

Friday, October 31, 2025

**Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2026:
Briefing for Institutional Investors and Analysts [Transcript]**

Digital Arts Inc.



Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

From April 1, 2025 to September 30, 2025

**Briefing for the First Six Months of the Fiscal Year Ending
March 31, 2026**

October 31, 2025
Digital Arts Inc.
Securities Code: 2326



[Event Overview]

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Schedule: Friday, October 31, 2025

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Format: Streamed Online

Speakers: Toshio Dogu, Representative Director, President and CEO

Fumihiko Tanizaki, General Manager, Investor Relations Office

[Moderator]

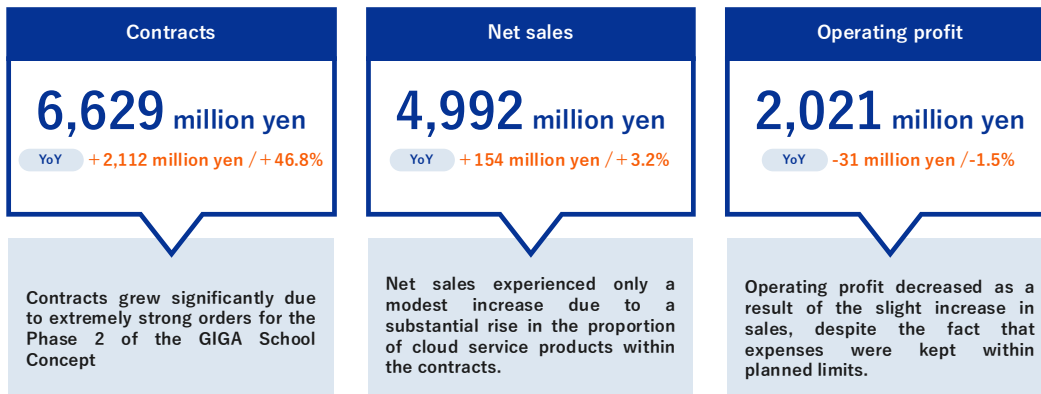
Hello, everyone. We will now begin the Digital Arts Inc. financial results briefing for the first six months of the fiscal year ending March 31, 2026. Allow me to introduce the representatives in attendance today. We have Toshio Dogu, Representative Director, President and CEO. And Fumihiko Tanizaki, General Manager of the Investor Relations Office. Without further ado, CEO Dogu will start by providing a summary of Digital Arts' financial results.

[Dogu]

Thank you all for taking time out of your busy schedules to join us today. Since we have an unprecedented number of institutional investors in attendance, I would like to talk about the big picture a little differently than usual, focusing on topics that only I can talk about rather than detailed figures, and if you wish to know more details, please ask our IR staff later. Thank you.

Without further ado, let's proceed with this briefing for the first half of the fiscal year ending March 31, 2026.

Key Points



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The results for the first half of the fiscal year, which we announced yesterday, are as shown here.

As you can see, contracts increased by 2,112 million yen from the previous year, and sales increased by 154 million yen from the previous year. Quite shockingly, contracts increased by 2,112 million yen, but sales added only 154 million yen to the total. At the beginning of the fiscal year, based on the results of the previous fiscal year, we thought we had calculated sales with a considerably higher cloud ratio, but we failed to anticipate such a large difference. We are very sorry for the results for those of you who had been paying attention to the sales figures.

Based on this first half of the year, three improvements have been implemented.

First, as I mentioned before, our internal goals are based on contracts. We convincingly achieved our target for contracts by a large margin in the first half of this fiscal year, but since sales were an issue, starting from the second half we will be able to track sales in real-time, not only from accounting but across the Company, including the Board of Directors, We are planning to complete the system by the end of this year so that the marketing and sales departments will be able to monitor the status of sales without having to wait for accounting to calculate the figures.

The second improvement is in the area of detailed visualization of sales projects. Of course, we are still managing projects, but we have already made improvements by subdividing the visualization of sales activities to visualize in more detail whether a project is for cloud computing or license sales.

Third, we have already made three improvements to the sales recorded from contracts, basically focusing on the cloud and planning accordingly. We hope to prevent these kinds of discrepancies from arising with regard to future sales plans.

Based on the results for the six months ended September 30, 2025, we have recognized a shift in our business model.

The increase in contracts centered on our cloud-based services is not a short-term fluctuation in earnings, but rather a structural transformation toward expanding our foundation for medium- to long-term growth.

As the migration to cloud services progresses, our business model is steadily evolving from “one-time license sales” to “recurring service revenue,” enabling us to achieve stable and sustainable growth over the long term.

In light of these developments, we have revised our full-year financial forecast for the fiscal year ending March 31, 2026.

I have included a slide that we don't usually show, but looking back on the first half of the year, our business model has changed dramatically. Until now, 50% of the contracts figure was from license sales. In license sales, the majority of the contracts value is recognized as net sales at the time the contract is signed, but in the first half of this fiscal year, the focus of contracts changed to cloud computing and recurring service revenues. This is the reason for the revision of the forecast. We do not see this change in business model as a negative thing, as the company can expect continuous and stable growth. If anything, the current situation is that contracts has been able to grow significantly and the atmosphere within the company is very positive.

Revisions to Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2026



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Given these circumstances, we have revised our full-year forecasts at this time based on the first half of the fiscal year. This will be the main topic of our briefing today. After announcing these figures, we received various inquiries from many institutional and individual investors yesterday.

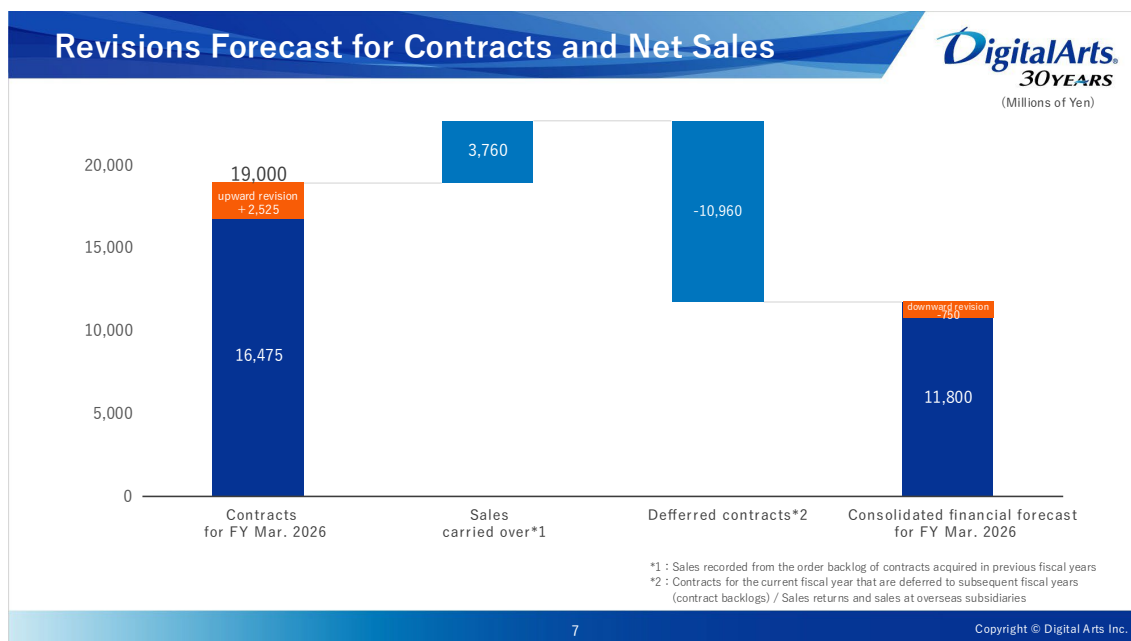
At the beginning of the fiscal year, we initially projected 16,475 million yen in contracts and 12,550 million yen in sales. If we had not issued the revised plan at this time and continued IR activities for the second half of the fiscal year, it's easy to imagine that we would have been asked many questions along the lines of "can you really achieve your full-year target for net sales?" Therefore, rather than telling you that "contracts are actually going to be higher" and causing you anxiety, we decided to revise our full-year forecasts based on a thorough review of the first half of the fiscal year, and yesterday we issued revised forecasts.

As a result, the revised figure for contracts shows an increase of approximately 80% year-on-year, up around 15% from the figure announced at the beginning of the period, while the revised figure for net sales is now an 18% increase year-on-year, down 6.0% from the initial projection.

Looking at the reasons behind this, first of all, the majority of growth in contracts is from GIGA School Concept projects. In calculating net sales, all projects that are visible in the second half of the year and for which it is unclear whether they are cloud or on-premise (license sales) are allocated as cloud projects. Therefore, this doesn't mean that our forecast cannot be achieved because the cloud ratio has increased further from this point, but rather that net sales are basically calculated on a cloud basis.

Meanwhile, for the second half of the year for corporate clients, the growth rate is calculated at the same level as that of the first half of the year. In particular, then, instead of putting in invisible net sales figures, which would lead to significant growth in the corporate sector, we put in figures that, even though they are visible, are based on the assumption that business for corporate sector will only grow as much as in the first half of the year. Also, we have several public sector projects that are actually quite large in the second half of the year. In particular, on-premise (license sales) products have a considerable impact on this net sales figure. If they were included, any delay in large-scale projects would result in us failing to meet our forecast. For that reason, they are excluded, with the total only including visible projects with a focus on cloud-based sales. That is why we made these revisions at this time for the first half of the year. At a minimum, we are confident that we will be able to meet these revised targets for contracts, net sales, and operating income.

Naturally, we have not modified the contracts figure internally as we have done externally in this case. This does not mean that we will not grow business for the corporate sector or take on-premise (license sales) projects, and we are moving internally toward numbers above these announced figures. I believe this is the point everyone was most eager to know about, so I'd like to emphasize it clearly here.



Here is a table illustrating this. The leftmost figure is contracts of 19,000 million yen, with 3,760 million yen carried forward as net sales. The amount of contracts to be deferred to the next fiscal year is 10,960 million yen, with the full-year figure expected to come in at 11,800 million yen.

Revisions to Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2026

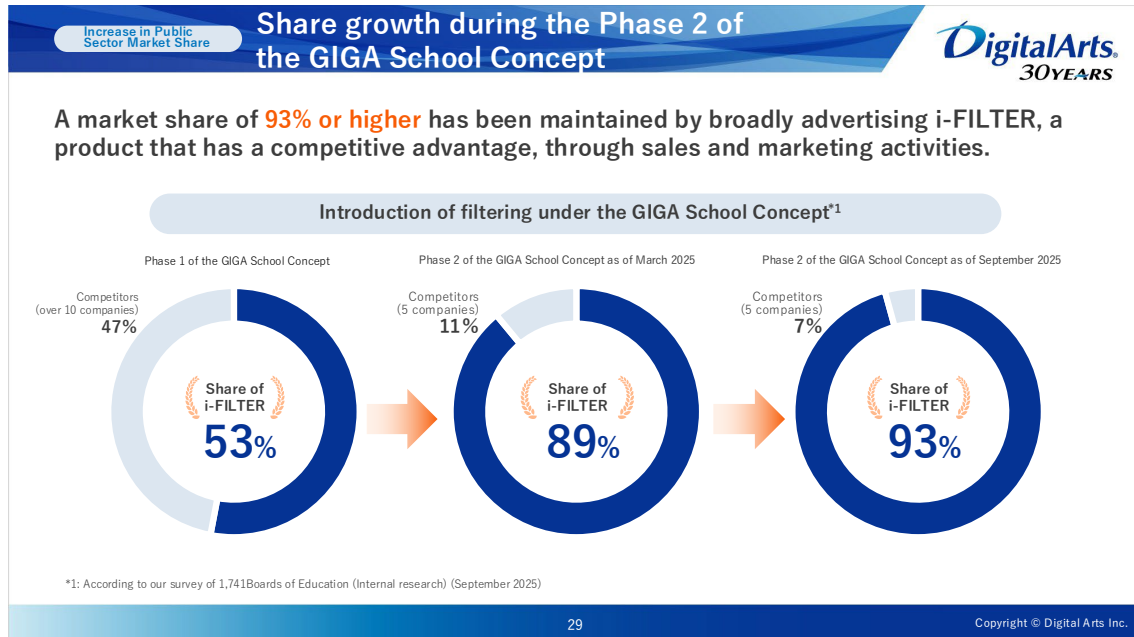


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Looking back, as I mentioned earlier, I think it is fair to say that we have already seen these figures to some extent, so we will try to achieve an increase in net sales in particular from this point on.

I would like to skip over this section of the briefing (pages 11 to 28 of the supplementary materials for the financial results briefing). If you have any questions, it would be best to direct them to our IR staff at a later date.



Allow me to go over the key points. The GIGA School Concept is the main reason for the upward revision to contracts. Unfortunately, our market share for the first half of the year was 93%. We originally set out to achieve 100%, and we are disappointed being unable to do so, because in some areas it was difficult to switch from competing products that had been used until then. However, we are very happy that we were able to increase the number to near that level.

The reason why we want to capture 100% market share is that filtering, which was originally our founding business, was started with the desire to keep children safe. We have received a 93% share of the market for GIGA terminals, which are distributed by schools, and we would like to protect the smartphones that children have (for private use) as well. For this reason, we began selling comprehensive security software for home use in the first half of the fiscal year. We cannot say at this time what form this will take for children in the second half of the fiscal year and beyond, but we would like to offer our products to children one by one and eventually achieve "protection" through the use of our products in all devices used by children.

As an aside, while ChatGPT may be the popular search tool these days, Google Search remains the number one search engine in the world. 13.7 billion searches are made per day by Google search users. In Japan, it is estimated that 1.1 billion searches across all search engines are made each day. 800 million of those searches appear to be Google searches. Quite impressive, isn't it?

Given those 1.1 billion search engine uses per day in Japan, and that there are currently a little over 9 million elementary and junior high school students in Japan, as our current market share is 93% (and assuming it remains steady), about 8.4 million of these students will use i-FILTER, which is installed in GIGA terminals. An engineer just told me that as of yesterday, October 30, the number of searches that went through i-FILTER, which is installed in GIGA terminals, was 3.6 billion pages. That's right—in one day alone, children access 3.6 billion pages of the Internet through i-FILTER. Remember there are 1.1 billion searches made per day. The i-FILTER system filters 3.6 billion pages per day, which in essence means that 3.6 billion pages pass through our database to determine if they are good or bad. Although the comparison between search engines and web pages is not straightforward, the fact is that that is how much Japanese children are now accessing the internet through i-FILTER.

What do you all think of this value? In my opinion, and you may be offended if I say this, but I believe that this value, rather than immediate net sales, will contribute greatly to improving our company's value over the medium to long term. That is why we are trying to secure a market share of 100%.

Summary of Actions for the First 6 Months



GIGA School Concept Status in the First 6 Months	Upsell/Cross sell for Enterprise Sector Market Status in the First 6 Months	Public Sector Market Excluding the GIGA School Concept Status in the First 6 Months
Contracts for the GIGA School Concept increased significantly.	The results were weak because a lot of resources were used in projects for Phase 2 of the GIGA School Concept.	Some projects were postponed until the second six months due to delays in contract procedures.
Initiatives for the Second 6 Months The project team will continue to rigorously manage the progress of individual projects, aiming for greater growth than in the first 6 months.	Initiatives for the Second 6 Months We will have a newly formed project team manage the allocation of the resources of the company as a whole to work on measures. We will accelerate growth by managing the progress of the individual projects on the target list and sharing successful examples.	Initiatives for the Second 6 Months We formed a project team in the middle of the first six months and began to individually manage projects for public institutions. We will continue this initiative in the second six months, aiming to steadily receive orders for projects.

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These are our initiatives for the second half of the year. Earlier in our full-year plan, I mentioned that our second-half forecast for enterprise sector business is on par with the first-half growth. Naturally, I am sure that everyone is aware that business aimed at the enterprise sector is not growing. We are also aware of this.

As I mentioned, under the GIGA School Concept Phase 2, which we have been working on for the past year or two, we did not reach 100% market share, but we still consider it a great success. I believe this success was the result of the PDCA cycle, in which the Development, Marketing, and Sales Divisions worked in unison. This experience, which is very valuable within the Company, gives us confidence that we can achieve our goals as we move toward them.

This confidence will also extend to our efforts aimed at the enterprise sector from the second half of the year and beyond. We have already started, and we have not given up on the enterprise sector, nor do we think that low growth is okay. In the enterprise sector, there is a larger market than for the GIGA School Concept. We intend to continue pursuing business in this sector in order to secure a dominant market share.

White Operation® - our unique model for security measures



Conventional security measures mainly involve "detection and response" based on the premise of being attacked. However, as cyber attacks become more sophisticated and it becomes increasingly difficult to completely prevent damage using conventional approaches, companies now need to eliminate an attack itself before it happens, by allowing only trusted communications and behavior.

Point of Comparison	Conventional approaches other than white operation	White Operation
Approach	Find and intercept malicious communications.	Allow only trusted communications.
Security Perspective	Based on post-damage response	Designed to essentially prevent damage
Learning Data	Build detection models based on attack logs	Configure based on reliable information sources
Order of Defense Measures	Detect and respond after a breach	Eliminate access itself in the stages prior to a breach
Risk Tolerance	Assumption that a certain amount of damage is inevitable	Emphasis on proactive defense aiming for zero damage

As for how we will grow in the second half of the year, again, as you all know, it is clear that the current security measures are not good, as you can see from some of the major companies that are trying to recover from damages right now.

As in the past, it is not enough to install the world's best-selling security software. What sells best in the world is attacked the most in the world. Therefore, we believe that we should now promote what we have been advocating for the past eight years, "white operation". In short, the approach is not to be attacked, but to eliminate the attack itself before it happens. ChatGPT made this very easy to understand table, which we have posted here. I don't mean to dismiss the security measures that have been provided up to now. But this precisely illustrates the idea behind measures other than white operations, and the difference with what we have been saying for years. In particular, for companies, this will be a full-fledged approach.

Number of White Operations® users

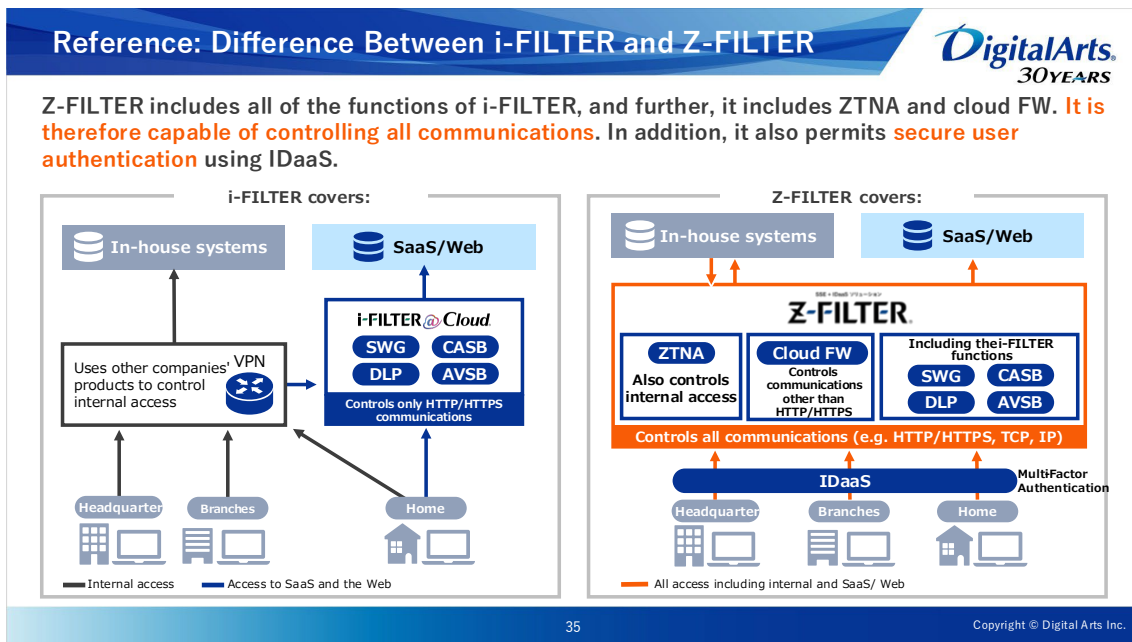
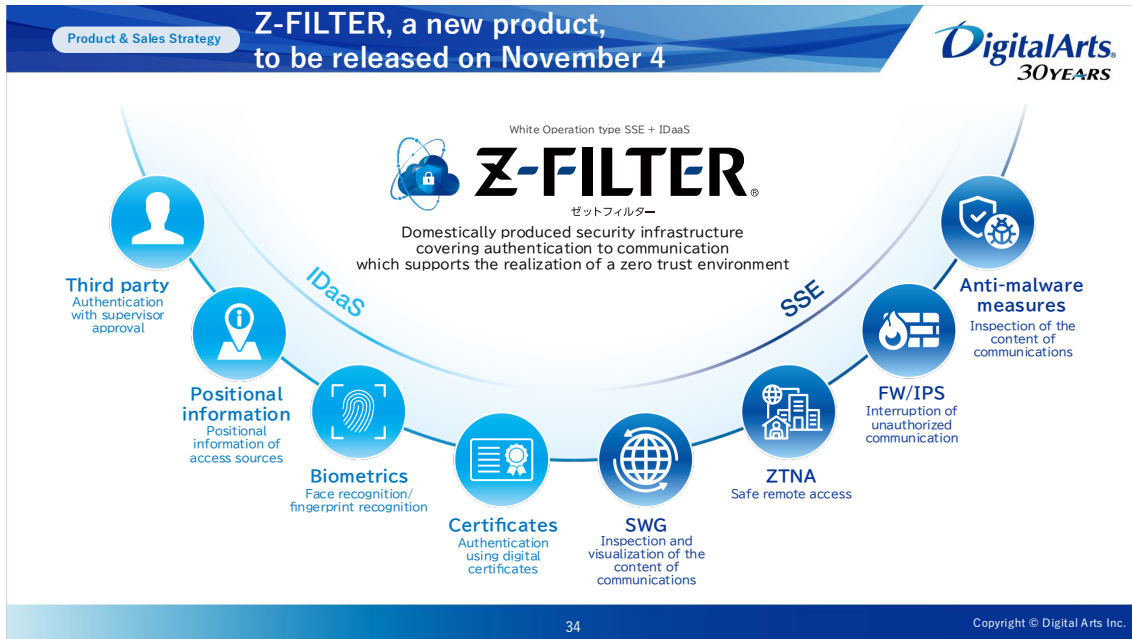
14.28 million

0 reports of malware infection

**i-FILTER®**
Ver.10**m-FILTER®**
Ver.5**Σ-FILTER®** NEW
セフトフィルターNote: The number of reports on damage due to malware infection from users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of September 30, 2025 (Source: Digital Arts)

The current number of users, 14.28 million, are companies, schools, or children who are protected from harm based on this "white operation" concept. We have continued to maintain zero reported cases of malware infection. As I just mentioned, we have achieved zero reported cases of damage because our approach isn't about judging who is providing good or bad information, but about ensuring that users can only access safe information.

We intend to continue building upon this track record, especially in our business for the enterprise sector where every manager must be uncertain. They must be worried about when their company will be in a similar situation. So, for our part, we are urgently working to actively publicize this accomplishment.



Reference: Plan for Z-FILTER Offering					DigitalArts 30YEARS	
	i-FILTER@Cloud 500 yen / months (excluding tax)	SWG 1,500 yen / months (excluding tax)	SWG ID 1,750 yen / months (excluding tax)	SSE 2,000 yen / month (excluding tax)		
ZTNA	—	—	—	●		
IDaaS ^{*1}	—	—	●	●		
URL filtering	●	●	●	●		
DNS security	—	●	●	●		
CASB	●	●	●	●		
Cloud Firewall	—	●	●	●		
IPS	—	●	●	●		
Anti-Virus & Sandbox	Paid option	●	●	●		
IPsec/GRE ^{*2}	—	Paid option	Paid option	Paid option		
DLP ^{*3}	Paid option	Paid option	Paid option	Paid option		

^{*1}: It comes standard with Startin (Startin is indicated as the brand name) When an existing IDaaS product is used, integration with IDaaS products that are SAML 2.0 compatible is also possible.
^{*2}: Varies according to communication bandwidth and capacity-based fees
^{*3}: A unified rate of 100 yen / month applies per user.

We will also bring out new products.

Product & Sales Strategy

i-FILTER 10, a comprehensive security product for individual customers

DigitalArts
30YEARS

In August, we released i-FILTER 10, a comprehensive security product for individual customers equipped with security features that are needed in each setting where smartphones or PCs are used and White Operations.

Internet access
Protection against fraudulent websites

- The product blocks phishing websites, which steal personal and other information, as well as fraudulent websites and dangerous websites.
- It also blocks newly generated fraudulent websites and dangerous websites.

Email (and SMS)
Protection against fraudulent email

- Where a received email contains a malicious website which mimics the website of a bank or a public institution, the website is blocked if it is not confirmed to be safe.

Telephone
Protection against malicious phone calls (unwanted phone calls)

- If an incoming call is suspicious, i-FILTER 10 displays an alert on the screen to prevent possible voice phishing scams or similar incidents.

Apps
Protection against dangerous apps

- The product blocks apps which are dangerous to just install.
- It blocks connections to dangerous websites and fraudulent websites even when the device is connecting to them via an app.

Wi-Fi
Detection of dangerous Wi-Fi networks

- An alert is given when a device connects to a vulnerable Wi-Fi network or one where personal information may be stolen, such as public Wi-Fi.

Monitoring assistance
Visualizing usage/confirming positional information

- It can be confirmed that children or older users for whom monitoring has been set up have connected to the internet using the administration screen of the app.
- Realtime confirmation of positional information about family members' devices

We also launched i-Filter 10, a home-use product that I mentioned earlier, in the first half of the year.

Case study (1)

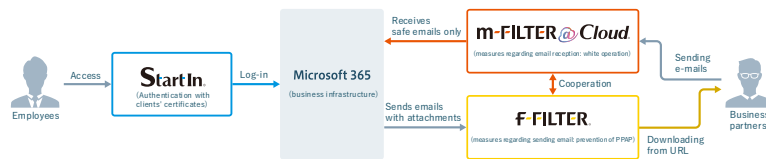


Cross-selling that resulted in the introduction of three products: m-FILTER@Cloud, f-FILTER, and StartIn

Introduction of m-FILTER@Cloud, f-FILTER, and StartIn at InfoFarm Co., Ltd.

InfoFarm Co., Ltd. is a locally based company that provides IT solutions to small and medium-sized enterprises, local governments, medical institutions and other organizations, mainly in Gifu Prefecture. The company used the migration of its email system to Microsoft 365 as an opportunity to introduce m-FILTER@Cloud, f-FILTER, and StartIn from Digital Arts Inc., aiming to ensure both convenience and security.

This has enabled features that protect against spam and viruses, prevent PPAP, and safely manage authentications using single sign-on procedures, and other features. The company established integrated security with multi-layered defense and compatibility with cloud computing and achieved stable operations in a short period of time. Going forward, the company will provide local enterprises with safe, highly reliable IT environments in anticipation of the popularization of SASE and DX, based on the idea of zero trust.



This is also an example of the introduction of security measures I mentioned earlier. We have received a numerous pieces of feedback where people have said that they are glad to have the system installed.

Case study (2)



An example of customer information being protected from a ransomware attack

Introduction of FinalCode at Hoei Co., Ltd.

Hoei Co., Ltd. is a locally based company that engages in insurance agency operations for corporate and individual customers of the Bank of Yokohama and Kanagawa Bank.

Non-life and Life Insurance Agent



This company introduced FinalCode, a solution for encrypting and remotely deleting, company-wide in 2023 to ensure the safe management of more than 80,000 pieces of customer information. FinalCode automatically encrypts files the moment they are created. Operability is unaffected due to transparent encryption.

All internal files were encrypted, which resulted in an environment in which they could be shared with safety ensured automatically, even when they are emailed. The company was subject to a ransomware attack in November 2024, but it was confirmed there was no evidence that data was viewed or leaked or that the logs were altered. In addition, the Personal Information Protection Commission recognized that the data has been anonymized using high-level encryption. As a result, the incident was exempted from information leakage reporting, and it was possible to minimize damages. Hoei's policy is to continue to conduct vulnerability assessments regularly, strengthening security in a multi-layered manner, and to ensure that it is reliable and that its local customers and business partners have peace of mind by proposing cyber insurance and supporting the introduction of this kind of insurance.

Hoei Co., Ltd. I had installed FinalCode, and had all of its internal files encrypted. Thanks to this, it came out of a ransomware attack completely unscathed. In other words, although some information was taken, no data breach needed to be reported, as it was protected by FinalCode. Essentially, the incident was treated as no actual data leakage having occurred in the first place, which made the client very pleased. Next month, we will hold a seminar to introduce this case study, and we would like to focus on this type of feedback to promote it for companies.

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



(Millions of Yen)

	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change	% Change
Contracts	10,570	19,000	+8,429	+79.7%
Net sales	9,982	11,800	+1,817	+18.2%
Cost of sales	2,948	3,296	+348	+11.8%
Gross profit	7,033	8,503	+1,469	+20.9%
Gross profit point	70.5%	72.1%	-	-
Selling, general and administrative expenses	2,474	2,895	+420	+17.0%
Operating profit	4,558	5,607	+1,048	+23.0%
Operating margin	45.7%	47.5%	-	-
Ordinary profit	4,562	5,627	+1,064	+23.3%
Profit attributable to owners of parent	3,183	3,880	+696	+21.9%

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



(Millions of Yen)

	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change	% Change
Contracts	10,561	18,995	+8,433	+79.9%
Net sales	9,972	11,795	+1,822	+18.3%
Cost of sales	2,945	3,295	+349	+11.9%
Gross profit	7,026	8,499	+1,472	+21.0%
Gross profit point	70.5%	72.1%	-	-
Selling, general and administrative expenses	2,464	2,883	+419	+17.0%
Operating profit	4,562	5,615	+1,052	+23.1%
Operating margin	45.8%	47.6%	-	-
Ordinary profit	4,569	5,635	+1,065	+23.3%
Profit	3,187	3,888	+700	+22.0%

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Consolidated Cost of Sales and Selling, General and Administrative Expenses



(Millions of Yen)

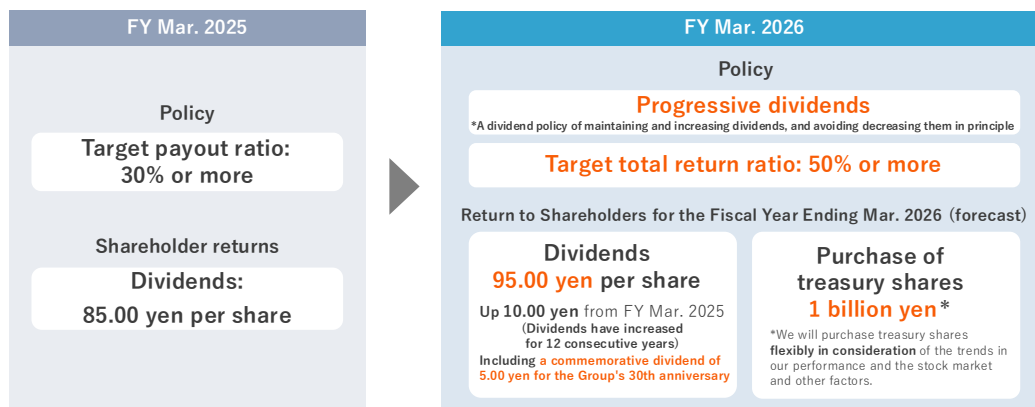
	FY Mar. 2025 Full-Year Results	FY Mar. 2026 Full-Year Forecast	Change	% Change
Cost of Sales	2,948	3,296	+348	+11.8%
Labor	1,040	1,215	+175	+16.8%
Depreciation	865	929	+64	+7.4%
Communication expenses	1,505	1,682	+177	+11.8%
Others	653	702	+49	+7.5%
Transfer to other accounts	-1,116	-1,233	-117	-10.5%
Selling, general and administrative expenses	2,474	2,895	+421	+17.0%
Personnel expenses	1,229	1,562	+333	+27.2%
Advertising expenses	309	255	-54	-17.4%
Others	936	1,077	+141	+15.1%

This is the full-year outlook. We do not expect any particular increase in expenses, so we are going to focus on producing solid results with contracts and net sales.

Return to Shareholders for the Fiscal Year Ending Mar. 2026



Starting FY March 2026, we will change our shareholder return policy as follows to strengthen our stance on returning profit to shareholders. Under the new policy, we plan shareholder returns for the fiscal year ending March 31, 2026 as follows.



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Lastly, shareholder returns are as we stated at the beginning of the fiscal year. Regarding the treasury share buybacks (1 billion yen) shown on the right, today we announced the acquisition of the remaining 500 million yen. Dividends are also as forecast for now.

Since yesterday's announcement, we have received many inquiries about our forecast for the next fiscal year regarding the Medium-Term Management Plan based on these first-half results and our full-year plan. In particular, we have been asked, "Will the sales forecast for the next fiscal year change?" We would like to announce that revision as soon as the current fiscal year is over, after we have calculated it internally. We feel that the number will probably be close to the number that will be calculated by all of you.

This concludes my part of the briefing. Thank you for your time and attention.

[Moderator]

We would now like to begin the Q&A session.

[Q&A]

◆What is the latest status of the new Z-FILTER product?

[Dogu]

We have now generated approximately 60 projects. Z-FILTER, which will go on sale next week, is highly anticipated and is positioned as the next flagship product that will encompass the current flagship product i-FILTER, and provide a broader range of security than i-FILTER.

Reference: Plan for Z-FILTER Offering



	i-FILTER@Cloud 500 yen / months (excluding tax)	SWG 1,500 yen / months (excluding tax)	SWG ID 1,750 yen / months (excluding tax)	SSE 2,000 yen / month (excluding tax)
ZTNA	—	—	—	●
IDaaS ^{*1}	—	—	●	●
URL filtering	●	●	●	●
DNS security	—	●	●	●
CASB	●	●	●	●
Cloud Firewall	—	●	●	●
IPS	—	●	●	●
Anti-Virus & Sandbox	Paid option	●	●	●
IPsec/GRE ^{*2}	—	Paid option	Paid option	Paid option
DLP ^{*3}	Paid option	Paid option	Paid option	Paid option

^{*1}: It comes standard with Startin (Startin is indicated as the brand name) When an existing IDaaS product is used, integration with IDaaS products that are SAML 2.0 compatible is also possible.

^{*2}: Varies according to communication bandwidth and capacity-based fees

^{*3}: A unified rate of 100 yen / month applies per user.

Eventually, customers using i-FILTER will switch to Z-FILTER, and if we can provide Z-FILTER, m-FILTER, backup, and endpoint (terminal monitoring), we will have a complete security solution with our products. We have very high expectations in this area, and from a business standpoint, i-FILTER costs 500 yen per user per month, but current demand is centered on the SSE plan, which costs 2,000 yen per user. This plan includes everything from authentication to ZTNA (VPN-free operation) and is priced at 2,000 yen per user per month, almost the lowest price in the industry. Part of its appeal lies in the fact that it is domestically developed, that there is a commitment not to raise prices, that it is unaffected by currency fluctuations, and the concept of "white operation." But the key point is that the order value is more than three times that of i-FILTER. If customers switch from i-FILTER to this, we can expect the business we have now to triple. Z-FILTER will be released as scheduled, and we have received many inquiries.

If you would like to learn more about it in terms of functionality, we have written about it on our website and will be advertising it on the day it goes on sale, so please take a look.

◆ You have introduced many products for the enterprise market, but the growth rate has been slow. Is the sales structure the only factor?

[Dogu]

It was not only the sales structure that was a factor, and I have to admit that I am part of it, because myself and others became focused on the GIGA School Concept. We have released many products, but our business for enterprises has mainly focused on customers with more than 1,000 licenses. But if we truly want to expand in the enterprise sector, we must remember that 99% of enterprises are SMEs. We have developed a full lineup of products, but we will create one or two more products so that smaller companies can feel that one product alone is truly enough for them. However, Z-FILTER is a product that is needed by customers whose employee bases are those of medium-sized or larger companies, and we intend to focus our sales efforts on medium-sized and larger customers in the second half of the fiscal year and thereafter. In order to create tens of billions of yen in further sales, in addition to creating products for SMEs, we will start running a strategy aimed at the GIGA School Concept, starting this effort from the second half of the year as with the PDCA cycle. As I mentioned earlier, our forecast for the second half of the year only predicts growth at the same rate as the first half, but as you know, corporate customers do not make purchasing decisions immediately. Therefore, even if Z-FILTER goes on sale next week, I think it will be difficult for sales to grow significantly in the second half of this fiscal year.

I have said three times in this setting that we will focus on the enterprise sector, and I am sorry for repeating myself. Once again, we will do our best in the second half of the year.

◆One of the reasons for the slight slowdown in the enterprise sector is that too much of the personnel resources of the regional offices have been allocated to GIGA. Could you share the specific measures you plan to implement to prevent this from happening again in the future, and what kind of quantitative impact you expect those measures to have?

[Dogu]

That is correct. We are now working to increase our sales force, including at these regional offices. To some extent, we already finished the push for the second half of the fiscal year in the first half, so we are in a position to secure more time in the second half to focus on the enterprise sector compared with the first half (as shown in the initiatives described on page 32 of the supplementary materials for the financial results), but we will continue to strengthen our human resources. We would appreciate a little time to work on that area.

◆To what extent are security measures inadequate at companies, in other words, how much room is there for development of the market?

[Dogu]

In terms of products, we do not currently have an endpoint solution that monitors what enters PCs or smartphones.

Another area is backups. We are planning to develop a backup solution in the future. I believe that if we can consolidate these functions into a single package, even a company with only a few employees can be protected by installing only Digital Arts' products.

As for the room for development in the enterprise sector, roughly half of our sales are now to corporations. The net sales to domestic companies being generated by our competitors are in the tens of billions, from 50 to 80 billion yen. Considering the current scale of our sales, there is still tenfold growth potential in the enterprise sector. Therefore, unless sales to this sector alone reach between 50 and 80 billion yen, we won't safely be able to say that we have developed this market segment. That is why we want to develop our products with this approach, so that even smaller customers in terms of employee count can be adequately protected by using our products alone.

◆I understand that you still have ample cash and cash equivalents on hand. Are there any additional plans for shareholder returns?

[Dogu]

There is news that the government is planning to implement various measures for listed companies that have ample funds, and we would like to continue to consider various ways to return profits to shareholders.

On the other hand, we are aware that there are shareholders and investors who would rather see us spend more on investment for growth than on returns, and we would like to become a company that is attractive to everyone while keeping an eye on the balance between the two.

[Dogu]

Thank you very much for your participation today.

We will do our best to convincingly meet the target numbers we announced yesterday for the full fiscal year. Your continued support is appreciated. Thank you very much for today.

[Moderator]

This concludes the Digital Arts Inc. financial results briefing for the first six months of the fiscal year ending March 31, 2026. Thank you for taking the time out of your busy schedules to take part in today's proceedings.