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October 30, 2025

Consolidated Financial Results for the Six Months Ended September 30, 2025 (Under Japanese GAAP)



Company name: Digital Arts Inc.

Listing: Tokyo Stock Exchange

Securities code: 2326

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General Manager of the Investor Relations Office

Scheduled date to file semi-annual securities report: November 6, 2025

Scheduled date to commence dividend payments: December 3, 2025

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes (for Institutional Investors and Analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2025 (from April 1, 2025 to September 30, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2025	4,992	3.2	2,021	(1.5)	2,041	(0.6)	1,408	(0.7)
September 30, 2024	4,838	(13.0)	2,052	(6.2)	2,053	(6.7)	1,417	(6.8)

Note: Comprehensive income For the six months ended September 30, 2025: ¥ 1,408 million [(0.5)%]
For the six months ended September 30, 2024: ¥ 1,415 million [(7.3)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2025	103.83	101.54
September 30, 2024	103.41	101.96

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2025	23,862	17,632	73.8	1,301.12
March 31, 2025	22,627	17,365	76.6	1,274.46

Reference: Equity

As of September 30, 2025: ¥ 17,603 million

As of March 31, 2025: ¥ 17,336 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2025	-	40.00	-	45.00	85.00
Fiscal year ending March 31, 2026	-	45.00			
Fiscal year ending March 31, 2026 (Forecast)			-	50.00	95.00

Note: Revisions to the forecast of cash dividends most recently announced: None

Note: Breakdown of the second quarter dividend for the fiscal year ending March 31, 2026 :

Ordinary dividend	40.00 yen
Special dividend for 30th anniversary commemoration	5.00 yen

3. Consolidated financial result forecasts for the fiscal year ending March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,800	18.2	5,607	23.0	5,627	23.3	3,880	21.9	286.06

Note: Revisions to the financial result forecast most recently announced: Yes

* Notes

(1) Significant changes in the scope of consolidation during the period: None

Newly included:	-	companies(	)
Excluded:	-	companies(	)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

*For details, please refer to “2. Semi-annual Consolidated Financial Statements and Primary Notes (4) Note to Semi-annual Consolidated Financial Statements (Application of special accounting methods to the preparation of quarterly consolidated financial statements)” on page 9 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2025	14,133,000 shares
As of March 31, 2025	14,133,000 shares

(ii) Number of treasury shares at the end of the period

As of September 30, 2025	603,415 shares
As of March 31, 2025	530,296 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2025	13,563,810 shares
Six months ended September 30, 2024	13,710,741 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Forward looking statements)

Business forecasts and other forward-looking statements in this material contain predictions based on future assumptions, outlooks and plans as of the date of publication of this material. The Company does not warrant the accomplishment of the forecasts. Actual results may differ significantly from the forecasts due to risks and uncertain factors associated with the world economy, the state of competition, and fluctuations in foreign exchange rates and interest rates.

For matters concerning results forecasts, please refer to 1. Overview of Business Results, etc. (3) Explanation about Information on Future Forecasts such as Consolidated Results Forecasts” on page 4 of the attached materials.

(How to obtain supplementary materials for quarterly results)

The material is available at Digital Arts Inc. corporate website.

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1. Overview of Business Results, etc.

(1) Overview of business results for the first six months of the consolidated fiscal year under review

In the security industry where the Digital Arts Group (the “Group”) operates, during the first six months of the consolidated fiscal year under review (from April 1, 2025 to September 30, 2025), companies, public institutions and households that use information and communication technology (ICT) equipment for business, educational and everyday life purposes exhibited an increasing awareness of the need for security. This was primarily due to the increasingly serious damage that has resulted from the unauthorized access of systems and ransomware infections, as well as the appearance of security risks attributable to supply chain-related information leakage incidents. As a result, demand for products that include countermeasures to these issues has been increasing. In light of the current policy trends and market conditions, this trend is expected to increase the importance of these measures going forward.

The Group established a Medium-Term Management Plan (fiscal year ended March 31, 2025 through fiscal year ending March 31, 2027) in the previous year. It has identified three priority areas: the growth of security business, the increase of public sector market share, and investment in personnel to carry out new measures. Accordingly, the Group has been implementing initiatives. This fiscal year marks the second year of the Group's Medium-Term Management Plan.

In the enterprise sector market, the Group continued to achieve steady growth due to m-FILTER properly capturing a wide range of demand for email security measures, as well as strong sales of f-FILTER integration options. In the public sector market, even as GIGA device replacements accelerated, we secured a 93% share of Phase 2 GIGA School Concept through rigorous project management, maintaining a market share exceeding 90% and demonstrating our strong competitiveness and consistent performance. However, the projects that resulted in this growth were mainly related to contracts for cloud service products, and, due to corporate accounting rules, the revenue from these contracts is not recognized immediately. As a result, and partly due to delays in customer purchase procedures, the timing of certain orders was slightly postponed. As a result, net sales increased only slightly.

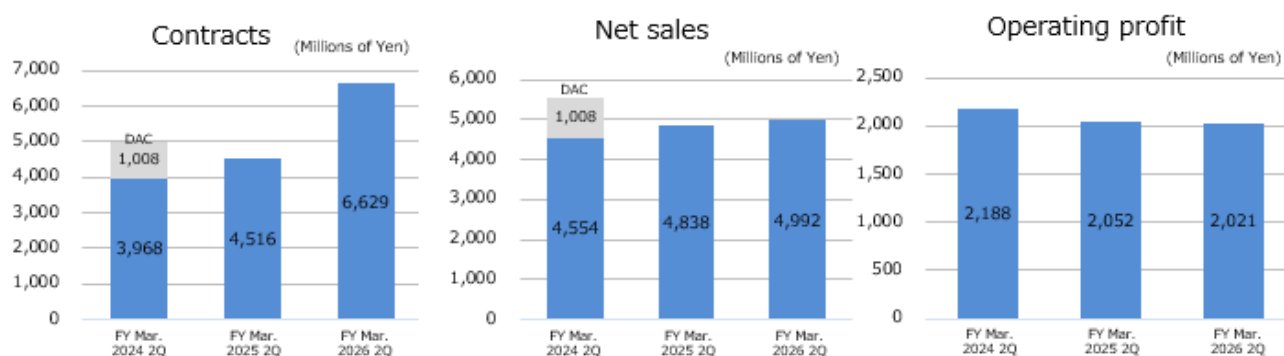
Regarding Z-FILTER, a new product for this year, the Group started to supply the beta version as scheduled, steadily creating projects even before the start of sales by providing distributors and end users with opportunities to examine screenshots, usability and other features, in addition to information about basic specifications. The Group also launched i-FILTER 10, a comprehensive security product for individual customers in the consumer sector market, to offer a product that enables customers to implement a range of countermeasures against security risks that occur when using Internet, thereby strengthening activities to propose solutions for adults as well as children

In terms of expenses, the cost of sales and selling, general and administrative expenses increased year on year due to the implementation of personnel-related investments in line with the current fiscal year's policies. Even so, the Group managed to keep expenses lower than planned.

As a result, contracts for the first six months of the consolidated fiscal year under review climbed 6,629 million yen (up 46.8% year on year), net sales reached 4,992 million yen (up 3.2% year on year), operating profit amounted to 2,021 million yen (down 1.5% year on year), ordinary profit came to 2,041 million yen (down 0.6% year on year), and Profit attributable to owners of parent for the first half was 1,408 million yen (down 0.7% year on year).

Overview of Consolidated Business Results

	First six months of year ended March 31, 2025	First six months of year ending March 31, 2026	Change	% Change
Contracts	4,516	6,629	+2,112	+46.8
Net Sales	4,838	4,992	+154	+3.2
Operating profit	2,052	2,021	(31)	(1.5)
Ordinary profit	2,053	2,041	(12)	(0.6)
Profit attributable to owners of parent for the first half	1,417	1,408	(9)	(0.7)



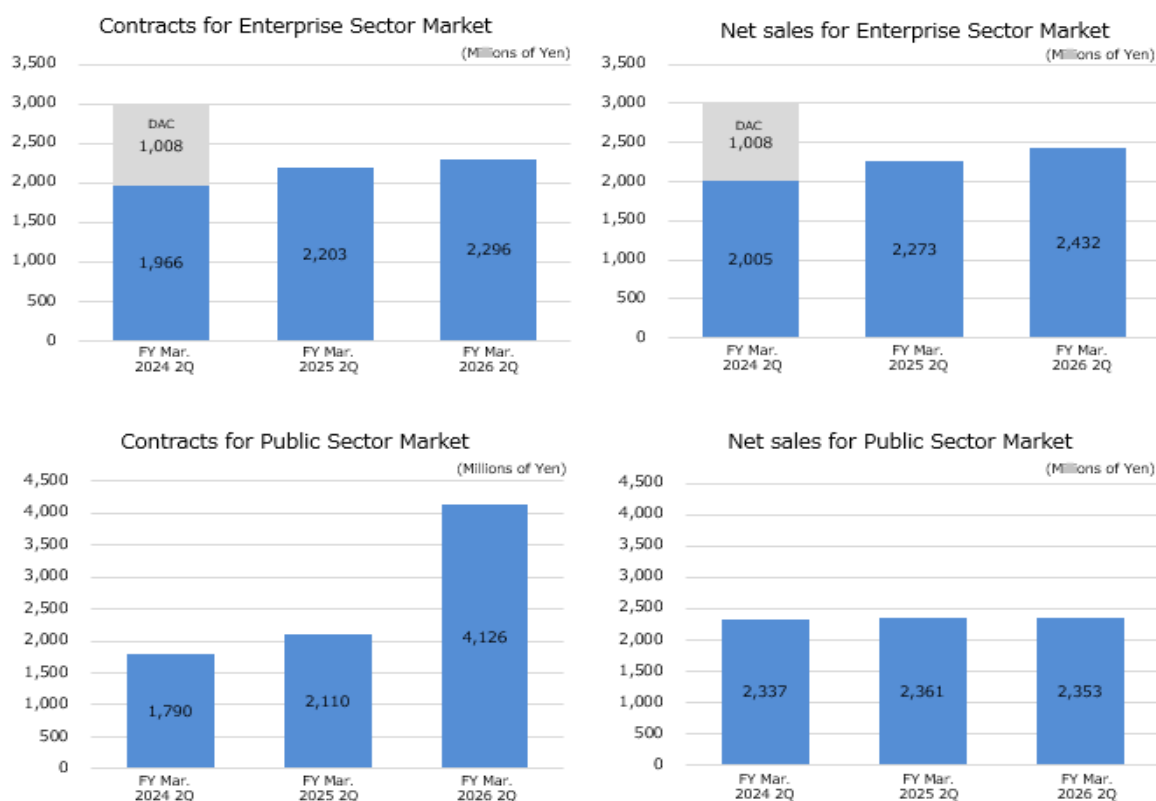
*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)

The following describes business performance in separate markets.

Enterprise Sector Market

In the enterprise sector market, sales grew only slightly in the i-FILTER product range as a whole, despite the high growth of i-FILTER@Cloud which was achieved by capturing website access security measure needs (such as secure web gateways and CASB) for devices for external use. This growth was more than offset by the postponement of some projects until the second half. Regarding m-FILTER, the Group sought to capture a wide range of demand related to email security measures in the sending and receiving of emails. In addition to these efforts, and with demand for email cloud security measures growing in line with the increase in the number of companies using Microsoft 365, both contracts and sales grew significantly. Furthermore, in collaboration with m-FILTER, sales of f-FILTER grew because it addressed corporate demand for measures relating mainly to PPAP, a file transfer practice in which a file is converted into a password-protected zip file before it is sent to a recipient and then the password is sent in a separate e-mail message.

As a result, contracts in the enterprise sector market reached 2,296 million yen (up 4.2% year on year), net sales amounted to 2,432 million yen (up 7.0% year on year).



*Note: DAC: Digital Arts Consulting (a consolidated subsidiary in which shares were transferred in the fiscal year ended March 31, 2024)

Public Sector Market

In the public sector market, orders related to projects for Phase 2 of the GIGA School Concept remained very strong thanks to rigorous project management and agile product enhancements. Regarding Next-Generation School Affairs DX projects, the Group steadily expanded its business supported by a virtuous cycle created by sales opportunities leveraging the GIGA School Concept-related customer base, as well as sales of i-FILTER on a standalone basis and orders received through cross-selling with other products. Due to these factors, contracts in the public sector market reached a record high. Regarding the projects for Phase 2 of the GIGA School Concept in particular, the Group continued to receive 93% of orders, maintaining over 90% of orders even amid the situation where the GIGA device updates were in full swing and enabling the Group to achieve higher-than-planned growth.

On the other hand, due to corporate accounting rules, revenue was not recognized instantly regarding the projects that drove the growth of contracts because these contracts were related mainly to cloud service products. These factors resulted in a decrease in net sales. *1

As a result, contracts in the public sector market reached 4,126 million yen (up 95.5% year on year), net sales were 2,353 million yen (down 0.4% year on year).

*1: For on-premises products, which are products sold as licenses, most of the contracted amount is recorded as sales in a lump sum at the time of shipment. In contrast, cloud service products, orders for which are received mainly in GIGA School Concept and Next-Generation School Affairs DX projects, are subject to the corporate accounting rules which state that sales are recorded on a monthly prorated basis during the relevant service period.

Consumer Sector Market

In the consumer sector market, the Group received orders for new projects by strengthening its MVNO distribution channels, while also stepping up its efforts to promote multi-year package products. Additionally, the Group released i-FILTER 10 in August. It is a comprehensive security product for individual customers that includes security features that are needed in each setting where smartphones and PCs are used and white operations. Going forward, the Group will support the efforts to realize the safe personal use of the Internet by expanding its target users to adults as well as children.

As a result, contracts in the consumer sector market totaled 205 million yen (up 1.8% year on year), net sales amounted to 207 million yen (up 2.2% year on year).

(2) Overview of financial position for the fiscal year under review

(Assets)

Total assets at the end of the first six months of the consolidated fiscal year under review increased 1,234 million yen from the end of the previous fiscal year to 23,862 million yen. This was due mainly to an increase of 1,686 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the first six months of the consolidated fiscal year under review increased 967 million yen from the end of the previous consolidated fiscal year to 6,229 million yen. This was due mainly to increases of 783 million yen in advances received.

(Net assets)

Total net assets at the end of the first six months of the consolidated fiscal year under review increased 267 million yen from the end of the previous consolidated fiscal year to 17,632 million yen. This was mainly due to an increase in retained earnings associated with the recording of profit attributable to owners of parent for the first half, which outweighed decreases due to the payment of dividends and the purchase of treasury shares.

(3) Explanation about information on future forecasts such as consolidated results forecasts

There were some changes in the forecast of consolidated financial results for the year ending March 31, 2026 announced on May 8, 2025. For matters of changes concerning results forecasts, please refer to the "Notice Concerning Revisions to Full-Year Results Forecasts for the fiscal year ending March 31, 2026" released today.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2025	As of September 30, 2025
Assets		
Current assets		
Cash and deposits	17,952	19,638
Notes and accounts receivable - trade	1,444	1,210
Securities	100	-
Finished goods	2	1
Supplies	1	0
Other	611	423
Total current assets	20,112	21,274
Non-current assets		
Property, plant and equipment	238	230
Intangible assets		
Software	1,472	1,487
Other	311	385
Total intangible assets	1,783	1,873
Investments and other assets	492	483
Total non-current assets	2,515	2,587
Total assets	22,627	23,862
Liabilities		
Current liabilities		
Accounts payable - trade	30	30
Income taxes payable	389	671
Provision for bonuses	148	161
Advances received	4,082	4,865
Other	558	447
Total current liabilities	5,209	6,177
Non-current liabilities		
Asset retirement obligations	49	49
Other	3	2
Total non-current liabilities	52	52
Total liabilities	5,262	6,229
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	955	958
Retained earnings	18,116	18,913
Treasury shares	(2,467)	(2,999)
Total shareholders' equity	17,318	17,585
Accumulated other comprehensive income		
Foreign currency translation adjustment	17	17
Total accumulated other comprehensive income	17	17
Share acquisition rights	29	29
Total net assets	17,365	17,632
Total liabilities and net assets	22,627	23,862

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statement of Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Net sales	4,838	4,992
Cost of sales	1,482	1,559
Gross profit	3,355	3,433
Selling, general and administrative expenses	1,302	1,411
Operating profit	2,052	2,021
Non-operating income		
Interest income	0	12
Gain on forfeiture of unclaimed dividends	0	0
Foreign exchange gains	-	5
Miscellaneous income	1	1
Total non-operating income	2	19
Non-operating expenses		
Foreign exchange losses	1	-
Miscellaneous losses	0	0
Total non-operating expenses	1	0
Ordinary profit	2,053	2,041
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	2,054	2,041
Income taxes	636	633
Profit	1,417	1,408
Profit attributable to owners of parent	1,417	1,408

Semi-annual Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Profit	1,417	1,408
Other comprehensive income		
Foreign currency translation adjustment	(2)	(0)
Total other comprehensive income	(2)	(0)
Comprehensive income	1,415	1,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,415	1,408

(3) Semi-annual Consolidated Statement of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2025
Cash flows from operating activities		
Profit before income taxes	2,054	2,041
Depreciation	458	445
Increase (decrease) in provision for bonuses	9	13
Interest income	(0)	(12)
Loss on retirement of non-current assets	0	0
Foreign exchange losses (gains)	(4)	(5)
Gain on reversal of share acquisition rights	(0)	(0)
Share-based payment expenses	0	9
Decrease (increase) in trade receivables	277	1,017
Decrease (increase) in inventories	1	1
Increase (decrease) in trade payables	(22)	(0)
Increase (decrease) in accounts payable - other	(97)	(43)
Decrease (increase) in other current assets	122	144
Increase (decrease) in other current liabilities	(20)	(16)
Other, net	(27)	25
Subtotal	2,751	3,620
Interest and dividends received	0	13
Income taxes paid	(1,289)	(362)
Net cash provided by (used in) operating activities	1,462	3,271
Cash flows from investing activities		
Purchase of property, plant and equipment	(22)	(73)
Purchase of intangible assets	(547)	(505)
Proceeds from redemption of securities	-	100
Net cash provided by (used in) investing activities	(570)	(478)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	-	0
Purchase of treasury shares	(500)	(540)
Decrease (increase) in deposits for purchase of treasury shares	-	40
Dividends paid	(549)	(611)
Net cash provided by (used in) financing activities	(1,050)	(1,111)
Effect of exchange rate change on cash and cash equivalents	1	5
Net increase (decrease) in cash and cash equivalents	(156)	1,686
Cash and cash equivalents at beginning of period	18,339	17,952
Cash and cash equivalents at end of period	18,183	19,638

(4) Notes to semi-annual consolidated financial statements

(Notes on the premise of a going concern)

There are no applicable matters.

(Notes on significant changes in the amount of shareholders' equity)

There are no applicable matters.

(Application of special accounting treatment to the preparation of semi-annual consolidated financial statements)

Calculation of tax expenses

With respect to the calculation of tax expenses, reasonable estimations are performed on an effective tax rate established after applying tax accounting to profit before income taxes for the consolidated fiscal year, which includes the first six months of the consolidated fiscal year under review, and such tax expenses are calculated by multiplying this estimated effective tax rate by profit before income taxes.

(Notes on segment information, etc.)

Segment information

First six months of fiscal 2025 (from April 1, 2024 to September 30, 2024) and first six months of fiscal 2026 (from April 1, 2025 to September 30, 2025)

The Group has only one segment, which is the security business, and segment information is omitted.

(Notes on changes in presentation methods)

(Consolidated statement of cash flows)

Share-based payment expenses, which were included in "Other, net" under "Cash flows from operating activities," began to be presented independently in the consolidated fiscal year under review because their importance has increased. Consolidated financial statements for the first six months of the previous consolidated fiscal year were reclassified to reflect this change in presentation methods.

As a result, (27) million yen presented in "Other, net" under "Cash flows from operating activities" in the consolidated cash flow statements for the first six months of the previous consolidated fiscal year was reclassified as "Share-based payment expenses" of 0 million yen and "Other, net" of (27) million yen.