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, 2026 to September 30, 2026

Consolidated Financial Results

for the First Six Months of the Fiscal Year Ending March 31, 2027

October 30, 2026

Digital Arts Inc.
Securities Code: 2326

Unauthorized Access to Our Systems: Explanation and Apology

We sincerely apologize for the significant concern and inconvenience this matter has caused to all of our stakeholders

The entire Company is committed to preventing recurrence and restoring trust

Overview	An AI-assisted comprehensive review identified unauthorized access to our cloud service operating environments and other systems
Current Status	As of the announcement on October 21, no evidence has been found of customer information being taken outside the Company or of secondary damage
Response	We have invalidated and replaced authentication credentials, among other measures, and continue to monitor our systems
Financial Impact	Our full-year financial forecast remains unchanged

* For details, please refer to “Notice and Apology Regarding Unauthorized Access to Our Systems,” announced on October 21, 2026

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Regarding “Contracts” and “Net sales”

Contracts

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

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

Net sales

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

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Key Points (FY Mar. 2027 First 6 mos.)

Contracts: Enterprise and government growth more than offset lower orders for Phase 2 of the GIGA School Concept, resulting in an increase

Net sales: GIGA project sales plus enterprise and government growth drove a significant increase

Operating profit: Gross profit rose sharply on higher sales; operating margin reached 46.2%, achieving significant profit growth

Contracts

FY Mar. 2026 First 6 mos.
6,629 million yen

FY Mar. 2027 First 6 mos.
6,889 million yen
YoY +259 million yen /+3.9%

Net sales

FY Mar. 2026 First 6 mos.
4,992 million yen

FY Mar. 2027 First 6 mos.
6,024 million yen
YoY +1,031 million yen /+20.7%

Operating profit

FY Mar. 2026 First 6 mos.
2,021 million yen

FY Mar. 2027 First 6 mos.
2,785 million yen
YoY +763 million yen /+37.8%

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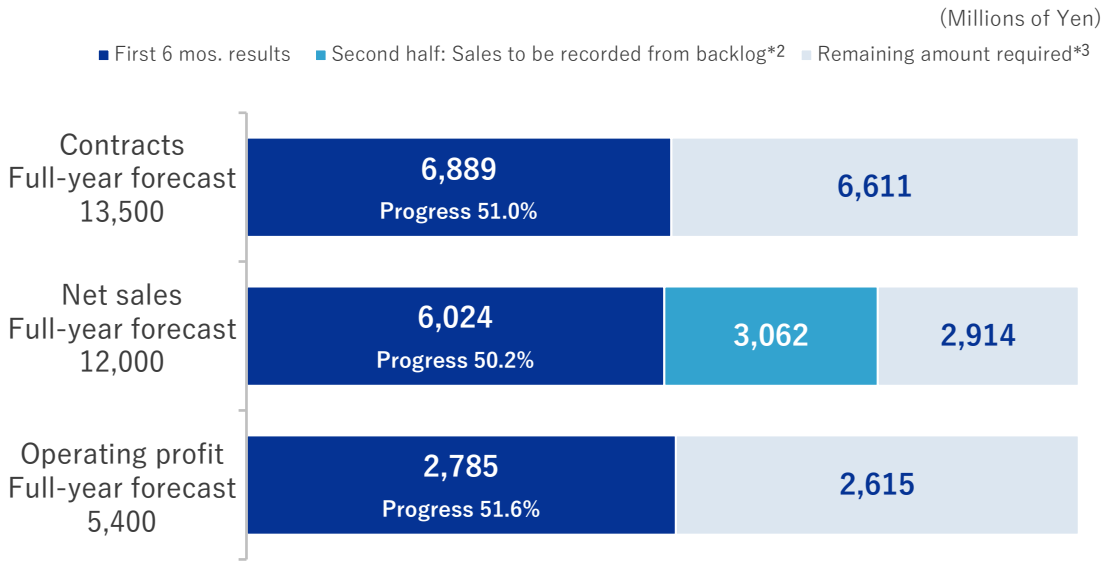
FY Mar. 2027 Progress toward Full-Year Forecast

First-half progress significantly exceeded the prior-year level across all indicators

Existing backlog is expected to cover about half of net sales required for the second half

First 6 mos. Progress toward Full-Year Forecast



First 6 mos. Progress Rate vs. Prior Year*1

	FY Mar. 2026 First 6 mos.	FY Mar. 2027 First 6 mos.	Change
Contracts	39.9%	**51.0%**	+11.1pt
Net sales	46.1%	**50.2%**	+4.1pt
Operating profit	42.2%	**51.6%**	+9.4pt

*1: The full-year forecast was announced on May 7, 2026. Progress rate is the ratio of first-half results to full-year results for FY Mar. 2026, and to the full-year forecast for FY Mar. 2027.
*2: Of the order backlog as of the end of Sep. 2026, the amount scheduled to be recorded as net sales in 3Q–4Q of the current fiscal year, less rebates to sales agents and other amounts deducted from net sales.
*3: Of the net sales required for the second half, the portion not covered by sales to be recorded from the backlog (2,914 million yen) is expected to come from contracts won in the second half.

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Consolidated Financial Results for the First Six Months
of the Fiscal Year Ending March 31, 2027

01. Consolidated Results Highlights

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Consolidated Statement of Income

GIGA Phase 2 sales, government projects and enterprise products drove significant net sales growth
Higher net sales expanded gross profit and sharply lifted operating margin, achieving significant profit growth

(Millions of Yen)

	FY Mar. 2026 First 6 mos.	FY Mar. 2027 First 6 mos.	Change YoY	FY Mar. 2027 Full-Year Forecast*1
Contracts	6,629	6,889	+3.9%	13,500
Net sales	4,992	6,024	+20.7%	12,000
Cost of sales	1,559	1,864	+19.6%	3,823
Gross profit	3,433	4,159	+21.1%	8,176
SG&A expenses	1,411	1,373	-2.7%	2,776
Operating profit	2,021	2,785	+37.8%	5,400
Operating margin	40.5%	46.2%	-	45.0%
Ordinary profit	2,041	2,838	+39.1%	5,505
Profit attributable to owners of parent	1,408	1,924	+36.7%	3,770
EBITDA*2	2,514	3,375	+34.3%	-

*1: Financial Forecast is the consolidated financial forecast announced on May 7, 2026.
*2: EBITDA = Operating profit + Depreciation + Tax expenses included in operating expenses

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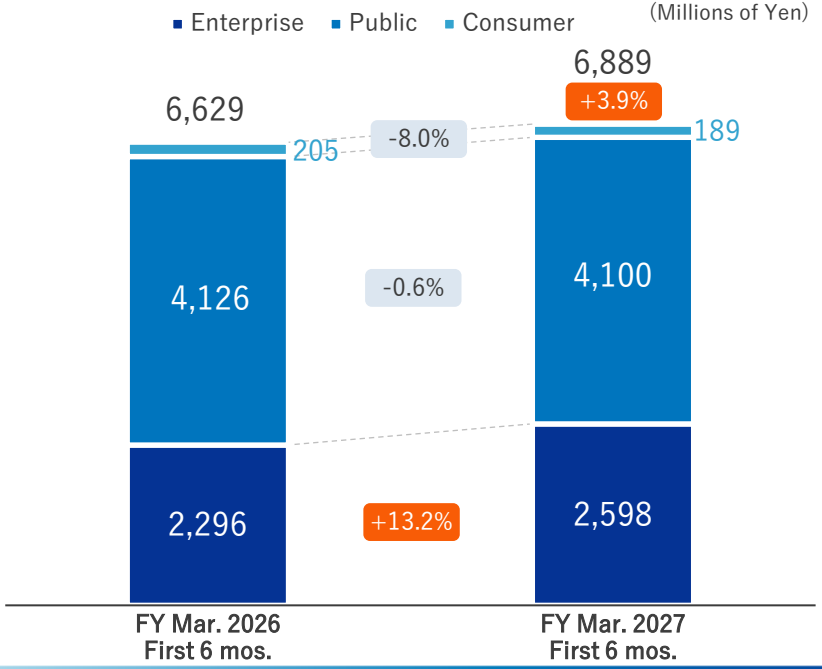
Consolidated Contracts and Net Sales by Market

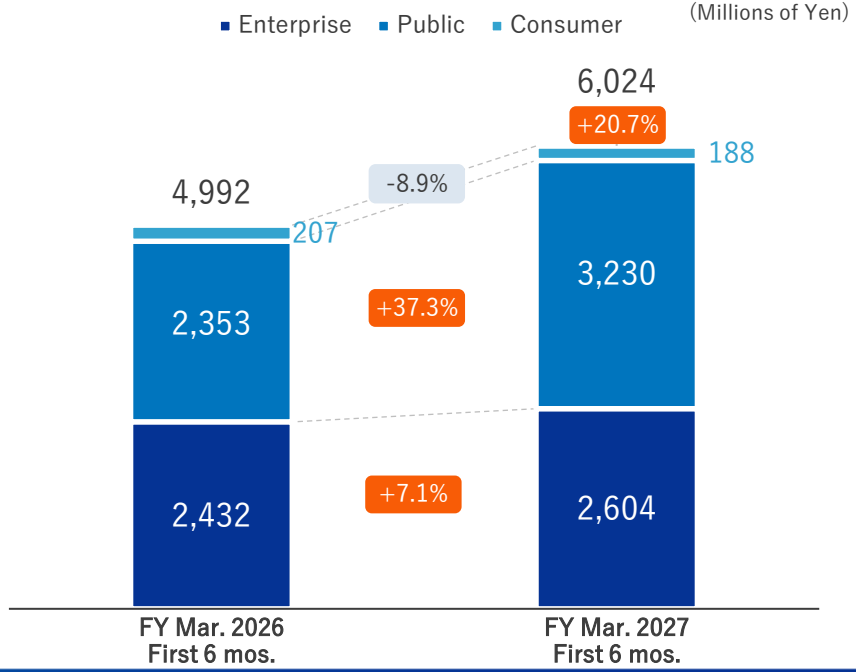
Enterprise sector market: Expanded sales of email security and new products drove double-digit contract growth, with net sales also rising steadily

Public sector market: Government project wins roughly doubled contracts outside GIGA Phase 2
GIGA Phase 2 sales recognition drove significant net sales growth

Trend in Consolidated Contracts by Market



Trend in Consolidated Net Sales by Market



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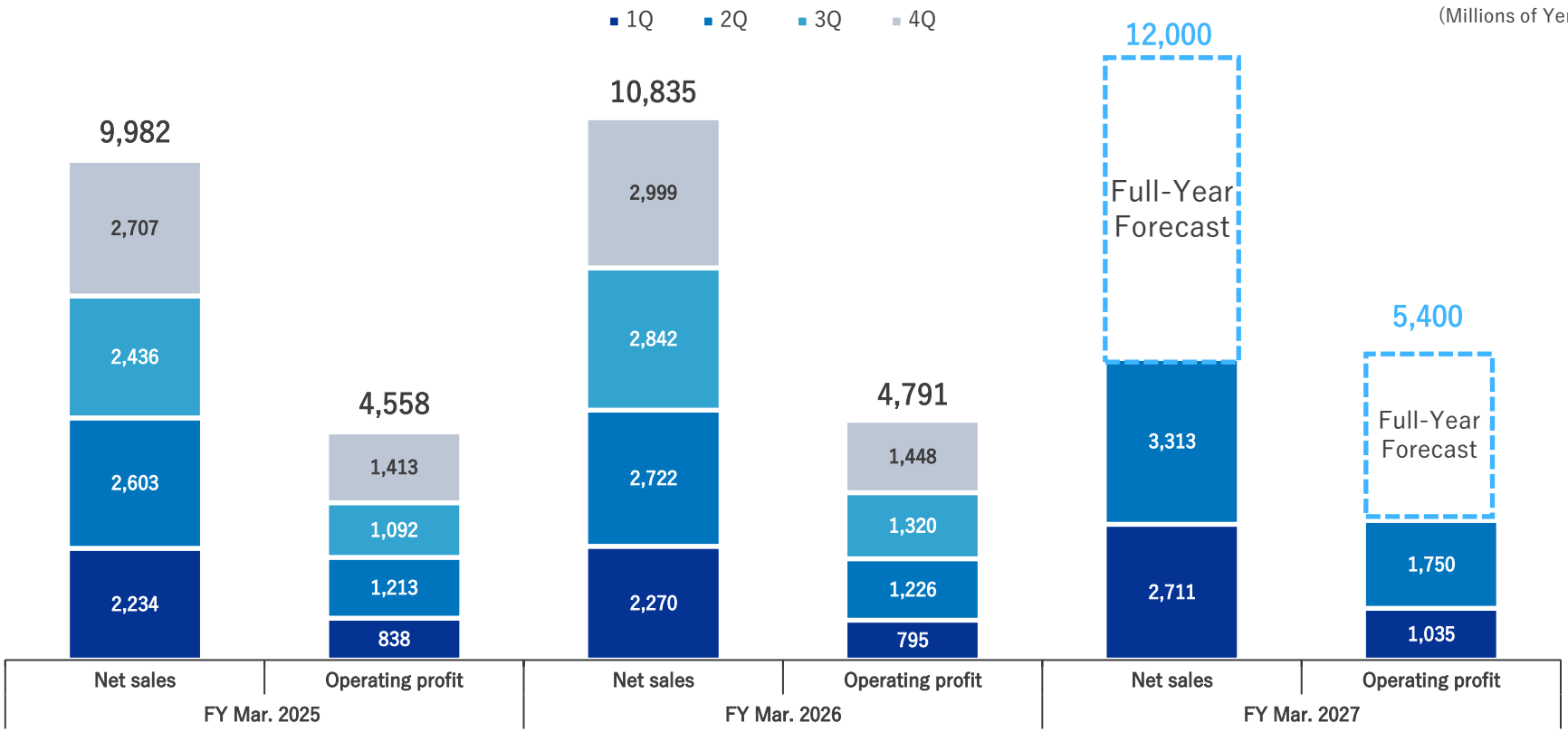
Trend in Consolidated Net Sales and Operating Profit



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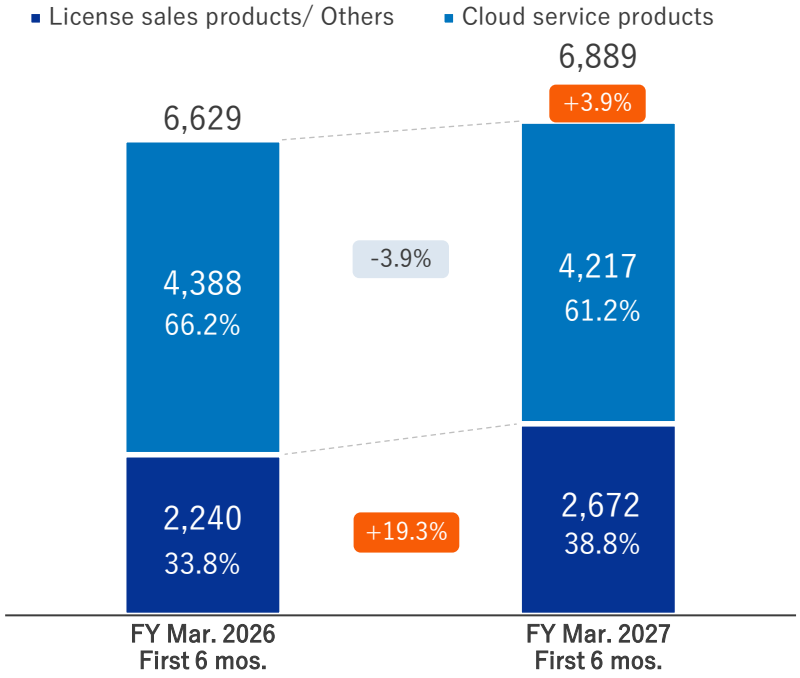
Provision Type Ratio in Consolidated Contracts and Consolidated Net Sales

Cloud service product contracts decreased year on year due to lower GIGA Phase 2 orders, while net sales grew significantly, supported by the posting of sales from contracts acquired in previous fiscal years
The cloud service product ratio in consolidated net sales rose to 54.4%

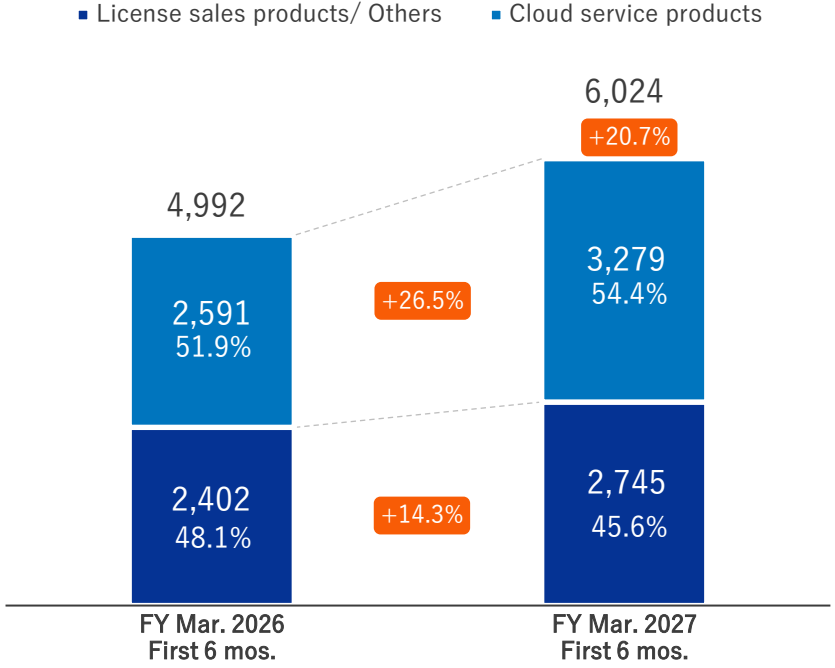
Trend in Consolidated Contracts

(Millions of Yen)



Trend in Consolidated Net Sales

(Millions of Yen)



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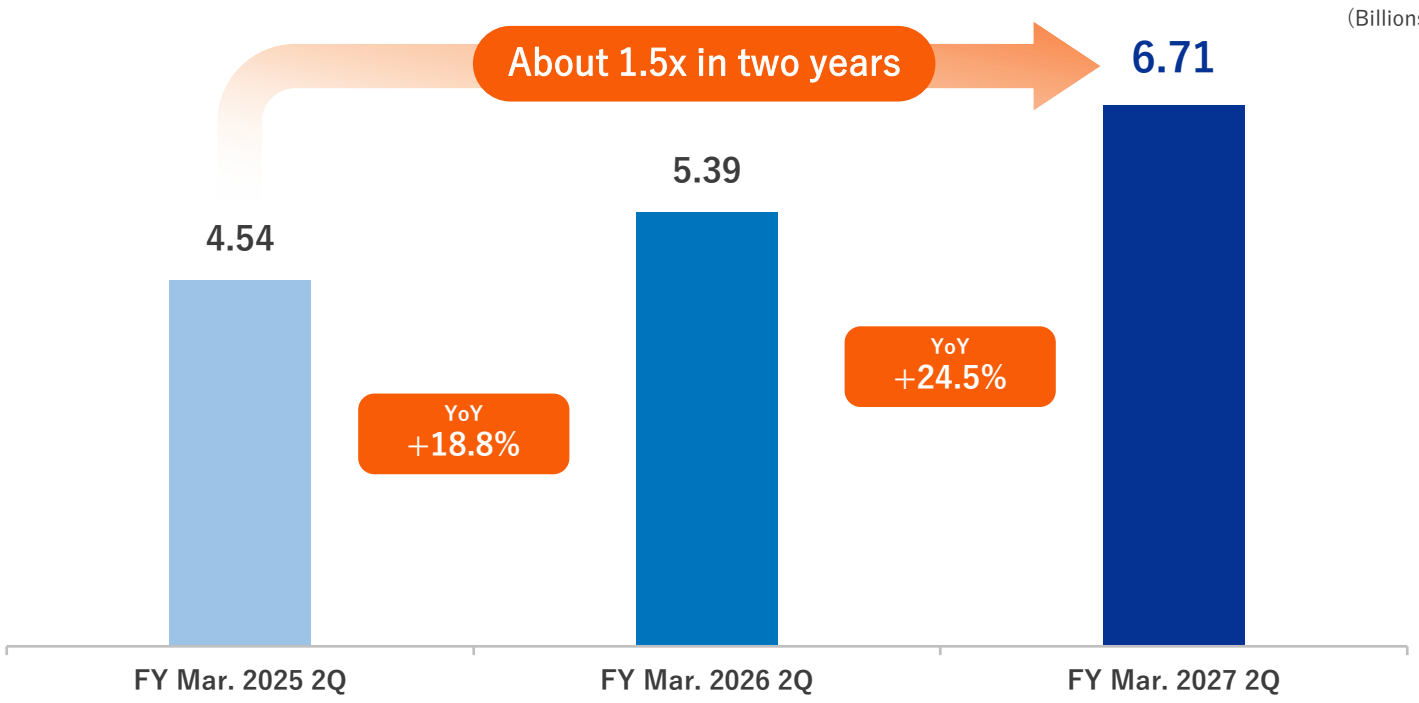
Trend in Annualized Sales of Cloud Service Products (2Q)

Sales of cloud service products reached a record high, expanding to about 6.7 billion yen on an annualized basis
About 1.5 times the level of two years earlier, with YoY growth accelerating to +24.5%



* Annualized sales = 2Q sales of cloud service products for each fiscal year × 4. YoY growth compares 2Q net sales.

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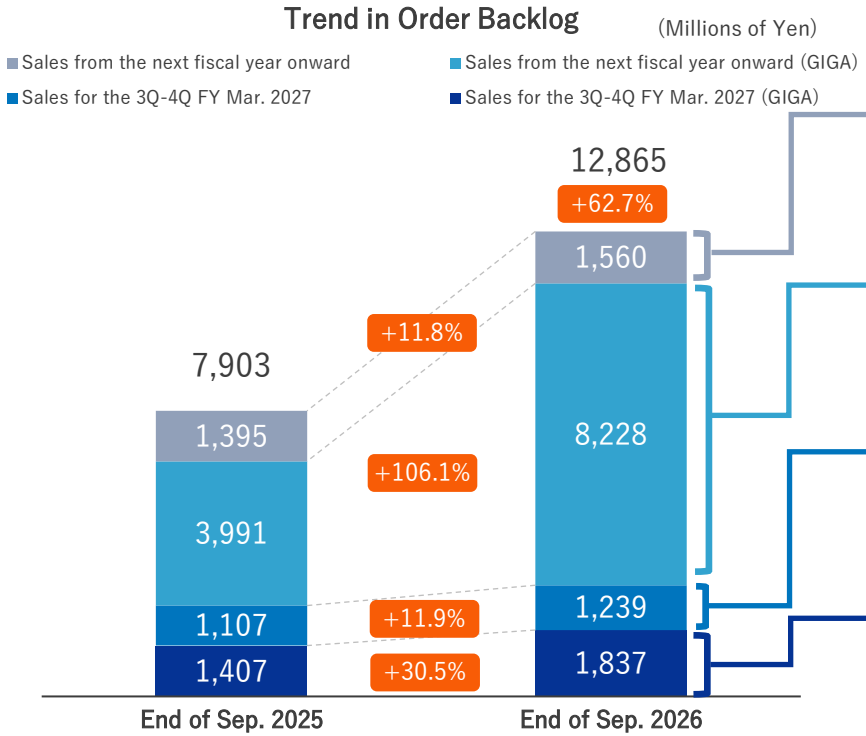
Trend in Order Backlog

Continued GIGA Phase 2 orders drove a significant increase in order backlog



Sales from the next fiscal year onward

- The order backlog increased as new multi-year contracts, including central government projects, outpaced sales posted from prior-year orders.

Sales from the next fiscal year onward (GIGA)

- The order backlog increased significantly due to continued orders for Phase 2 of the GIGA School Concept.

Sales for the 3Q-4Q FY Mar. 2027

- Sales to be posted for 3Q-4Q of the current fiscal year increased due to orders for enterprise cloud service projects and Next-Generation School Affairs DX projects, among others.

Sales for the 3Q-4Q FY Mar. 2027 (GIGA)

- Sales to be posted for 3Q-4Q of the current fiscal year increased due to continued orders for Phase 2 of the GIGA School Concept.

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Consolidated Cost of Sales and SG&A Expenses

Cost of sales rose with cloud user growth and new releases, but grew more slowly than net sales. SG&A expenses fell, mainly as prior-year 30th anniversary costs did not recur.

(Millions of Yen)

	FY Mar. 2026 First 6 mos.	FY Mar. 2027 First 6 mos.	Change YoY	Main Factors for Change
Cost of sales	**1,559**	**1,864**	**+305**	
Labor	606	605	-1	
Depreciation	419	503	+84	Increased due to higher software amortization from new product releases
Communication expenses	780	1,030	+249	Increased due to an increase in the number of cloud service product users
Others	273	325	+51	Increased due to higher usage fees for AI tools, etc.
Transfer to other accounts	-520	-600	-79	
Selling, general and administrative expenses	**1,411**	**1,373**	**-37**	
Personnel expenses	770	711	-59	
Advertising expenses	119	169	+49	Increased due to exhibiting at events for the education sector
Others	521	493	-28	Decreased due to reduced recruitment expenses

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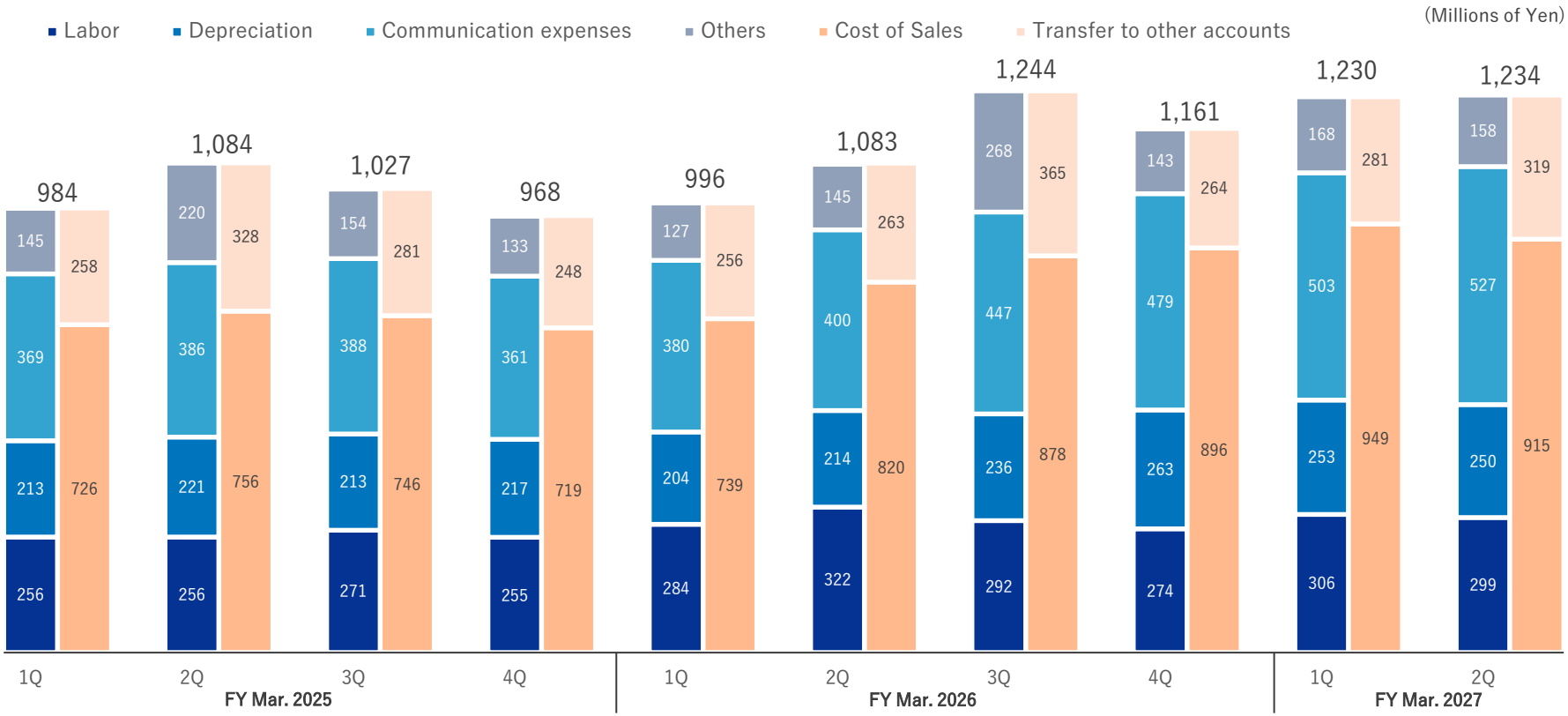
Quarterly Trend in Consolidated Cost of Sales



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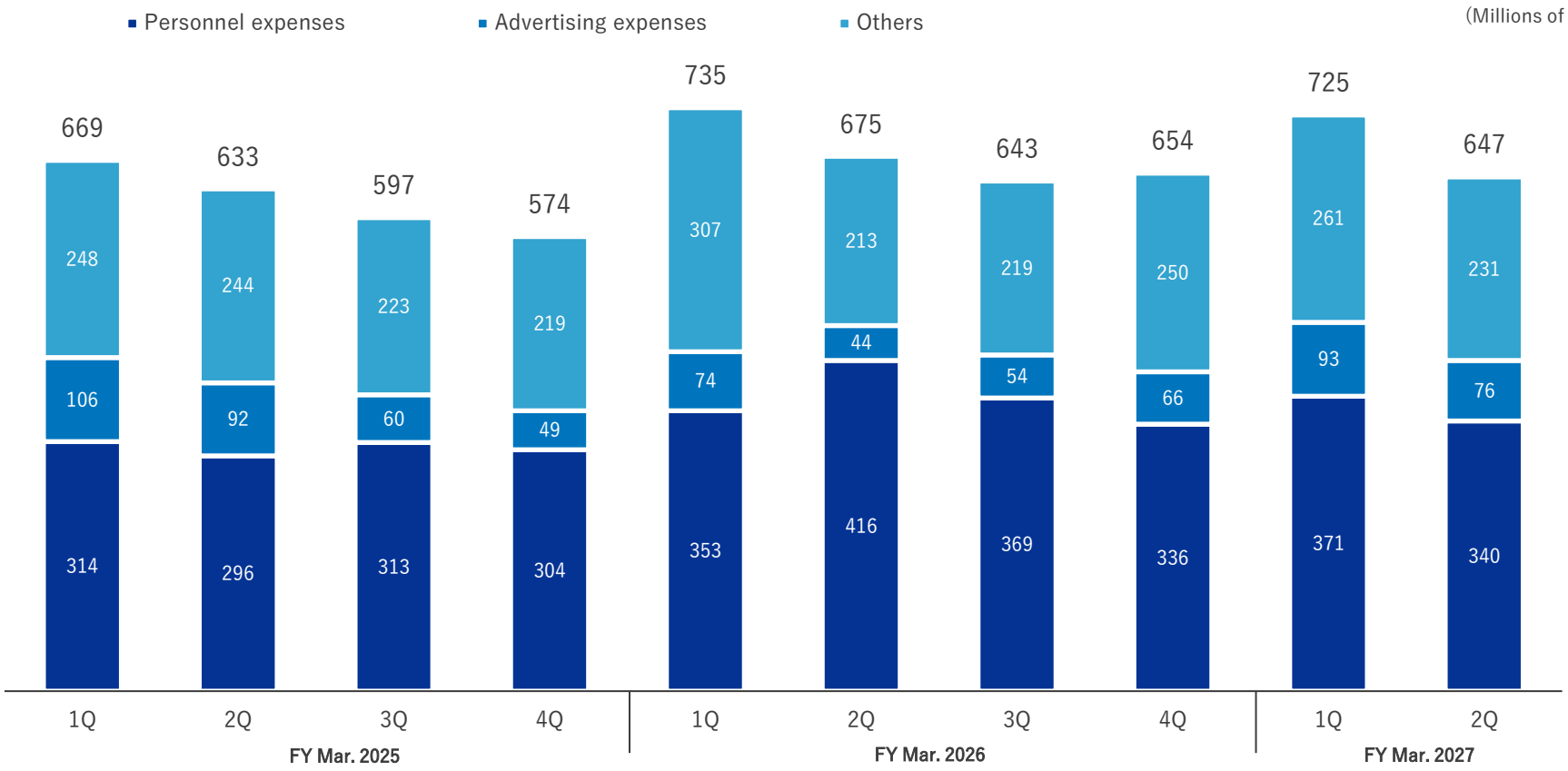
Quarterly Trend in Consolidated SG&A Expenses



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Consolidated Balance Sheet

Advances received rose sharply on contract growth, expanding the base for future sales
Equity ratio fell mainly as advances received expanded total assets

(Millions of Yen)

	As of end of 2Q FY Mar. 2026	As of end of FY Mar. 2026	As of end of 2Q FY Mar. 2027	Change from end of FY Mar. 2026	Main Factors for Changes
Current assets	21,274	25,080	29,288	+16.8%	Increase in cash and deposit (+4,405M)
(Cash and deposit)	19,638	23,083	27,488	+19.1%	Increased due to growth in orders
Non-current assets	2,587	2,784	2,884	+3.6%	Software (-172M), Software in progress (+232M)
Total assets	23,862	27,865	32,173	+15.5%	
Current liabilities	6,177	9,358	12,778	+36.5%	Advances received (+3,357M), Income taxes payable (+135M)
(Advances received)	4,865	7,800	11,157	+43.0%	Increased significantly due to the accumulation of contracts
Non-current liabilities	52	52	52	-0.6%	
Equity capital	17,603	18,425	19,322	+4.9%	Profit (+1,924M), Dividends paid (-672M), Treasury share buy-back (-665M), Exercise of stock options (+286M)
Net assets	17,632	18,454	19,342	+4.8%	
Equity ratio	73.8%	66.1%	60.1%	-	Decreased due to higher advances received driven by contract growth
ROE	8.1%	19.2%	10.2%	-	ROE and ROA for the interim period are calculated by dividing profit attributable to owners of parent for the six-month period by equity capital (ROE) or total assets (ROA), each averaged between the beginning of the period and the end of the interim period. Figures are not annualized.
ROA	6.1%	13.6%	6.4%	-	

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Consolidated Financial Results for the First Six Months
of the Fiscal Year Ending March 31, 2027

02. Non-consolidated Results Highlights

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Summary of Non-consolidated Results

GIGA Phase 2 sales, government projects and enterprise products drove significant net sales growth
Higher net sales expanded gross profit and sharply lifted operating margin, achieving significant profit growth

(Millions of Yen)

	FY Mar. 2026 First 6 mos.	FY Mar. 2027 First 6 mos.	Change YoY	FY Mar. 2027 Full-Year Forecast*1
Contracts	6,625	6,889	+4.0%	13,500
Net Sales	4,988	6,023	+20.7%	12,000
Cost of Sales	1,558	1,864	+19.7%	3,823
Gross profit	3,430	4,159	+21.2%	8,176
SG&A expenses	1,407	1,371	-2.5%	2,768
Operating profit	2,023	2,787	+37.8%	5,408
Operating margin	40.6%	46.3%	-	45.1%
Ordinary profit	2,044	2,842	+39.0%	5,513
Profit	1,411	1,928	+36.6%	3,775

*1: Financial Forecast is the non-consolidated financial forecast announced on May 7, 2026.

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Consolidated Financial Results for the First Six Months
of the Fiscal Year Ending March 31, 2027

03. Status of Each Market and Product

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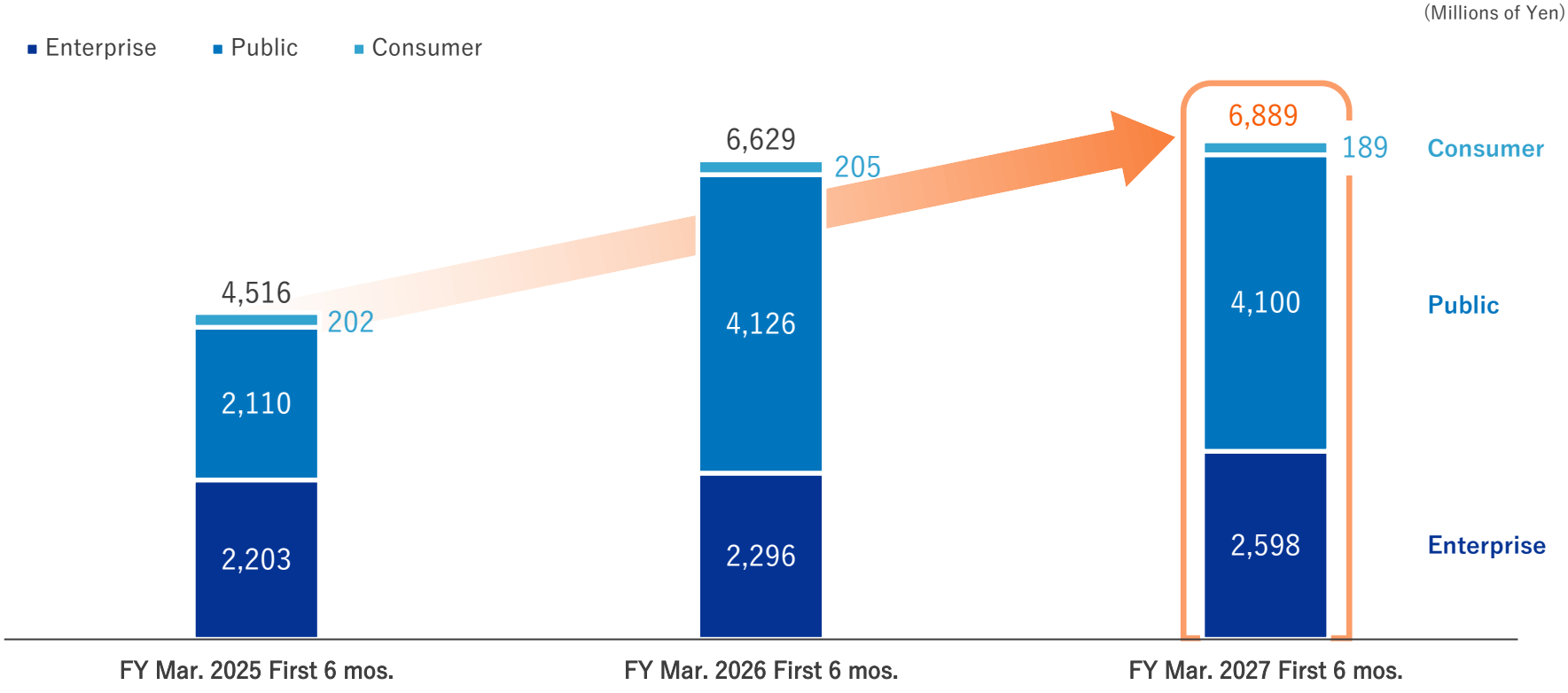
Trend in Consolidated Contracts by Market

Contracts for the first half reached a record high



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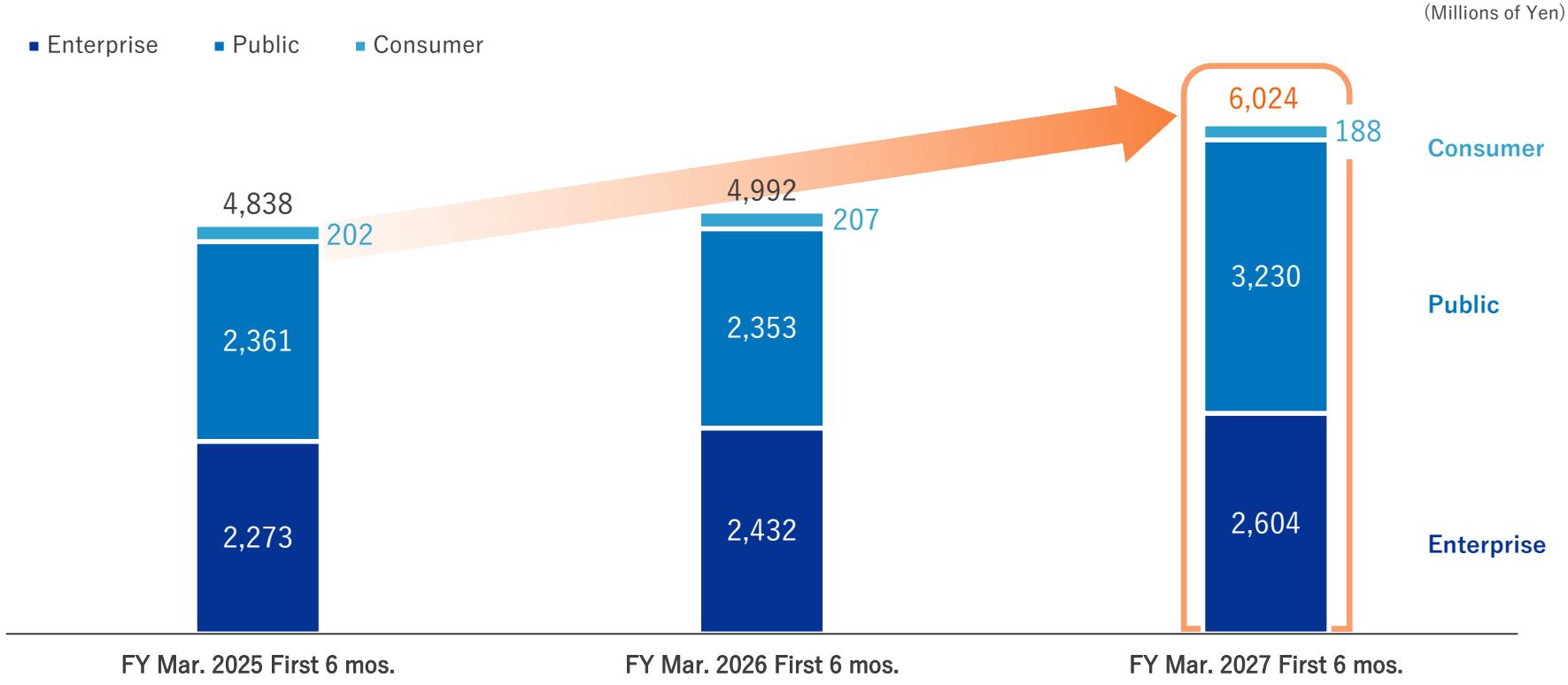
Trend in Consolidated Net Sales by Market

Net sales for the first half reached a record high



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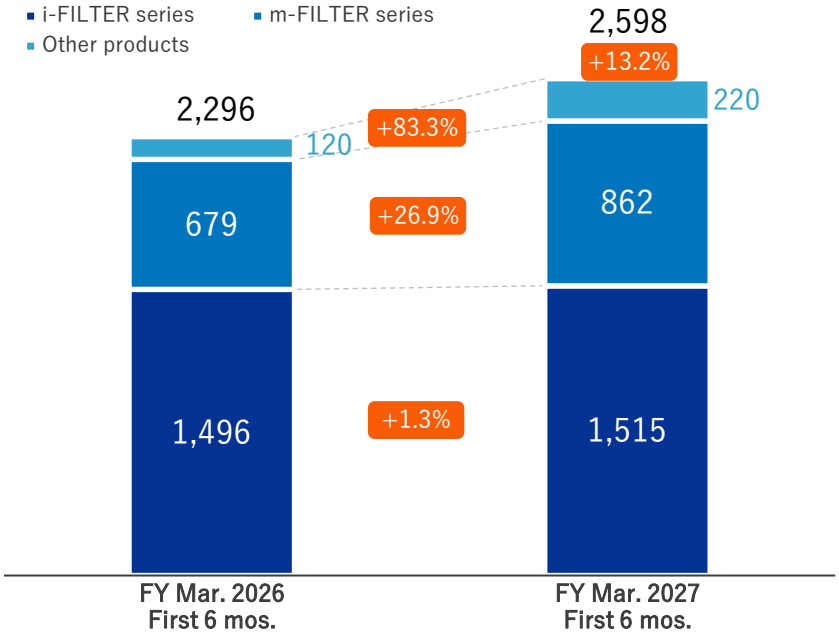
Contracts and Net Sales in Market by Product

i-FILTER: Retained its customer base and strengthened added value with generative AI and cloud usage management

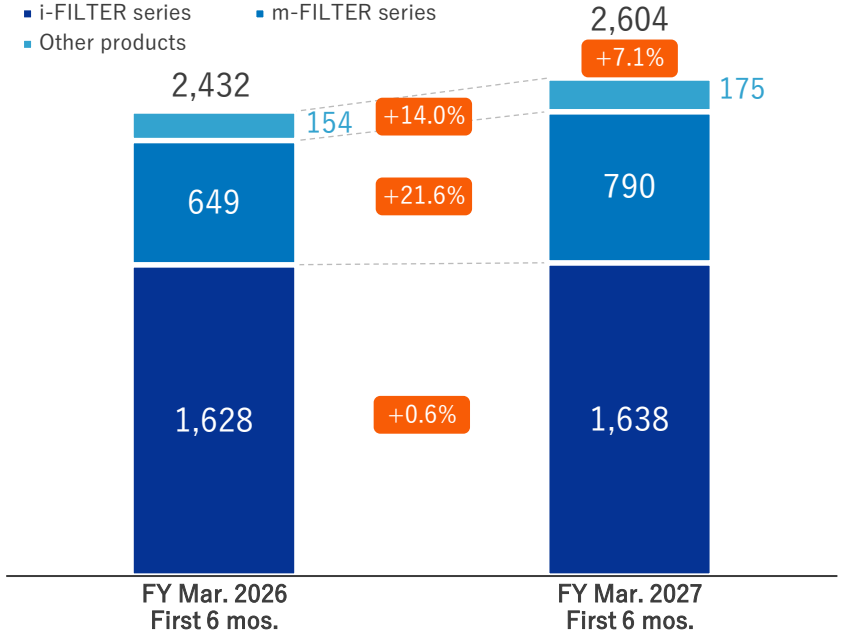
m-FILTER: Evolving from PPAP* countermeasures to comprehensive email security; inbound protection and cloud migration drove growth

Other products: The launch of z-FILTER and growth of FINAL CODE drove a sharp rise in contracts

Market Contracts Trends by Product (Millions of Yen)



Market Net Sales Trends by Product (Millions of Yen)



*PPAP: A file transfer practice in which the file is converted into a password-protected zip file before sending and the password is sent in a separate e-mail message.

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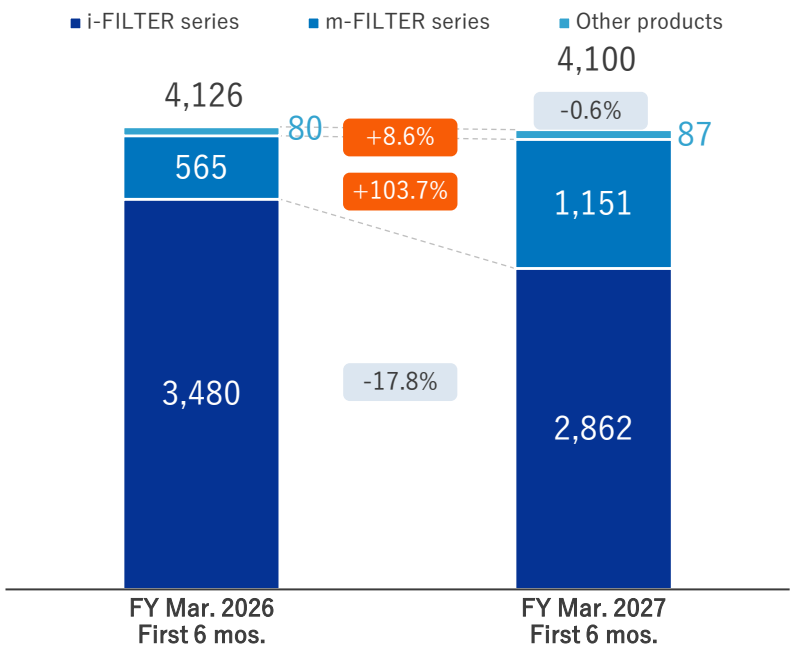
Contracts and Net Sales in Market by Product

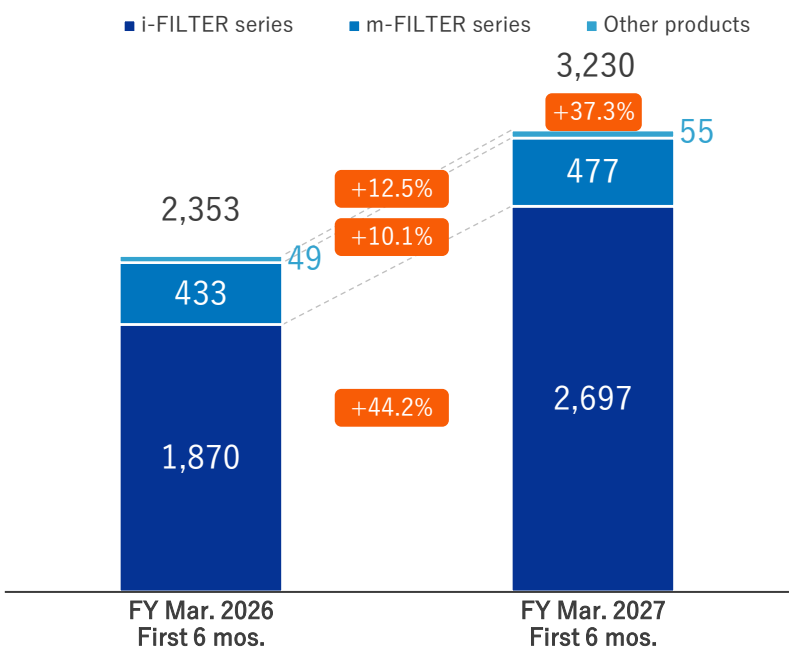
i-FILTER: Although contracts declined due to lower GIGA Phase 2 orders, the posting of GIGA project sales and government project wins drove a significant increase in net sales

m-FILTER: Wins in central government and Security Improvements for Local Governments projects doubled contracts, contributing to future net sales growth

Market Contracts Trends by Product (Millions of Yen)



Market Net Sales Trends by Product (Millions of Yen)



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Consolidated Financial Results for the First Six Months
of the Fiscal Year Ending March 31, 2027

04. FY03/27 Initiatives

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Priority Area Initiatives

The Group will continue its initiatives in three priority areas to achieve its financial targets

	Priority areas	Summary of initiatives
①	Growth of security business	- Implement high-touch sales to end users to upgrade the sales structure - Acquire orders from steadily growing z-FILTER projects and generate more opportunities - Respond to policy-related projects such as the Security Measures Evaluation System to Strengthen Supply Chains - Provide solutions to security risks which are increasing in line with the increased use of AI
②	Increase in public sector market share	- Increase market share regarding projects in the ongoing Phase 2 of the GIGA School Concept and increase the order unit prices - Acquire new Next-Generation School Affairs DX projects, and increase market share and order unit prices for Third-Phase Security Improvements for Local Governments projects
③	Strengthening of sales and development teams supporting high-touch sales	- Develop and increase the number of sales personnel and strengthen the proposal framework to step up high-touch sales to end users - Strengthen the development team to swiftly incorporate customers' opinions into the development of products and features - Advance and streamline operations including the use of AI to improve the productivity of sales and development functions

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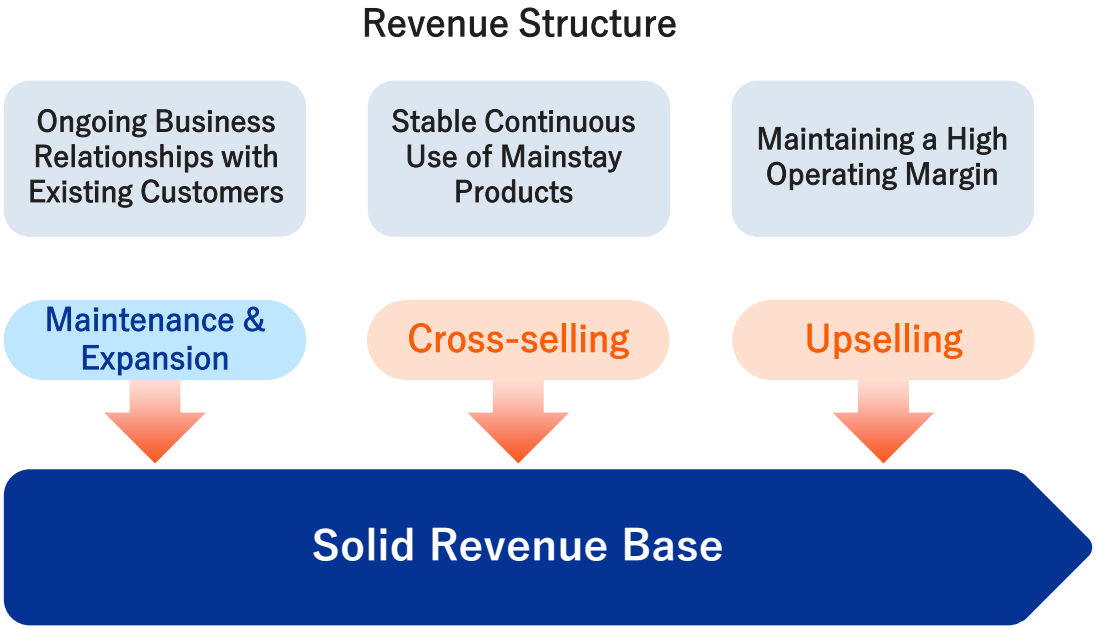
Recurring Revenue Model and Revenue Base

Absorbing short-term fluctuations in project timing while strengthening the stable revenue base through ongoing relationships with existing customers, continued use, and cross-selling



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Number of White Operation Users

Number of White Operation users*

15.16 million

i-FILTER Ver.10

m-FILTER Ver.5

z-FILTER ゼットフィルター

* Number of users of z-FILTER, i-FILTER Ver.10, m-FILTER Ver.5, i-FILTER@Cloud and m-FILTER@Cloud as of the end of Sep. 2026 (internal research)

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White Operation
-our unique model for security measures

Conventional security measures mainly take a "detection and response" approach that finds and blocks malicious communications and threats

As cyberattacks grow more sophisticated, companies are also expected to "eliminate attacks before they occur" by allowing only trusted communications and behavior

Point of Comparison	Conventional approaches other than White Operation	The Company's White Operation
Approach	Identify and block "malicious communications"	Allow only "trusted communications"
Defense Characteristics	Multi-layered detection and defense against known and unknown threats	In principle, block all communications that are not permitted
Learning Data	Build detection models based on attack logs	Created by the Company based on reliable sources of information
Operation	Operations required to assess and respond to threats	The Company distributes the allowlist database, reducing users' operational burden
Basis for Judgment	Judgment based on threat intelligence and communication behavior	Allowlist database created by the Company based on reliable sources of information

* The unauthorized access announced on October 21, 2026 resulted from a third party illicitly obtaining authentication credentials used to operate the Company's cloud services, and was not an intrusion exploiting vulnerabilities in the security functions of the Company's products themselves. We have also confirmed that the allowlist database has not been tampered with. For details, please refer to "Q&A for Investors and Shareholders Regarding Unauthorized Access" released on October 23, 2026 (available in Japanese only).

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Demonstrating the Value of “White Operation” in the AI Era

Conventional Security

Find and Intercept Malicious Communications

More Threats → More Alerts → Greater Investigation and Decision-Making Burdens → Inability to Respond

Operations Unable to Keep Pace with Rising Threats in the AI Era

White Operation

Allow Only Trusted Communications

Reducing Decision-Making Burdens for Safe, Worry-Free Use

A World Where Users Can Access Websites and Receive Email Without Security Concerns

AI

Conventional security operations cannot keep pace with rising threats in the AI era.
Shift to **White Operation—allowing only trusted communications and behavior.**

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Addressing New Threats in the AI Era

Malfunctions and improper output

The risk of AI generating unexpected output and impacting business decision-making

Leaks of confidential information

Unintended leakage of confidential data through inputs to and outputs from AI systems

Risk of AI agents automatically executing tasks

Loss of control due to AI agents autonomously executing tasks

Visualization of decision-making processes and audit preparedness

Not being able to explain or audit AI decision-making processes is a serious governance risk

As the use of AI expands, infrastructure for control and visualization for secure utilization will be increasingly essential to businesses.

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Product Lineup

SSE

SSE enabling simple yet robust network security

z-FILTER®
ゼットフィルター

Authentication

Integrating authentication from device log-ins to cloud access

a-FILTER™
エーフィルター

Web

Helping users securely connect to websites without security concerns

i-FILTER®
i-FILTER@Cloud®

Endpoint Web Security
i-FILTER® ブラウザー & クラウド

Secure proxy appliance
D-SPA®

For households: Comprehensive security
i-フィルター10®

Mail

Helping users securely send and receive email without security concerns

m-FILTER®
m-FILTER@Cloud®

Pop-up warnings to prevent misdirected emails
m-FILTER® MailAdviser

File

File encryption and remote deletion solutions

FINAL CODE®
FINAL CODE@Cloud®

Data protection and file transfer services

f-FILTER®

ISMAP registration
of cloud products in all areas offered to enterprises*

The Information System Security Management and Assessment Program (ISMAP) is a program under which cloud services fulfilling the government's security requirements are assessed and registered. The goal of ISMAP is to ensure that government agencies can procure cloud services with sufficient information security measures.

* An ISMAP application for z-FILTER is planned.

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Reference: Product Pricing

Z-FILTER
ゼットフィルター

Reference Price (monthly):

ZTNA	1,000 yen
SWG	1,500 yen
SWG ID	1,750 yen
SSE	2,000 yen

a-FILTER

Reference Price (monthly): **500 yen**
(for a minimum of 10 licenses)

i-FILTER@Cloud

Reference Price (monthly): **500 yen**

m-FILTER@Cloud

Reference Price (monthly): **500 yen**

Pop-up warnings to prevent misdirected emails (for Outlook/Becky!/Thunderbird)

m-FILTER MailAdviser

Reference Price (monthly): **300 yen**

i-FILTER

Reference Price (monthly): **250 yen**
(for purchases of 500 licenses)

m-FILTER

Reference Price (monthly): **250 yen**
(for purchases of 500 licenses)

Pop-up warnings to prevent misdirected emails (for Microsoft 365)

m-FILTER MailAdviser

Reference Price (monthly): **300 yen**

Option

Available options when purchased together with i-FILTER or m-FILTER

Anti-Virus & Sandbox

Reference Price (monthly): **200 yen**

f-FILTER

Reference Price (monthly): **100 yen**

i-FILTER@Cloud GIGA School Edition

Reference Price (monthly): **150 yen**

f-FILTER

Reference Price (monthly): **300 yen**
(for a minimum of 10 licenses)

FINALCODE

Reference Price (monthly): **1,000 yen**[*1]
(for purchases of 10 licenses)

FINALCODE@Cloud

Reference Price (monthly): **1,000 yen**[*1]
(for purchases of 10 licenses)

*1: Charges apply only to users who perform encryption or editing within the organization

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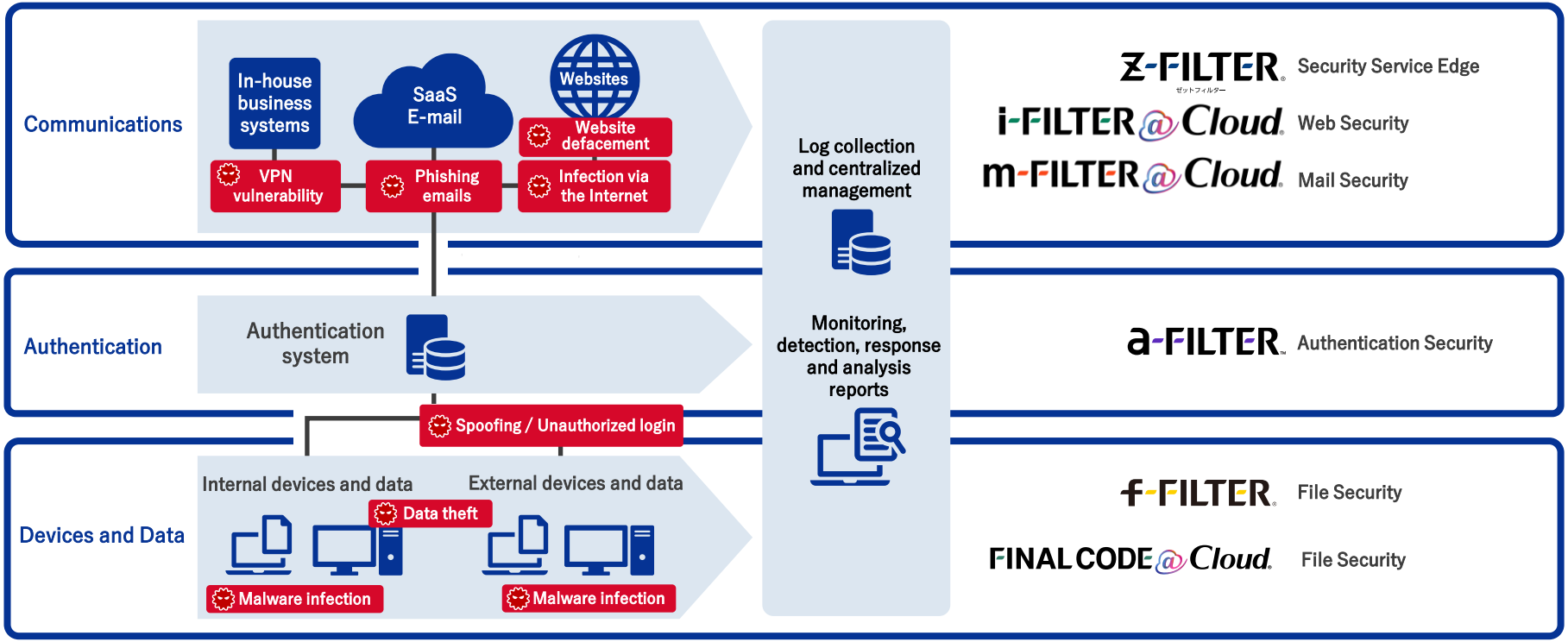
Response to Cybersecurity Policies

In response to cybersecurity policies such as the Security Measures Evaluation System to Strengthen Supply Chains, the Company is expanding its product lineup so that communications, authentication, and devices can be consistently protected by its products



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05. FY03/27 Status of Measures

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Implementation of High-Touch Sales to End Users

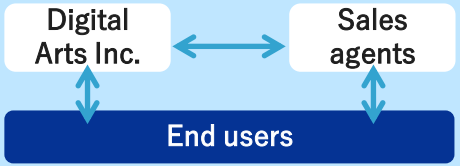
Increase the proposal capabilities of sales personnel and increase points of contact with customers to strengthen sales capabilities
In parallel, construct a structure for providing end user feedback directly to development teams to improve development capabilities

As Is

Indirect relationships

In product sales, the Company's personnel accompany sales agents when visiting customers. The number of opportunities to engage in high-touch sales to end users, excluding GIGA School Concept customers, was limited. As a result, opportunities to directly understand corporate customers' issues and needs were limited, creating challenges in strengthening sales capabilities and developing products and features.

To Be



Reciprocal relationships

As with GIGA School Concept customers, the Company's sales staff will propose solutions directly to corporate customers to gain a first-hand understanding of their issues and needs, strengthening the Company's sales and development capabilities. Insights gained from these direct proposals will also be shared with sales agents to enhance partner sales.

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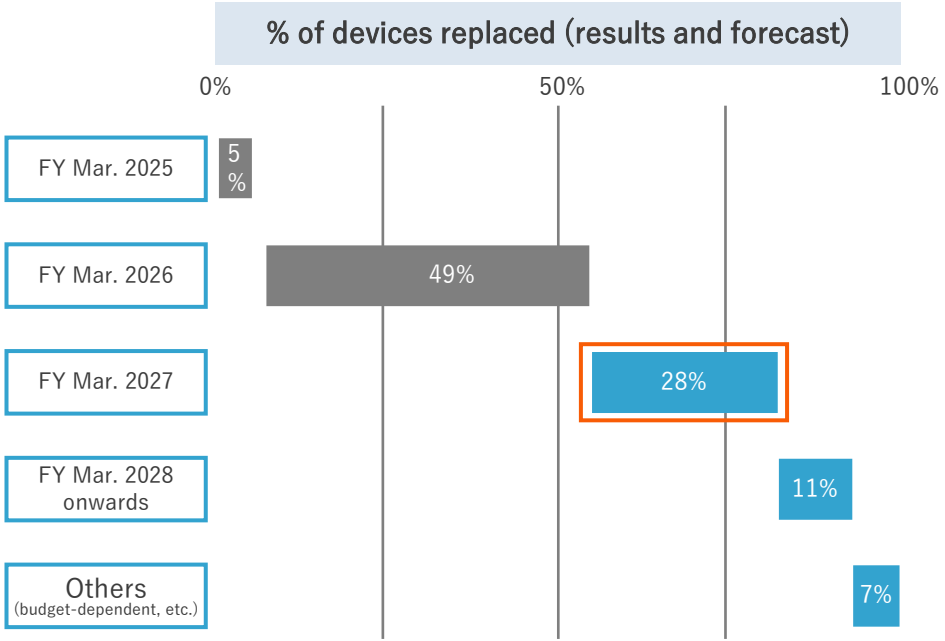
Initiatives for Phase 2 of the GIGA School Concept

It is expected that projects in Phase 2 of the GIGA School Concept will be renewed continually. The Company aims to further increase its market share and the order unit prices in this area.

GIGA device replacement timing



POINT

- It is projected that approx. 28% of all boards of education will renew their contracts for GIGA School devices in FY Mar. 2027.
- The Company will continue to improve product features and closely manage individual projects, aiming to increase market share and order unit prices.
- In addition, the Company will continue to approach boards of education that introduced free filtering products in FY Mar. 2026 to maximize revenue opportunities.

Source: The data were prepared by the Company based on data of the Ministry of Education, Culture, Sports, Science and Technology and media reports.

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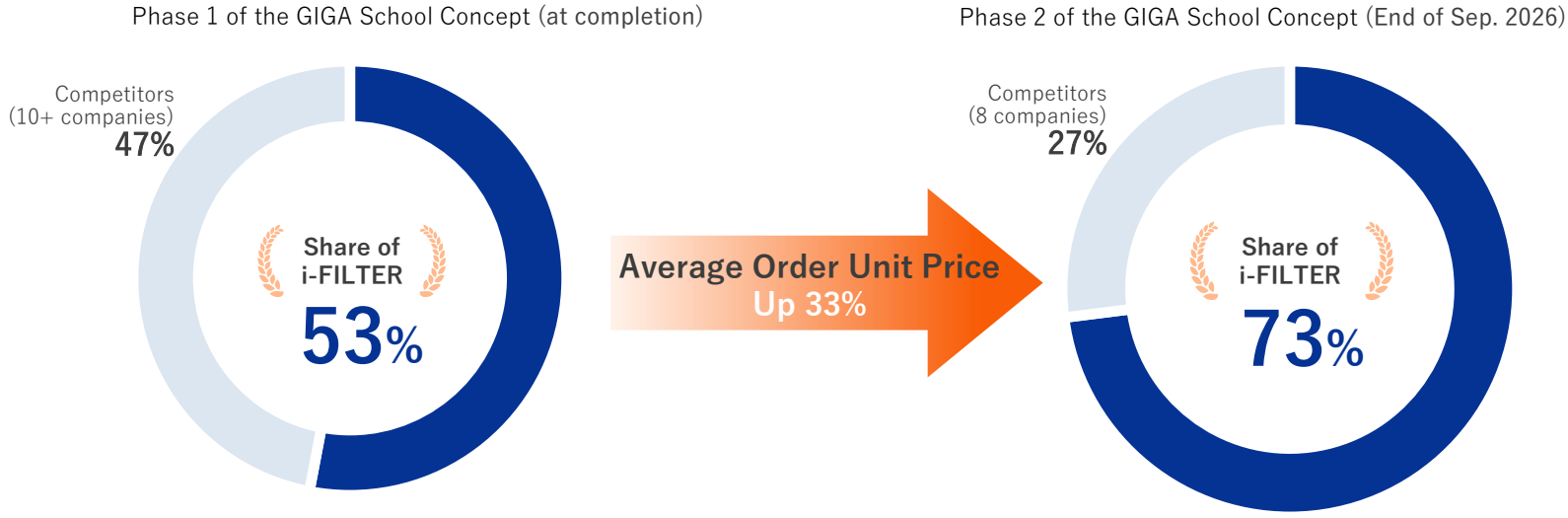
Initiatives for Phase 2 of the GIGA School Concept

Despite intensifying competition, i-FILTER secured a 73% market share in the GIGA School Concept Phase 2 average order unit prices (through 2Q FY Mar. 2027) were also up 33% from Phase 1

Introduction of paid filtering under the GIGA School Concept*1



*1: According to our survey of 1,741 Boards of Education (Internal research) (Sep. 2026)

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Advancement and Streamlining of Operations Using AI Internally

Individual departments incorporate AI into their practical operations with a view to investing in growth and enhancing profitability.

Integration of AI into individual business processes to build a highly efficient operational foundation that is not solely dependent on increasing the number of staff members.

Positive effect

- Increased development productivity
- Higher rates of reaching negotiations and the successful acquisition of orders
- Higher response quality and speed
- Increased efficiency of back-office operations

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06. FY03/27 Full-Year Financial Forecast

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Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2027 (Consolidated)

In the first half, both net sales and profit exceeded the company plan
Taking into account the timing of public sector orders scheduled for the second half and the overall business environment, the full-year forecast remains unchanged

(Millions of Yen)

	FY Mar. 2026 Full-Year Results	FY Mar. 2027 Full-Year Forecast	Change	% Change	Note
Contracts	16,604	13,500	-3,104	-18.7%	Net sales are forecast to increase as a result of the accumulation of existing contracts, the expansion of sales of new and related products and the progress in the posting of sales from cloud service-related projects obtained in and before FY Mar. 2026, although contracts are expected to decrease as the acquisition of projects for Phase 2 of the GIGA School Concept has already peaked.
Net sales	10,835	12,000	+1,164	+10.8%	
Cost of sales	3,334	3,823	+488	+14.6%	Depreciation is expected to increase due to greater investment in development personnel, product enhancements, and internal DX, while communication expenses are expected to rise as the number of cloud service product users grows.
Gross profit	7,500	8,176	+676	+9.0%	
Gross profit margin	69.2%	68.1%	-	-	
Selling, general and administrative expenses	2,708	2,776	+67	+2.5%	Personnel expenses are expected to increase due to investment in human resources, including base pay increases, recruitment, and training.
Operating profit	4,791	5,400	+609	+12.7%	
Operating margin	44.2%	45.0%	-	-	
Ordinary profit	4,840	5,505	+664	+13.7%	
Profit attributable to owners of parent	3,427	3,770	+342	+10.0%	

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Full-Year Financial Forecast for the Fiscal Year Ending March 31, 2027 (Non-Consolidated)

In the first half, both net sales and profit exceeded the company plan
Taking into account the timing of public sector orders scheduled for the second half and the overall business environment, the full-year forecast remains unchanged

(Millions of Yen)

	FY Mar. 2026 Full-Year Results	FY Mar. 2027 Full-Year Forecast	Change	% Change	Note
Contracts	16,598	13,500	-3,098	-18.7%	Net sales are forecast to increase as a result of the accumulation of existing contracts, the expansion of sales of new and related products and the progress in the posting of sales from cloud service-related projects obtained in and before FY Mar. 2026, although contracts are expected to decrease as the acquisition of projects for Phase 2 of the GIGA School Concept has already peaked.
Net sales	10,828	12,000	+1,171	+10.8%	
Cost of sales	3,332	3,823	+490	+14.7%	**Depreciation is expected to increase due to greater investment in development personnel, product enhancements, and internal DX, while communication expenses are expected to rise as the number of cloud service product users grows.**
Gross profit	7,496	8,176	+680	+9.1%	
Gross profit margin	69.2%	68.1%	-	-	
SG & A	2,697	2,768	+70	+2.6%	Personnel expenses are expected to increase due to investment in human resources, including base pay increases, recruitment, and training.
Operating profit	4,798	5,408	+609	+12.7%	
Operating margin	44.3%	45.1%	-	-	
Ordinary profit	4,850	5,513	+663	+13.7%	
Profit	3,439	3,775	+336	+9.8%	

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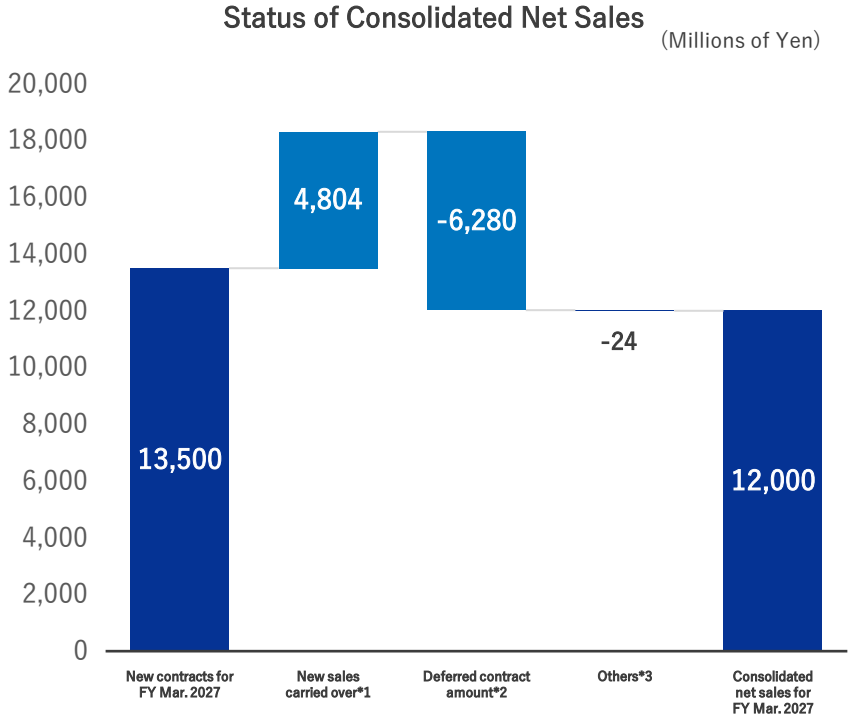
Status of Consolidated Net Sales

Consolidated net sales are forecast as follows:



Net sales for the current fiscal year

- For FY Mar. 2027, the Group will construct a foundation in the enterprise sector market and accelerate implementation in the AI era with an eye toward the final fiscal year of the Medium-Term Management Plan.
- The Group will focus its efforts on expanding sales of new and related products, strengthening high-touch sales and acquiring projects in the public sector market.
- It is projected that consolidated net sales will be 12,000 million yen due to the posting of sales from contracts received in FY Mar. 2027 and sales of cloud service products for which orders were obtained in or before the previous fiscal year, while contracts are expected to shrink as the acquisition of projects for Phase 2 of the GIGA School Concept has already peaked.

*1:Sales recorded from the order backlog of contracts acquired in previous fiscal years
*2:Contracts for the current fiscal year that are deferred to subsequent fiscal years (order backlog)
*3:Sales returns and sales at overseas subsidiaries

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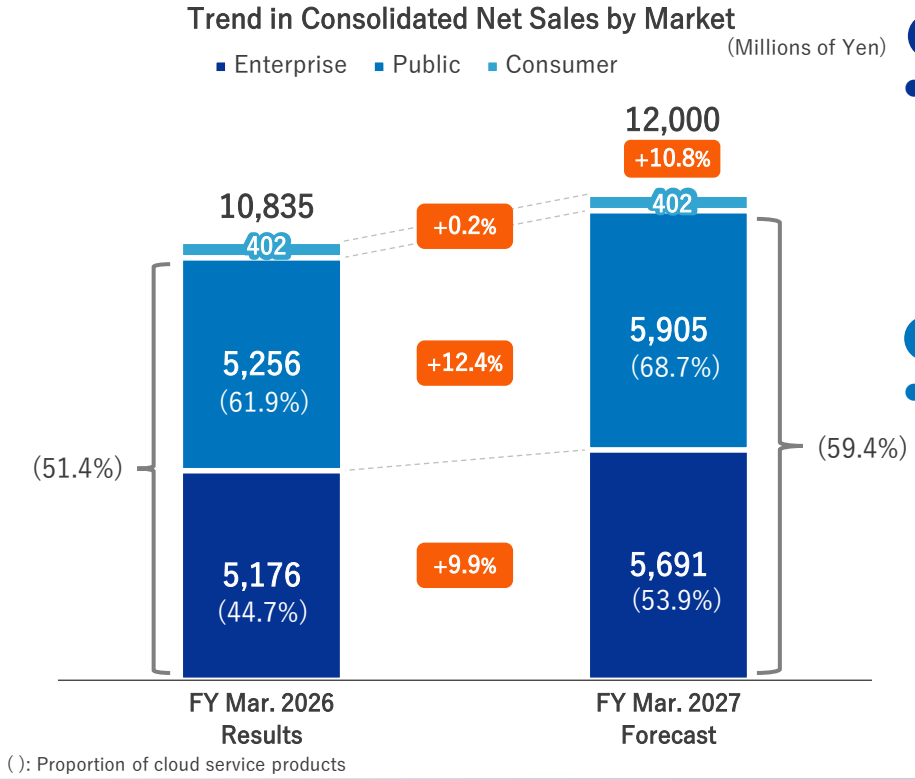
Status of Consolidated Net Sales by Market

Consolidated net sales by market are forecast as follows:



( ): Proportion of cloud service products

Enterprise sector market

- In the enterprise sector market, the Group will continue to expand sales of its mainstay i-FILTER and m-FILTER products and work to increase sales of z-FILTER and other new and related products. The Group expects that net sales will increase as it steps up its high-touch sales to directly understand the issues faced by customers and works to improve the accuracy of its proposals and the order win rate.

Public sector market

- In the public sector market, the Group will strive to continuously obtain projects for Phase 2 of the GIGA School Concept, utilize the customer base established through projects to enhance features for educational institutions, and work on Next-Generation School Affairs DX projects and projects for security improvements for local governments. The Group expects that net sales will grow due to solution-proposal activities that pay attention to contact with end users to communicate the appeal of products that precisely fulfill their needs to achieve both a larger market share in terms of orders and higher project unit prices.

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Consolidated Cost of Sales and Selling, General and Administrative Expenses

The Group will continue to build a foundation in the enterprise sector market and invest in growth to accelerate implementation in the AI era. It is projected that the cost of sales and selling, general and administrative expenses will increase, chiefly because of the increase in development personnel, improvement of product features and expansion of the sales team.

(Millions of Yen)

	FY Mar. 2026 Full-Year Results	FY Mar. 2027 Full-Year Forecast	Change YoY	Main Factors for Change
Cost of Sales	**3,334**	**3,823**	**+14.6%**	
Labor	1,172	1,249	+6.5%	Investment in new products and personnel for functional development
Depreciation	919	1,063	+15.8%	Increase in depreciation associated with software development and improvement
Communication expenses	1,707	2,037	+19.3%	Communication expenses are expected to increase following the increase in the number of cloud service product users
Others	685	661	-3.5%	
Transfer to other accounts	-1,150	-1,189	+3.4%	Transfer of costs related to software development to other accounts
SG & A	**2,708**	**2,776**	**+2.5%**	
Personnel expenses	1,476	1,522	+3.1%	Investments in human resources, such as investments to increase staff, increase base pay and provide an incentive plan
Advertising expenses	240	248	+3.3%	Investments in marketing to increase sales of new and related products and to acquire projects in the public sector market
Others	991	1,004	+1.4%	

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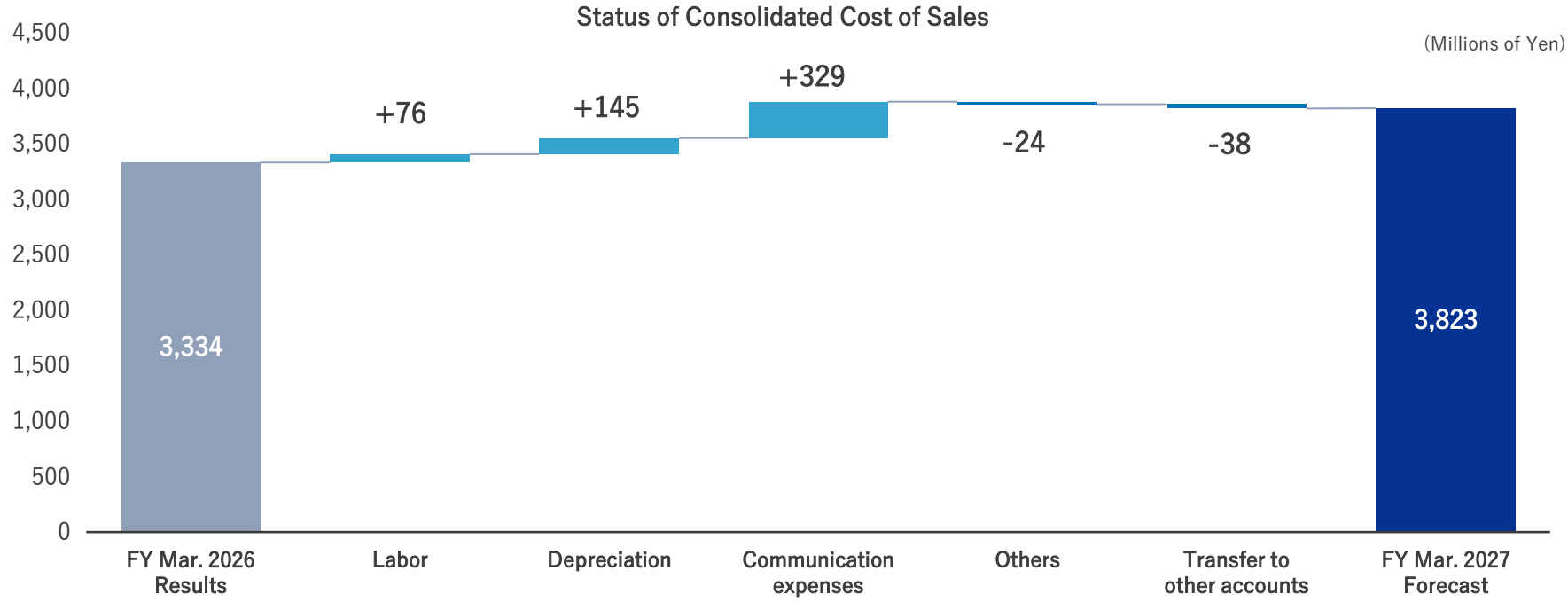
Status of Consolidated Cost of Sales

Cost of sales is expected to increase due to investment in personnel for new product and feature development, as well as higher depreciation from software development and improvement and higher communication expenses as the number of cloud service product users grows.



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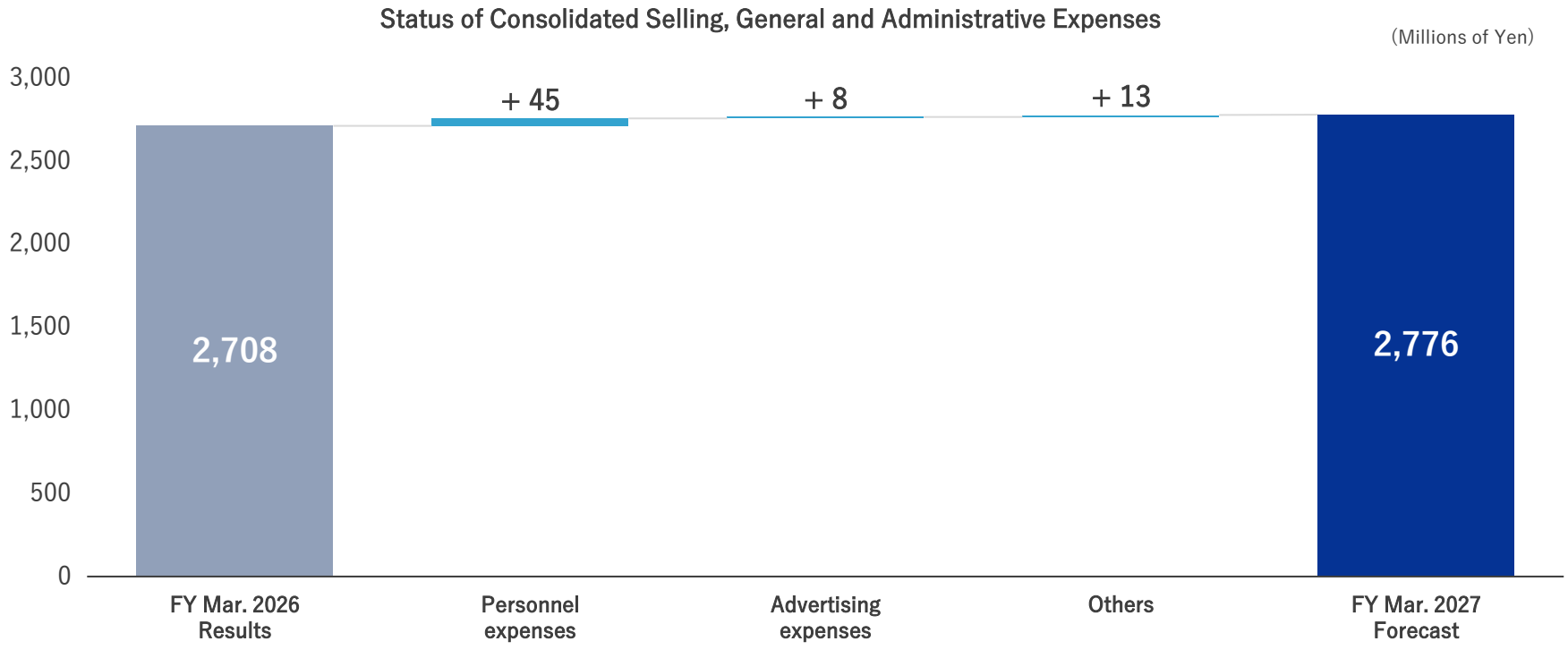
Status of Consolidated Selling, General and Administrative Expenses

Personnel expenses are expected to increase due to greater investment in human resources, a priority area under the Medium-Term Management Plan.



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07. FY03/27 Return to Shareholders

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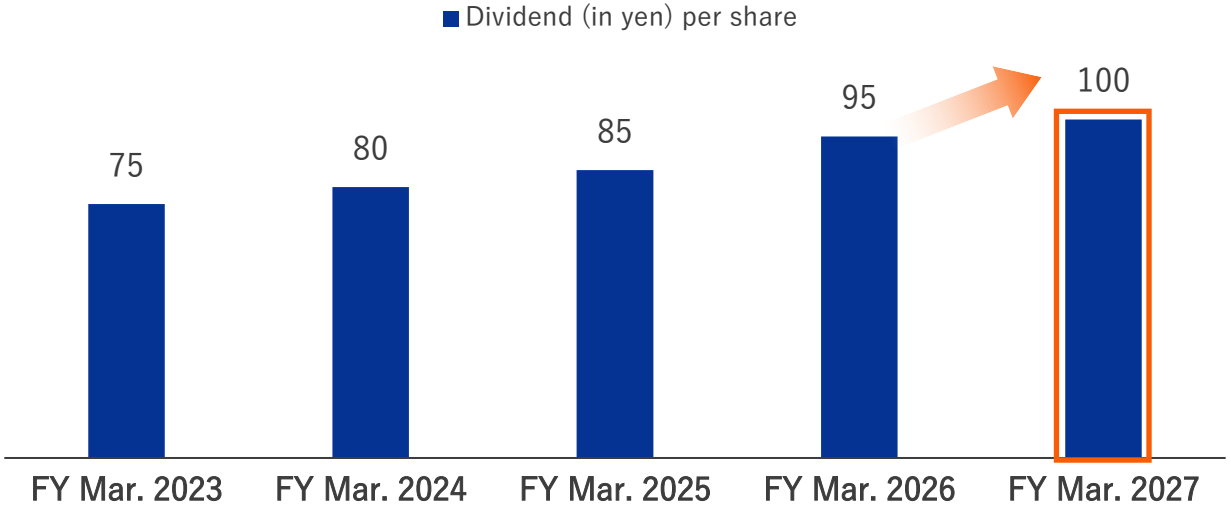
Shareholder Return Policy

Shareholder Return Policy for FY Ending Mar. 2027

Major policy	● Implementation of progressive dividends and a total return ratio target of 50% or more
Dividends	● The Company plans to pay an annual dividend of 100 yen per share, marking its 13th consecutive year of dividend increases.
Purchase of treasury shares	● The Company will purchase treasury shares flexibly in consideration of trends in its performance, the stock market and other factors.



Amount of treasury shares purchased (Estimate)						
	500 million yen	930 million yen	740 million yen	1,130 million yen	660 million yen	+ Flexible purchase of treasury shares

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Notes on Descriptions

- Among the descriptions of plans, strategies and financial forecasts in this presentation material, those that are not historical facts are forward-looking statements.
- They reflect judgments made by the management of Digital Arts Inc. based on information currently available to it. They may be subject to considerable change depending on changes in the environment and other factors, and the Company does not in any way guarantee the achievement of the projections.
- Digital Arts Inc. will disclose any significant changes that occur in the future as appropriate.
- With some exceptions, the basic figures in this presentation are rounded down to the nearest million yen.

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