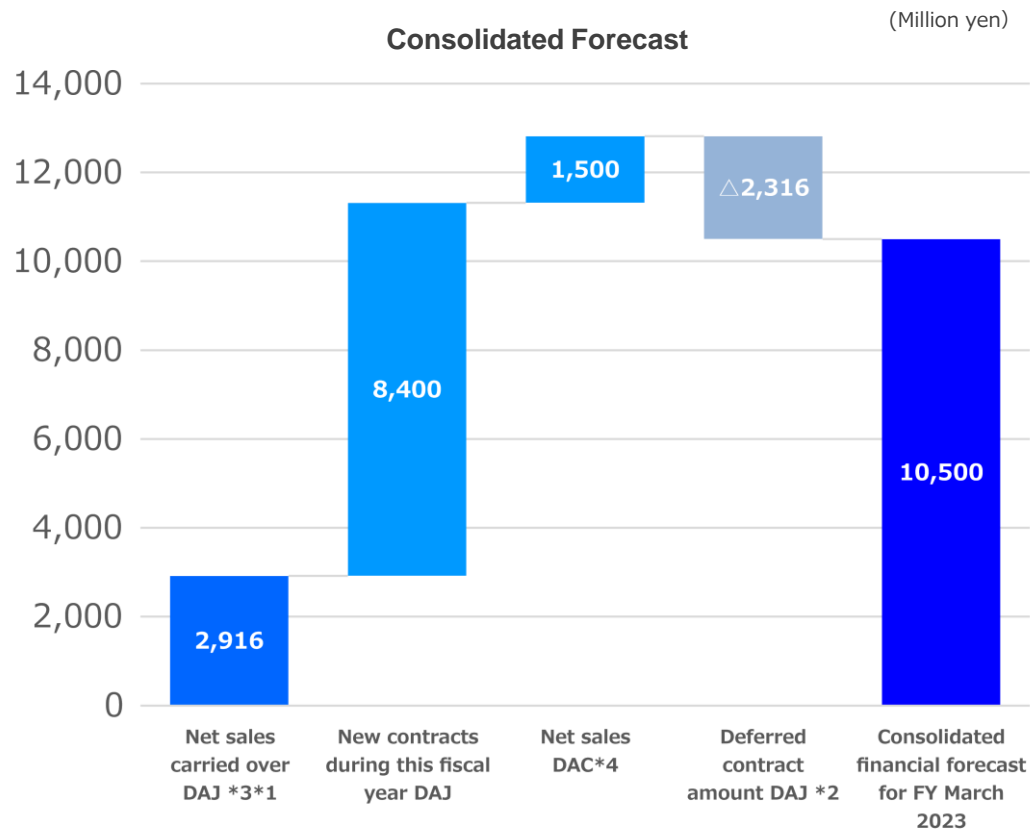
※ Financial Forecast is the consolidated financial forecast announced on May 10, 2022.

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



(Million yen)	FY March 2022 Full-Year Results	FY March 2023 Full-Year Forecasts	Change	% Change
Net sales	8,003	9,000	+996	+12.4 %
Cost of goods sold	1,821	2,150	+328	+18.0 %
Gross profit	6,182	6,850	+667	+10.8 %
Gross profit margin	77.2%	76.1%	-	-
Selling, general and administrative expenses	2,141	2,250	+108	+5.1 %
Operating profit	4,040	4,600	+559	+13.8 %
Operating margin	50.5%	51.1%	-	-
Ordinary profit	4,052	4,600	+547	+13.5 %
Profit	2,832	3,200	+367	+13.0 %

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



- 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 contracts of DAJ are expected to amount to 8,400 million yen after measures to expand sales of new functions and strategic sales measures for the enterprise sector market and the winning of projects to improve the resilience of municipal information systems in the public sector market.
- As in the previous fiscal year, DAC will increase the number of consultants and is expected to continue growing through the acquisition of new clients.

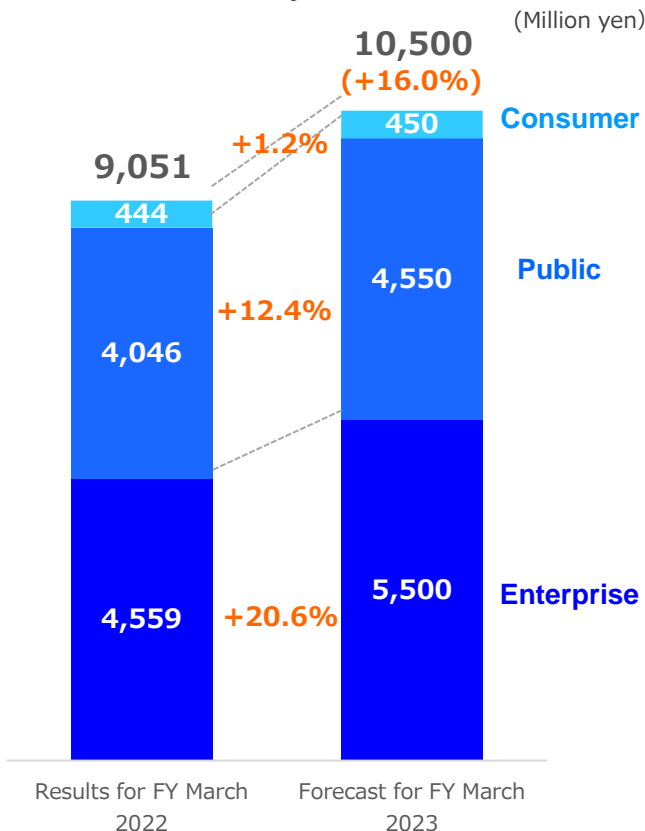
*1: Sales recorded from the order backlog of contracts acquired in previous fiscal years

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

*3: DAJ = Digital Arts Inc.

*4: DAC = Digital Arts Consulting Inc.

Forecast by Market



- 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.
- We will increase the number of DAC staff to achieve growth by acquiring new customers.
- 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.
- Sales growth will be attained by winning projects for the further improvement of the resilience of municipal information systems and by expanding our market share in connection with the GIGA School Concept.

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

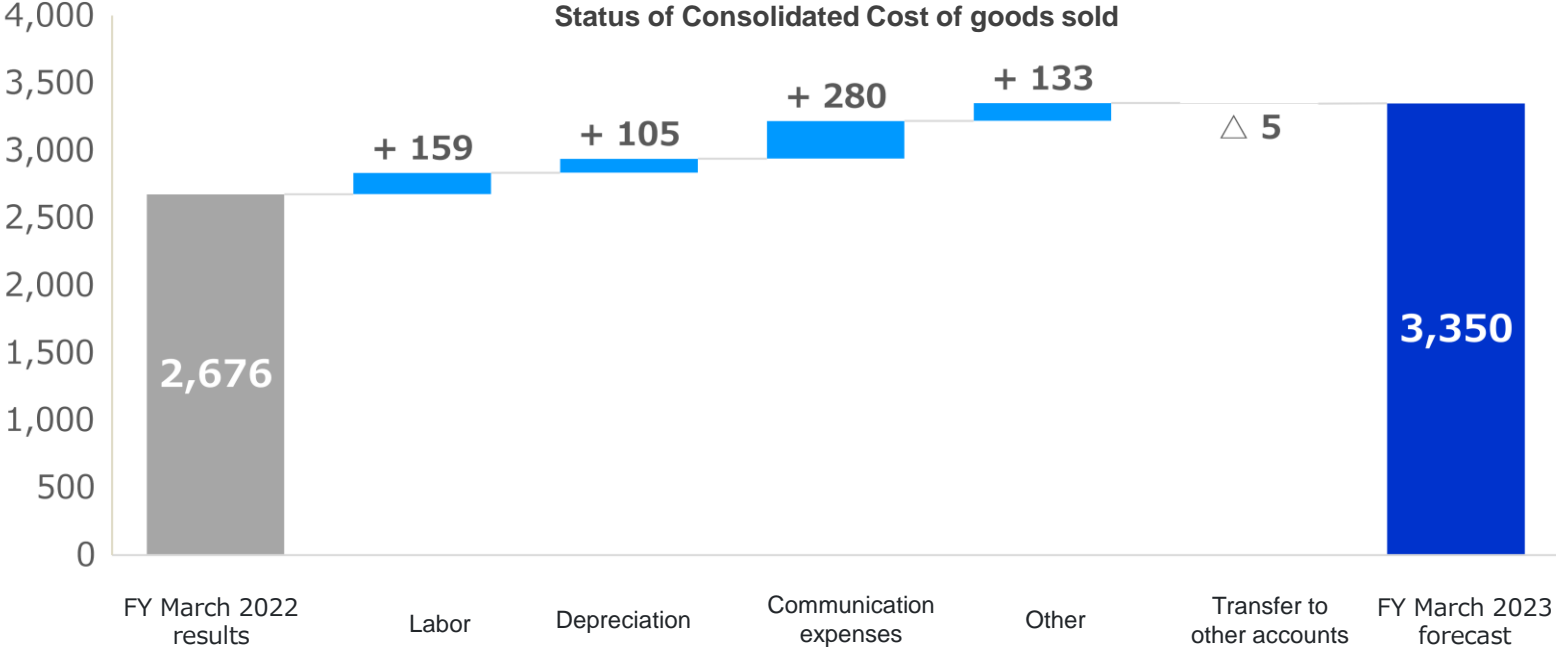


(Million yen)	Results for FY March 2022	Forecast for FY March 2023	Change YoY	Main Factors for Change
Cost of goods sold	2,676	3,350	+25.2%	
Labor	1,440	1,600	+11.1%	DAC will increase the number of consultants.
Depreciation	844	950	+12.4%	Increase in depreciation of software for cloud products.
Communication expenses	719	1,000	+39.1%	Cloud server expenses will rise as a result of sales expansion of cloud products.
Other	666	800	+20.1%	Increase in outsourcing of development
Transfer to other accounts	△994	△1,000	△0.5%	
Selling, general and administrative expenses	2,248	2,450	+9.0%	
Personnel expenses	1,296	1,270	△2.0%	
Advertising expenses	239	290	+20.9%	Advertising in newspapers and other media will increase.
Other	712	890	+25.0%	Hiring expenses will increase for increasing consulting personnel at DAC.

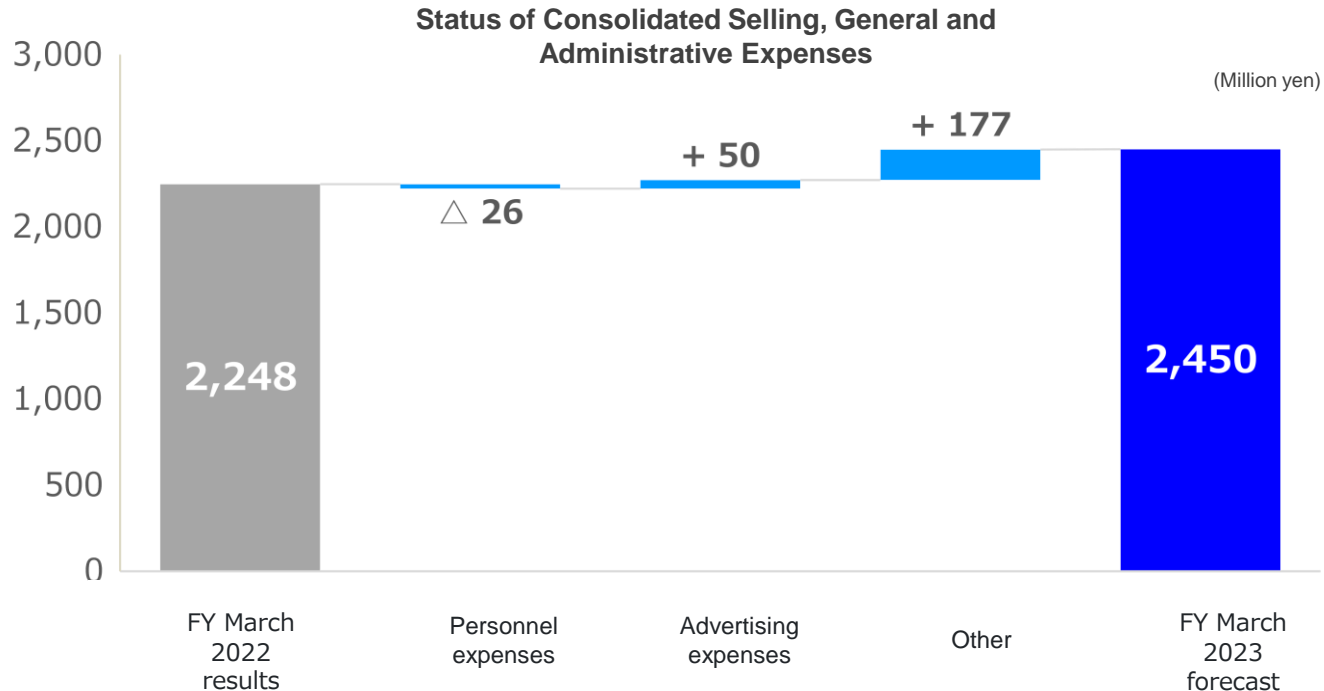
Labor costs are expected to rise because DAC will increase the number of consultants.

Communication expenses are expected to increase as a result of sales expansion of cloud products.

(Million yen)



Recruiting expenses (in the "other" category) will increase for increasing consulting personnel at DAC.



**Material on Consolidated Financial Results for the First Three Quarters of
the Fiscal Year Ending March 31, 2023**

FY03/23 Initiatives

(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.

(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.

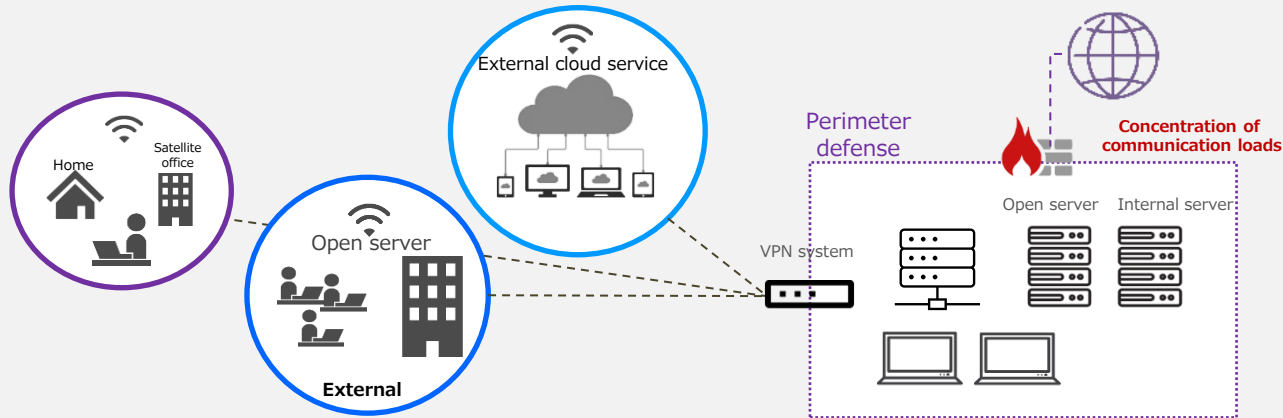
(4) Enhancing security measures for GIGA School devices

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.

(1) Mounting Needs for Comprehensive Security

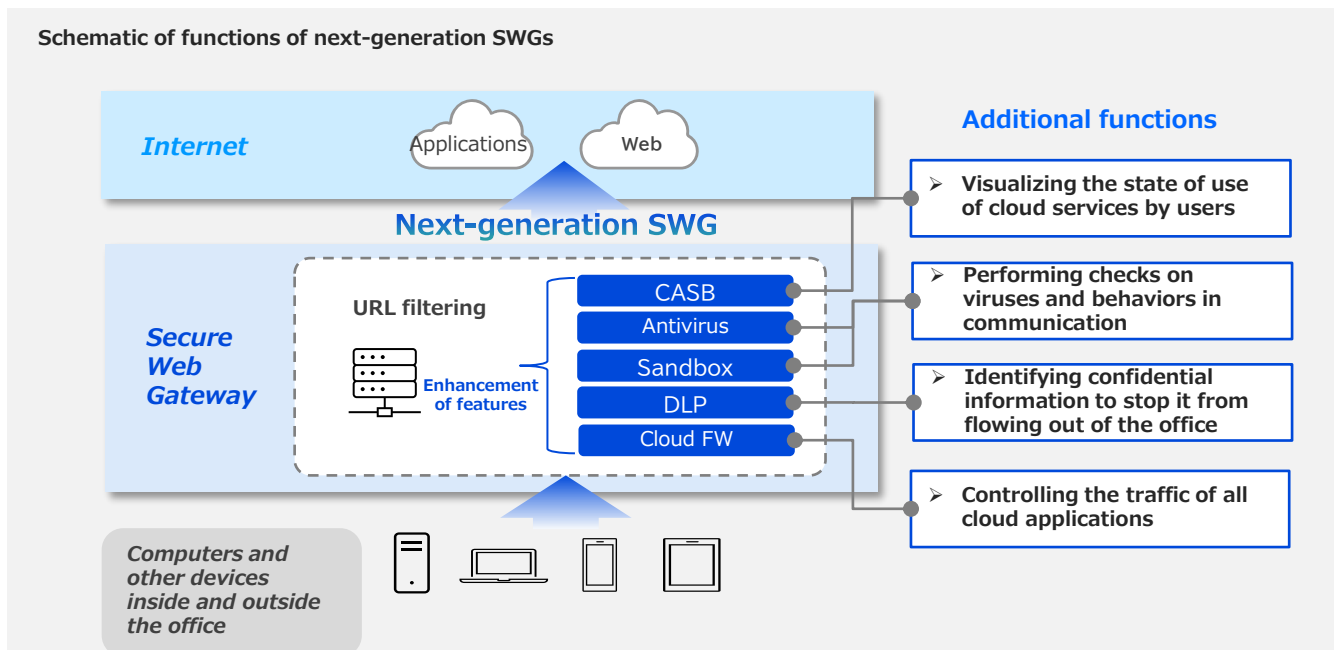
Diversification of cloud services and the spread of remote working and home learning meant an increase in ICT assets that need to be protected and expansion of the domain of security threats.

Security solutions providing broader security measures than ever before are now required.



(1) Mounting Needs for Comprehensive Security

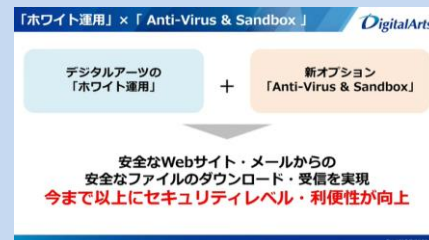
To meet the needs for comprehensive security, roll out Digital Arts' original next-generation secure web gateways (SWG) featuring enhanced functions of the existing URL filtering software (i-FILTER) and a wide range of additional security solutions.



We have started to provide Anti-Virus & Sandbox for i-FILTER and m-FILTER to meet demand for total security solutions.



The Nikkei: posted on Aug. 23, 2022



Advertising video for Anti-Virus & Sandbox



Digital Arts online seminar

Raising brand recognition and winning contracts using the media such as The Nikkei newspaper and through promotion activities using videos and online seminars.

(2) Measures against Malware Infections

Financial loss from ransomware and confidential information theft by targeted attacks rank high among the 10 major security threats with the diversification and sophistication of cyberattacks.

Rank		Ten major security threats 2022 for organizations
1st (1st)	➡	Financial loss by ransomware
2nd (2nd)	➡	Confidential information theft by targeted attacks
3rd (4th)	⬆	Attacks exploiting supply chain weaknesses
4th (3rd)	⬇	Attacks targeting teleworking and other new normal workstyles
5th (6th)	⬆	Information leakage through internal fraudulent acts
6th (10th)	⬆	Increase in abuse after the publication of measures against vulnerabilities
7th (NEW)	⬆	Attacks before release of patches (zero-day attacks)
8th(5th)	⬇	Financial loss by business e-mail compromise
9th (7th)	⬇	Suspension of business due to unexpected IT infrastructure failure
10th (9th)	⬇	Careless information leakage

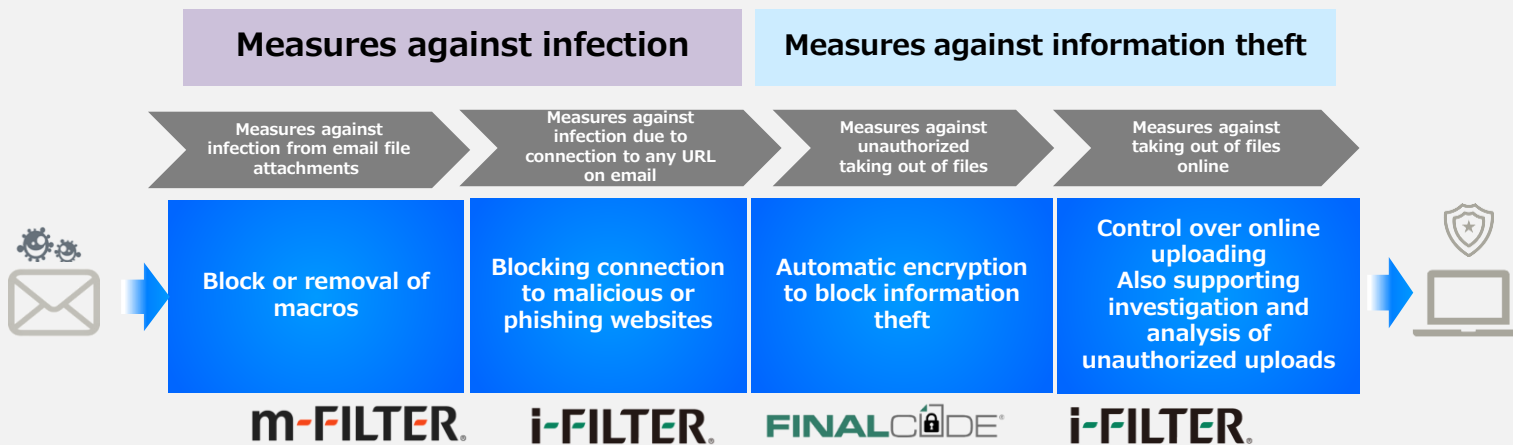
* Source: Information-technology Promotion Agency, Japan (IPA): 10 Major Security Threats 2022
<https://www.ipa.go.jp/security/vuln/10threats2022.html>

(2) Measures against Malware Infections

m-FILTER and i-FILTER provide protection against infection through e-mail for Digital Arts products.

FinalCode and i-FILTER prevent information theft even in the case of intrusion by any means other than e-mail and connection to websites.

The status of zero reports on infection damage is continued.*1



+ The i-FILTER functions were partially released on May 10 as a threatening URL block*2 option of m-FILTER.

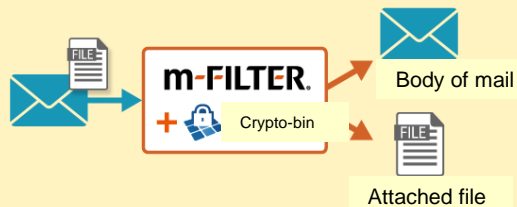
*1: The number of reports on damage due to malware infections from users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of Dec 2022 (Source: Digital Arts)

*2: This option currently provided was formerly branded as URL category identification.

(2) Measures against Malware Infections

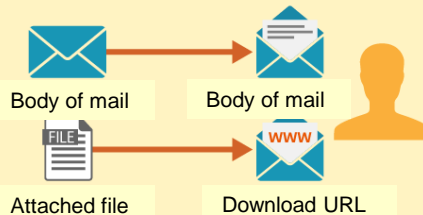
The tie-up option of m-FILTER@Cloud and the file transfer solution, Crypto-bin for m-FILTER@Cloud, was launched to help reduce the risk of information leaks during transmission and the risk of attacks during reception.

1 Automatically separates text and attachments



m-FILTER@Cloud automatically separates email text and attachments

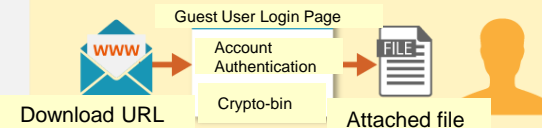
2 Attachments can be obtained from URL provided in a separate email message.



The text is directly sent to the recipient and the attachments can be downloaded from URL provided in a separate email message.

3 Eliminate PPAP with the guest user login function.

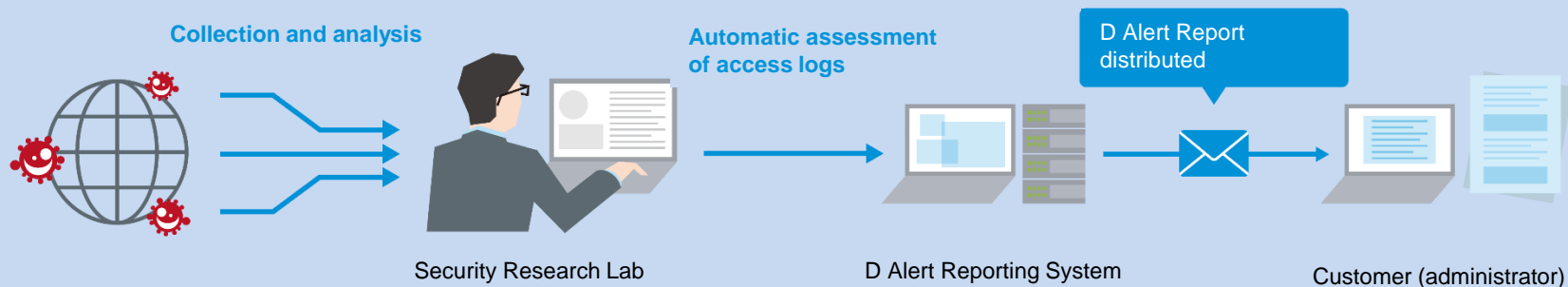
account authorization



The guest user login function of encrypted email allows the file acquisition through account authorization in place of a password.

(2) Measures against Malware Infections

The Group offers the D Alert Reporting Service*¹. It swiftly detects malware threats that are daily becoming ever more diverse and sophisticated, and provides information on clear measures to cope with them. It offers a low-cost solution to medium- and small-sized businesses for whom it is difficult to set up an expert organization detecting and responding to incidents due to resources constraints, although it is increasingly significant and in growing demand.



The D Alert Reporting Service is set to be released on February 13, 2023 on m-FILTER@Cloud, in addition to i-FILTER@Cloud. The Group will widen the range of services it offers to better respond to needs for total security.

*1: D Alert is a cyber-risk information service offered by Digital Arts.


(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 162 million yen by the end of the third quarter. 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

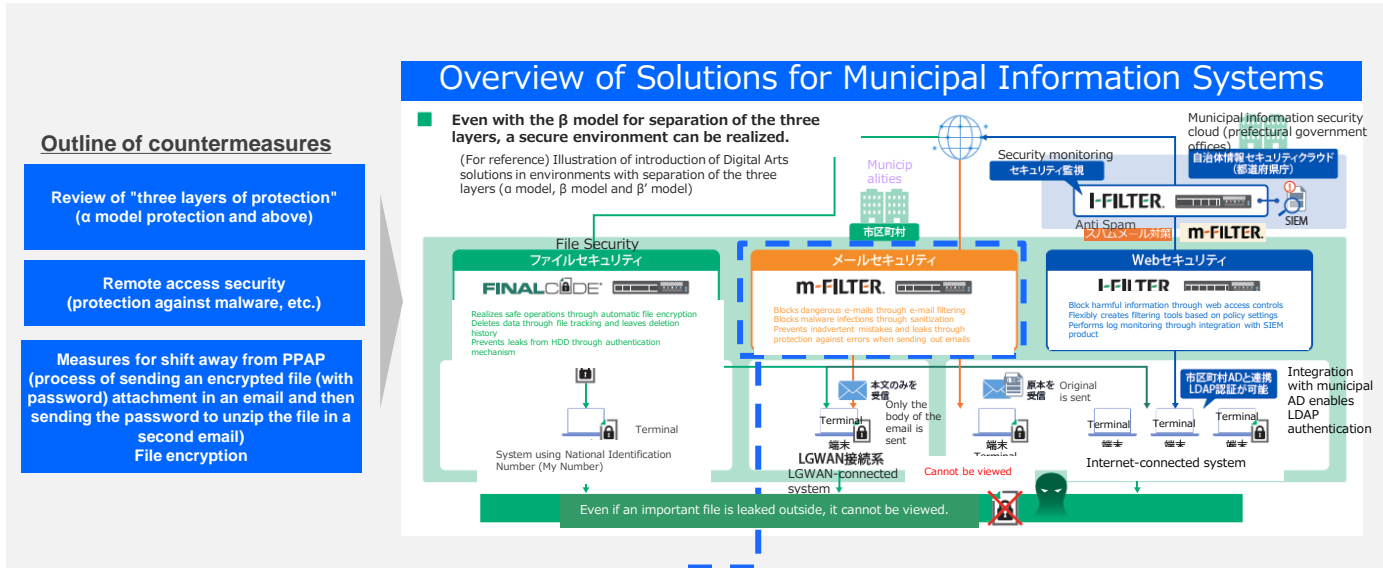
Security cloud projects for prefectural governments generally proceed as scheduled. Procurement for improving the resilience for municipal governments is making progress following completion of procurement for prefectural governments and it is expected to end in FY2023.

Schedule for public-sector projects

Target		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	
Government	Central ministries and agencies					Introduction of ISMAP	Budgeting, bidding, and procurement for each project					
Security cloud (SC) * Government cloud also needs to be considered.	Prefectures	Revision of procurement guidelines	Budget: 7,180 million yen			Revision of procurement guidelines	Transfer budget: 2,930 million yen		Budgeting			
								Bidding/procure				
Enhancement of resilience of municipalities * Government cloud also needs to be considered.	Prefectures Municipalities		Budget: 16,440 million yen				Budgeting for each municipality		Budgeting			
							Bidding/procure					

Prepared using information from the Ministry of Internal Affairs and Communications (MIC) as a reference. https://www.soumu.go.jp/main_content/000729600.pdf

All solutions shown in the outline of countermeasures for municipal information systems are possible using combinations of Digital Arts products. We won i-FILTER and m-FILTER projects for public institutions.

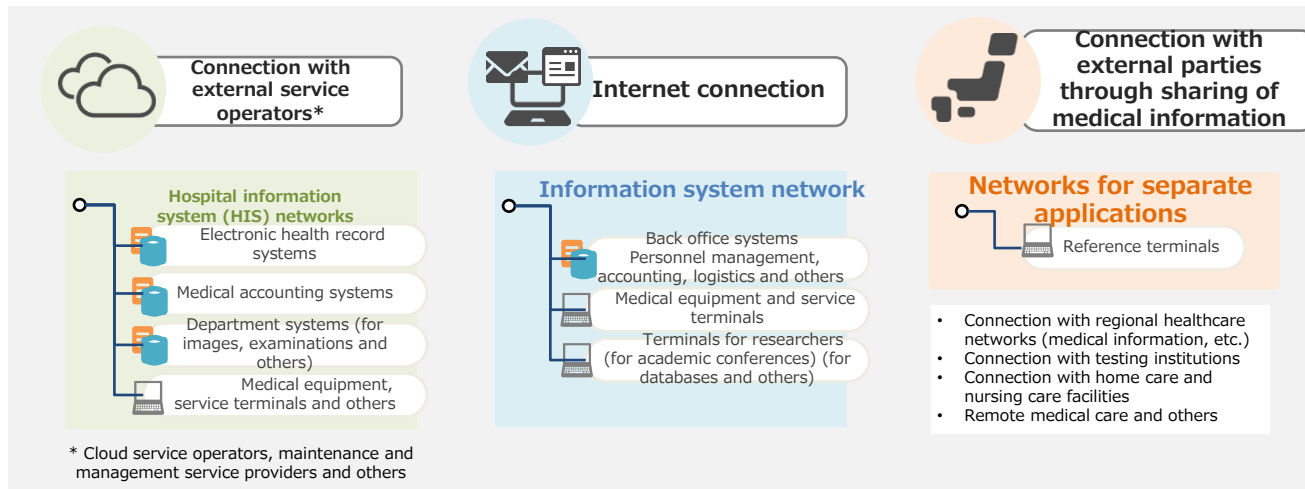


Anti-Virus & Sandbox functions are provided as options from May 10.

A number of cases of damage from cyber attacks sustained by medical institutions have occurred in recent years. In light of that, the security guidelines for the medical industry will be strengthened.

It is possible to provide large medical institutions with proposals similar to network separation for enhancing resilience of municipal information systems. There is great potential for the adoption of Digital Arts products.

Structure of network separation at major medical institutions

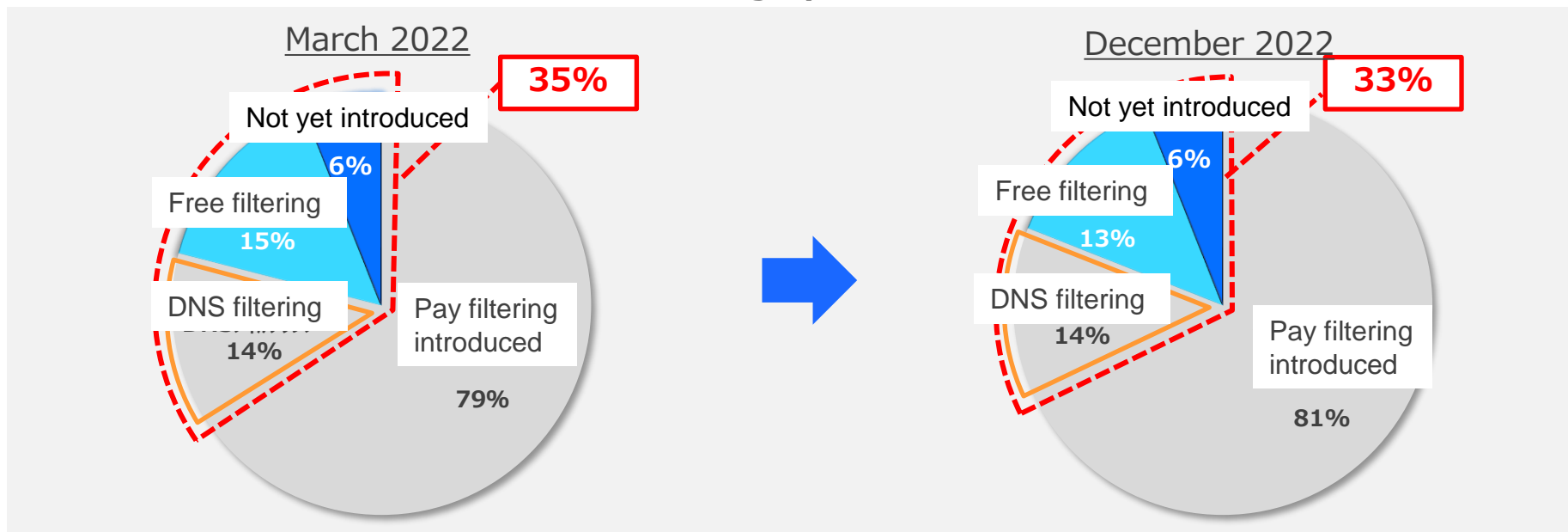


Win projects by holding seminars for medical institutions and other approaches

* Source: Ministry of Health, Labour and Welfare: *Information Security Training Material (for medical professionals)*
<https://www.youtube.com/watch?v=3YkicqCSQUA>

Some boards of education that introduced free DNS filtering solutions are shifting to i-FILTER and other paid filtering solutions for purposes of strengthening security and reducing clerical workloads.

Introduction of filtering by Boards of Education*1



*1: Based on interviews with 651 school boards responsible for more than 3,000 pupils and students (According to our research)

(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 **510 million yen** at the end of the third quarter from 319 million yen at the end of the previous fiscal year.
- Cumulative contracts for Enhancement of resilience of municipalities reached **1,518 million yen** at the end of the third quarter 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.

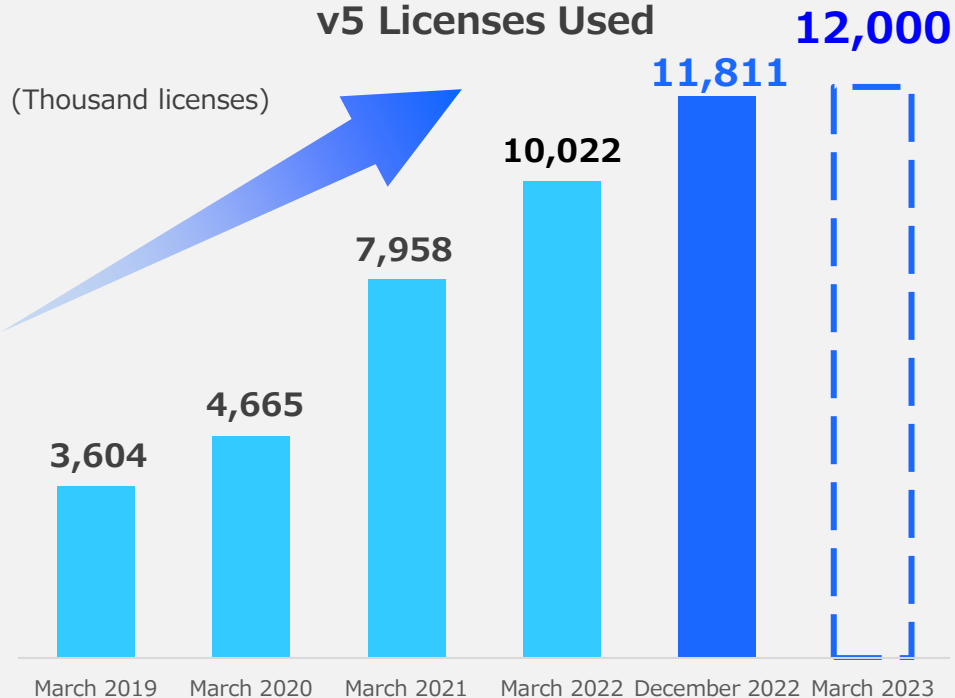


- Shift of some boards of education which had introduced free or DNS filtering to paid filtering

- i-FILTER's share grew from 51% at the end of the previous fiscal year to **55%**.
- Cumulative contracts reached **7.9 billion yen** at the end of the third quarter from 6.9 billion yen at the end of the previous fiscal year.

*For details, see pages 28 and 52.

Trend in i-FILTER v10 and m-FILTER v5 Licenses Used



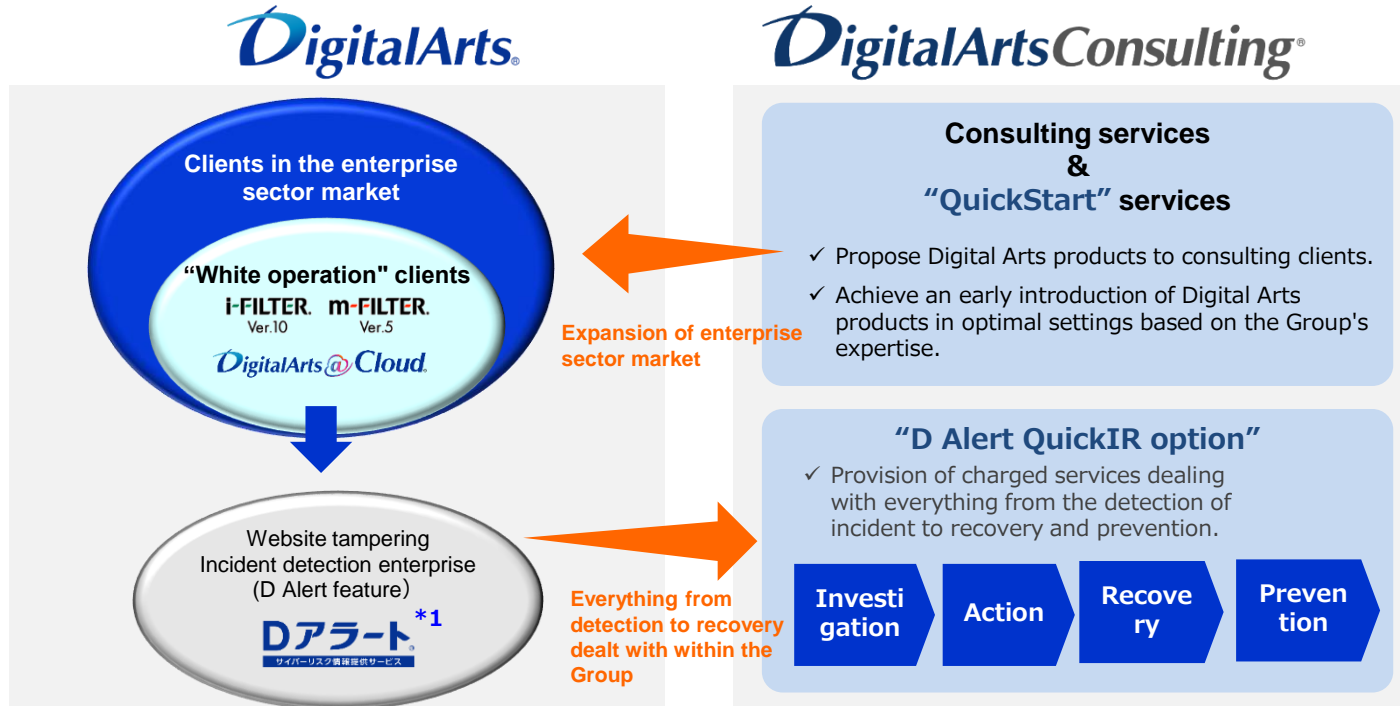
Realizing safe office IT environments protected through "White Operation"



The number of licenses for both i-FILTER and m-FILTER has been steadily increasing in the enterprise-sector and public-sector markets.

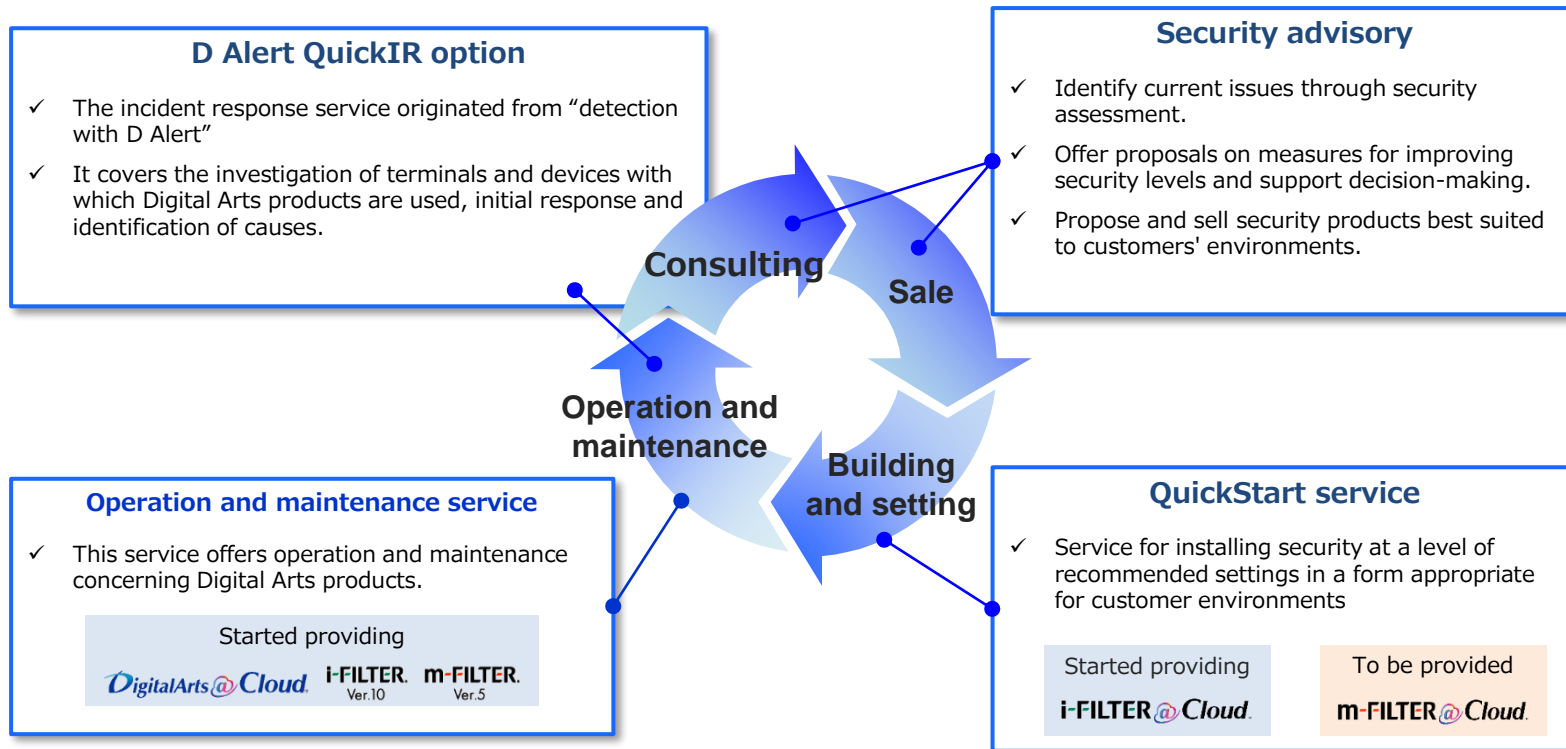
We will broaden the product lineup and step up collaboration with other companies to further encourage the take up of White Operation.

We release a one-stop service encompassing sales, construction and operation of Digital Arts products. The use of D-Alert paves the way for services from the detection of incidents to recovery.



*1: D-Alert has issued **2,186 reports** for the current fiscal year. It notifies customers on a real-time basis to urge them to take security measures.

Expand the scope of value provided and the level of profit through DAC service, ensure continuous contact with E/U as the Group, and use it for product sales growth.



**Material on Consolidated Financial Results for the First Three Quarters of
the Fiscal Year Ending March 31, 2023**

Return to Shareholders for Fiscal Year Ending March 31, 2023

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, 2023: **32.4%**

Annual dividends of surplus forecasted for fiscal year ending March 31, 2023: **75.00 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	
FY March 2022	30.00	40.00	70.00	33.9%
FY March 2023	35.00			
FY March 2023 (forecast)		40.00	75.00	32.4%

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アラート、and other logos and icons related to Digital Arts Inc. and its products are trademarks or registered trademarks of Digital Arts Inc.
- Apart from this, the names of companies and products stated herein are trademarks or registered trademarks of their respective companies.

DigitalArts[®]

-For internet convenience, safety and security -