



**Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2025**

(From April 1, 2024 to June 30, 2024)

Financial Results Briefing Materials

July 31, 2024

Digital Arts Inc.  
(Securities Code: 2326)

# Company Profile

Company name	Digital Arts Inc.
Date of establishment	June 1995   Listed on September 2002
Service	Planning, development and sale of internet security software
Head office	14F Otemachi First Square West Tower, 1-5-1 Otemachi, Chiyoda-ku, Tokyo
Net sales	11,512 million yen (fiscal year ended March 2024)
Operating profit	4,427 million yen (fiscal year ended March 2024)
Stock market	Tokyo Stock Exchange Prime Market (Securities Code: 2326)
Number of employees	Consolidated: 292 (As of March 31, 2024)
Sales offices	Hokkaido Sales Office/ Tohoku Sales Office / Chubu Sales Office/ Kansai Sales Office/ Chushikoku Sales Office/ Kyushu Sales Office



For internet convenience,  
Safety and security

Domestic  
manufacturers

13 million  
active  
users \*1

High  
profitability



\*1: The number of users of i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of June 2024 (internal research)

## Web

Enabling users to securely connect to websites without security concerns



**i-FILTER.**  
**i-FILTER@Cloud™**

Endpoint Web security

**i-FILTER.**  
ブラウザ & クラウド

Secure proxy appliance

**ID-SPA.**

Malicious website-filtering software for home use

**イフィルター.**

## E-mail

Enabling users to securely send and receive email without security concerns



**m-FILTER.**  
**m-FILTER@Cloud™**

Measures to provide pop-ups for email misdelivery



**m-FILTER.**  
**MailAdviser** **NEW**

[For email software] [For Microsoft365 software]

## file

### File encryption solution

Automatically protecting files from the moment of creation and allowing users to delete them after transfer



**FINALCODE™**  
**FINALCODE@Cloud.**

### File transfer solution

Supporting secure file transfers without leaking critical information

**NEW**



**f-FILTER™**

## IDaaS

Equipped with multi-factor authentication to ensure the secure management of IDs for cloud services

**NEW**



**StartIn™**

## Communication

Providing workplaces and places for education with secure and comfortable communication spaces

**NEW**



Chat and online conferencing

**Desk.**

Video conferencing tool

**DeskEvent.**

Excluding the impact of the transfer of the shares of a consolidated subsidiary at the end of the previous fiscal year, net sales for the first quarter of the fiscal year ending March 31, 2025 increased year on year and achieved **faster growth than planned by the Group**, driven by growth in the enterprise sector market. Because of the schedule of investment in human resources, operating profit decreased, but this result was as planned by the Group.

01

In the enterprise sector market, net sales grew, through major growth in i-FILTER, which captured needs for a variety of security measures. (Excluding DAC<sup>\*1</sup>)

02

In the public sector market, net sales grew following the acquisition of Security Improvements for Local Governments projects, which remained in demand, and Next-Generation School Affairs DX projects, for which full-scale procurement began this year.

03

With the exclusion of DAC from consolidation, the consolidated cost of sales and personnel expenses decreased. Operating profit decreased, although it was in line with plans. The fall was due mainly to increased investment in human resources as planned, a rise in communication expenses after the expansion of the user base of a cloud service product, and increased sales promotion aimed at sales expansion.

<sup>\*1</sup>: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

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**Material on Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2025**

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# **01 Consolidated Results Highlights**

## Special Notes

The transfer of all shares in Digital Arts Consulting (DAC\*1), a consolidated subsidiary, held by the Company at the end of the previous fiscal year has an impact of **lowering contracts and net sales by around 452 million yen** respectively for the current fiscal year.

## Contracts

The figure in square brackets [ ] represents the result excluding DAC.

**1,993 million yen**

(-255 million yen or -11.4% YoY)

**[+196 million yen or +11.0% YoY]**

- In the enterprise sector market, i-FILTER sales rose significantly, mainly because of the winning of projects aimed at facilitating the transition to cloud security and those from clients switching from competitors' products.
- In the public sector market, performance was steady with the acquisition of Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects.

## Net sales

The figure in square brackets [ ] represents the result excluding DAC.

**2,234 million yen**

(-307 million yen or -12.1% YoY)

**[+145 million yen or +7.0% YoY]**

- In the enterprise sector market, sales saw robust growth, reflecting sales from strong orders for cloud service products and from license sales products.
- In the public sector market, sales were up following the posting of sales from Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects, as well as from GIGA School Concept projects received in preceding fiscal years.

## Operating profit

**838 million yen**

(-33 million yen or -3.9% YoY)

- With respect to the cost of sales, labor expenses rose due to a base pay increase for development personnel and communication expenses climbed after an increase in users of cloud service products. SG&A expenses rose with an increase in sales promotional measures to boost sales.
- Given the schedule of investment in human resources, operating profit decreased, but this result was as planned by the Group.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Consolidated Statement of Income



Contracts and net sales (excluding DAC\*1) **grew faster than had been expected by the Group**. In contrast, due to the schedule for investment in human resources, operating profit decreased, although it was in line with the Group's plan.

(Million yen)

	First Quarter FY March 2024	First Quarter FY March 2025	Change YoY	FY March 2025 Full-Year Forecast *2
<b>Contracts</b> The figure in square brackets [ ] represents the result excluding DAC.	2,248 [1,796]	1,993	-11.4% [+11.0%]	-
<b>Net sales</b> The figure in square brackets [ ] represents the result excluding DAC.	2,541 [2,088]	2,234	-12.1% [+7.0%]	10,720
<b>Cost of sales</b>	1,019	726	-28.8%	2,850
<b>Gross profit</b>	1,521	1,508	-0.9%	7,870
<b>Selling, general and administrative expenses</b>	648	669	+3.1%	2,730
<b>Operating profit</b>	872	838	-3.9%	5,140
<b>Operating margin</b>	34.3%	37.6%	-	47.9%
<b>Ordinary profit</b>	885	847	-4.3%	5,140
<b>Profit attributable to owners of parent</b>	614	584	-5.0%	3,540
<b>EBITDA *3</b>	1,109	1,089	-1.8%	-

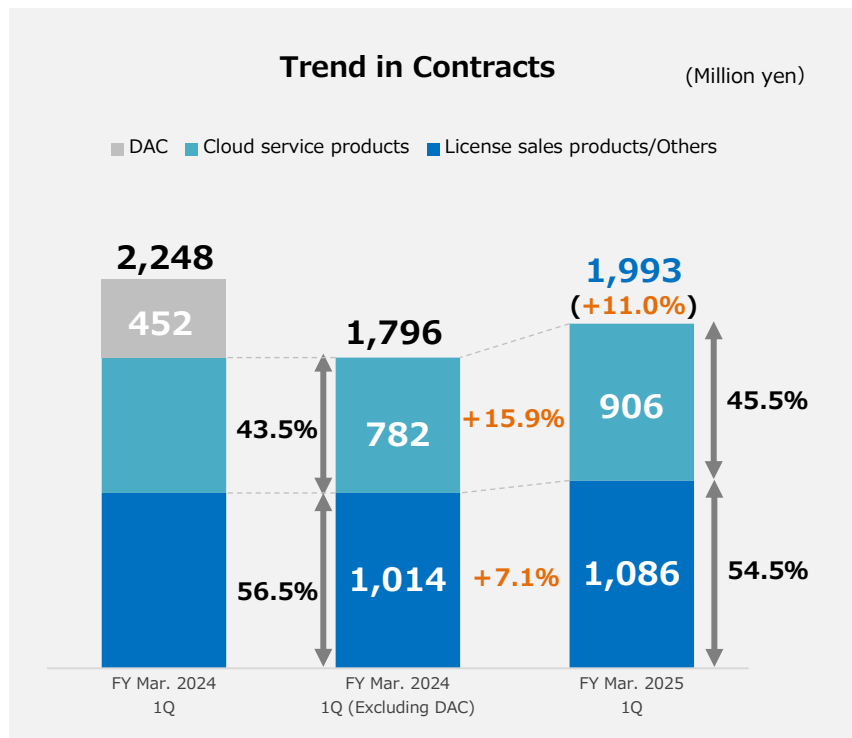
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

\*2: Financial Forecast is the consolidated financial forecast announced on May 8 2024.

\*3: EBITDA = Operating profit + Depreciation + Tax expenses included in operating expenses



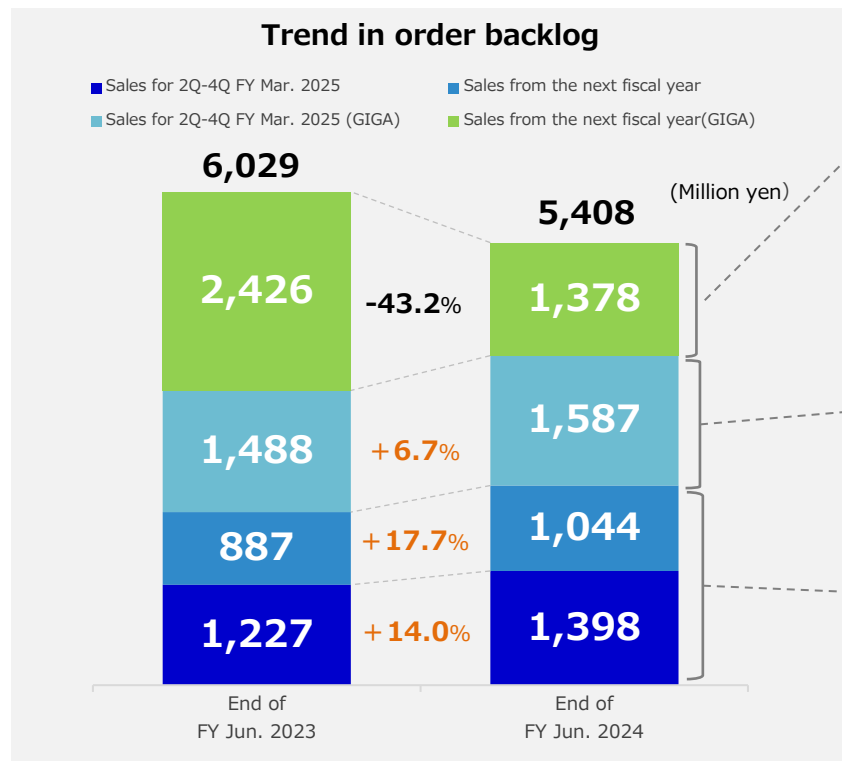
Consolidated contracts totaled **1,993 million yen, up 11.0% year on year.** (Excluding DAC<sup>\*1</sup>)



- **Contracts for cloud service products** grew 15.9%. Sales of i-FILTER@Cloud were strong as it captured needs for the transition to cloud security in the enterprise sector market and needs for the visualization of the state of use of SaaS following the expansion of its utilization for business. In addition, Next-Generation School Affairs DX projects were steadily won in the public sector market.
- **Contracts for license sales products and other category** increased 7.1% (excluding DAC). In the enterprise sector market, the Group won projects for shifting from competitors' on-premise products. In the public sector market, we received brisk orders for Security Improvements for Local Governments projects, Next-Generation School Affairs DX projects and other projects.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

Excluding GIGA School Concept projects, sales from which will be posted for the next and subsequent fiscal years, **contracts steadily increased.**



Sales from the next fiscal year (GIGA)

Many GIGA School Concept projects have five-year terms. Over time, sales were posted from more and more of the projects won in the first phase of GIGA School Concept. That resulted in a decrease in the amount of sales to be posted for the next and subsequent fiscal years.

Meanwhile, the acquisition of projects in the second phase of GIGA School Concept gathered pace and contracts are expected to increase further.

Sales for the 2Q-4Q FY Mar. 2025 (GIGA)

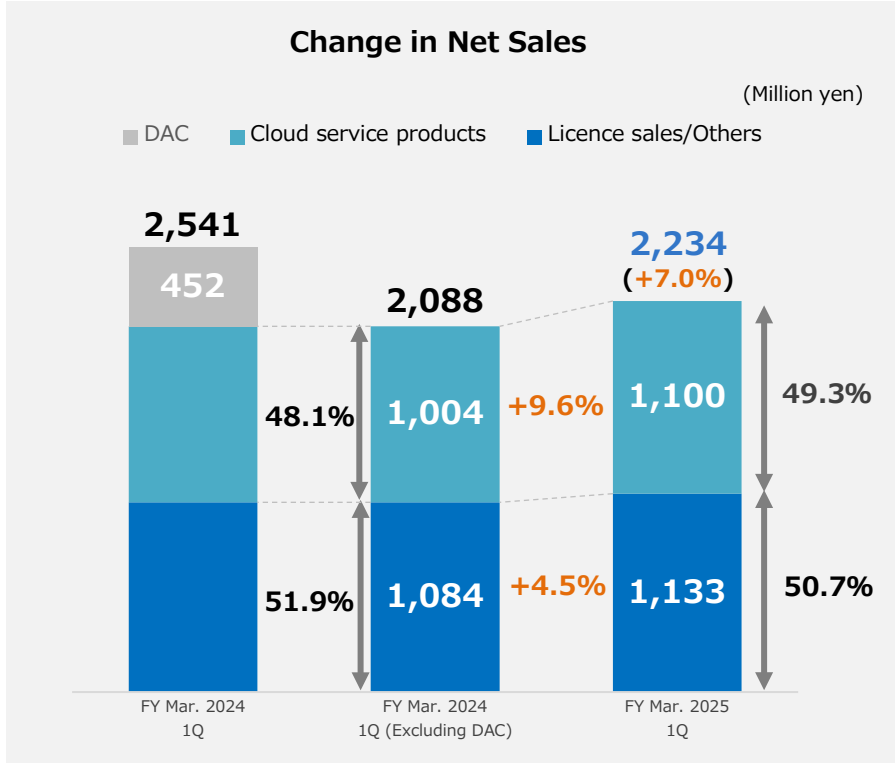
Sales in the 2Q-4Q period of the fiscal year under review will rise because the Group has been continuously gaining new GIGA School Concept projects.

Sales from the next fiscal year

Sales for 2Q-4Q FY Mar. 2025

The order backlog is steadily increasing, reflecting the gradually growing percentage of enterprise contracts that are for cloud service products. Many of these are one-year contracts.

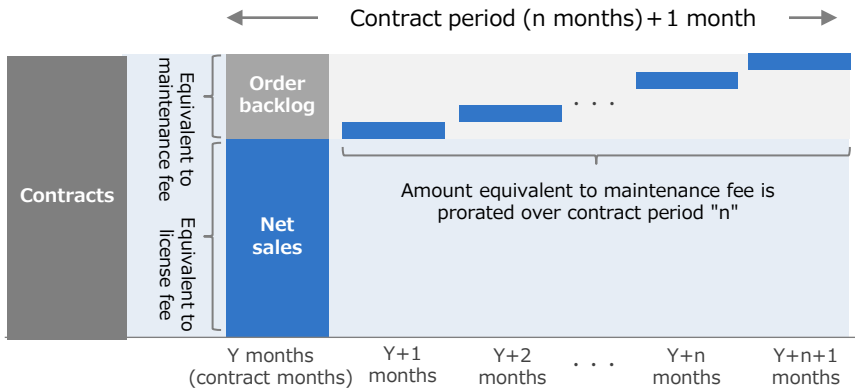
Consolidated net sales grew **7.0%** year on year, to **2,234 million yen**. (Excluding DAC<sup>\*1</sup>)



- **Net sales of cloud service products were up 9.6%**, reflecting brisk sales growth of i-FILTER@Cloud in the enterprises sector market, the acquisition of Next-Generation School Affairs DX projects in the public sector market, and the posting of sales from the GIGA School Concept projects won in preceding fiscal years.
- **Net sales of license sales products and other category (excluding DAC) increased 4.5%** after net sales growth in the enterprise sector market and the winning of Security Improvements for Local Governments projects, Next-Generation School Affairs DX projects and other projects in the public sector market.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

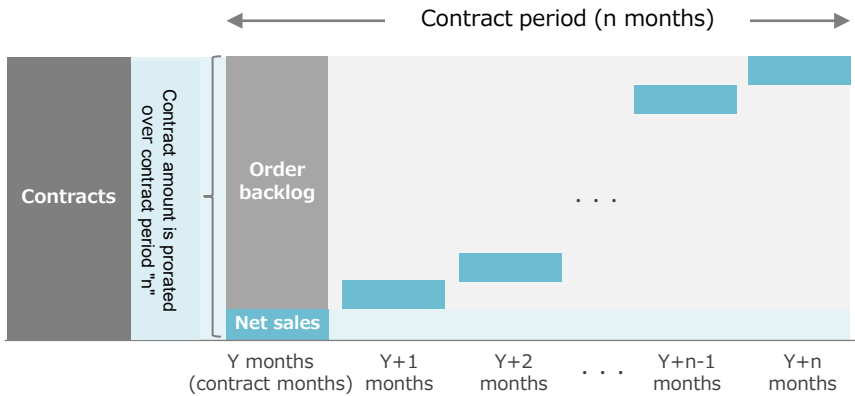
## License sales products



License fees make up a large proportion of the contract amount. This portion is recorded in a lump sum as sales in the month when the contract is obtained.

Amount equivalent to maintenance fee is recorded on a pro rata basis over the contract period.

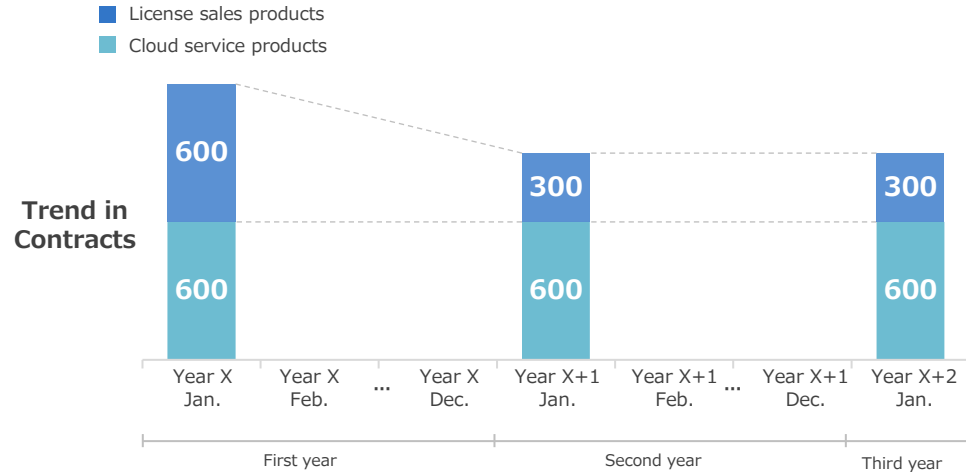
## Cloud service products



Contract amount is recorded as sales on a pro rata basis over the contract period (split into equal monthly amounts).

As the contract amount of cloud service products rises, the contract amount that is deferred (order backlog) increases.

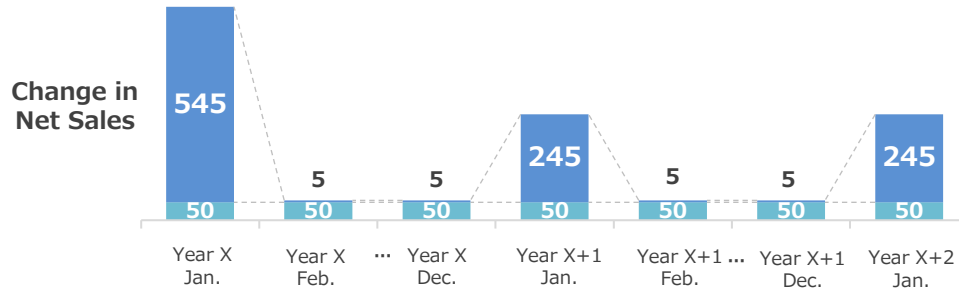
# Supplement) Relationship between contract amount and sales by product (one-year contracts)



For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a one-year contract at the amount of 600 million yen.

## Contracts

For license sales products, contracts in the second and subsequent years are half of those of the first year. For cloud service products, contracts in the second and subsequent years are the same amounts as those in the first year. An increase in new contracts for cloud service products will result in a higher growth rate in coming fiscal years than for license sales products.



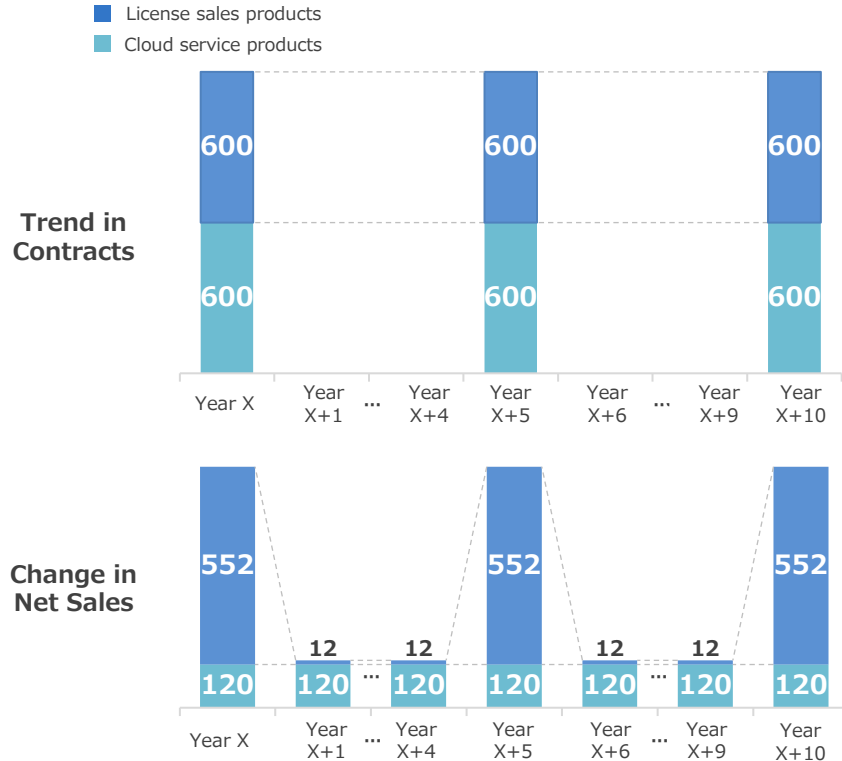
## Net sales

For license sales products, a high percentage of net sales is recorded at the time of the contract. For cloud service products, net sales are posted in monthly installments. For license sales products, net sales decrease because of a decline in contracts at the time of renewal. For cloud service products, net sales are constant.

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



Many projects in the public sector market are multi-year contracts, such as five-year ones. They have longer periods until renewal.



For example, the diagrams on the left show the relationships between the contract amount and net sales in license sales products and cloud service products with a five-year contract of 600 million yen.

## Contracts

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

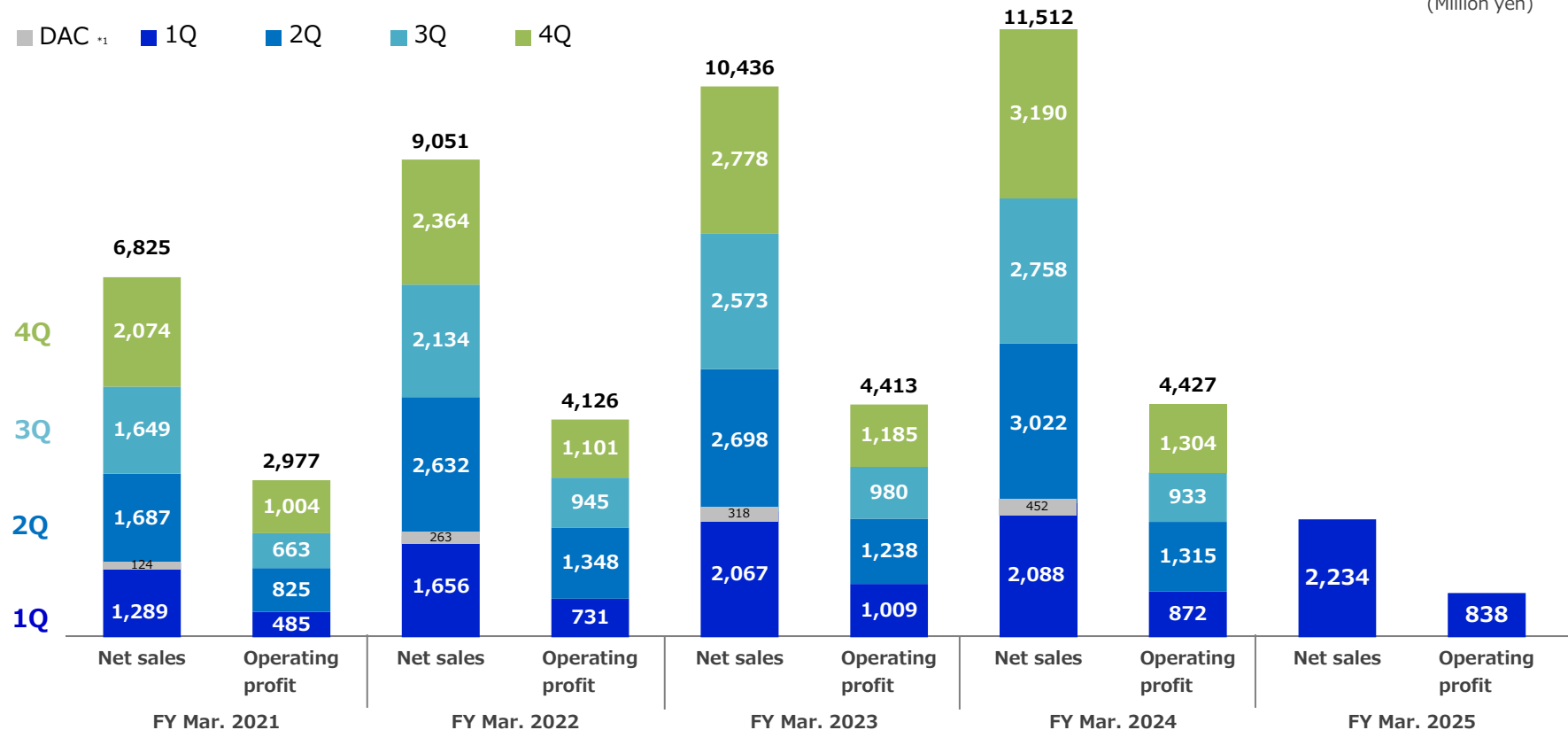
## Net sales

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

# Quarterly Trend in Net sales, Operating profit



(Million yen)



\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Consolidated Cost of Sales and Selling, General and Administrative Expenses



While the consolidated cost of sales and DAC\*<sub>1</sub> personnel expenses decreased, the Group increased investment in human resources as planned.

(Million yen)

	First Quarter FY March 2024	First Quarter FY March 2025	Change YoY	Main Factors for Change
<b>Cost of sales</b>	<b>1,019</b>	<b>726</b>	<b>-293</b>	
Labor	452	256	-195	Increase due to the enhancement of DA's development workforce (+39M) Impact of exclusion of DAC from consolidated (Approx. -230M)
Depreciation	200	213	+12	
Communication expenses	294	369	+74	Cloud server expenses rose as a result of an increase in licenses for cloud service products (+74M)
Other	301	145	-156	Increase due to the development of new DA products (+20M) Impact of exclusion of DAC from consolidated (Approx. -170M)
Transfer to other accounts	-229	-258	-28	
<b>Selling, general and administrative expenses</b>	<b>648</b>	<b>669</b>	<b>+20</b>	
Personnel expenses	329	314	-15	Increase in DA's personnel expenses (+9M) Impact of exclusion of DAC from consolidated (Approx. -24M)
Advertising expenses	80	106	+25	Addition of sales promotions through events and seminars, etc.
Other	238	248	+10	

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

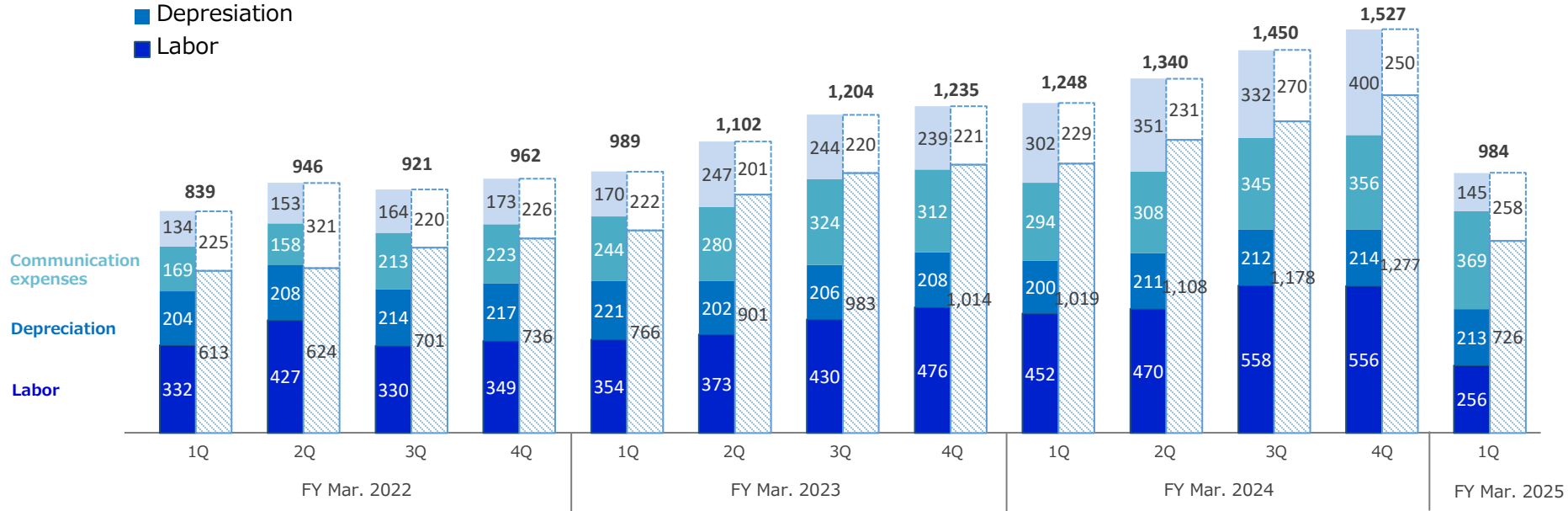


# Quarterly Trend in Consolidated Cost of Sales



(Million yen)

- Transfer to other accounts
- Cost of Sales
- Other
- Communication expenses
- Depreciation
- Labor

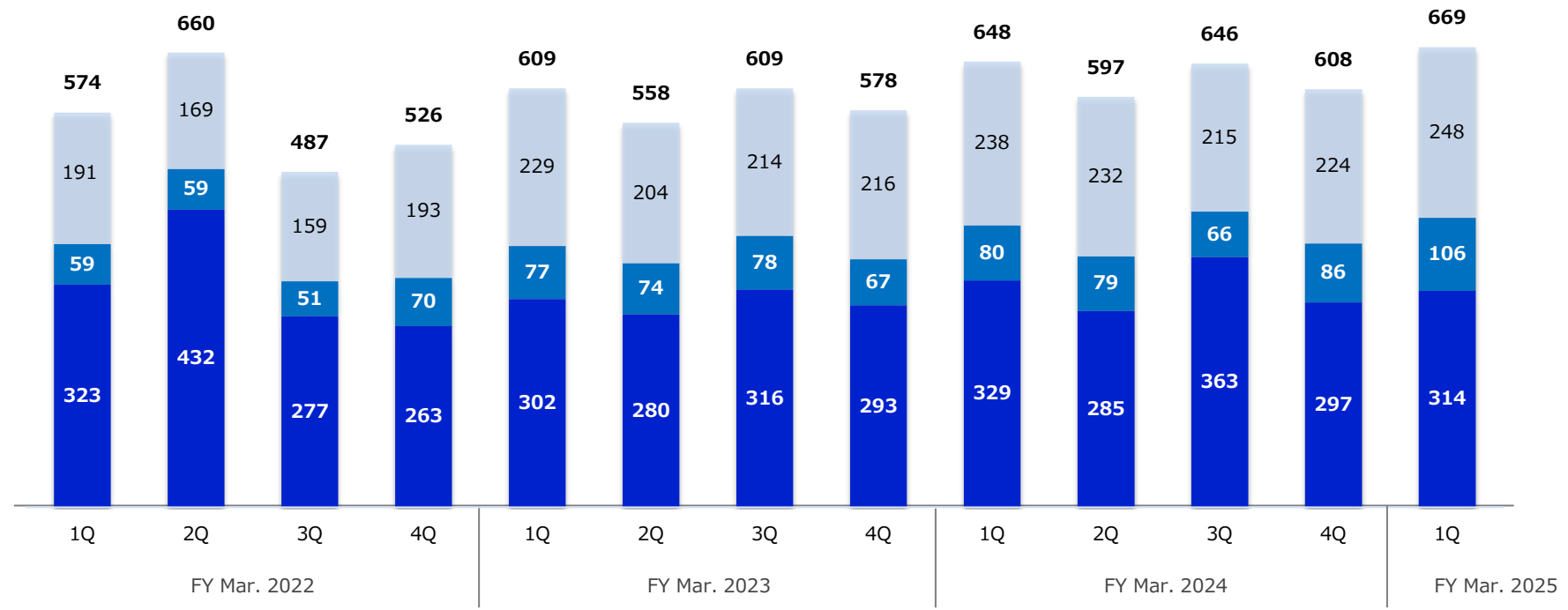


# Quarterly Trend in Consolidated Selling, General and Administrative Expenses



■ Personnel expenses   ■ Advertising expenses   ■ other

(Million yen)



The equity ratio was up 3.3 percentage points from the end of the previous fiscal year, to 74.3%.

(Million yen)

	As of end of 1Q FY March 2024	As of end of FY March 2024	As of end of 1Q FY March 2025	Change from end of FY March 2024	Main Factors for Changes
Current assets	18,189	20,183	19,108	-5.3%	Cash and deposits (-1,290M)
(Cash and deposits)	16,387	18,339	17,049	-7.0%	Income tax paid (-1,354M), fund for treasury share purchases (-500M), and others
Non-current assets	2,256	2,334	2,363	+1.2%	
Total assets	20,446	22,518	21,471	-4.6%	
Current liabilities	6,486	6,467	5,451	-15.7%	Income taxes payable (-1,071M)
(Advanced received)	5,317	4,418	4,395	-0.5%	Decreased linked to the progress in the recording of sales.
Non-current liabilities	50	52	52	+0.0%	
Equity capital	13,877	15,986	15,955	-0.2%	Treasury share buy-back(-67M), Dividends paid (-550M), Profit(+584M), and others
Net assets	13,909	15,998	15,967	-0.2%	
Equity ratio	67.9%	71.0%	74.3%	-	
ROE	4.4%	29.1%	3.7%	-	
ROA	3.0%	20.1%	2.7%	-	

**Material on Consolidated Financial Results  
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## **02 Non-consolidated Results Highlights**

# Summary of Non-consolidated Results



Contracts and net sales increased year on year and faster than had been expected by the Group, chiefly driven by the growth in the enterprise sector market. In contrast, due to the schedule for investment in human resources, operating profit decreased, although it was in line with the Group's plan.

(Million yen)

	First Quarter FY March 2024	First Quarter FY March 2025	Change YoY	FY March 2025 Full-Year Forecast
Contracts	1,793	1,990	+11.0%	-
Net sales	2,085	2,231	+7.0%	10,710
Cost of sales	616	725	+17.6%	2,850
Gross profit	1,469	1,506	+2.5%	7,860
Selling, general and administrative expenses	591	665	+12.6%	2,710
Operating profit	877	840	-4.2%	5,150
Operating margin	42.1%	37.7%	-	48.1%
Ordinary profit	888	849	-4.5%	5,150
Profit	617	586	-5.0%	3,550

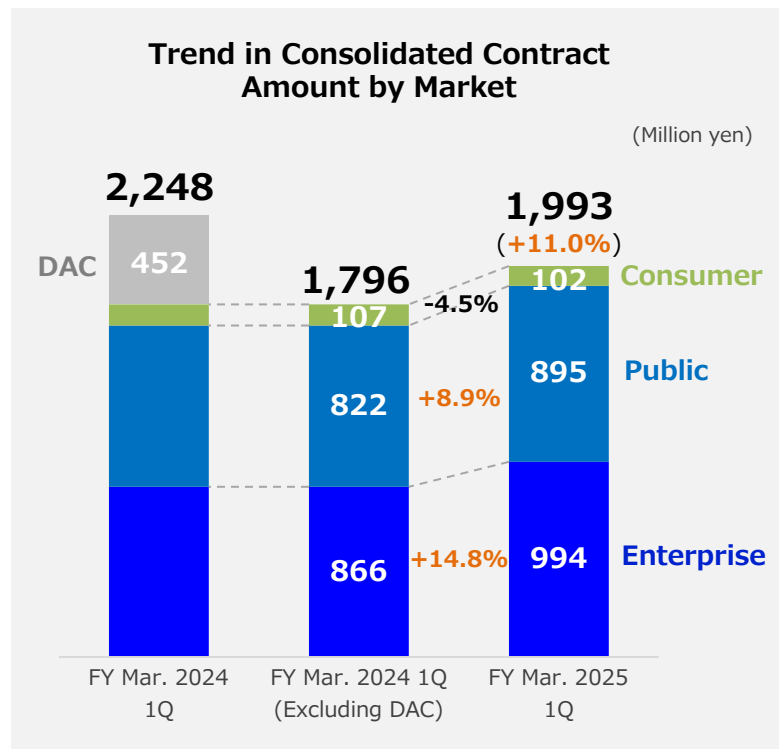
Note: Financial Forecast is the non-consolidated financial forecast announced on May 8, 2024.

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for the First Quarter of the Fiscal Year Ending March 31, 2025**

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## **03 Net Sales by Market**

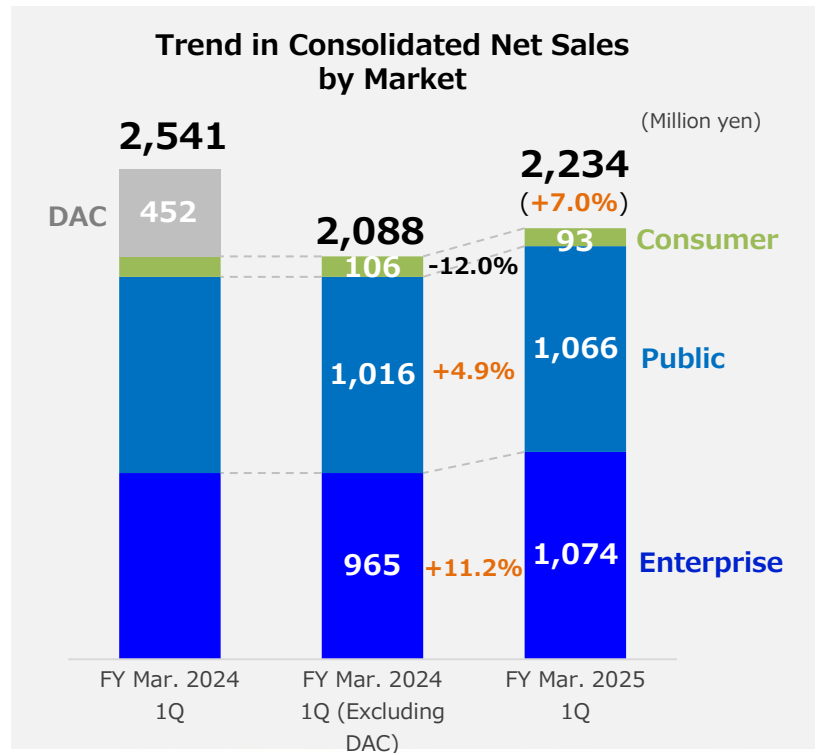
The contract amount expanded in the enterprise sector market, and it expanded in the public sector market as well. (Excluding DAC\*1)



- **In the enterprise sector market**, contracts (excluding DAC) increased by 128 million yen (or +14.8%). The i-FILTER attained solid sales, meeting needs for the shift to cloud security, for the visualization of the state of use of SaaS after expansion of its use for business, and for the shift from competitors' on-premise products.
- **In the public sector market**, contracts increased by 73 million yen (or +8.9%). This reflects a brisk performance, including the acquisition of Security Improvements for Local Governments projects, Next-Generation School Affairs DX projects and other projects.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

The net sales expanded in the enterprise sector market, and it expanded in the public sector market as well. (Excluding DAC\*1)



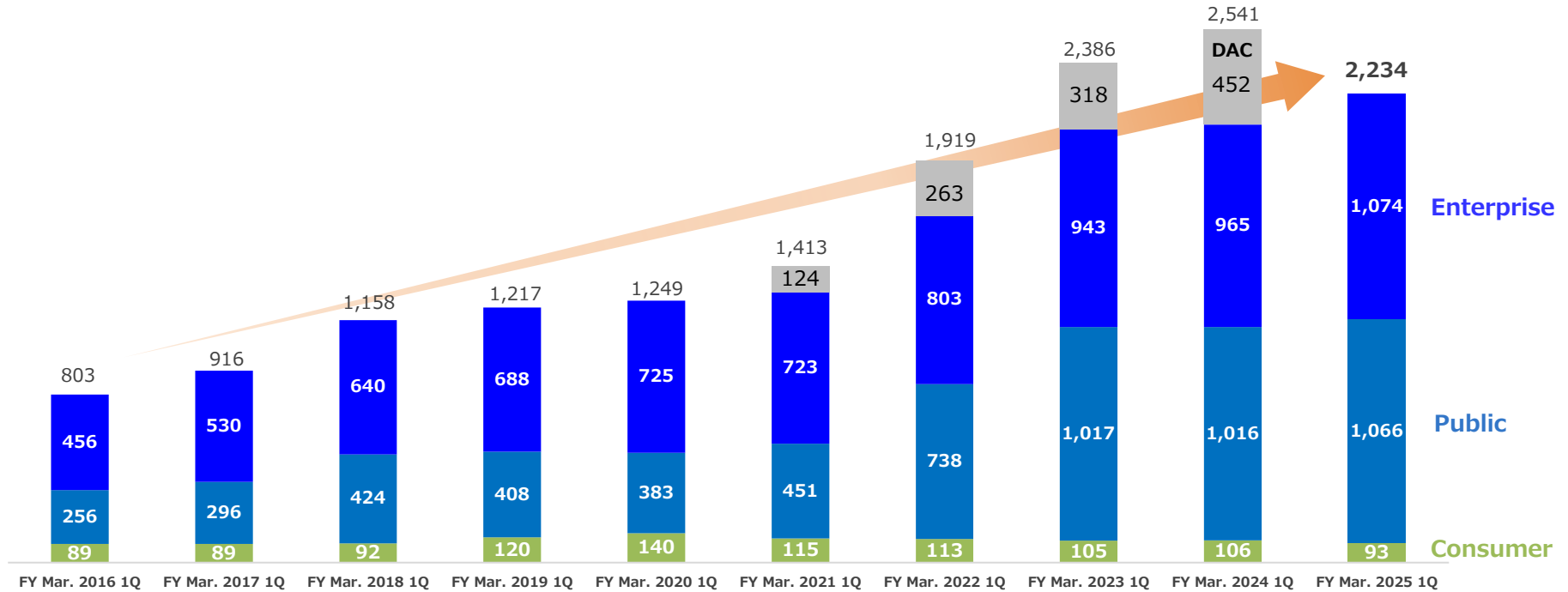
- In the enterprise sector market**, net sales (excluding DAC) rose 108 million yen (or +11.2%). Their trend was similar to that of contracts. The i-FILTER sold well to meet needs for the transfer to cloud security, for visualization of the state of use of SaaS after expansion of its utilization for business, and for the shift from competitors' on-premise products.
- In the public sector market**, net sales increased 49 million yen (or +4.9%). We won steadily Security Improvements for Local Governments projects as well as Next-Generation School Affairs DX projects. We also recorded sales from the GIGA School Concept projects won in preceding fiscal years.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)



Net sales for the first quarter reached a **record high**. (Excluding DAC\*1)

(Million yen)



\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

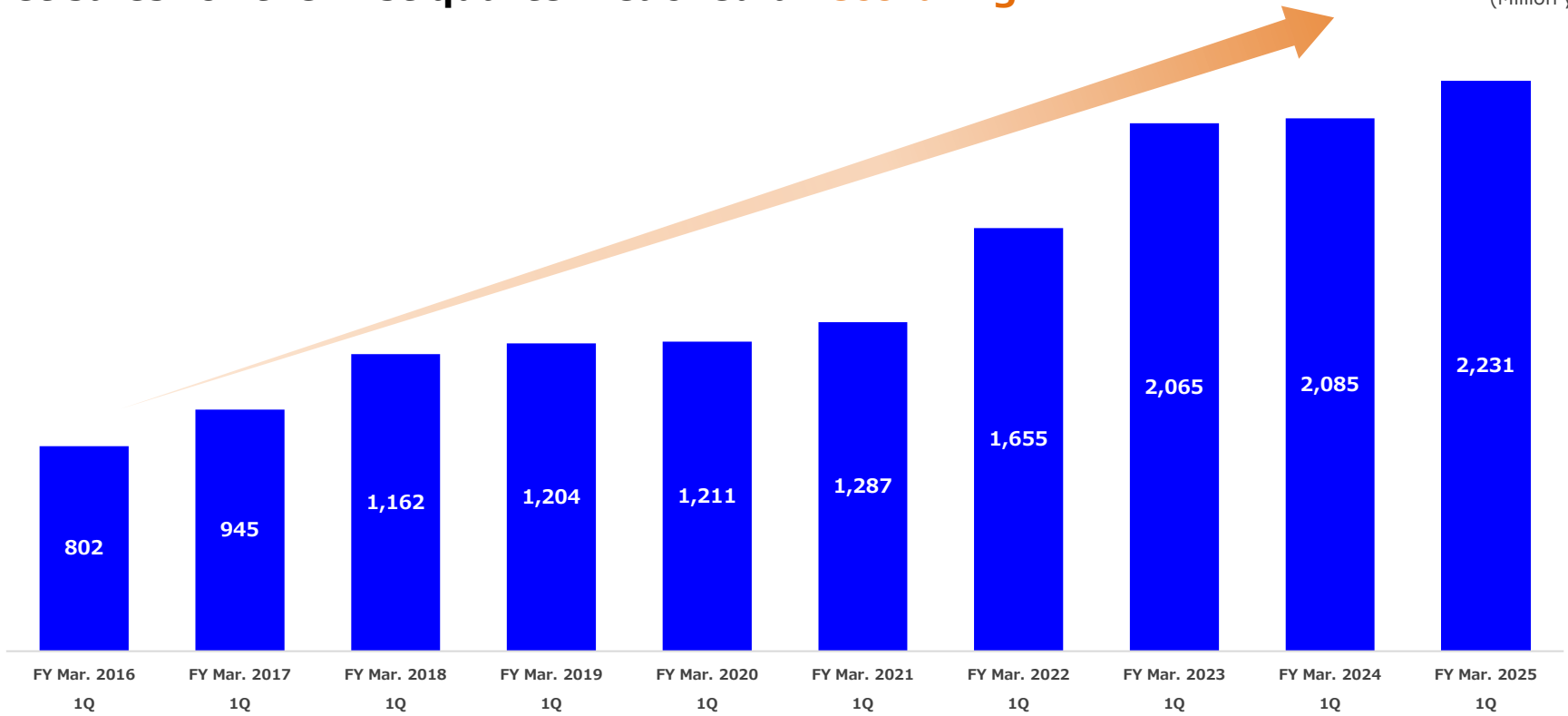
Note: DAC figures for 2020 and earlier are omitted, given that they have minor impacts.

# (Reference) Trends in Non-Consolidated Net Sales



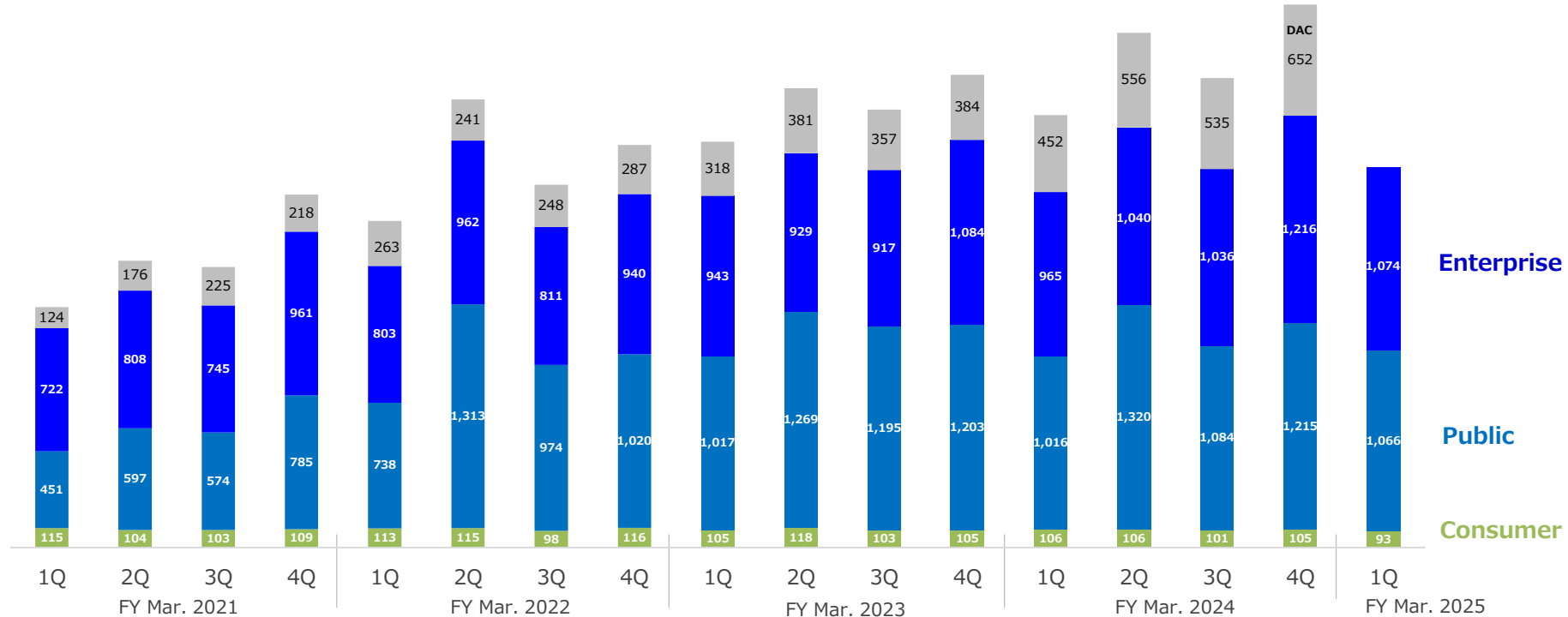
Net sales for the first quarter reached a **record high**.

(Million yen)



Net sales for the first quarter reached a **record high**. (Excluding DAC\*1)

(Million yen)



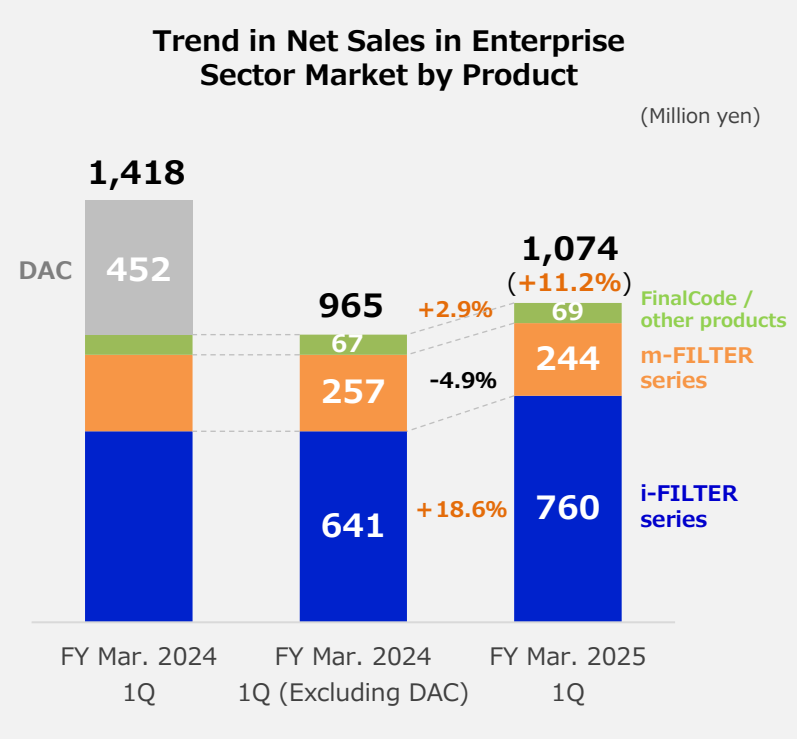
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

## 03 Net Sales by Market

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# Enterprise Sector

Net sales achieved enormous growth, reflecting a major leap in the i-FILTER series following the acquisition of projects for shifting to cloud security and for shifting from competitors' products, as well as strong sales of options. (excluding DAC<sup>\*1</sup>)



- The i-FILTER series sales grew sharply (by +119 million yen or +18.6%), reflecting successful efforts to capture demand for a shift to cloud security, demand for the visualization of the state of use of SaaS after expansion of its use for business, and demand from clients switching from competitors' on-premise products, as well as strong sales of the Anti-Virus & Sandbox option.
- The m-FILTER series sales contracted (by -12 million yen or -4.9%) due to the impact of the large project in the previous year, although m-FILTER@Cloud earned high marks and brisk new projects for its comprehensive functions to meet multiple email security needs, including protection from ransomware attacks and email security in the cloud environment.
- The new product, f-FILTER, is a solution primarily controlling what is called 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. Brisk orders were won for a bundle with m-FILTER and the number of projects increased.

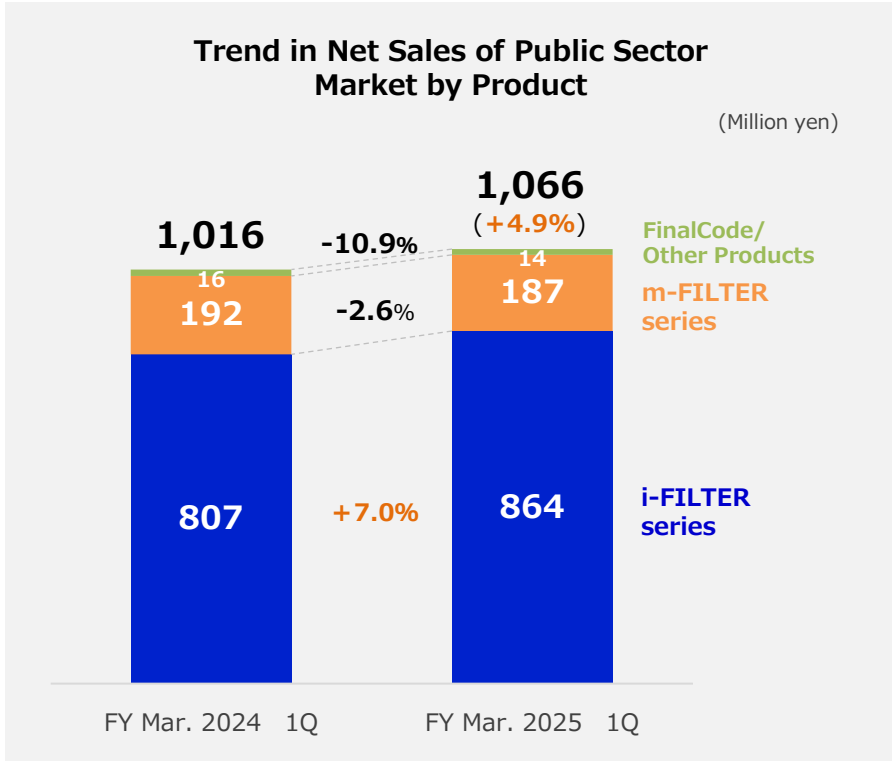
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

## 03 Net Sales by Market

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# Public Sector

Net sales were strong with the continued acquisition of Security Improvements for Local Governments projects and the new acquisition of Next-Generation School Affairs DX projects.



- Sales of the i-FILTER series went up (by +56 million yen or +7.0%), reflecting the healthy acquisition of Security Improvements for Local Governments projects and Next-Generation School Affairs DX projects.
- Sales of the m-FILTER series were down slightly (by -5 million yen or -2.6%). We managed to win Next-Generation School Affairs DX projects and large projects for Security Improvements for Local Governments projects, but local governments seemed to have weaker needs for security improvement measures than in the previous fiscal year.
- In the Next-Generation School Affairs DX projects, the FinalCode series and the new product of f-FILTER responded to file security needs. Accordingly, the pipeline improved.

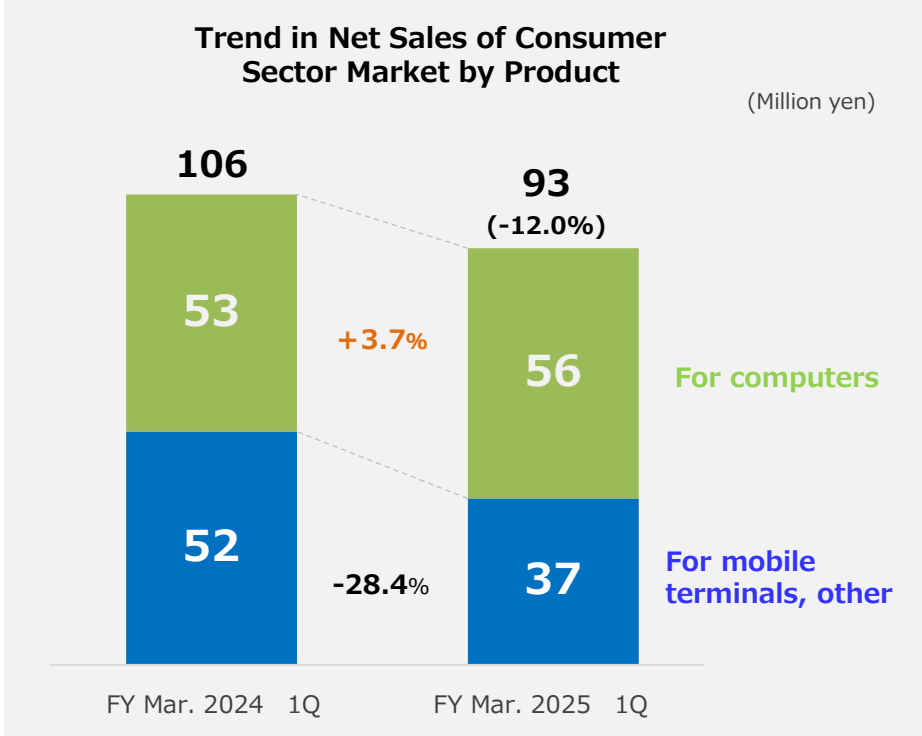
## 03 Net Sales by Market

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# Consumer Sector



In the consumer sector market, net sales did not increase as expected due to the sense of plateauing with respect to demand for filtering measures. The Group will facilitate the strengthening of products and expand target customers, aiming to tap into new demand.



- Net sales of products for computers rose (by +2 million yen or +3.7%) as a result of advertising multiple-year package products and taking initiatives for products for Internet cafes.
- Net sales of products for mobile terminals and others declined (by -14 million yen or -28.4%), reflecting a slowdown in new contracts obtained.
- Regarding products for personal computers and mobile phones, given the sense of a plateauing of demand for filtering measures for children, the Group will strengthen its products, while also securing new revenue sources through the expansion of target customers.

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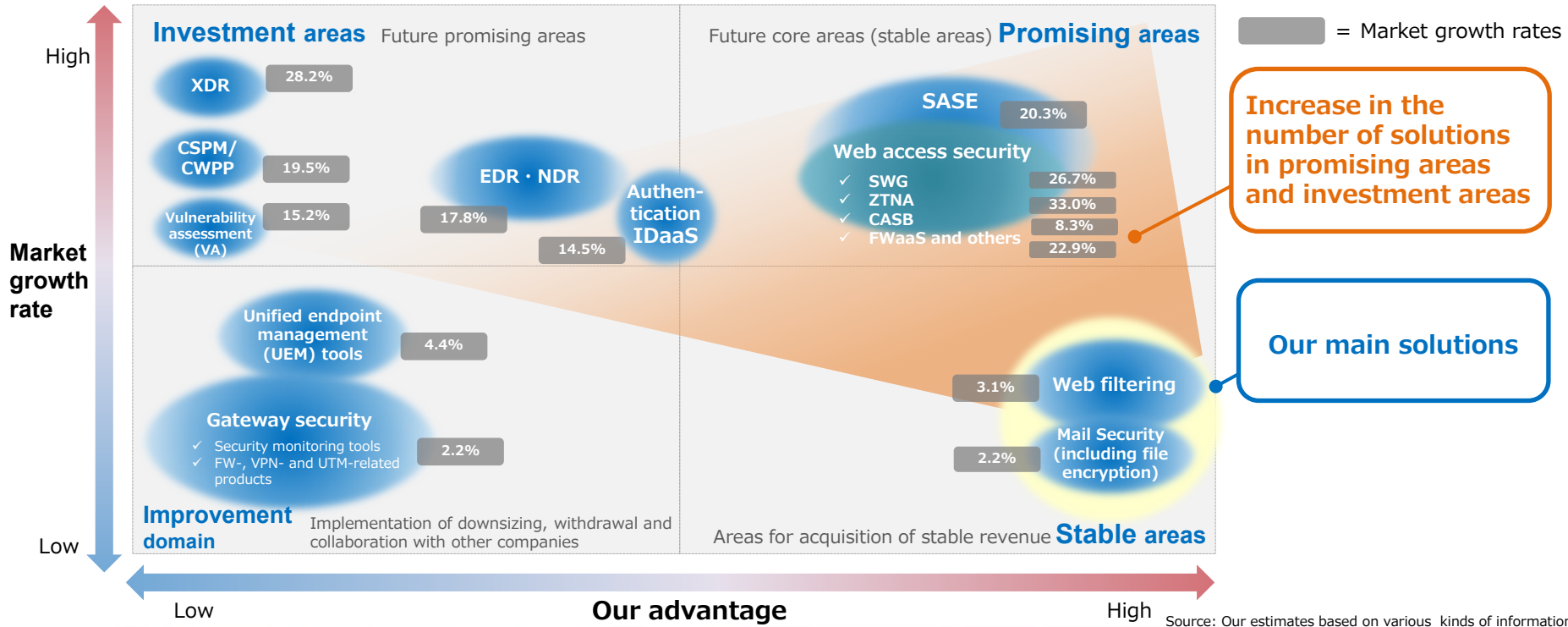
**04 FY03/25 Initiatives**

## 04 FY03/25 Initiatives

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# Product Strategy and Sales Strategy

**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.**



Source: Our estimates based on various kinds of information

We will promote cross-selling and upselling for White Operation customers.

## 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.

**04** FY03/25 Initiatives

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# Increase in Public Sector Market Share

The implementation of Phase 2 of the GIGA School Concept was planned for the five-year period starting in FY2024.

[GIGA School Concept operated by the Ministry of Education, Culture, Sports, Science and Technology]



## Phase 1 of the GIGA School Concept

- Support for the provision of devices for school-aged children – Achievement of an environment in which every school-aged child has a device
- Construction of school networks at all schools
- Deployment of GIGA School supporters
- Development of an emergency online learning environment

**Budget 461.0 billion yen**

Replacement of Devices

Cabinet decision already made regarding the budget for device replacement up until 2025

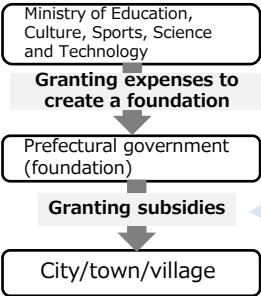
## Phase 2 of the GIGA School Concept – NEXT GIGA

Organized replacement of the devices for each school-aged over a period of around five years

**Budget (-2025)\*1 266.1 billion yen**

\*1 Only for replacement of GIGA School Concept Devices

### Budget scheme

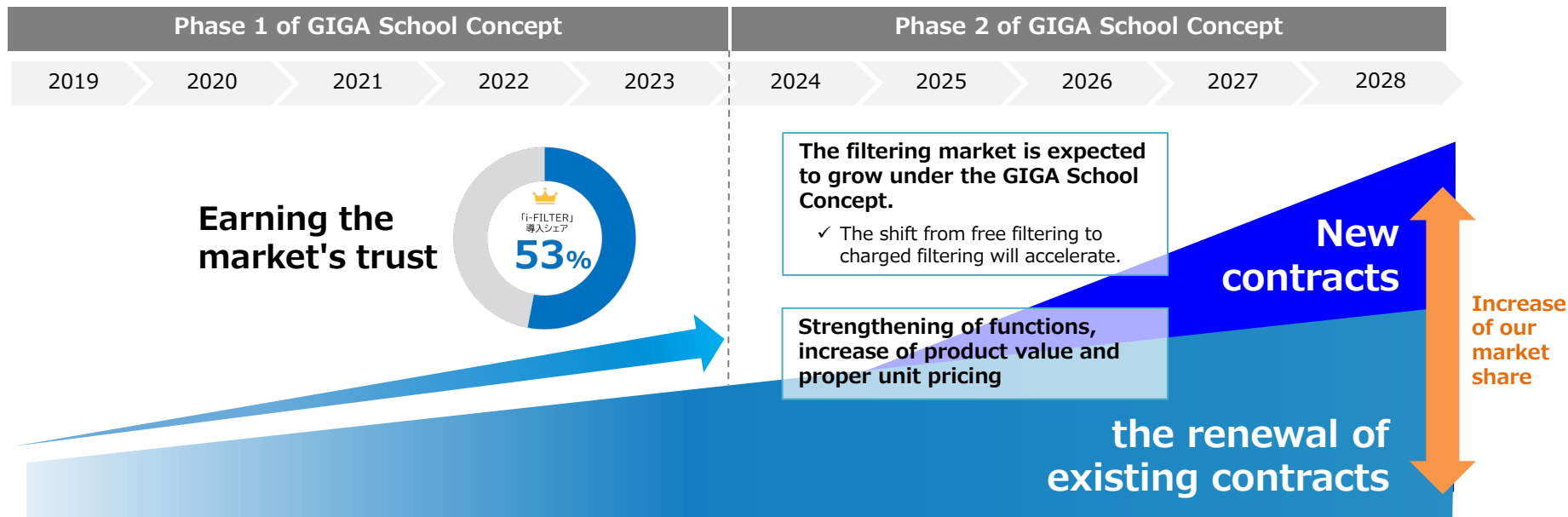


Joint procurement on a prefecture-by-prefecture basis

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

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]

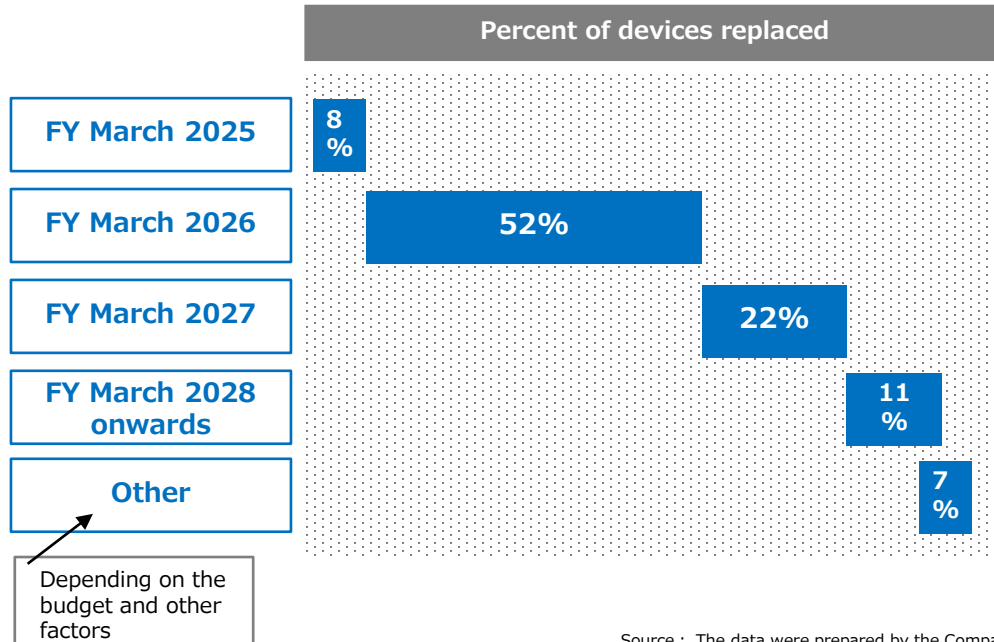




# Phase 2 of the GIGA School Concept – Timing of the Replacement of GIGA School Concept Devices

The GIGA School Concept device replacement will start in the fiscal year ending March 31, 2025 and will be fully implemented in the fiscal year ending March 31, 2026.

## [GIGA device replacement timing]



### POINT

- ✓ As for the date of replacing GIGA devices, approx. **60% of the education boards** will be due for replacement **by the end of FY March 2026**.
- ✓ The guidelines for device procurement in phase 2 of the GIGA School Concept presented by the Ministry of Education, Culture, Sports, Science and Technology stipulate that the procured devices **must have a web filtering function**. It is anticipated that procurement of web filtering will be faster than in phase 1.

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

The Ministry of Education, Culture, Sports, Science and Technology calls for the following implementation as the direction of the next-generation school affairs DX:

\*As a regional fiscal measure, financial support of **180.5 billion yen on a single-year** basis has always been provided for computerization of school affairs

## Work style reform

**01** Make it possible to reduce the burden on teaching staff and school officials working inside and outside the school, as well as on members of the education boards, and support the acceleration and activation of communication through active use of the general-purpose cloud tools

**02** Develop an environment offering connection to the school affairs/learning systems from anywhere and allow flexible and safe work styles tailored to the individual needs of teaching staff

## Data linking

**03** Allow low-cost and real-time integration of data owned by school affairs system and the learning system

**04** Support the sophistication of school management, educational guidelines and education policies by visualizing various kinds of data in an integrated way by using the dashboard function

## Resilience

**05** Allow securing operation continuity even in the event of a large-scale disaster

This can be tackled by utilizing GIGA devices and the existing network environment

Integration of school affairs/learning networks

Cloud migration of school affairs support system

Creation of Data chaining infrastructure (dashboard)

Cloud migration of school affairs support system

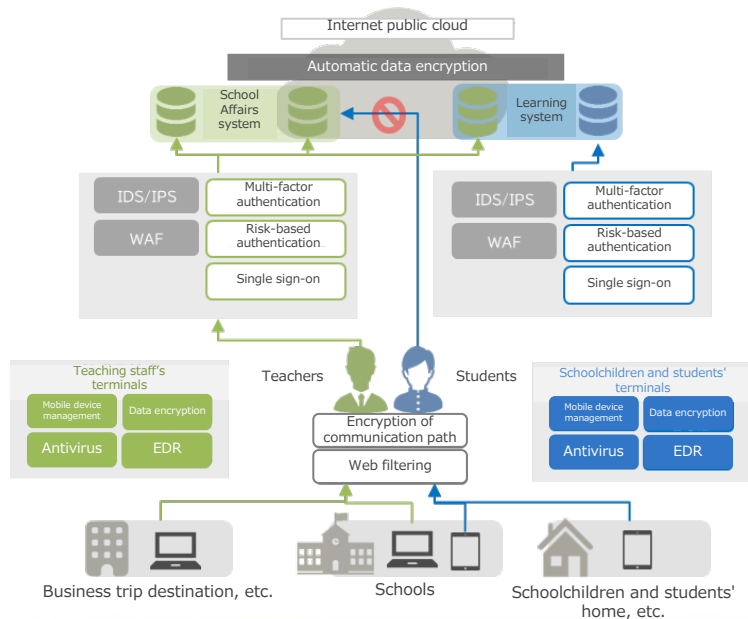
Security measures are essential for implementation in a safe and reassuring way

Source: Created by the Company based on [https://www.mext.go.jp/b\\_menu/shingi/chousa/shotou/175/mext\\_01385.html](https://www.mext.go.jp/b_menu/shingi/chousa/shotou/175/mext_01385.html)

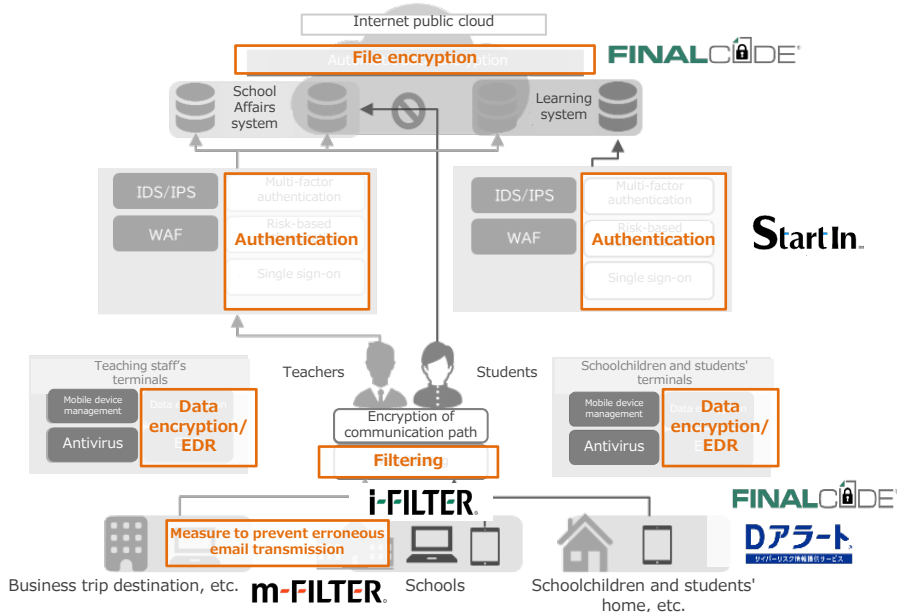
Our products are applicable in many different areas to ensure security. We will proactively advertise the value of our products.

= Scope of supports

Overview diagram of security measures in school affairs DX

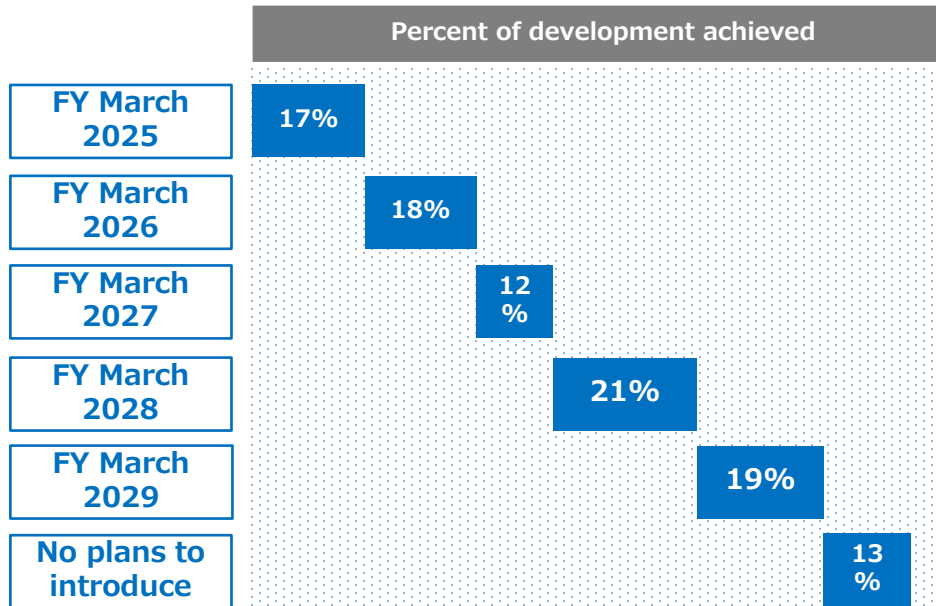


Security support map with our products



Procurement of products is expected to start in the fiscal year ending March 31, 2025 with a view toward the operation of a school affairs support system.

## [School Affairs DX development schedule]



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

### POINT

- ✓ As a regional fiscal measure, financial support of **180.5 billion yen on a single-year** basis has always been provided for computerization of school affairs
- ✓ The Ministry of Education, Culture, Sports, Science and Technology's document, *School Affairs DX under the GIGA School Concept*, stresses the importance of security measures by presenting some case studies. For school affairs that involve the personal information of school-aged children, it is necessary to apply **stronger measures than the measures used for GIGA School Concept devices**.

**Material on Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2025**

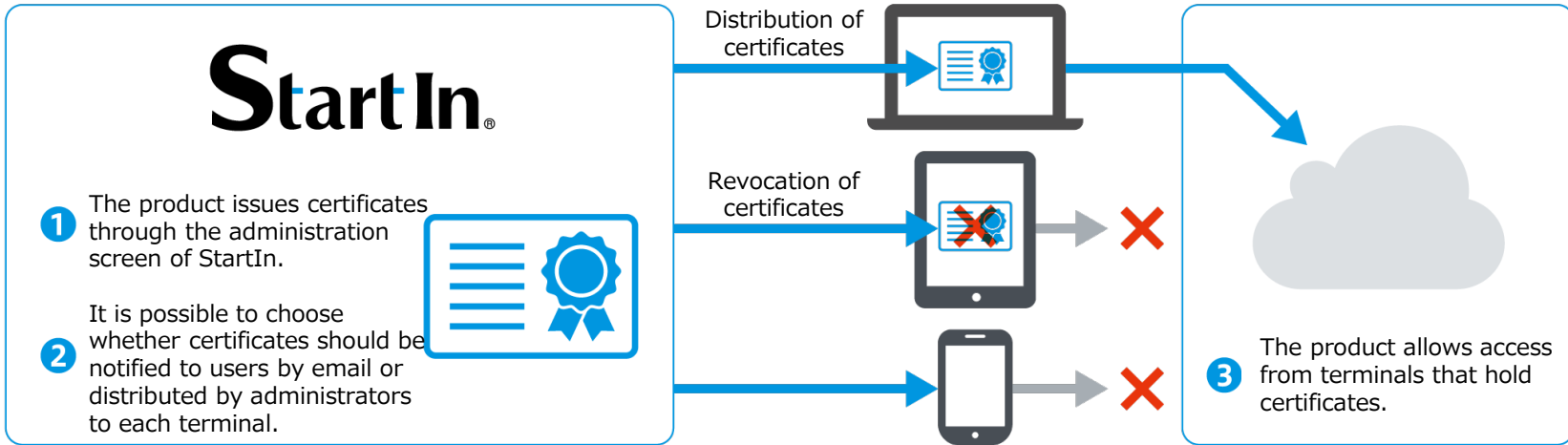
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**05** **Status of Measures for the Fiscal Year  
Ending March 2025**

**It is possible to issue and revoke certificates from StartIn. This allows access only to terminals that hold certificates while also preventing access from terminals that don't hold the certificates.**

**New Functions released in June**

By installing certificates in terminals in advance, the product checks whether terminals to which StartIn has accessed hold certificates.



## Large-size storage / file storage period adjustment functions

New Functions  
released in July

### Examples of requests for f-FILTER

Customer A



We hope that f-FILTER will **support large files** of over 100 MB, since they cannot be sent by e-mail.

Customer B



**For security reasons**, we want to limit the file access period to several days. (A period shorter than 30 days is desirable.)

Customer C



We hope that, for **audit purposes**, files can be stored for a longer period than 30 days, such as five to seven years.

### Enhancement of features

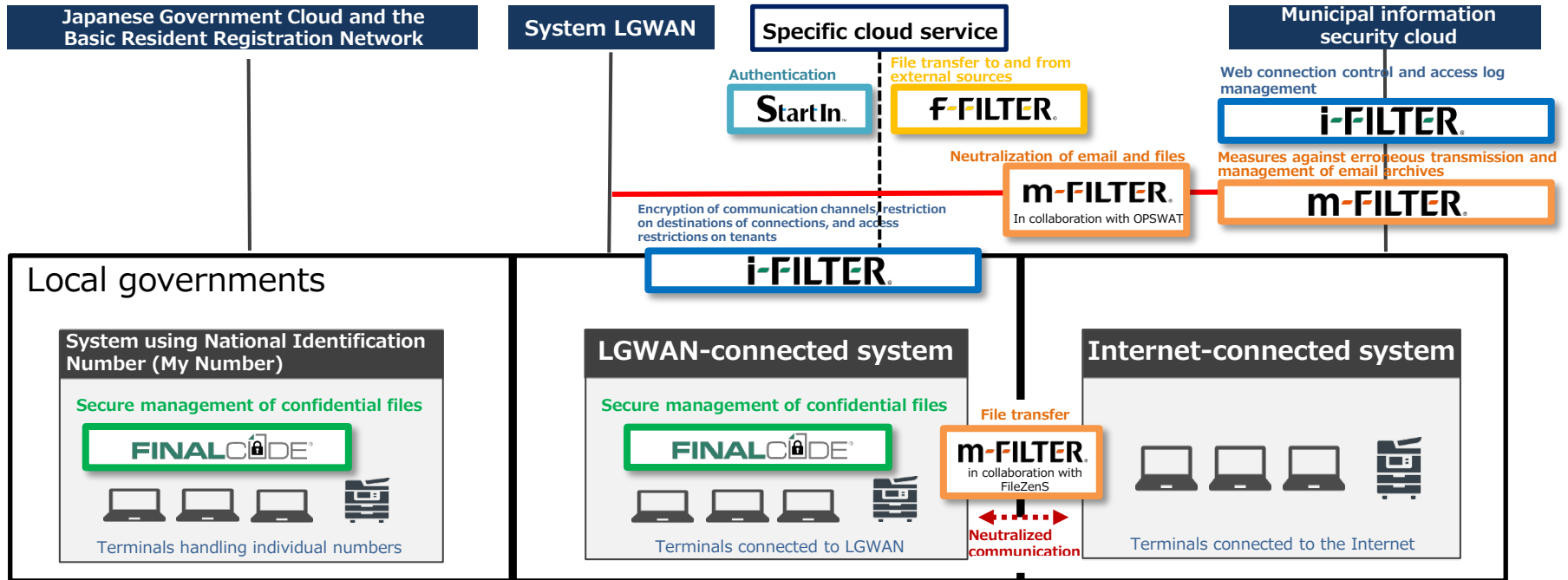
The **uploadable file size is increased to 20 GB** and an option is provided that allows users to choose from different levels of storage capacity according to their needs.

The software is modified to provide a **standard function that allows users to set** the file access period within a range from one day to 30 days.

An **option is provided** that allows users to configure the file storage period to one year, three years, five years, seven years and others.

# Toughening of Security for Local Government: Compliance with New Guidelines

A system for connection under the so-called *a* (alpha) *model* from a business terminal in the LGWAN connection system to the cloud service is called the *a'* *model*, and this model is now under consideration. There are a number of points that can be dealt with using the Company's solutions, and acquisition of certification under the Information system Security Management and Assessment Program (ISMAP<sup>\*1</sup>) is significant for implementing the measures. It is likely that the situation will be advantageous to the Company.



\*1: Security assessment system for government information systems



## Web Security

**i-FILTER.**  
**i-FILTER@Cloud™**

Registered with ISMAP



Enabling users to securely connect to websites without security concerns

## Mail Security

**m-FILTER.**  
**m-FILTER@Cloud™**  
**m-FILTER.** Microsoft 365 supported Version  
*MailAdviser*

Registered with ISMAP

Registration pending with ISMAP



Enabling users to securely send and receive email

## File Encryption

**FINALCODE™**  
**FINALCODE@Cloud™**

Registered with ISMAP



Automatically protecting files from the moment of creation and allowing users to delete them after transfer

## Secure file transfer

**F-FILTER.**

Registration pending with ISMAP



Supporting secure file transfers without leaking critical information

## IDaaS

**StartIn™**

Registration pending with ISMAP



Equipped with multi-factor authentication to ensure the secure management of IDs for cloud services

## Chat/teleconference

**Desk.**

Registered with ISMAP




Providing workplaces and places for education with secure and comfortable communication spaces

New functions released in April


## Visualizing what websites schoolchildren and students view and how often

**CASE 1**




Number of those using terminals in the late night time slot

**CASE 2**




Terminal use ratio by school

**CASE 3**



Duration of use by online service

**CASE 4**

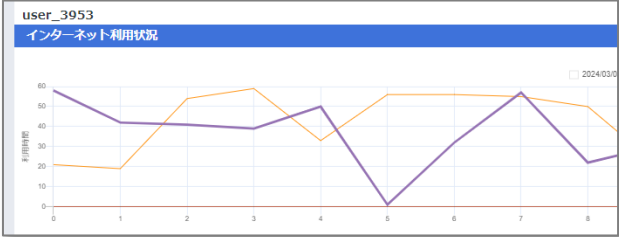


Ranking of time slots in terms of ratio of use



Webサービス毎の累計利用時間

#	Webサービス	累計	早朝	午前
1	Yahoo! トラベル	3時間45分	12分	24分
2	Yahoo! カレンダー	3時間13分	14分	29分
3	Gmail 添付ファイル	3時間03分	03分	14分
4	Microsoft TechNet Online	3時間01分	12分	18分
5	X (Twitter) 連携アプリ認証 (OAuth認証)	2時間57分	26分	26分
6	X (Twitter) ログイン	2時間48分	20分	24分
7	Yahoo! 画像・動画検索	2時間39分	16分	22分
8	文部科学省公式チャンネル 閲覧	2時間37分	18分	26分



Meeting one of the conditions for subsidies for terminal replacement costs, **monitoring the state of operation of terminals** for fulfillment of the minimum standard for specifications.

A major update  
in April!



It is a portal website that put together online learning videos. It supports search by grade or by subject and indication of videos in the order of popularity. It can be used by schoolchildren and students for home learning and for educational materials in school classes.

### Point1

For previews and reviews of school classes

What is learned at school can be previewed and reviewed at any time and anywhere.

### Point2

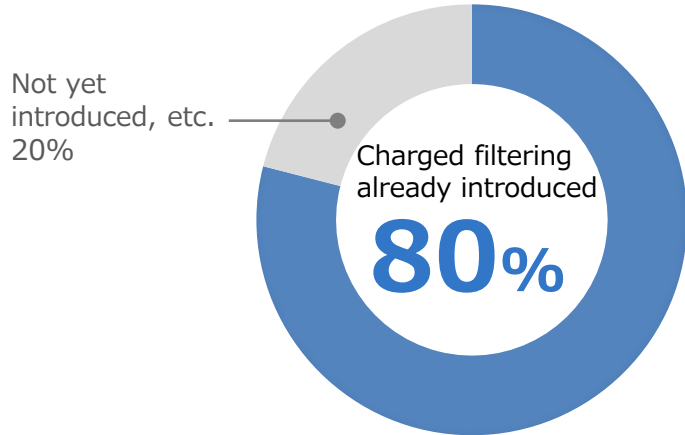
For educational materials in school classes

Videos can be used as education materials for a more intuitive understanding.

Advertise the superiority of i-FILTER to boards of education that have yet to introduce filtering and those which have introduced competitors' products in order to hold an even larger market share

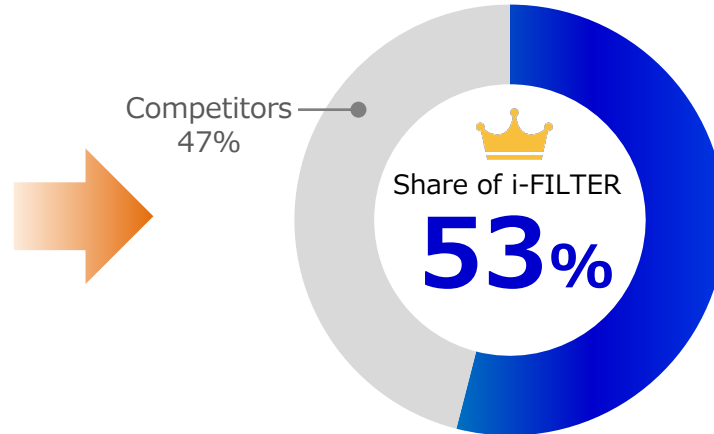
## Introduction of filtering under the GIGA School Concept\*<sup>1</sup>

Introduction of pay filtering by Boards of Education



The percentage of boards of education that have adopted pay filtering reached **80%**.

Share of charged filtering introduced



Of the boards of education that have introduced charged filtering, **53%** have implemented i-FILTER.

\*1: According to our survey of 1,741 boards of education (June, 2024)

Make known the enriched lineup of solutions in events, different types of ads, email magazine, videos and other promotional activities

## Event participation



From May 8, 2024 to May 10, 2024  
EDIX Tokyo 2024

## Ads in railway stations



JR Tamachi station, Hamamatsucho station and Shinagawa station  
Advertising

## Self-organized events



May 23 and 31, 2024  
Partner meeting 2024

## Newspaper advertisement



May 23, 2024  
In the morning edition of  
the Nikkei newspaper

## Facebook ads



## Listing ads



## E-newsletters



## Video introducing the products



Material on Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2025

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**06** **Full-Year Financial Forecast for  
the Fiscal Year Ending March 31,  
2025**

# Forecasts for Fiscal Year Ending March 31, 2025 (Consolidated)



DAC's sales of 2.3 billion yen and expenses of 2.2 billion yen, which were included in the financial results of the previous fiscal year, are excluded from consolidated earnings forecasts for the current fiscal year. Therefore, DA's growth in sales is expected to result in significant improvements in the gross profit and operating profit margins. Meanwhile, profit attributable to owners of parent of the previous financial results included extraordinary income of approximately 1.9 billion yen due to the transfer of shares in DAC..

(Million yen)

	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change	% Change	Main Factors for Change
Net sales	11,512	10,720	-792	-6.9%	DAC's sales, which were of 2.3 billion yen in the previous fiscal year, are excluded from consolidation, starting from the current fiscal year.
Cost of sales	4,583	2,850	-1,733	-37.8%	For the above reason, DAC's cost of sales, which was 1.9 billion yen in the previous fiscal year, is excluded from consolidation, starting from the current fiscal year.
Gross profit	6,928	7,870	+941	+13.6%	
Gross profit margin	60.2%	73.4%	-	-	Improved significantly due to the deconsolidation of DAC whose cost of sales ratio is high.
Selling, general and administrative expenses	2,500	2,730	+229	+9.2%	For the above reason, DAC's selling, general and administrative expenses, which were 200 million yen in the previous fiscal year, are excluded from consolidation, starting from the current fiscal year. Approximately 330 million yen are expected to be invested in human resources.
Operating profit	4,427	5,140	+712	+16.1%	
Operating margin	38.5%	47.9%	-	-	Improved significantly due to the deconsolidation of DAC
Ordinary profit	4,443	5,140	+696	+15.7%	
Profit attributable to owners of parent	4,377	3,540	-837	-19.1%	The previous fiscal year's profit reflects extraordinary income of approximately 1.9 billion yen due to the transfer of shares in DAC.

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)



# Forecasts for Fiscal Year Ending March 31, 2025 (Non-consolidated)



The Group aims to achieve growth in net sales and operating profit through the initiatives for the three priority areas set out in the Medium-Term Management Plan (FY2025 - FY2027).

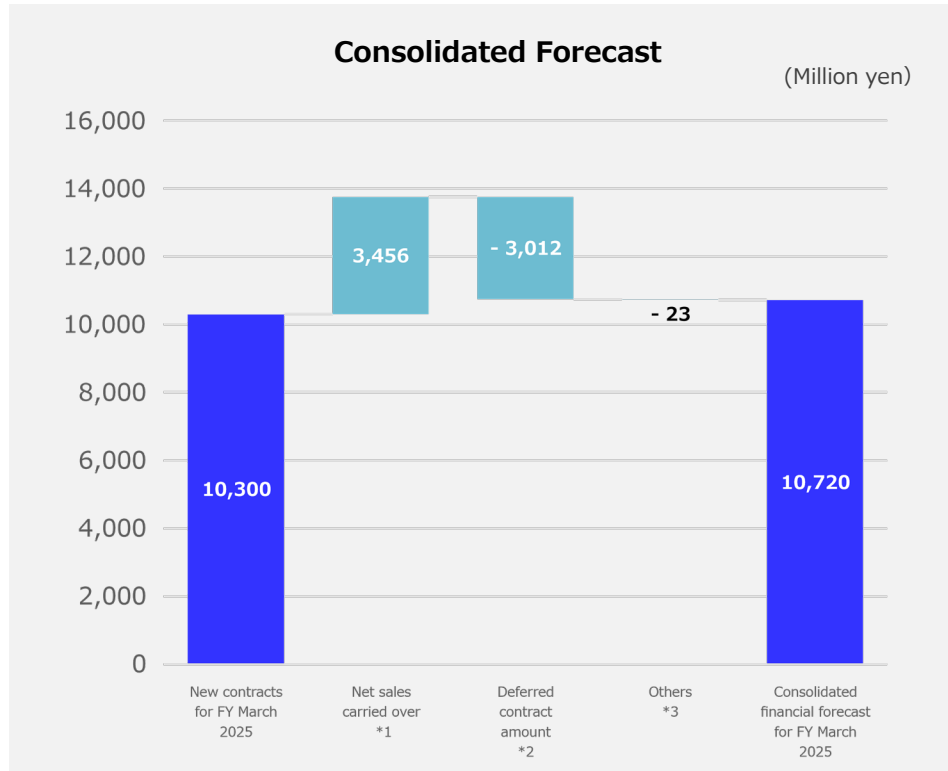
(Million yen)

	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change	% Change	Main Factors for Change
Net sales	9,304	10,710	+1,405	+15.1%	Sales are expected to grow through the implementation of product/sales strategies and public sector market-focused measures.
Cost of sales	2,664	2,850	+185	+7.0%	Approximately 180 million yen are expected to be invested in human resources of engineering.
Gross profit	6,639	7,860	+1,220	+18.4%	
Gross profit margin	71.4%	73.4%	-	-	
Selling, general and administrative expenses	2,309	2,710	+400	+17.3%	Approximately 330 million yen are expected to be invested in human resources.
Operating profit	4,330	5,150	+819	+18.9%	
Operating margin	46.5%	48.1%	-	-	
Ordinary profit	4,348	5,150	+801	+18.4%	
Profit	4,536	3,550	-986	-21.7%	The previous fiscal year's result reflects extraordinary income of approximately 2.15 billion yen due to the transfer of shares in DAC <sup>*1</sup> .

\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)



## Consolidated net sales are forecast as follows:



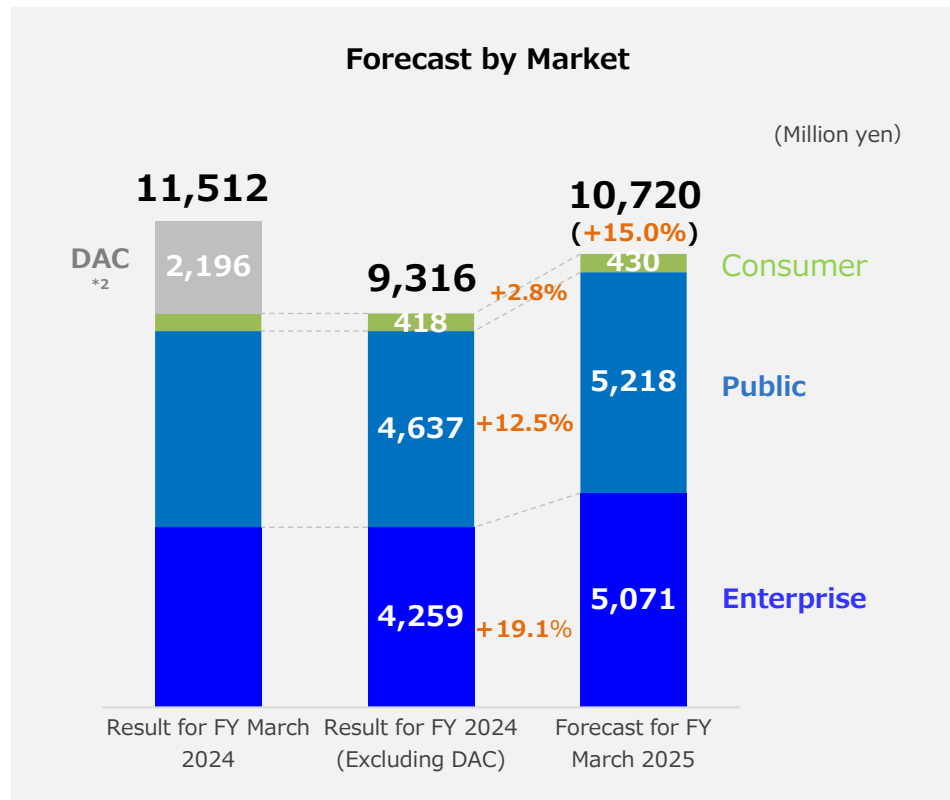
- **New contracts of DAJ** are expected to be 10,300 million yen in the current fiscal year, reflecting the facilitation of the acquisition of new customers and cross-selling and upselling with a focus on existing customers in the enterprise sector market and the winning of the second phase of GIGA School Concept projects and Next-Generation School Affairs DX projects in the public sector market.
- **3,456 million yen** from the cloud projects that were acquired before the previous fiscal year, such as the first phase of GIGA School Concept projects, are transferred as sales in the current fiscal year.

\*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 (contract backlogs)

\*3 : Sales returns and sales at overseas subsidiaries

Consolidated net sales by market are forecast as follows:



- In the enterprise sector market, the Group expects to increase sales by increasing customers that use White Operation and facilitating cross-selling and upselling to customers who adopt White Operation, as well as continuous product enhancement efforts. \*1

\*1 The results of the previous fiscal year reflect DAC's sales of approximately 2,196 million yen. Excluding such sales, the Group expects an increase by 812 million yen, or +19.1%.

- In the public sector market, the Group expects sales growth through the implementation of sales and marketing measures for the second phase of GIGA School Concept projects and Next-Generation School Affairs DX projects.

\*2: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Consolidated Cost of Sales and Selling, General and Administrative Expenses



The cost of sales is expected to improve significantly because DAC's \*1 cost of sales in the previous fiscal year is excluded from consolidation. Selling, general and administrative expenses are expected to rise mainly due to the increased investment in human resources.

(Million yen)

	FY March 2024 Full-Year Results	FY March 2025 Full-Year Forecasts	Change YoY	Main Factors for Change
<b>Cost of Sales</b>	<b>4,583</b>	<b>2,850</b>	<b>-37.8%</b>	Impact of the deconsolidation of DAC
Labor	2,038	1,071	-47.4%	
Depreciation	839	852	+1.6%	
Communication express	1,304	1,390	+6.6%	An increase in cloud server expenses as a result of the expansion of sales of cloud service products and an increase in the number of licenses.
Other	1,384	642	-53.6%	
Transfer to other accounts	-982	-1,107	+12.7%	
<b>Selling, general and administrative expenses</b>	<b>2,500</b>	<b>2,730</b>	<b>+9.2%</b>	
Personnel expenses	1,275	1,457	+14.3%	Investments in human resources including the hiring of new graduates, strengthening of employment activities and incentive plans
Advertising expenses	313	320	+2.0%	
Other	911	952	+4.5%	

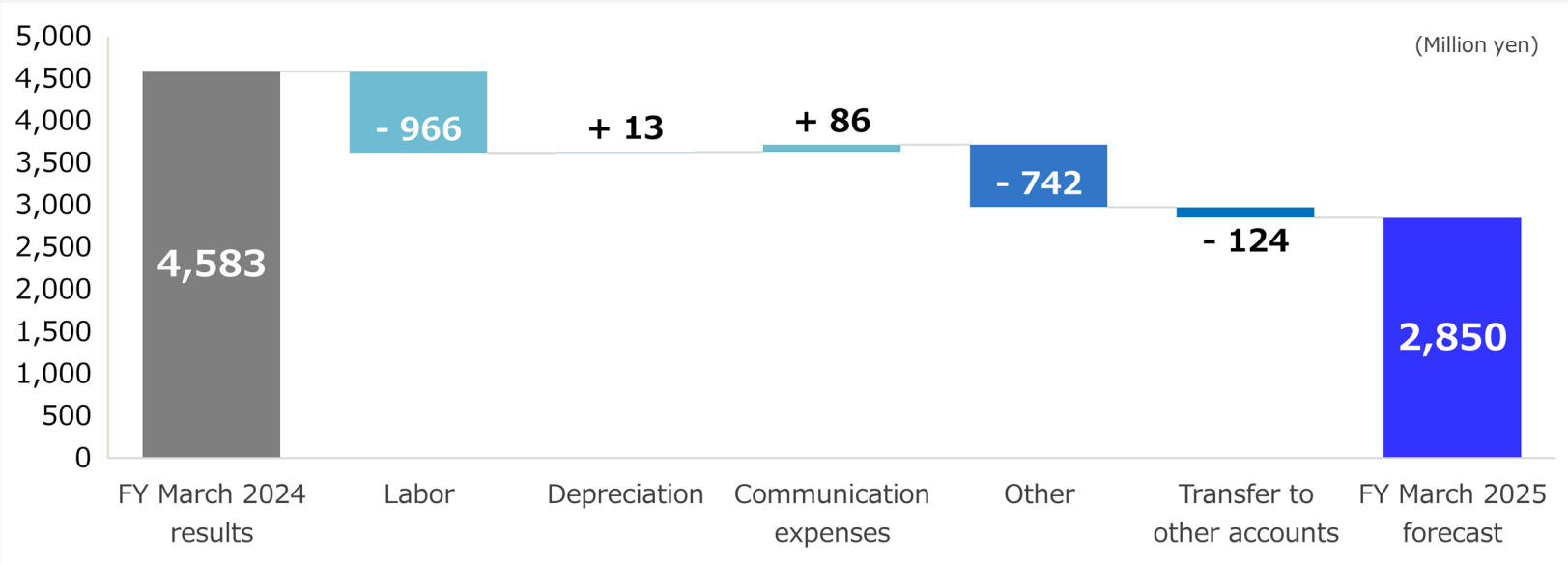
\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Status of Consolidated Cost of Sales



The labor cost and other expenses are expected to be reduced significantly because DAC's<sup>\*1</sup> labor cost and other expenses are excluded from consolidation. Regarding communication expenses, cloud server expenses are expected to increase, reflecting an increase in the number of customers as a result of the expansion of sales of cloud service products.

Status of Consolidated Cost of sales

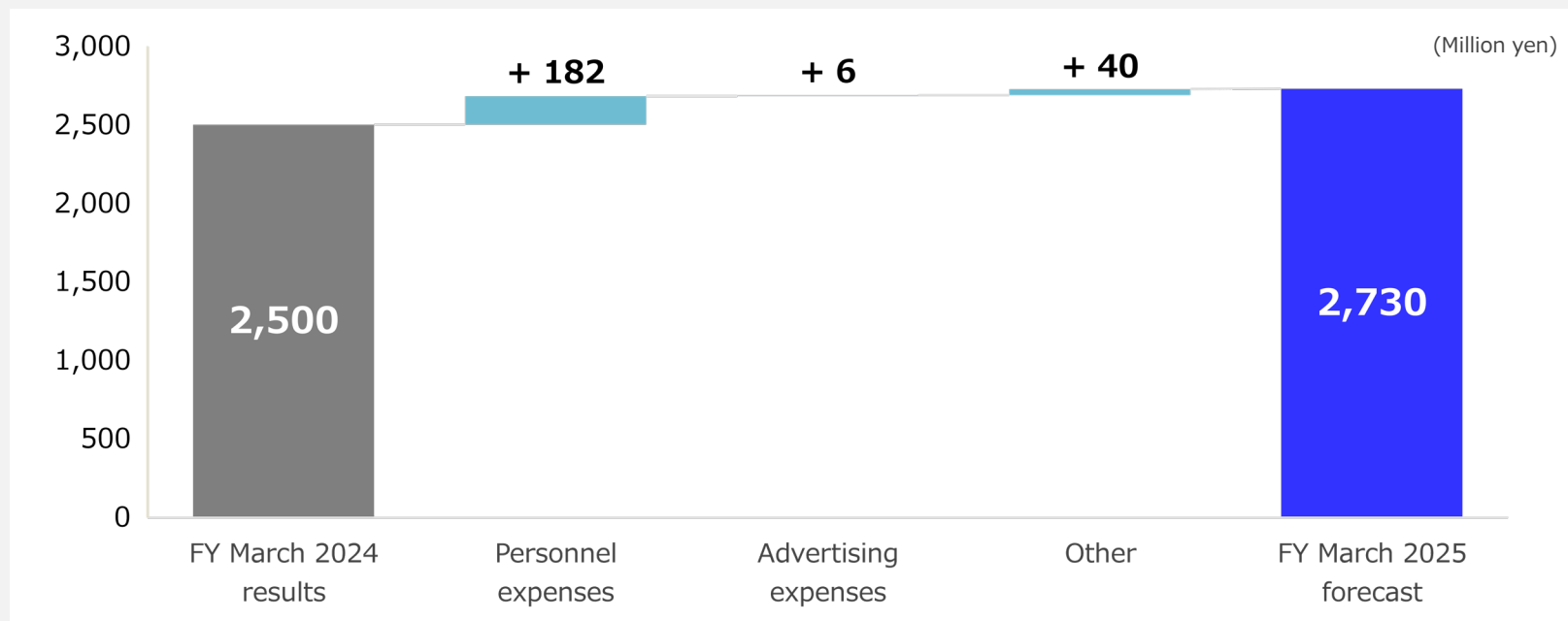


\*1: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred at the end of the previous fiscal year)

# Status of Consolidated Selling, General and Administrative Expenses

Personnel expenses are expected to increase with the enhancement of investments in human resources, which is a priority area in the Medium-Term Management Plan (FY2025 - FY2027).

Status of Consolidated Selling, General and Administrative Expenses



**Material on Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2025**

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**07 Return to Shareholders for the  
Fiscal Year Ending March 31, 2025**

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, 2025: 33.0%
- ◆ Annual dividends of surplus forecasted for fiscal year ending March 31, 2025: 85.00 yen per share.
- ◆ We expect to increase the annual dividend by 5.00 yen per share. (planned to increase for 11 consecutive years)

	Dividend (in yen) per share			Consolidated payout ratio
	2Q-end	Year-end	Annual	
FY March 2024	40.00	40.00	80.00	36.5% * <sub>1</sub>
<b>FY March 2025 (forecast)</b>	<b>40.00</b>	<b>45.00</b>	<b>85.00</b>	<b>33.0%</b>

Treasury shares will be purchased using a **flexible approach**, with a focus on returns to shareholders while taking into consideration trends in business performance and stock market movements.

## ■ Reference [Total payout ratio]

(Million yen)

	Dividends paid	Amount of treasury stock aquired	Total return	Total payout ratio
FY March 2024 (results)	1,105	1,429	2,534	82.6% * <sub>1</sub>
<b>FY March 2025 (forecast)</b>	<b>1,158</b>	<b>500 *<sub>2</sub></b>	<b>1,658</b>	<b>46.8%</b>

\*1 Excluding 1,930 million yen as a gain on sale of the stock of consolidated subsidiary Digital Arts Consulting Inc.

\*2 Announced on June 12, 2024

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 Anti-Virus & Sandbox, i-FILTER@Cloud Anti-Virus & Sandbox, i-FILTER@Cloud Dアラート発信レポートサービス, info board, Active Rating System, D-SPA, Anti-Virus & Sandbox for D-SPA, NET FILTER, SP-Cache, White Web, ZBRAIN, クレデンシャルプロテクション, ホワイト運用, m-FILTER, m-FILTER MailFilter, m-FILTER Archive, m-FILTER Anti-Spam, m-FILTER Anti-Virus & Sandbox, m-FILTER@Cloud Anti-Virus & Sandbox, m-FILTER@Cloud Dアラート発信レポートサービス, m-FILTER File Scan, Mail Detox, m-FILTER EdgeMTA, EdgeMTA, FinalCode, i-フィルター, DigitalArts@Cloud, Desk, Desk Event, StartIn, f-FILTER, Dアラート, Dコンテンツ, f-FILTER and other logos and icons related to Digital Arts Inc. and its products are trademarks or registered trademarks of Digital Arts Inc.



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