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FOR IMMEDIATE RELEASE

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Notification of the Formulation of a Medium-Term Management Plan (from FY March 2025 to FY March 2027)

Digital Arts Inc. (the “Company”) has been carrying out a medium-term management plan from the fiscal year ending in March 2023 to the fiscal year ending in March 2025 (this fiscal year) as we announced on May 10, 2022. Following a review of the recent changes in the internal and external business environment, the Company have concluded that further growth in sales can be expected over the next three years, including this fiscal year. Consequently, the Company hereby announces that the Company have formulated a new mid-term management plan (from FY March 2025 to FY March 2027), which overlaps with the last year of the previous mid-term management plan (from FY March 2023 to FY March 2025).

Medium-Term Management Plan

(From FY March 2025 to FY March 2027)

May 8, 2024
Digital Arts Inc.

01 Revision of Medium-Term Management Plan Formulated in 2022

02 Medium-Term Management Plan
(From FY March 2025 to FY March 2027)

03 Three Priority Areas

**01 REVISION OF MEDIUM-TERM MANAGEMENT PLAN
FORMULATED IN 2022**

We have formulated the new Medium-Term Management Plan(2025-2027), whose 1st fiscal year is the last fiscal year of the previous plan(2022-2025).

Changes in the business environment

External environment

- Following the increased and continued use of remote working and cloud technologies, **the need for comprehensive security measures has increased** irrespective of the size of the company or organization.
- In November 2023, the **Japanese cabinet made a decision regarding the budget bill for phase 2 of the GIGA School Concept.**
- The GIGA School Concept accelerates the DX of school affairs.

Internal environment

- In March 2024, we **transferred shares of Digital Arts Consulting (DAC)**, which was previously a consolidated subsidiary.



Changes in our orientation

Product areas

Launch new product areas (**Develop new solutions in addition** to next-generation SWGs)

Public measures

Intensively work to **hold an even larger share of the market** in the areas of existing products in the public sector market leveraging **phase 2 of the GIGA School Concept**

Priority areas

Concentrate management resources in priority areas to accelerate growth as a comprehensive security provider

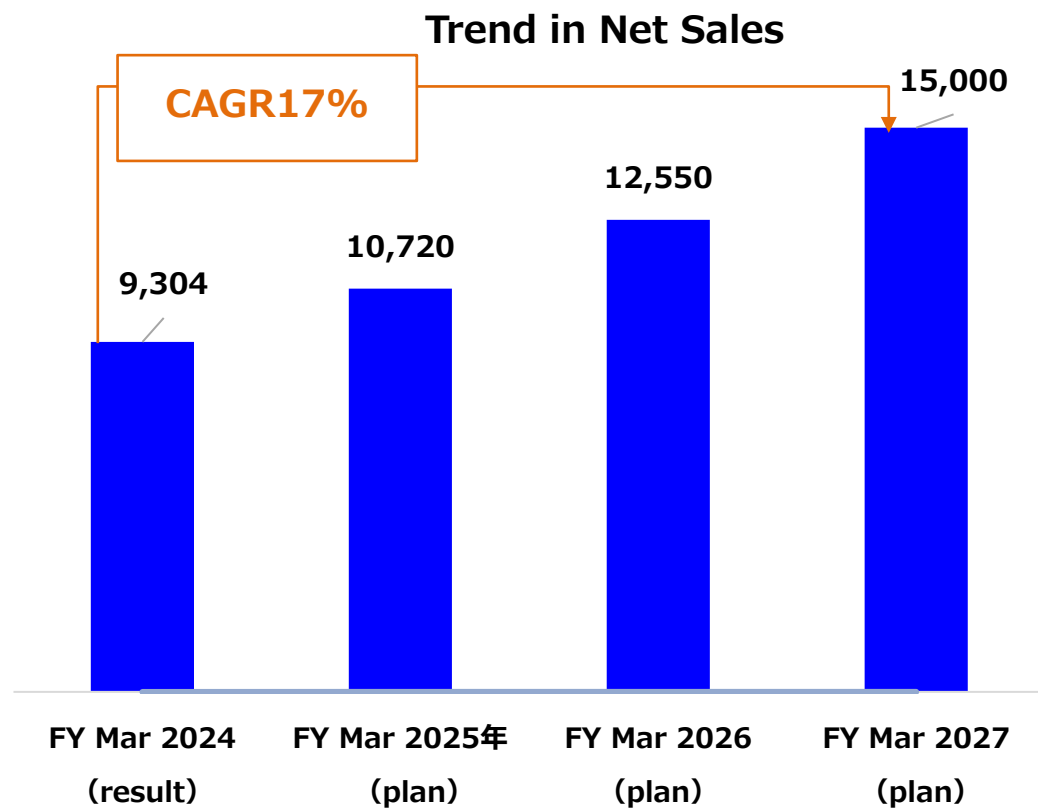
02

MEDIUM-TERM MANAGEMENT STRATEGY (FY MARCH 2025 - FY MARCH 2027)

We aim to achieve net sales of 150 billion yen and a three-year CAGR of 17% by the fiscal year ending March 31, 2027 by undertaking initiatives in three priority areas.

(million yen)

	FY March 2024 (Results)	FY March 2025 (Forecast)	FY March 2026 (Forecast)	FY March 2027 (Forecast)	CAGR
Consolidated net sales	(11,512*) 9,304	10,720	12,550	15,000	17%
Operating profit	(4,427*) 4,330	5,130	6,150	7,800	
Operating margin	(38.5%*) 46.5%	47.9%	49.0%	52.0%	
Ordinary profit	(4,443*) 4,348	5,140	6,150	7,800	
Number of employees	292 (Excluding DAC)	360	420	450	

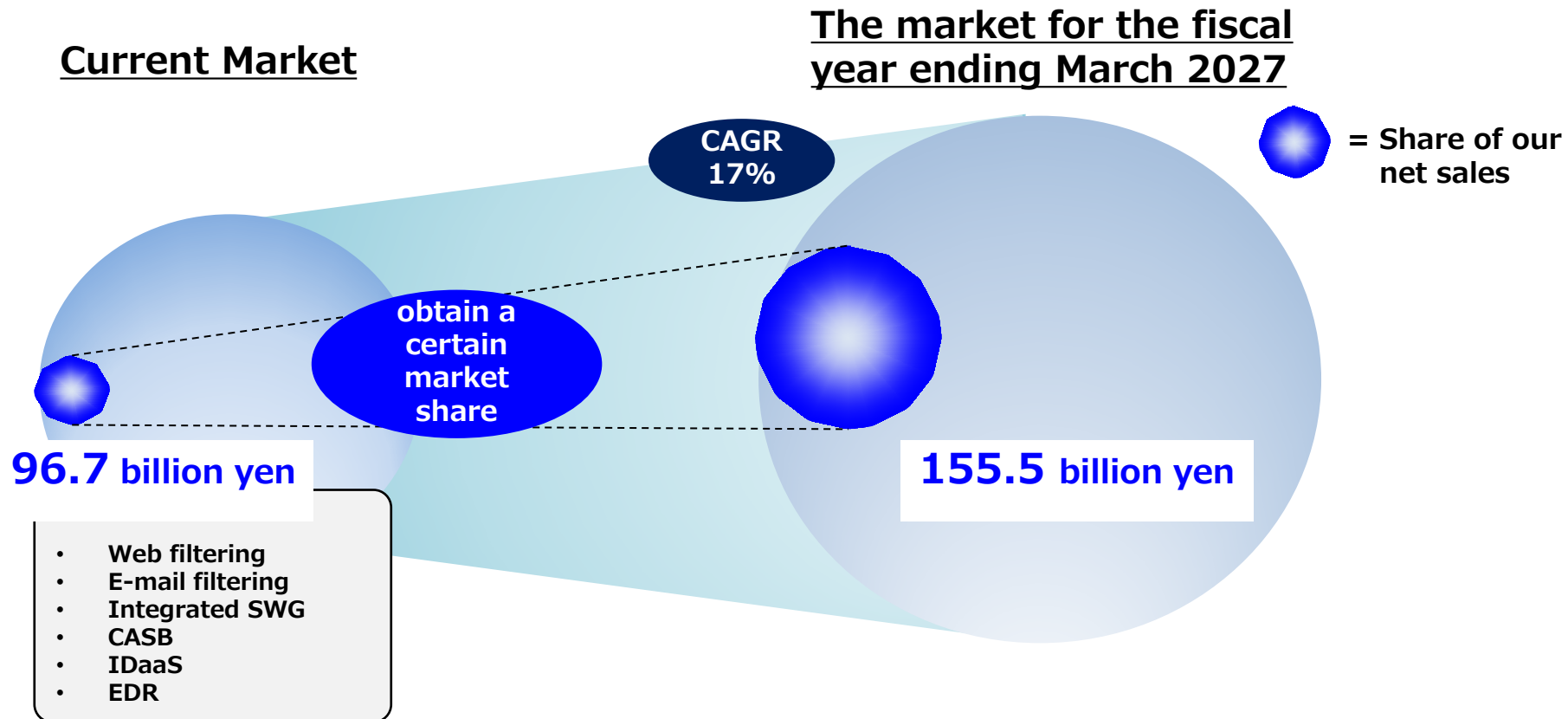


*Sales recorded by Digital Arts Consulting Co., Ltd., for which the share transfer was completed on March 29, 2024, are reflected.

Forecasts of Security Products Market Growth and Our Sales Growth

We plan to achieve net sales growth that is comparable to the growth of the market to obtain a certain market share.

【Forecast of growth in the network security market that we will operate within】



Forecast of net sales growth

FY March 2027
150 million yen

↑ CAGR 17%

FY March 2024
93 million yen (※1)

(※1) Sales recorded by Digital Arts Consulting Co., Ltd., for which the share transfer was completed on March 29, 2024, are not reflected.

We plan to carry out the initiatives in three priority areas to achieve the targeted net sales.

[Three priority areas to be addressed]

01 Growth of security business

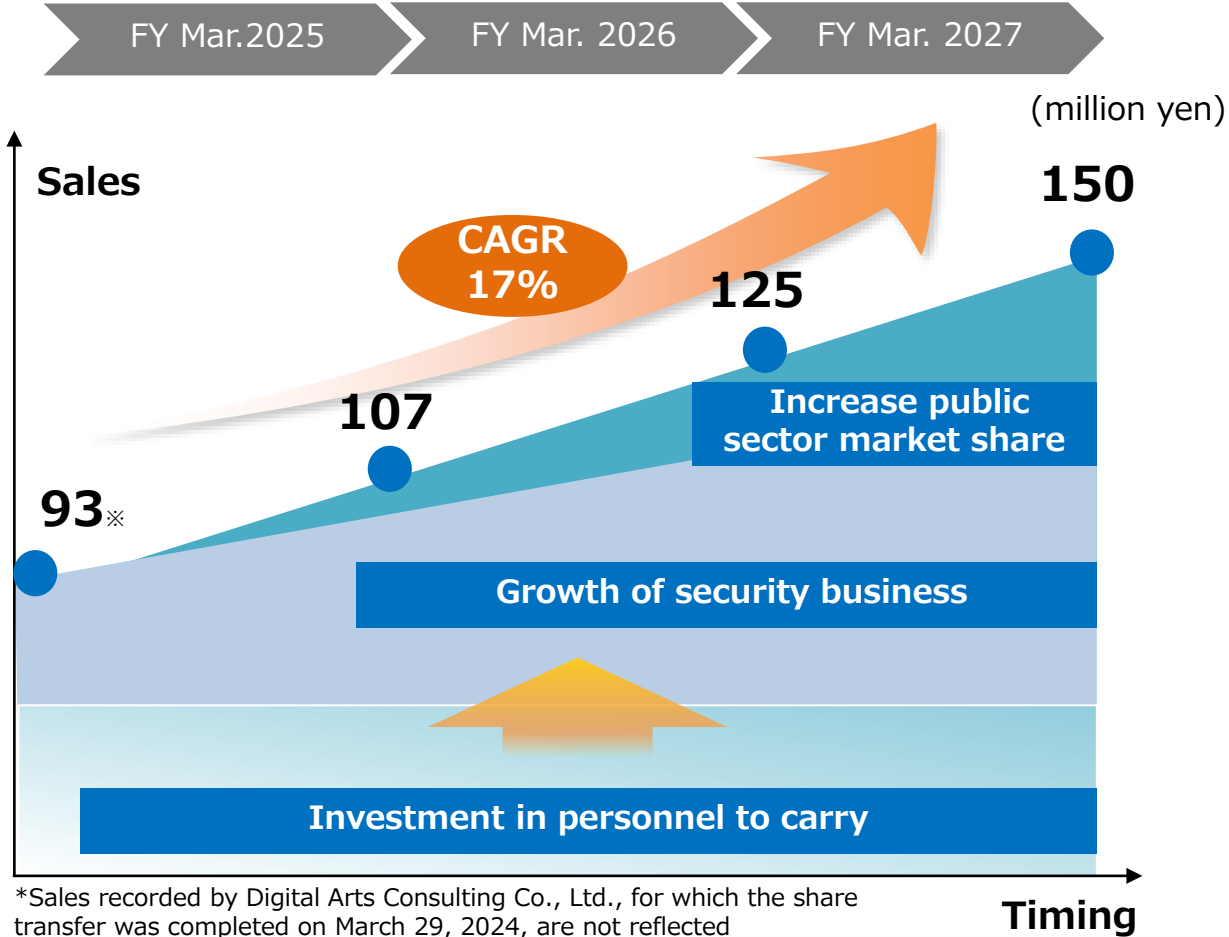
- Cultivation of new customers, cross-selling and upselling
- Enrich security solutions

02 Increase public sector market share

- Increase market share during phase 2 of the GIGA School Concept
- Provision of security measures that support the DX of school affairs

03 Investment in personnel to carry

- Implementation of a personnel strategy to increase the number of employees
- Introduction of incentives to increase productivity



We aim to achieve net sales growth with initiatives in the three priority areas.

Summary of growth			Growth in sales (million yen)		
			'24/03	'27/03	CAGR
Enter prise	Growth of security business	<ul style="list-style-type: none"> Secure new projects through improved partner sales and inside sales Promote cross-selling and upselling through high-touch sales and customer successes 	4,248	7,558	21%
Public	Increase public sector market	<ul style="list-style-type: none"> Secure upgrade projects and new projects Win new orders for next-generation DX projects 	4,637	6,892	14%
Consu mer	Expanding a new service	<ul style="list-style-type: none"> Expand targets by rolling out new services and aim to secure new projects 	418	550	10%

03

THREE PRIORITY AREAS

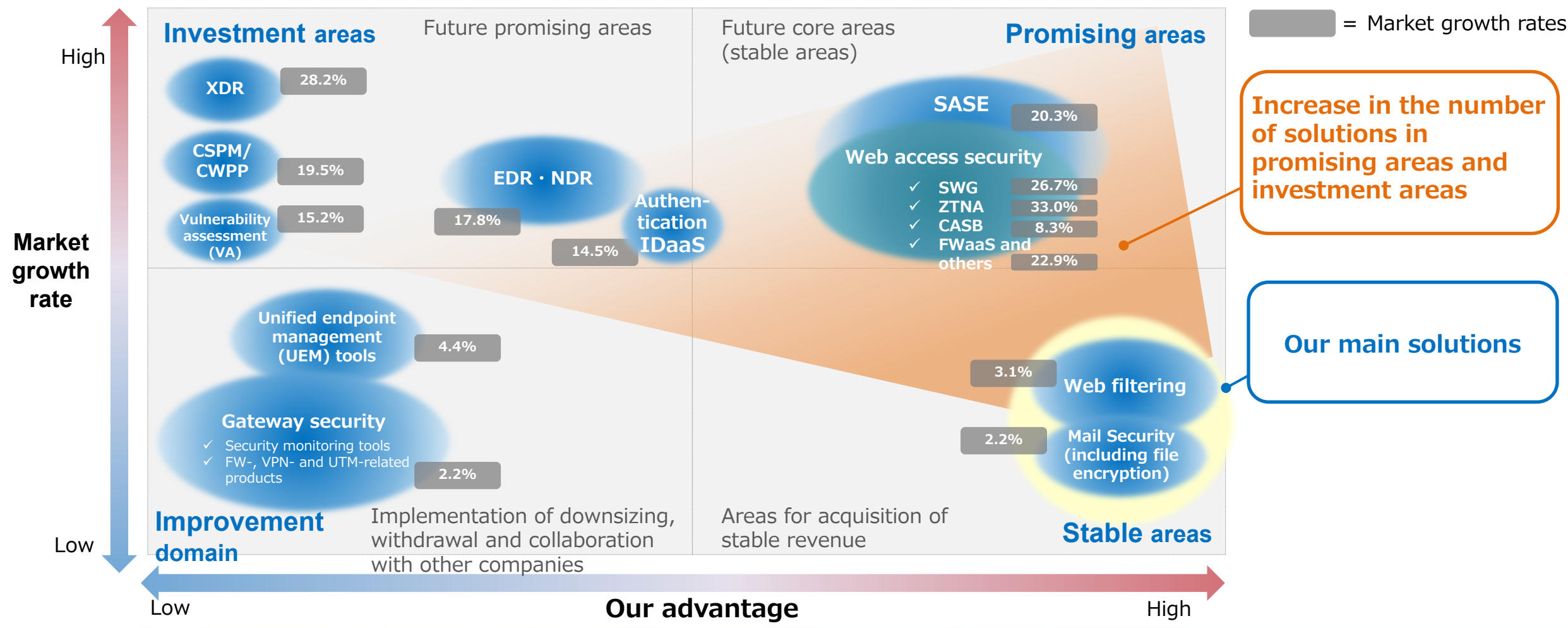
- (1) GROWTH OF SECURITY BUSINESS**
- (2) INCREASE OF PUBLIC SECTOR MARKET SHARE**
- (3) INVESTMENT IN PERSONNEL TO CARRY OUT NEW MEASURES**

Priority Area (1)

GROWTH OF SECURITY BUSINESS

- **PRODUCT STRATEGY**
- **CARRY OUT UPSELLING AND CROSS-SELLING**

In view of the rate of growth of the product market and our advantages, we will increase solutions in promising areas and investment areas to maximize synergy with our mainstay solutions.



Carry out upselling and cross-selling for White Operation clients

PPAP countermeasures

File transfer and file encryption



Anti-malware measures

Enhanced anti-infection protection to protect against threats from the internet and from email



ID management

Multi-factor authentication and single sign-on (SSO)



Threat detection

Detecting attacks from the internet and email to issue alerts and reports

D Alert Reporting Service



White Operation clients

i-FILTER i-FILTER@Cloud m-FILTER m-FILTER@Cloud

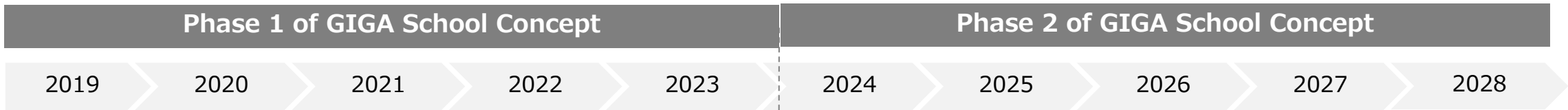
Priority Area (2)

INCREASE PUBLIC SECTOR MARKET SHARE

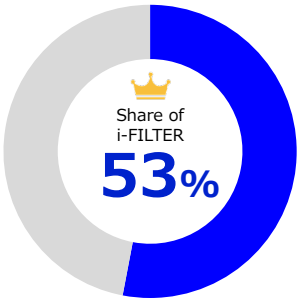
- **INITIATIVES IN PHASE 2 OF GIGA SCHOOL CONCEPT**
- **INITIATIVE FOR NEXT-GENERATION SCHOOL AFFAIRS DX**

We will work proactively to ensure the renewal of existing contracts as well as receive new contracts to increase our market share.

Our share of the GIGA School Concept market



Earning the market's trust



The filtering market is expected to grow under the GIGA School Concept.

- ✓ The shift from free filtering to charged filtering will accelerate.

Strengthening of functions, increase of product value and proper unit pricing

New contracts

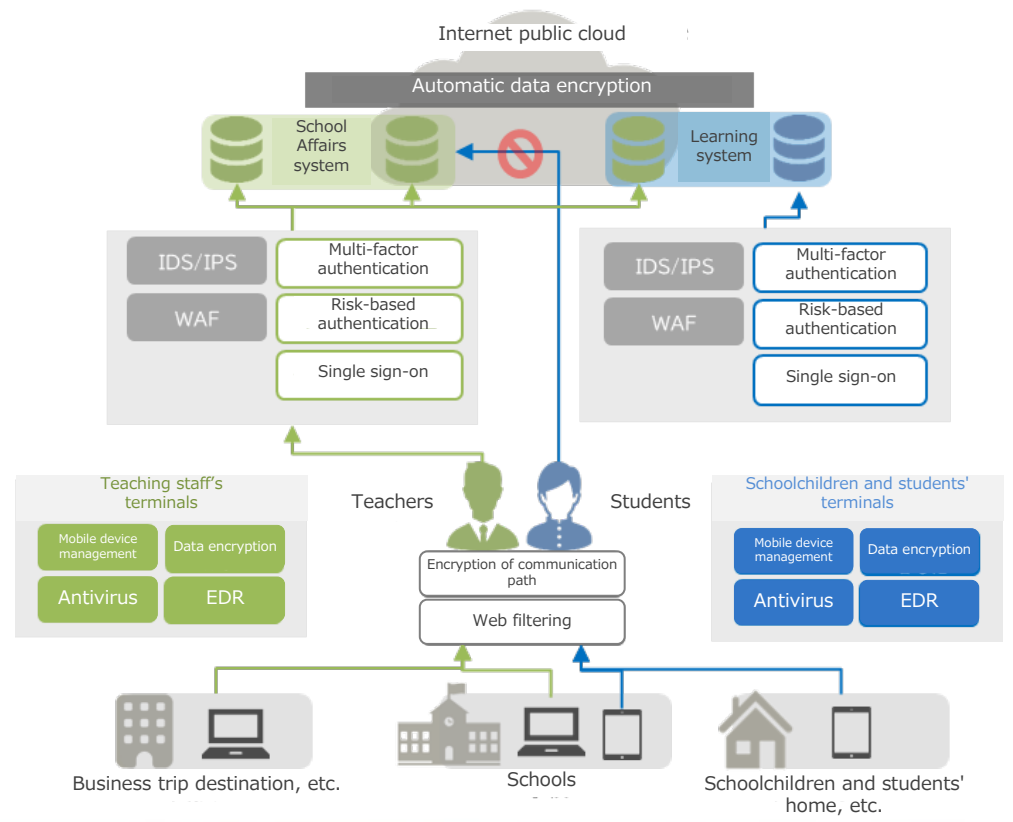
the renewal of existing contracts

Increase of our market share

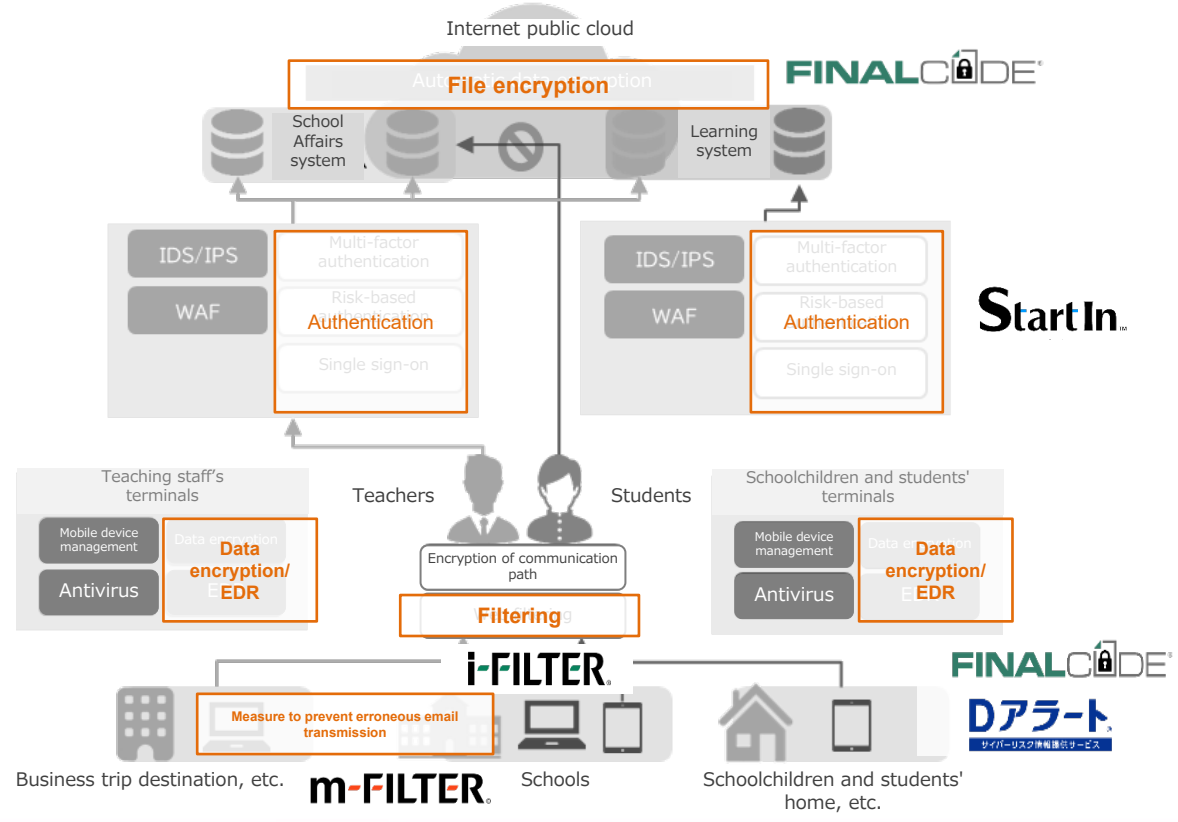
Our products are applicable in many different areas to ensure security. We will proactively advertise the value of our products.

= Scope of supports

Overview diagram of security measures in school affairs DX



Security support map with our products



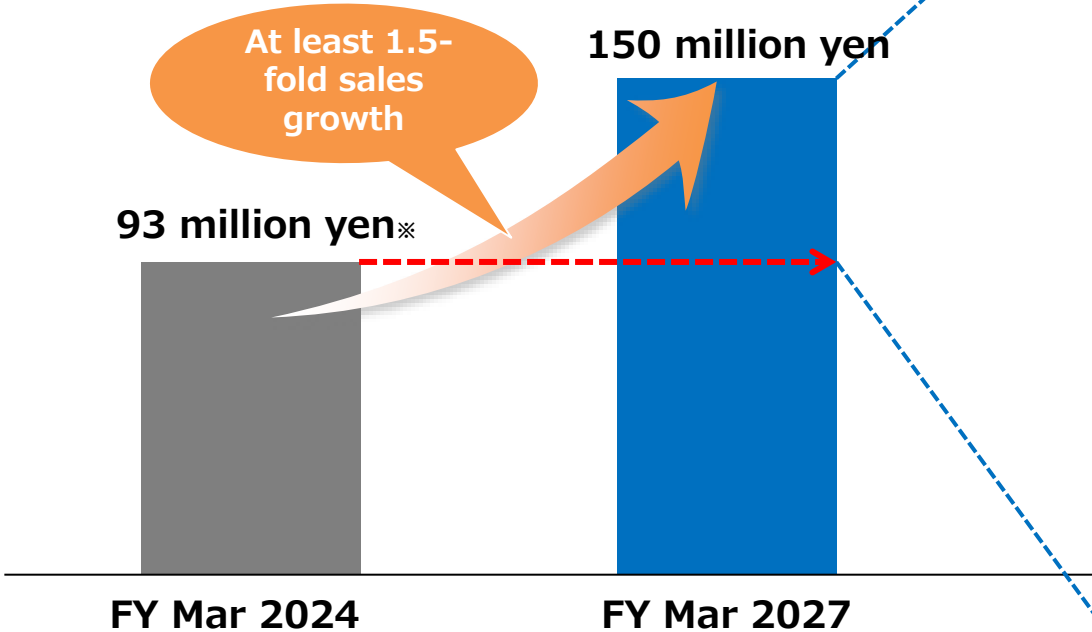
Priority Area (3)

INVESTMENT IN PERSONNEL TO CARRY OUT NEW MEASURES

- **INCREASE THE EMPLOYEE COUNT**
- **BOOST PRODUCTIVITY**

We will implement strategies based on the ideas of boosting employee count and raising productivity, as investment in personnel to carry out new measures for sales growth.

[Sales growth (FY March 2024 to FY March 2027)]



*Sales recorded by Digital Arts Consulting Co., Ltd., for which the share transfer was completed on March 29, 2024, are not reflected

Investment in personnel to carry out new measures

- 1** Three strategies to increase the employee count
We will make investments based on three stated strategies: the hiring, development and retention of human resources.
- 2** Introduction of incentives to increase productivity
We will newly introduce incentive plans in each department, operated separately from wage systems.

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.

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