From April 1, 2026 to June 30, 2026

Consolidated Financial Results

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

July 31, 2026

Digital Arts Inc.
Securities Code: 2326

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 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).

Key Points (FY Mar. 2027 1Q)

The Group achieved significant growth in both net sales and profit by steadily capturing demand for cloud-based security solutions in the enterprise market, with contract wins related to Phase 2 of the GIGA School Concept and central government projects also contributing.

	Contracts	Net sales	Operating profit
FY Mar. 2026 1Q	2,306 million yen	2,270 million yen	795 million yen
FY Mar. 2027 1Q	3,498 million yen	2,711 million yen	1,035 million yen
YoY	+1,191 million yen /+51.7%	+440 million yen /+19.4%	+240 million yen /+30.2%

INDEX

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

01. Consolidated Results Highlights

Consolidated Statement of Income

The Group achieved significant growth in both net sales and profit, driven by the acquisition of enterprise cloud projects, projects for Phase 2 of the GIGA School Concept, and central government projects, and supported by effective cost control.

(Millions of Yen)

	FY Mar. 2026 1Q	FY Mar. 2027 1Q	Change YoY	FY Mar. 2027 Full-Year Forecast*1
Contracts	2,306	3,498	+51.7%	13,500
Net Sales	2,270	2,711	+19.4%	12,000
Cost of Sales	739	949	+28.4%	3,823
Gross profit	1,531	1,761	+15.1%	8,176
Selling, general and administrative expenses	735	725	-1.3%	2,776
Operating profit	795	1,035	+30.2%	5,400
Operating margin(%)	35.0%	38.2%	-	45.0%
Ordinary profit	806	1,060	+31.5%	5,505
Profit attributable to owners of parent	556	718	+29.2%	3,770
EBITDA*2	1,037	1,332	+28.5%	-

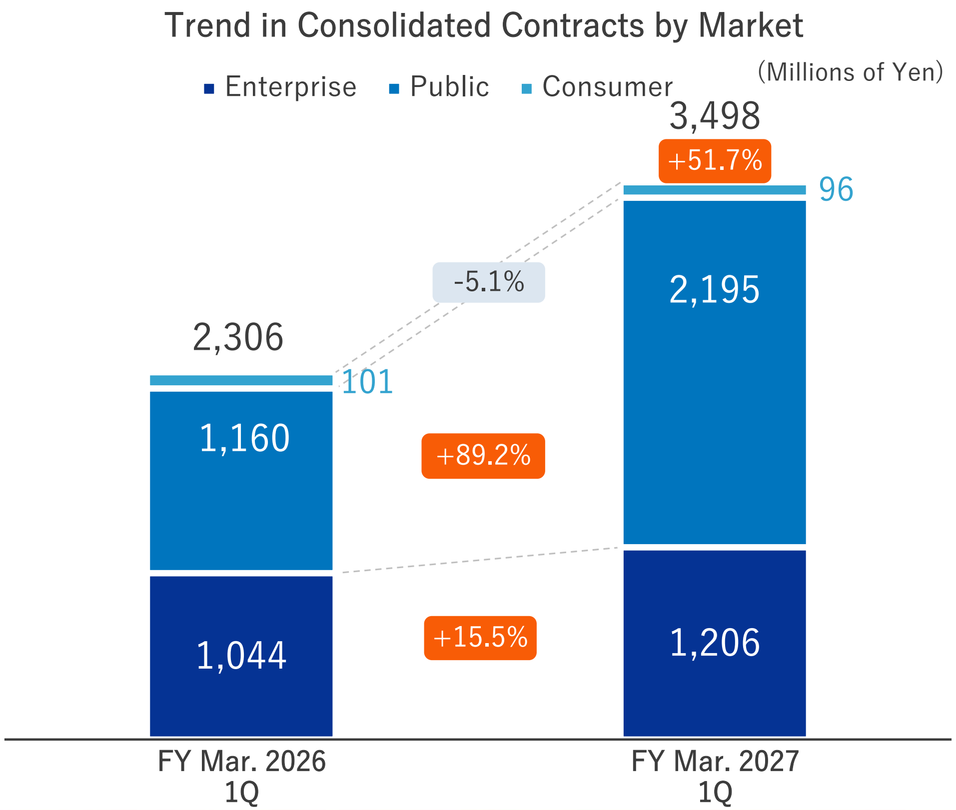
*1: Financial Forecast is the consolidated financial forecast announced on May 7, 2026.

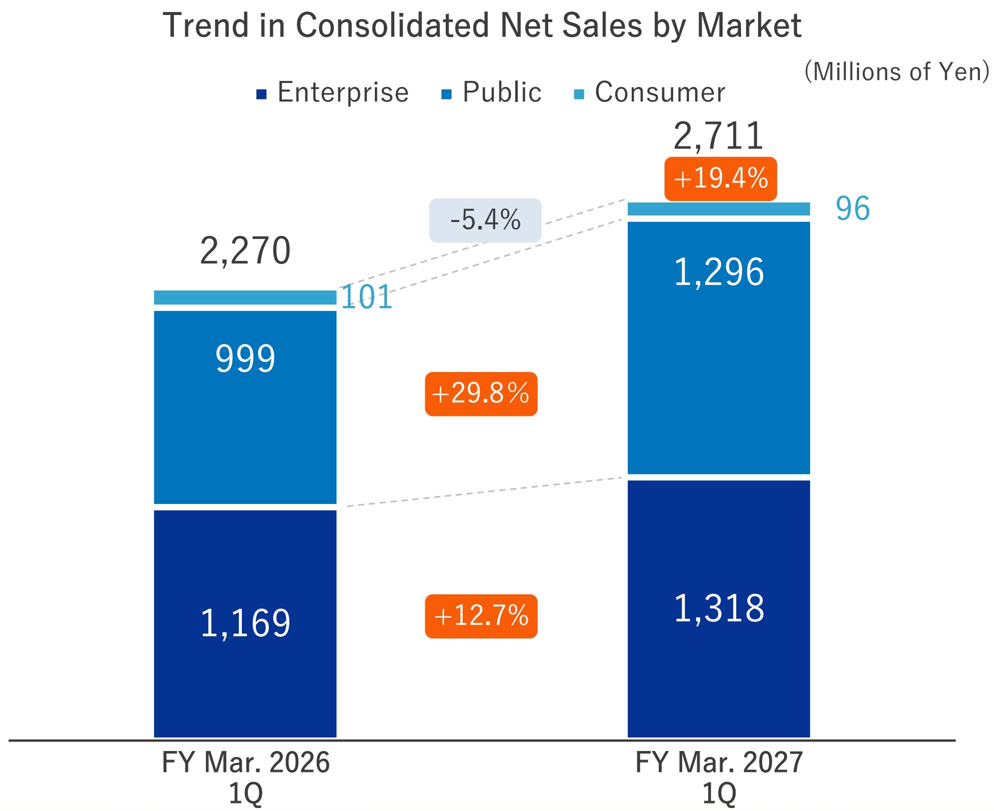
*2: EBITDA = Operating profit + Depreciation + Tax expenses included in operating expenses

Consolidated Contracts and Net sales by Market

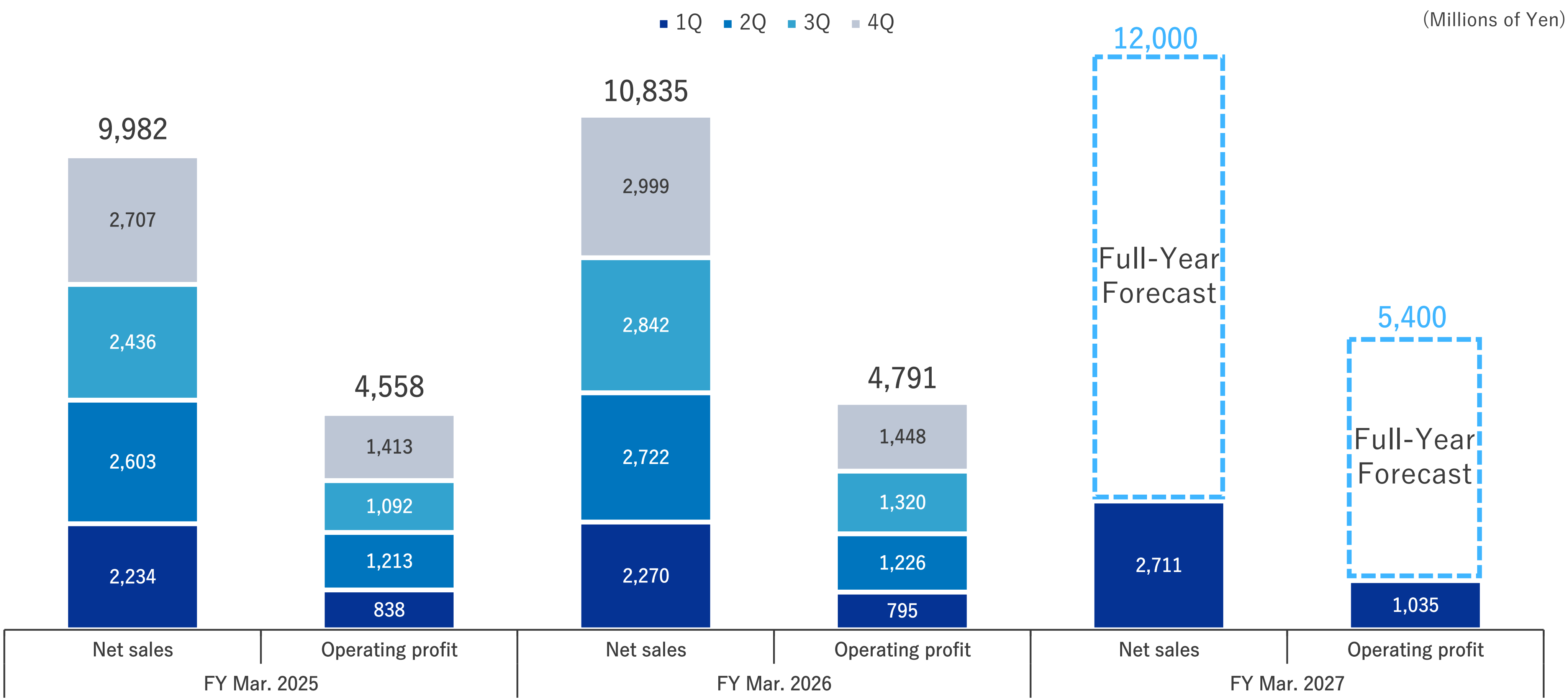
Enterprise sector market: Double-digit growth was achieved as demand for cloud-based security measures was captured.

Public sector market: The acquisition of projects for Phase 2 of the GIGA School Concept and central government projects drove significant growth.



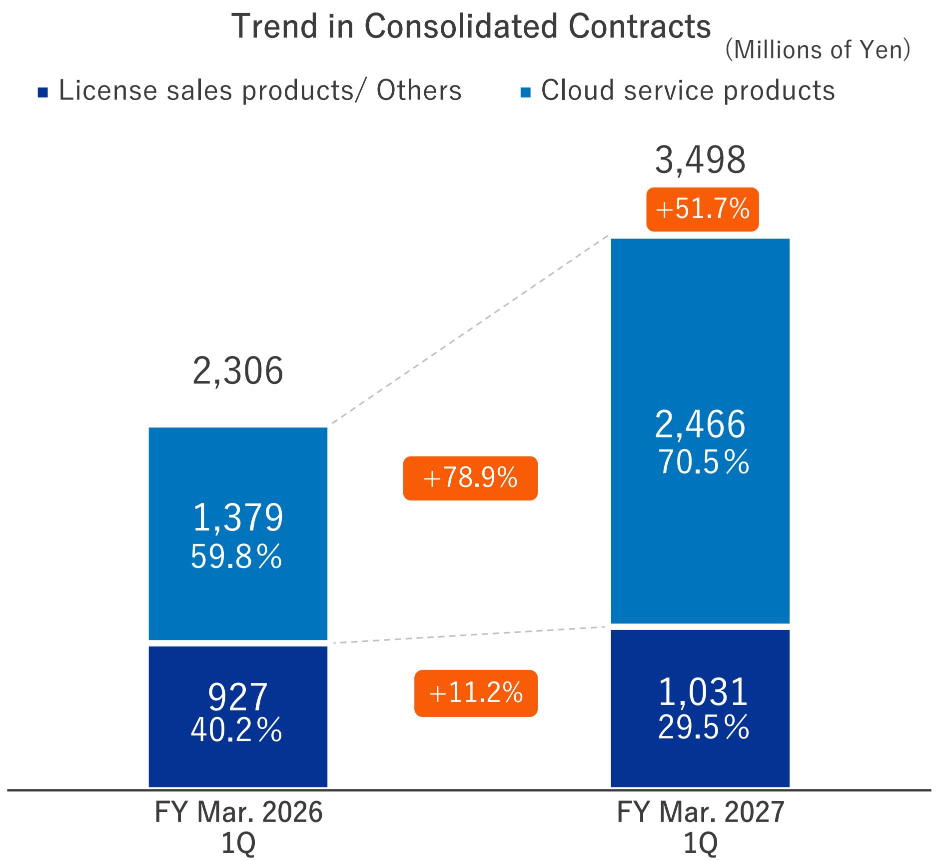


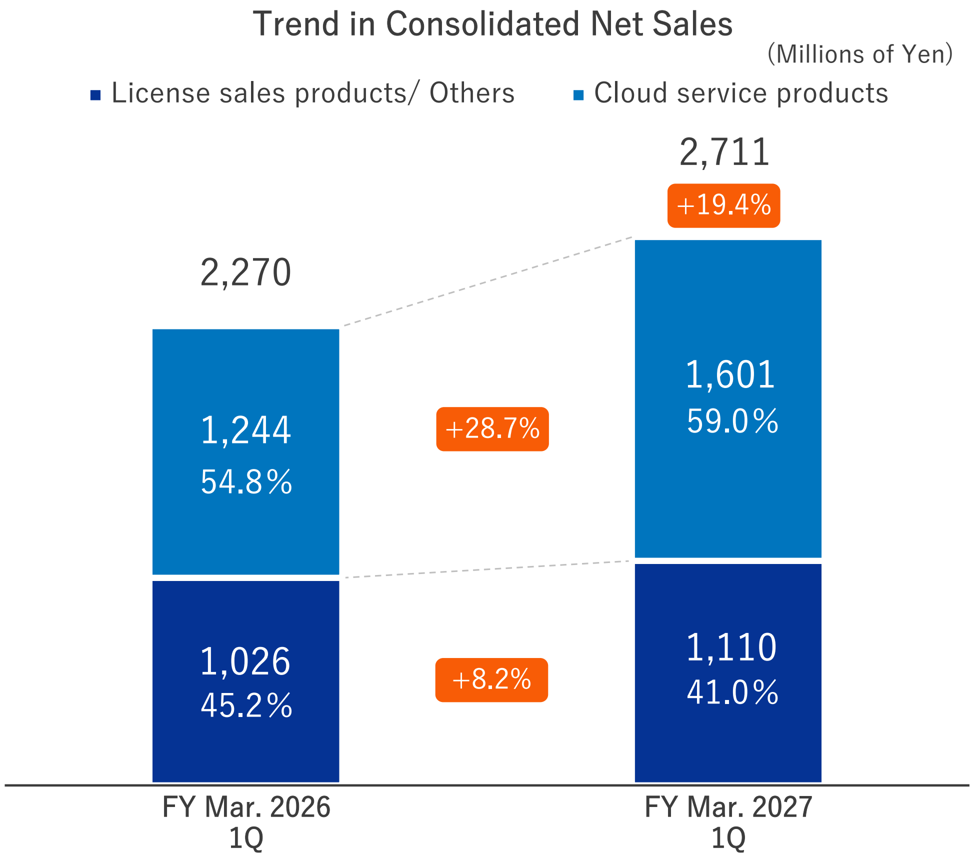
Trend in Consolidated Net sales, Operating profit



Provision Type Ratio in Consolidated Contracts and Consolidated Net Sales

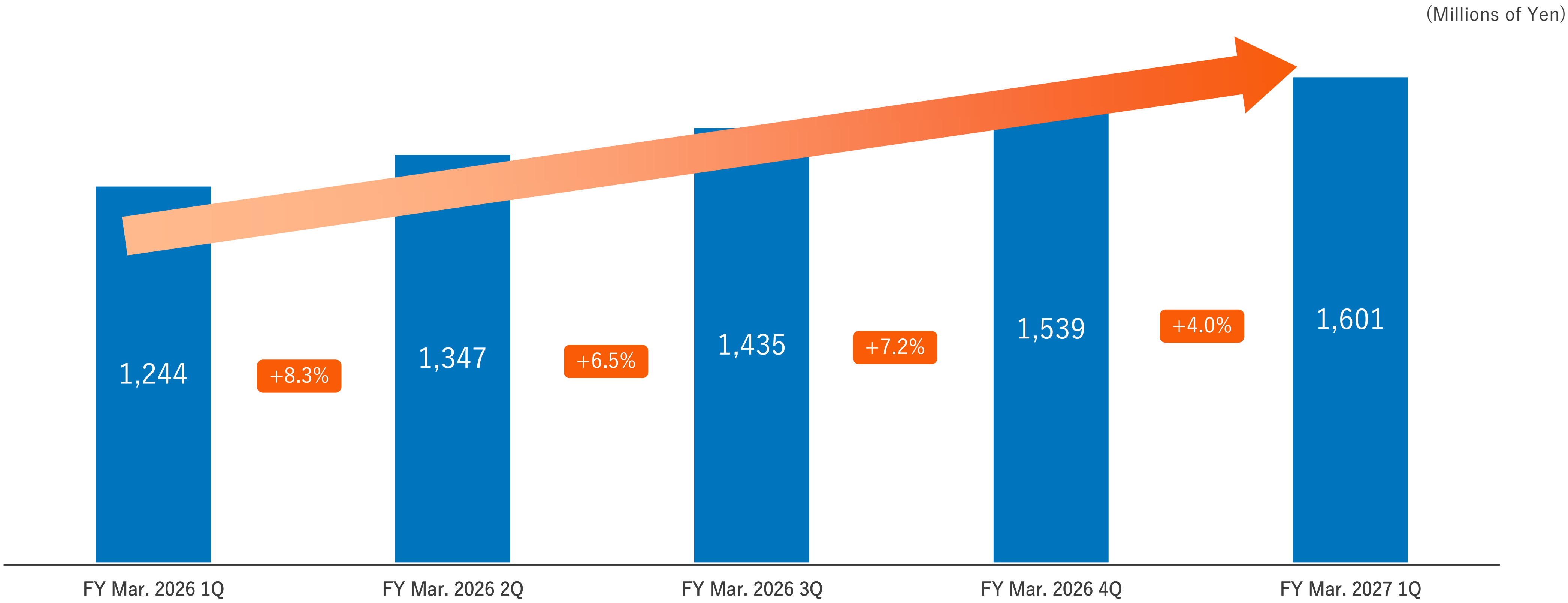
In both contracts and in net sales, the cloud service product ratio increased.





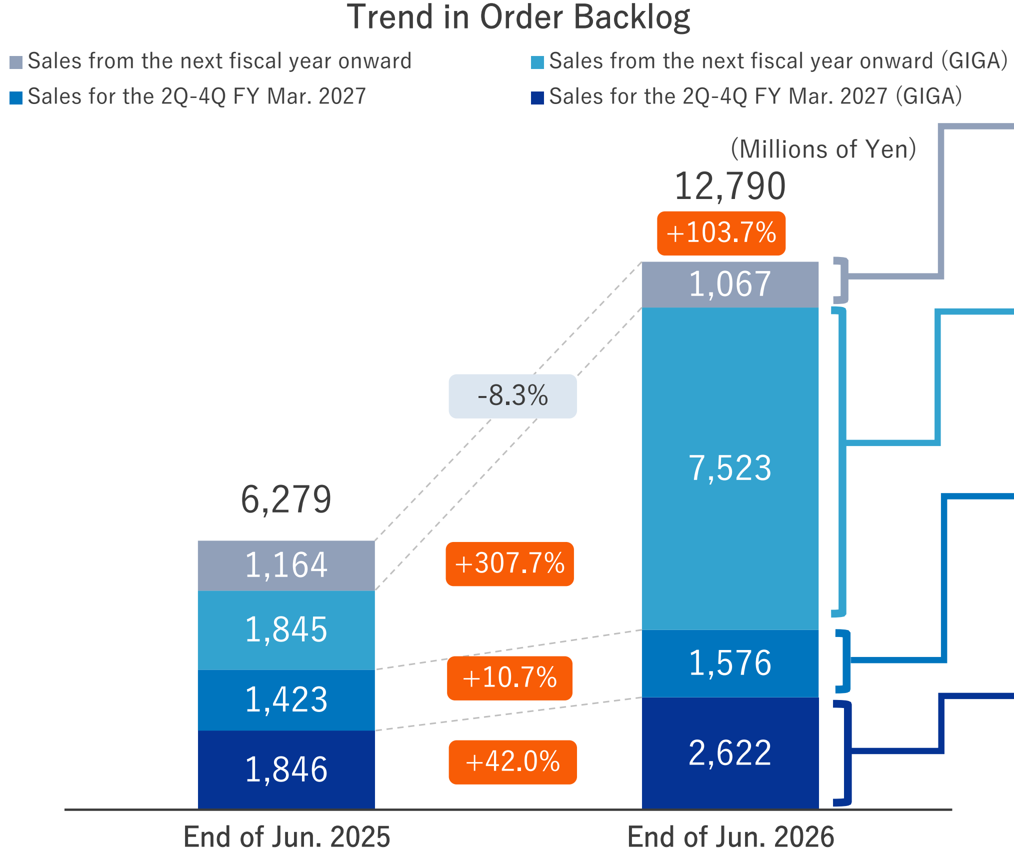
Quarterly Trend in Sales of Cloud Service Products

Sales of cloud service products reached a record high, and the recurring revenue base is expected to continue to expand.



Trend in Order Backlog

Contract balance grew significantly due to extremely strong orders for Phase 2 of the GIGA School Concept.



Sales from the next fiscal year onward

- The contract backlog decreased due to the recording of net sales from large-scale Next-Generation School Affairs DX projects for which orders were received in the previous year.

Sales from the next fiscal year onward (GIGA)

- The contract backlog increased significantly due to strong performance in orders received for projects for Phase 2 of the GIGA School Concept.

Sales for the 2Q-4Q FY Mar. 2027

- Net sales for the current fiscal year increased due to an increase in orders for corporate cloud service projects and Next-Generation School Affairs DX projects.

Sales for the 2Q-4Q FY Mar. 2027 (GIGA)

- Sales to be posted for the current fiscal year increased as a result of strong performance in orders received for projects for Phase 2 of the GIGA School Concept.

Consolidated Cost of Sales and Selling, General and Administrative Expenses

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Although cost of sales increased due to growth in the number of users of cloud service products and new product releases, the Group achieved a cost structure in line with the Company's expense plan by deploying AI to advance and streamline operations.

(Millions of Yen)

	FY Mar. 2026 1Q	FY Mar. 2027 1Q	Change YoY	Main Factors for Change
Cost of sales	739	949	+210	
Labor	284	306	+22	Increased due to greater investment in development personnel
Depreciation	204	253	+49	Increased due to higher software amortization following new product releases
Communication expenses	380	503	+123	Increased due to an increase in the number of cloud product users Note: Including the effect of foreign exchange rates (+18M)
Others	127	168	+40	Increased due to higher fees for AI tools and other services
Transfer to other accounts	-256	-281	-24	
Selling, general and administrative expenses	735	725	-9	
Personnel expenses	353	371	+17	Increased due to strengthening of sales and management departments
Advertising expenses	74	93	+18	Increased due to exhibiting at trade shows for the education sector
Others	307	261	-46	Decreased due to lower hiring expenses and a reduction in 30th anniversary-related expenses

Quarterly Trend in Consolidated Cost of Sales

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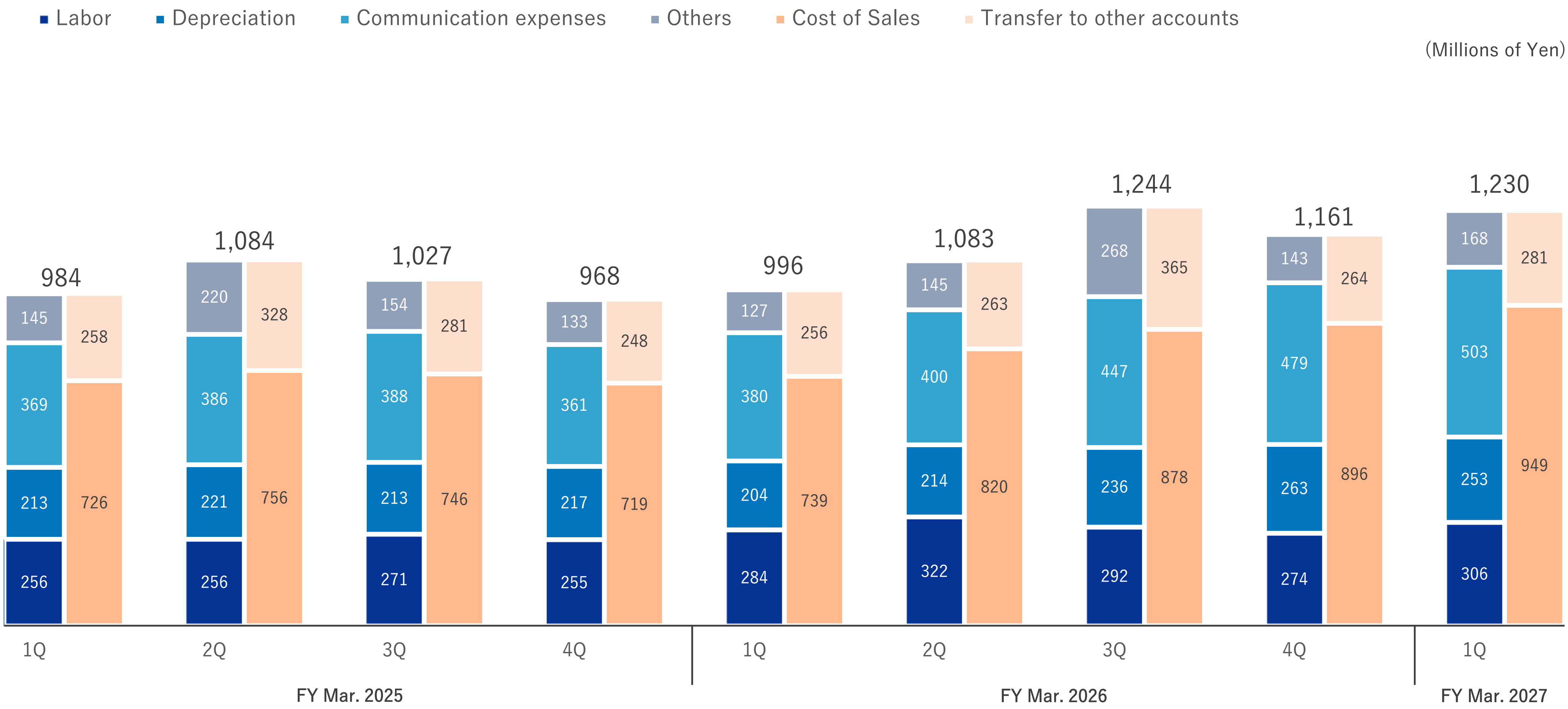
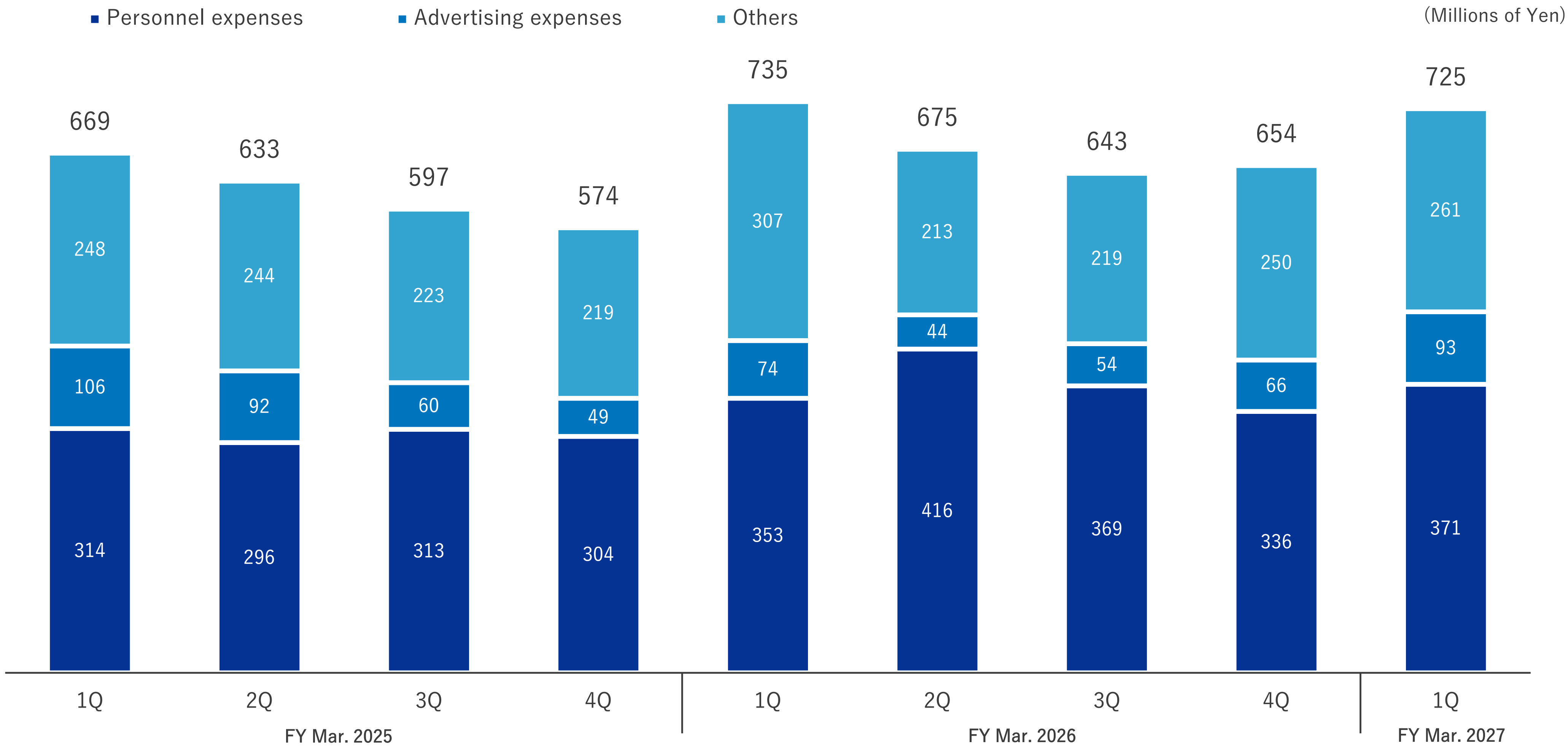


Quarterly Trend in Consolidated Selling, General and Administrative Expenses



Consolidated Balance Sheet

Advances received increased due to the significant growth in contracts.

(Millions of Yen)

	As of end of 1Q FY Mar. 2026	As of end of FY Mar. 2026	As of end of 1Q FY Mar. 2027	Change from end of FY Mar. 2026	Main Factors for Changes
Current assets	19,907	25,080	26,340	+5.0%	Increase in cash and deposit (+867M), increase due to funds deposited for treasury share buybacks (+699M)
(Cash and deposit)	18,431	23,083	23,950	+3.8%	Increased due to growth in orders
Non-current assets	2,537	2,784	2,834	+1.8%	Software (-80M), Software in progress (+92M)
Total assets	22,444	27,865	29,175	+4.7%	
Current liabilities	5,339	9,358	10,923	+16.7%	Advances received (+1,918M), Income taxes payable, etc. (-453M)
(Advances received)	4,291	7,800	9,718	+24.6%	Increased following a sharp increase in contracts for cloud service products
Non-current liabilities	52	52	52	-0.6%	
Equity capital	17,023	18,425	18,175	-1.4%	Treasury share buyback, etc. (-297M), Dividends paid (-672M), Profit (+718M)
Net assets	17,052	18,454	18,199	-1.4%	
Equity ratio	75.8%	66.1%	62.3%	-	Decreased due to share buybacks and dividends reducing equity, and higher advances received following contract growth.
ROE	3.2%	19.2%	3.9%	-	
ROA	2.5%	13.6%	2.5%	-	

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

02. Non-consolidated Results Highlights

Summary of Non-consolidated Results

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The Company achieved significant growth in both net sales and profit, driven by the acquisition of enterprise cloud projects, projects for Phase 2 of the GIGA School Concept, and central government projects, and supported by effective cost control.

(Millions of Yen)

	FY Mar. 2026 1Q	FY Mar. 2027 1Q	Change YoY	FY Mar. 2027 Full-Year Forecast*1
Contracts	2,304	3,498	+51.8%	13,500
Net Sales	2,268	2,711	+19.5%	12,000
Cost of Sales	738	949	+28.6%	3,823
Gross profit	1,529	1,761	+15.2%	8,176
Selling, general and administrative expenses	733	724	-1.2%	2,768
Operating profit	796	1,037	+30.2%	5,408
Operating margin(%)	35.1%	38.3%	-	45.1%
Ordinary profit	808	1,062	+31.5%	5,513
Profit	558	720	+29.1%	3,775

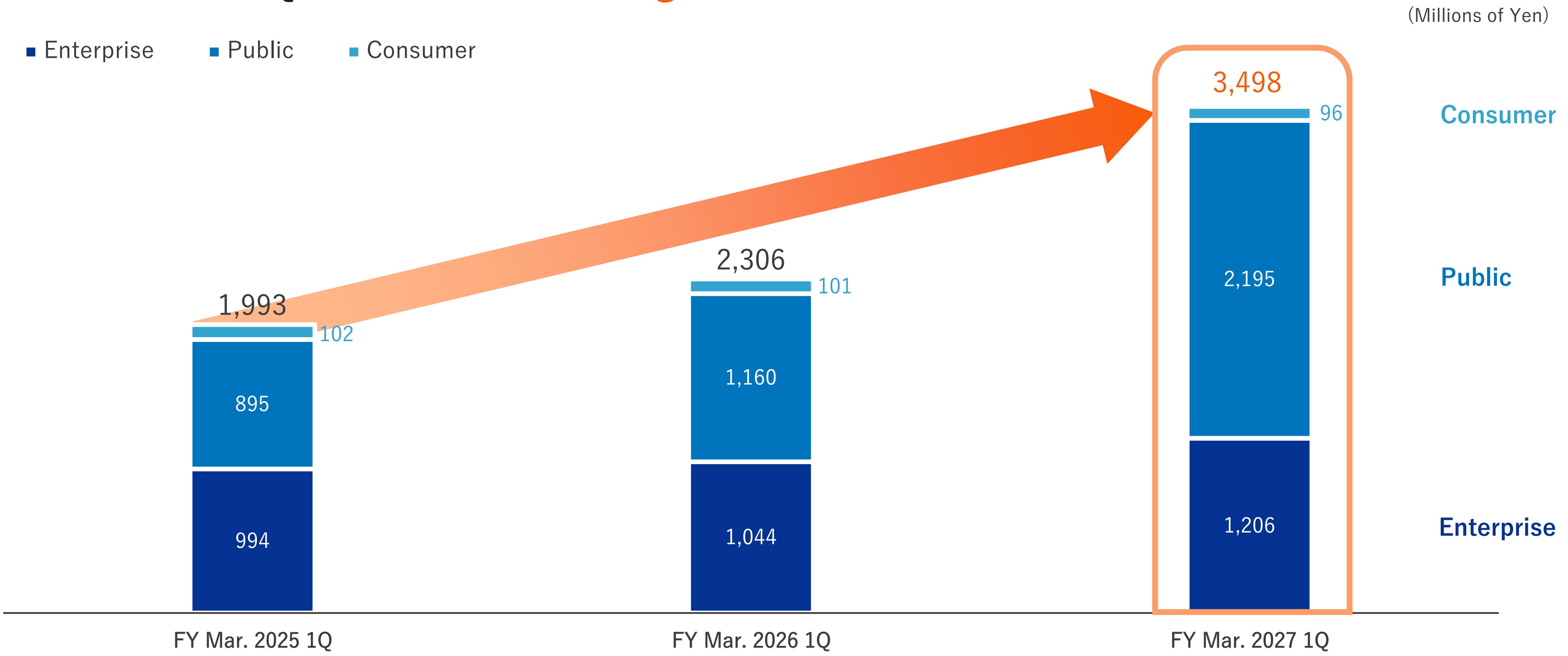
*1: Financial Forecast is the non-consolidated financial forecast announced on May 7, 2026.

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

03. Status of Each Market and Product

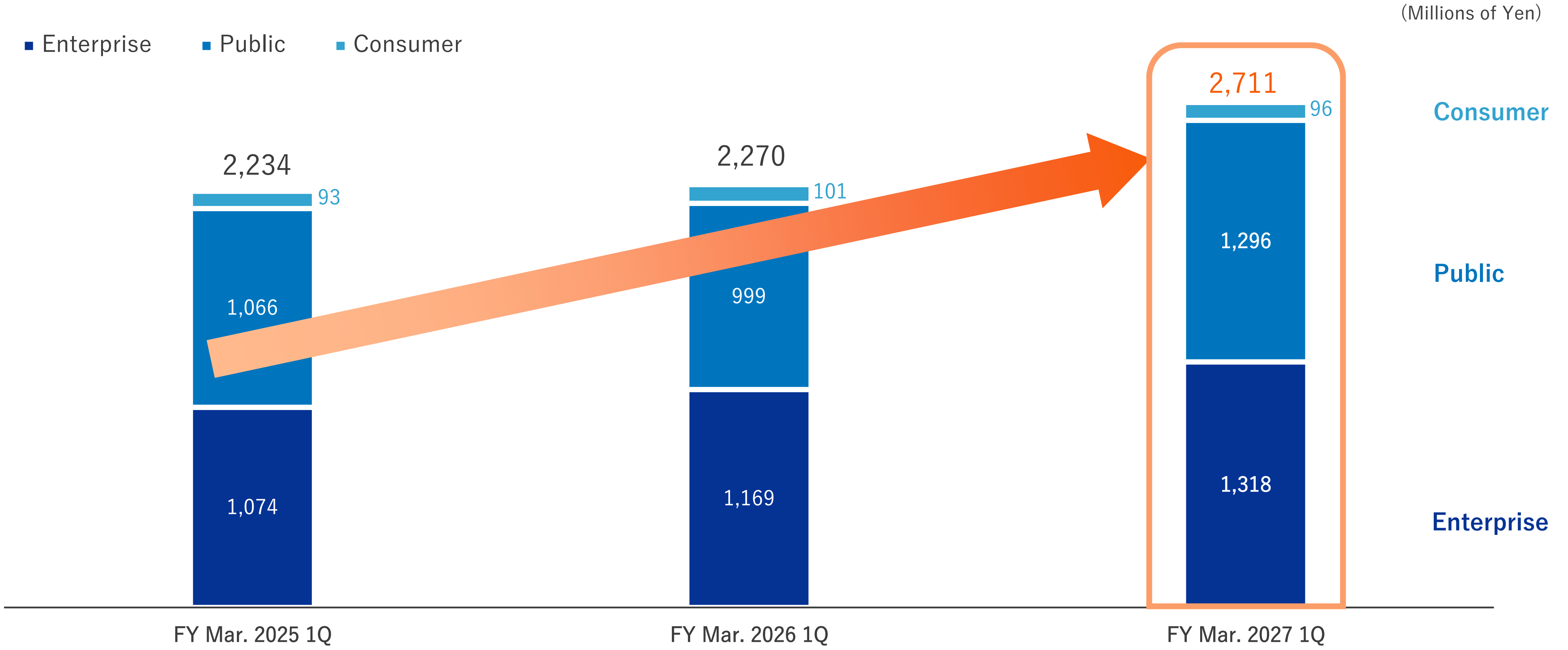
Trend in Consolidated Contracts by Market

Contracts for 1Q reached a record high.



Trend in Consolidated Net Sales by Market

Net sales for 1Q reached a record high.



Enterprise Sector Market

Contracts and Net Sales in Market by Product

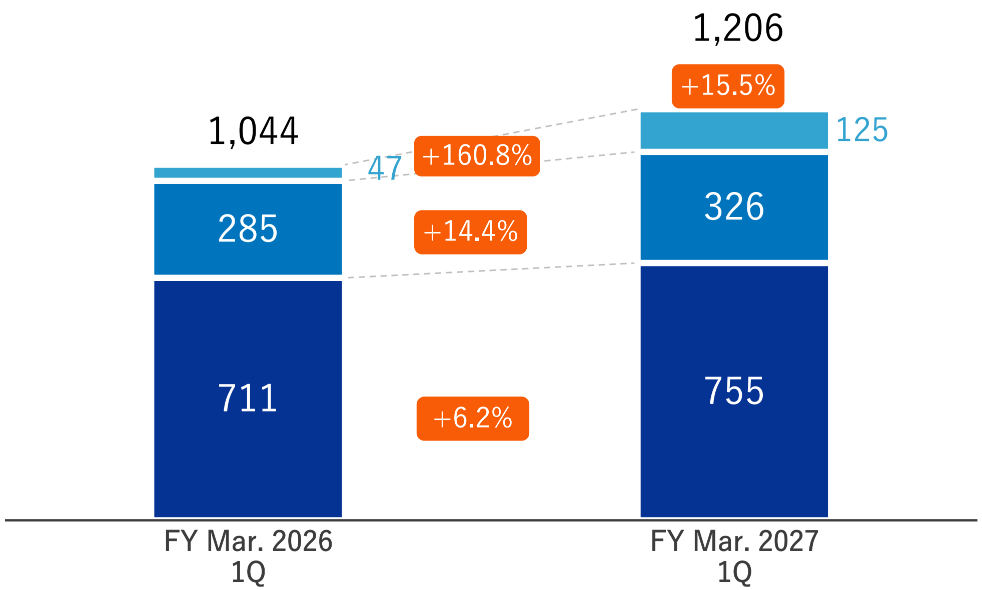
i-FILTER: In addition to web access security measures, demand is growing for managing the use of generative AI and unapproved cloud services.

m-FILTER: Measures to replace PPAP served as a catalyst, driving both combined adoption with inbound email security solutions and migration to cloud services.

Other products: Z-FILTER is capturing demand for integrated security management and emerging as a new growth driver.

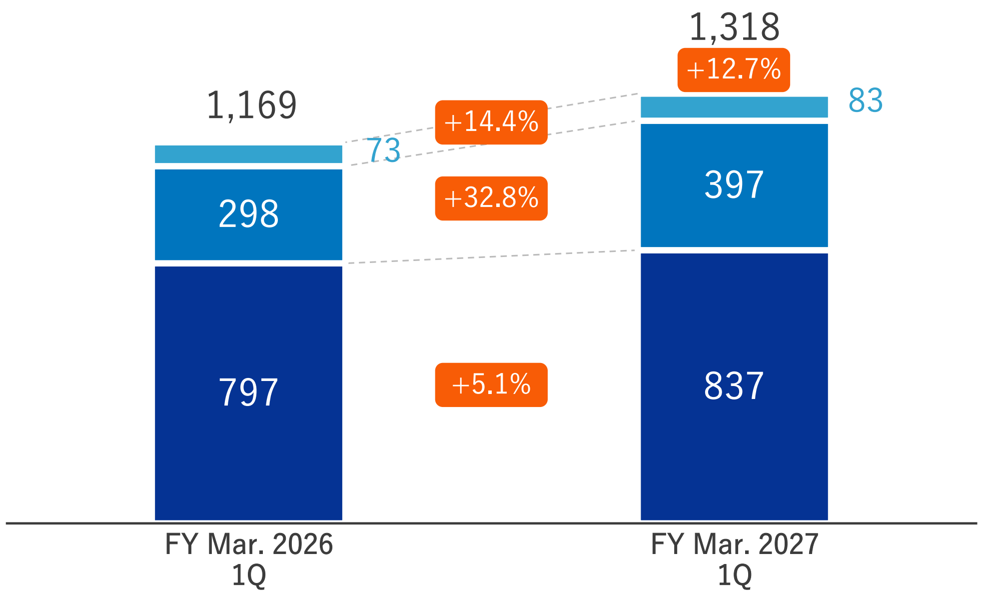
Market Contracts Trends by Product (Millions of Yen)

▪ i-FILTER series ▪ m-FILTER series ▪ Other products



Market Net Sales Trends by Product (Millions of Yen)

▪ i-FILTER series ▪ m-FILTER series ▪ Other products



Public Sector Market

Contracts and Net Sales in Market by Product

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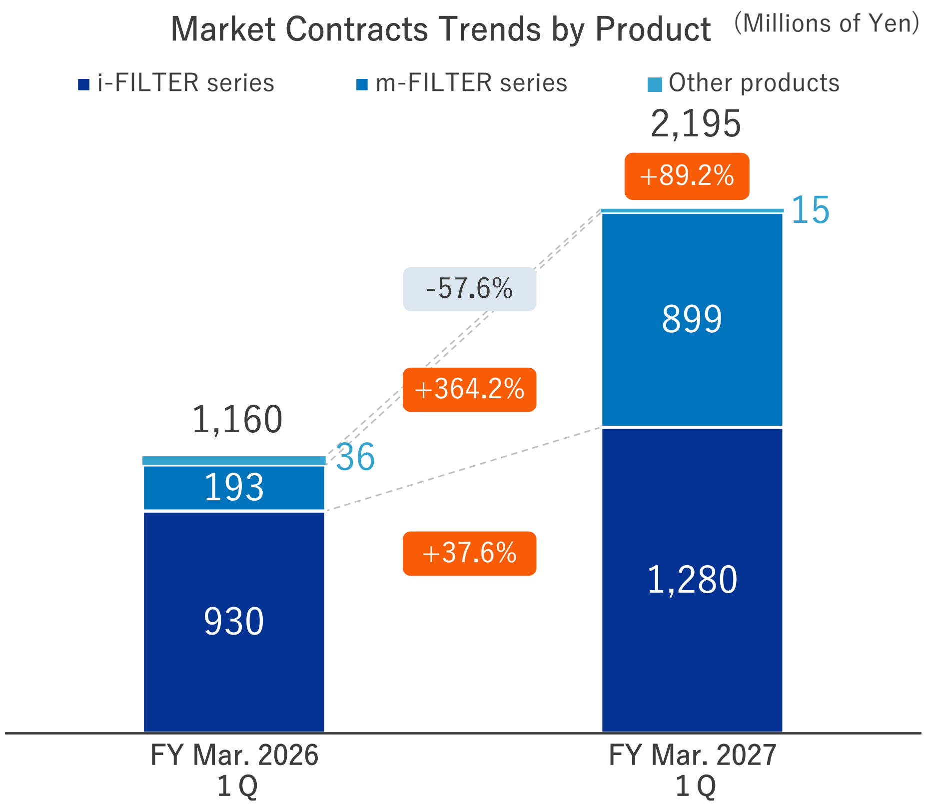
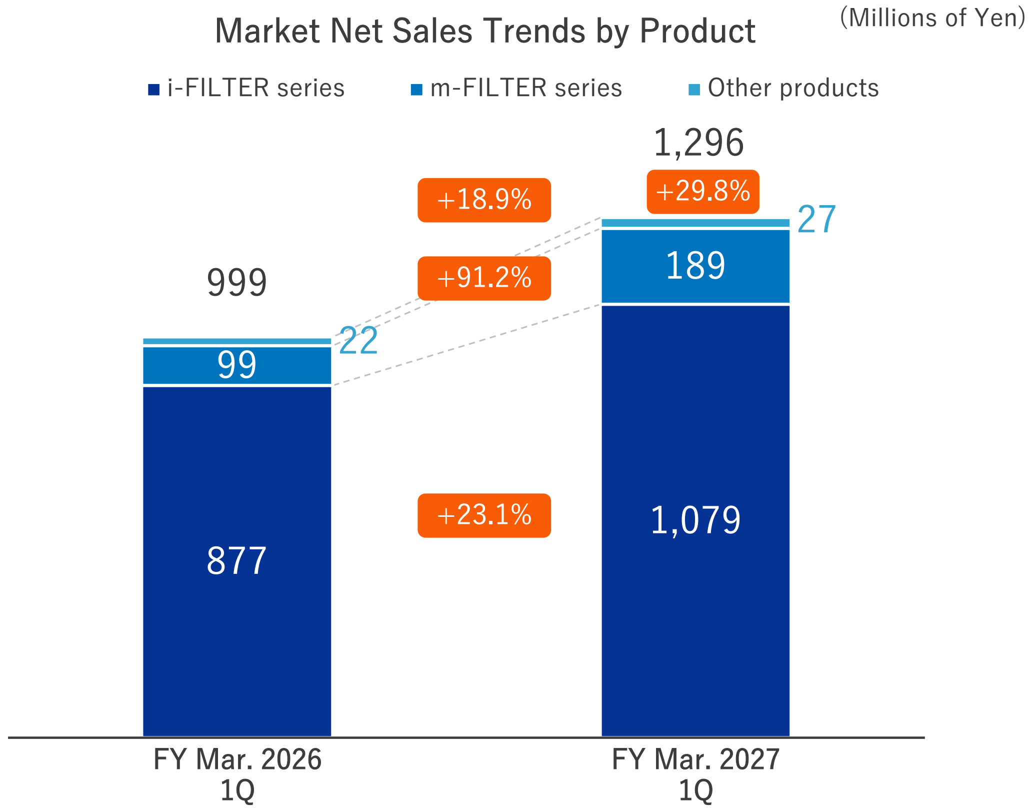
i-FILTER: Projects for Phase 2 of the GIGA School Concept drove growth, with progress also made in acquiring projects in the education sector.

m-FILTER: In addition to acquiring central government projects, the Group captured demand for Security Improvements for Local Governments, expanding its business in the government sector.

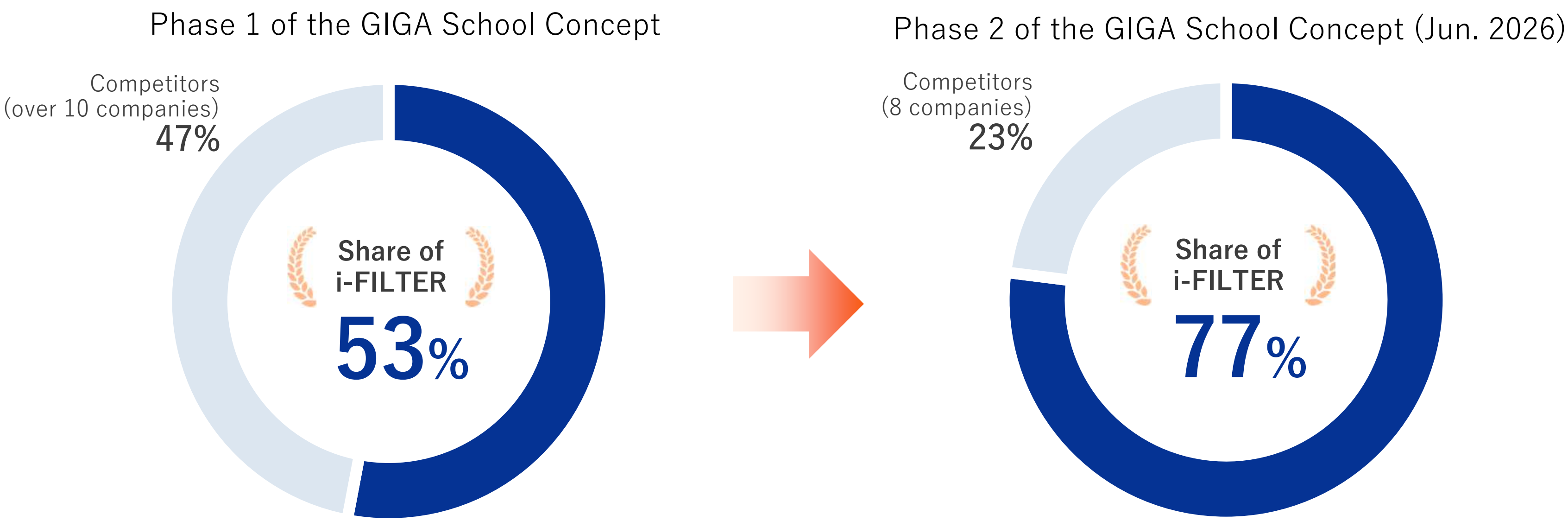




Progress of the GIGA School Concept

Despite intensifying competition, i-FILTER secured a 77% market share under the GIGA School Concept. Order unit prices in 1Q FY Mar. 2027 were also more than 30% higher than in Phase 1.

Introduction of filtering under the GIGA School Concept*1



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

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

04. FY03/27 Initiatives

Product Lineup

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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

File

File encryption and remote deletion solutions

FINAL CODE
FINAL CODE@Cloud

Data protection and file transfer services

f-FILTER

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

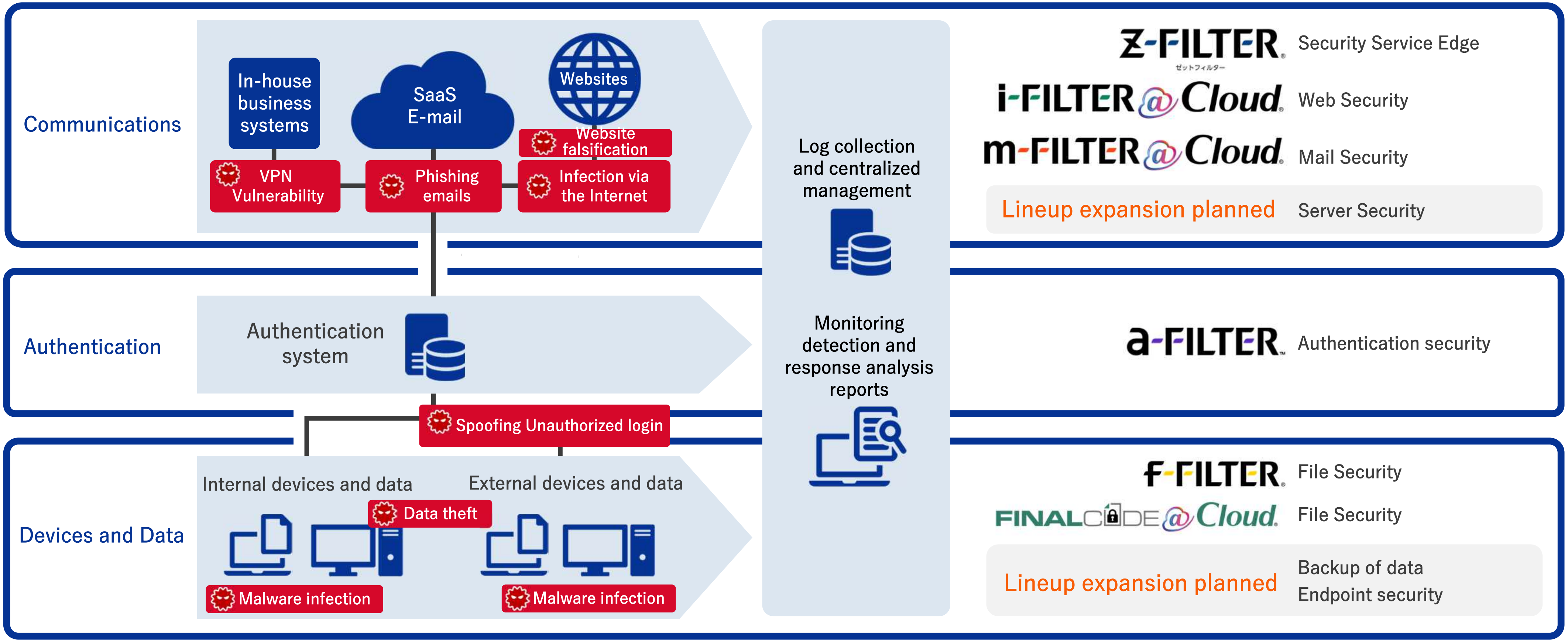
ISMAP registration
of cloud products in all areas offered to enterprises*

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.

* Z-FILTER's ISMAP registration application is being prepared.

Response to Cybersecurity Policies

To adapt to cybersecurity policies, including the Security Measures Evaluation System to Strengthen Supply Chains, the Company will address any areas where its current solutions are insufficient through in-house development or in collaboration with other companies.



Recurring Revenue Model and Revenue Base

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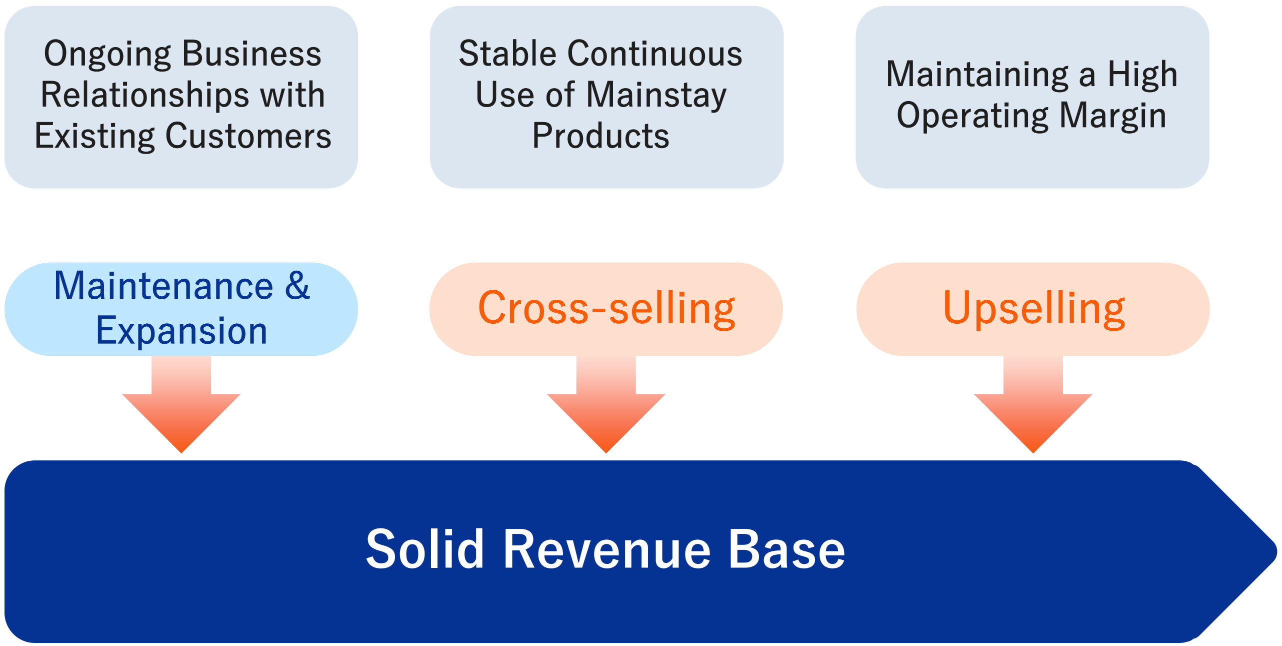
Absorbing short-term fluctuations in project timing while strengthening the stable revenue base through ongoing relationships with existing customers, continued use, and cross-selling

Revenue Structure



Number of White Operation Users

Number of White Operation users

15.07 million

0 reports of malware infection*1

i-FILTER Ver.10

m-FILTER Ver.5

Z-FILTER ゼットフィルター

*1: The number of reports on damage due to malware infection from users of Z-FILTER, i-FILTER Ver. 10, m-FILTER Ver. 5, i-FILTER@Cloud and m-FILTER@Cloud as of June 2026 (Source: Digital Arts)

White Operation
-our unique model for security measures

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Conventional security measures mainly involve "detection and response" based on the premise of being attacked. However, as cyber attacks become more sophisticated and it becomes increasingly difficult to completely prevent damage using conventional approaches, companies now need to prevent 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	Find and intercept malicious communications	Allow only trusted communications
Security Perspective	Based on post-damage response	Designed to essentially prevent damage
Learning Data	Build detection models based on attack logs	Created by the Company based on reliable sources of information The Company distributes the whitelist database to users (to reduce their person-hours)
Order of Defense Measures	Detect and respond after a breach	Eliminate access itself in the stages prior to a breach
Risk Tolerance	Assumption that a certain amount of damage is inevitable	Emphasis on proactive defense aiming for zero damage

Demonstrating the Value of "White Operation" in the AI Era

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Conventional Security Measures

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.

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.

The Company's AI-Related Patent Portfolio

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Technology Foundation for AI-Related Solutions

Patent Applications: 8	AI Security: 5	AI Utilization: 3	Patents Granted: 3

Summary of Patents and Patent Applications

Input Evaluation ③	Output Editing ①	Response Validation ④	Usage Support ②⑤⑥	Monitoring & Shutdown ⑦⑧
Evaluate inappropriate input Block or edit responses	Edit inappropriate responses Hide content and display reasons	Compare multiple AI outputs to verify accuracy	Suggestions and restrictions Generate applications and schedules	Monitor AI operations Stop upon detecting anomalies

③ Filed Dec. 27, 2024
Patent Granted
Evaluation of data entered by users and control of responses
Patent No. 7826448

① Filed Aug. 16, 2023
Patent Granted
Editing AI responses and blocking access
Patent No. 7598424

④ Filed Aug. 27, 2025
Verification of accuracy through comparison of multiple AI outputs

② Filed Aug. 16, 2023
Patent Granted
History- and location-based action recommendations
Patent No. 7836283

⑤ Filed Oct. 30, 2025
Rejection or restriction of AI suggestions and instructions

⑥ Filed Oct. 31, 2025
Automatic generation of applications and schedules from work records

⑦ Filed Mar. 24, 2026
AI operation monitoring, human authentication, and log monitoring

⑧ Filed Apr. 15, 2026
Forced shutdown of AI operations

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

05. FY03/27 Status of Measures

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, secure a larger market share regarding projects for the Third-Phase Local Government Information Security Enhancement initiative for local governments and increase the order unit prices
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

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

Digital Arts Inc. ⇄ Sales agents ⇄ End users

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

Digital Arts Inc. ↔ Sales agents

Digital Arts Inc. ↕ End users

Sales agents ↕ End users

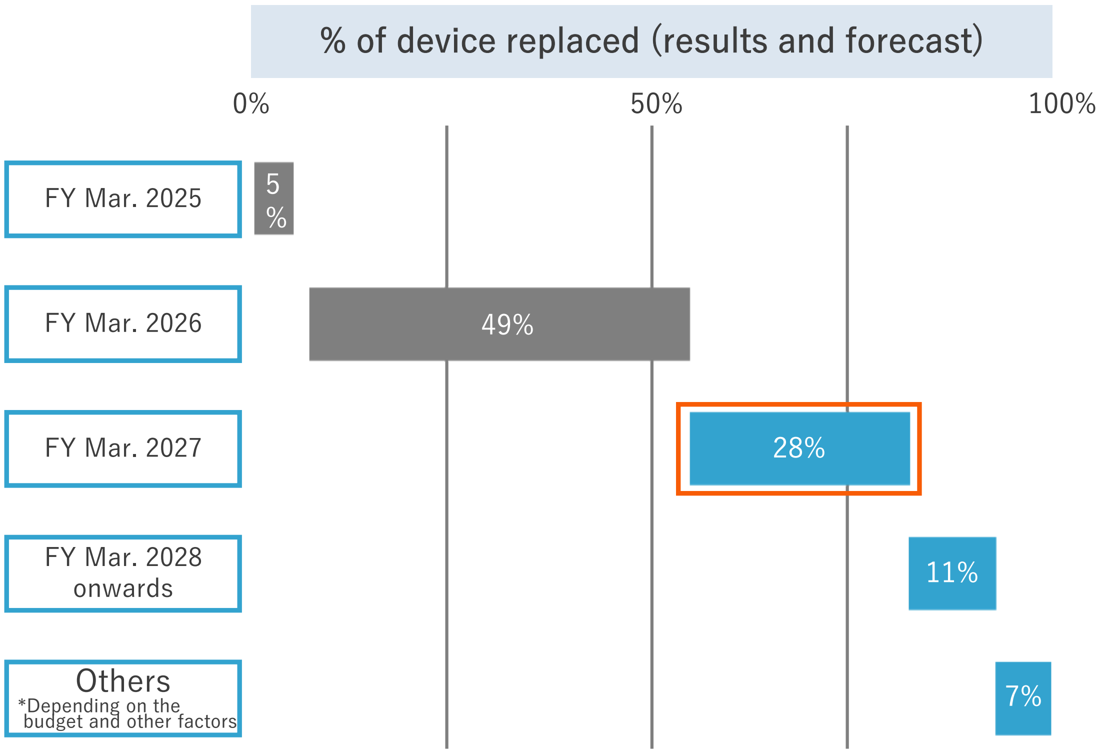
Reciprocal relationships

The Company's sales staff will directly propose solutions to corporate customers, as they do to GIGA School Concept customers, to enhance their understanding of customers and increase their sales and development capabilities. The knowledge obtained from direct proposals will be shared with sales agents to strengthen partner sales as well.

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



Device Replacement Timing

POINT

- It is projected that nearly 28% of all of the boards of education will renew their contracts for GIGA School devices in FY March 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 have introduced free filtering products in FY March 2026 to maximize earning 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.

Advancement and Streamlining of Operations Using AI Internally

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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.

Development
- Coding support
- Creation of specifications
- Organization of technical information

Sales and marketing
- Preparation of materials for proposals
- Production of meeting minutes and videos
- Lead scoring

Advancement of operations in the AI era

Management
- Operations for different applications and approvals
- Labor management
- Accounting operations, etc.

Support
- Accumulation of knowledge for responses
- Generation of responses

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

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

06. FY03/27 Full-Year Financial Forecast

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

The Group expects that by increasing sales of new products, investing in human resources and enhancing products, net sales and operating profit will increase as it meets the growing demand for security and new governance-related demand following the increase in the utilization of AI.

(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%	

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

DigitalArts

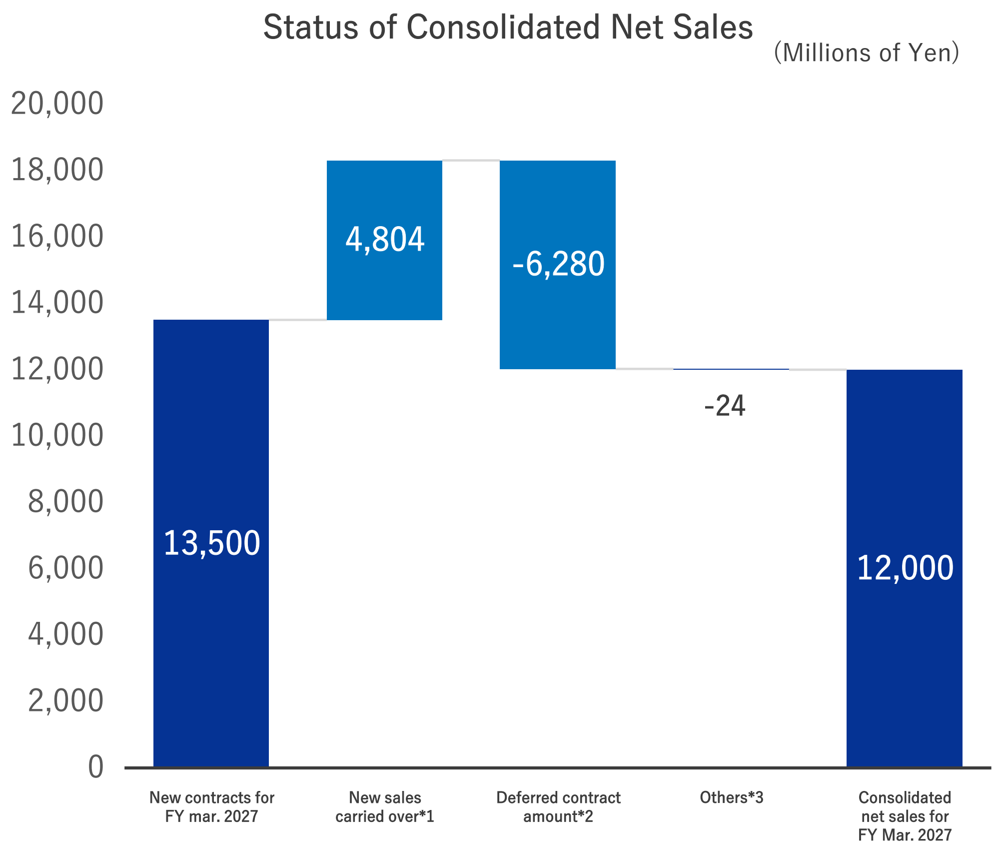
The Group expects that by increasing sales of new products, investing in human resources and enhancing products, net sales and operating profit will increase as it meets the growing demand for security and new governance-related demand following the increase in the utilization of AI.

(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%	

Status of Consolidated Net Sales

Consolidated net sales are forecast as follows:



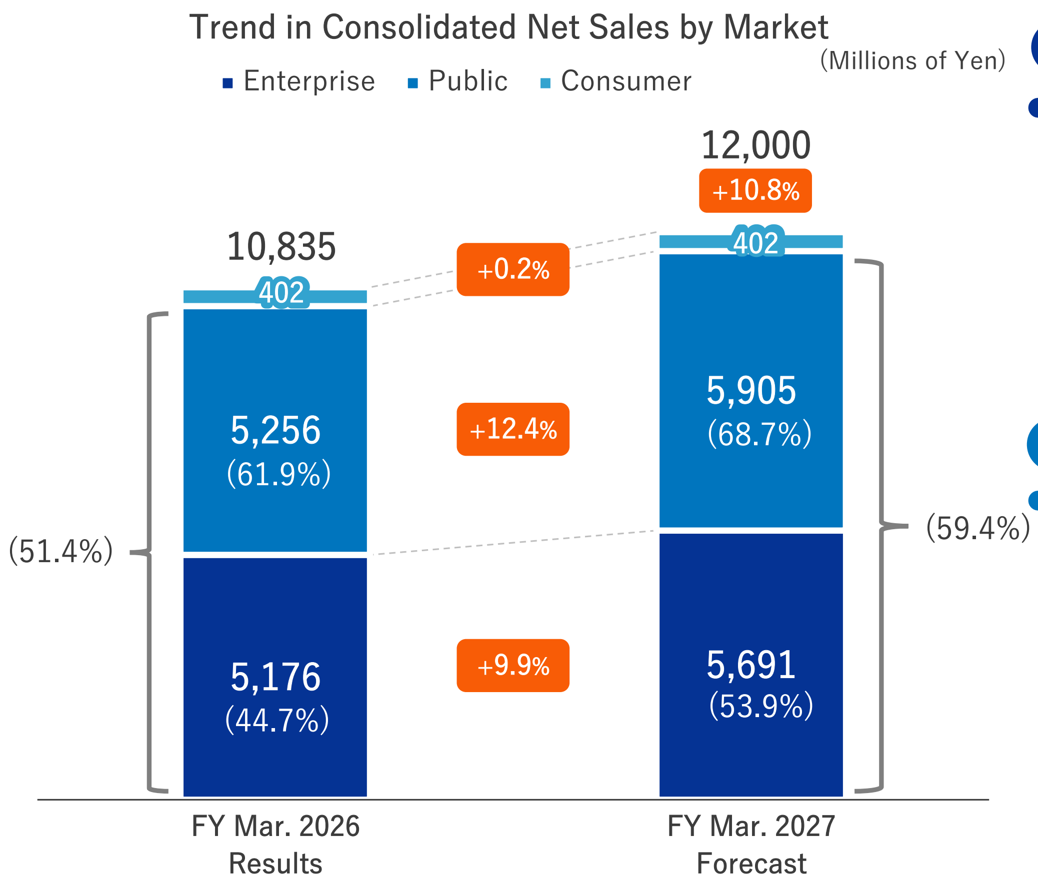
Net sales for the current fiscal year

- 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 (contract backlogs)
*3:Sales returns and sales at overseas subsidiaries

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 due to it stepping up its high-touch sales to directly understand the issues faced by customers and working 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.

Consolidated Cost of Sales and Selling, General and Administrative Expenses

DigitalArts

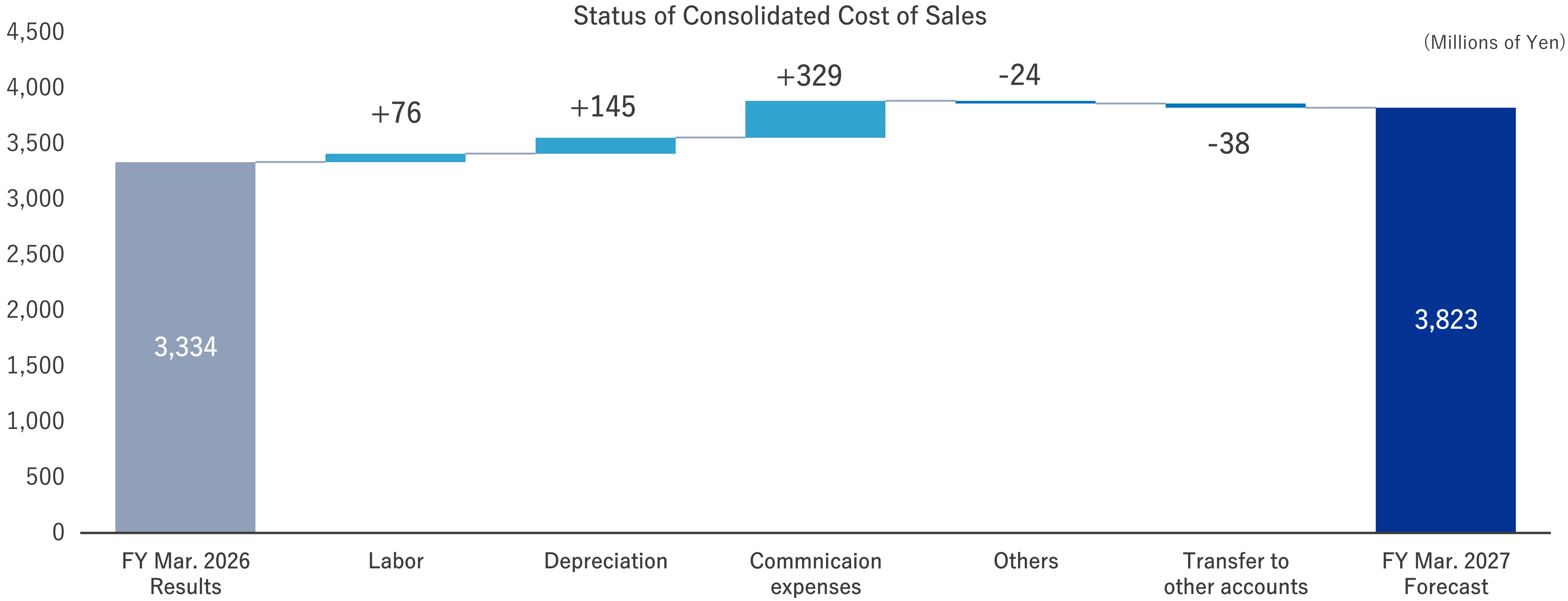
The Group will continue to build a foundation in the enterprise sector market and invest in growth to accelerate implementation in the AI era. It is projected that the cost of sales and selling, general and administrative expenses will increase, chiefly because of the increase in development personnel,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

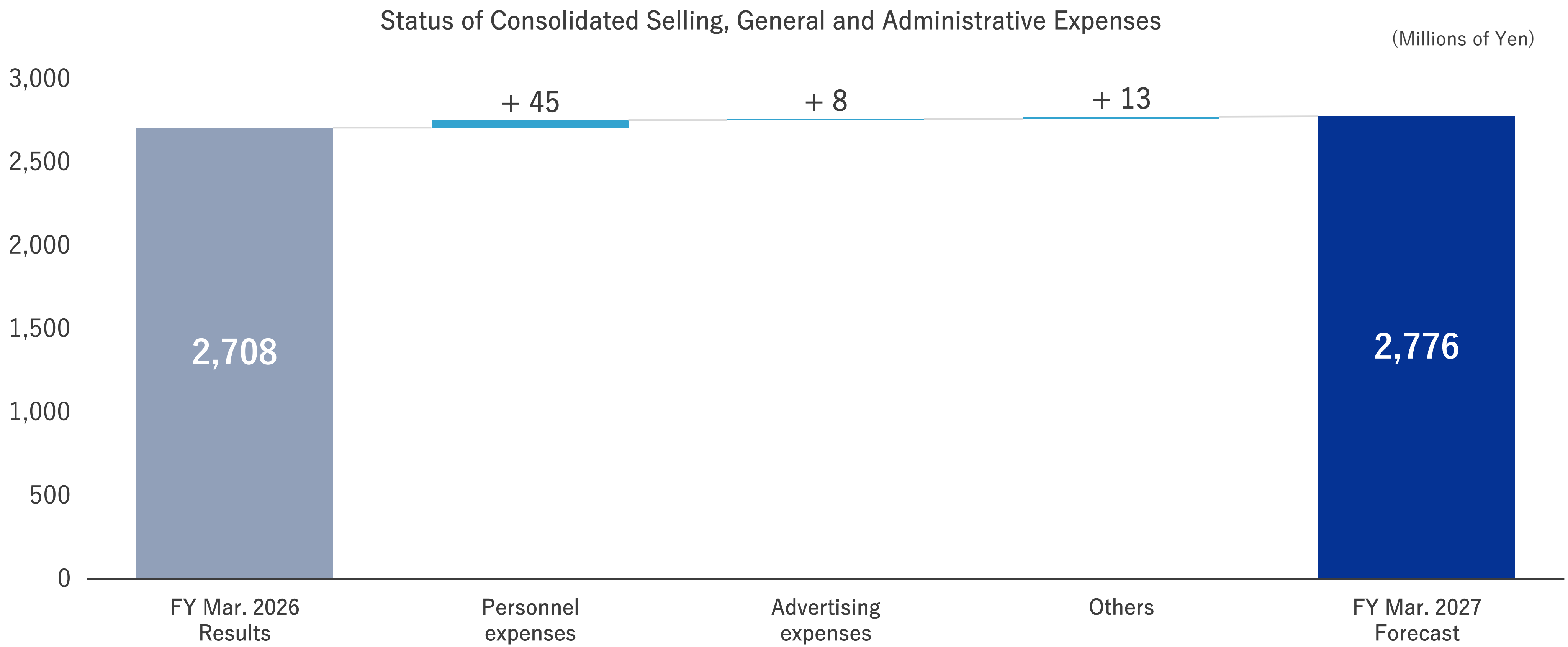
Status of Consolidated Cost of Sales

Depreciation is expected to increase due to investment in personnel for new product and feature development and software development and improvement. Communication expenses are expected to increase as the number of cloud service product users grows.



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.



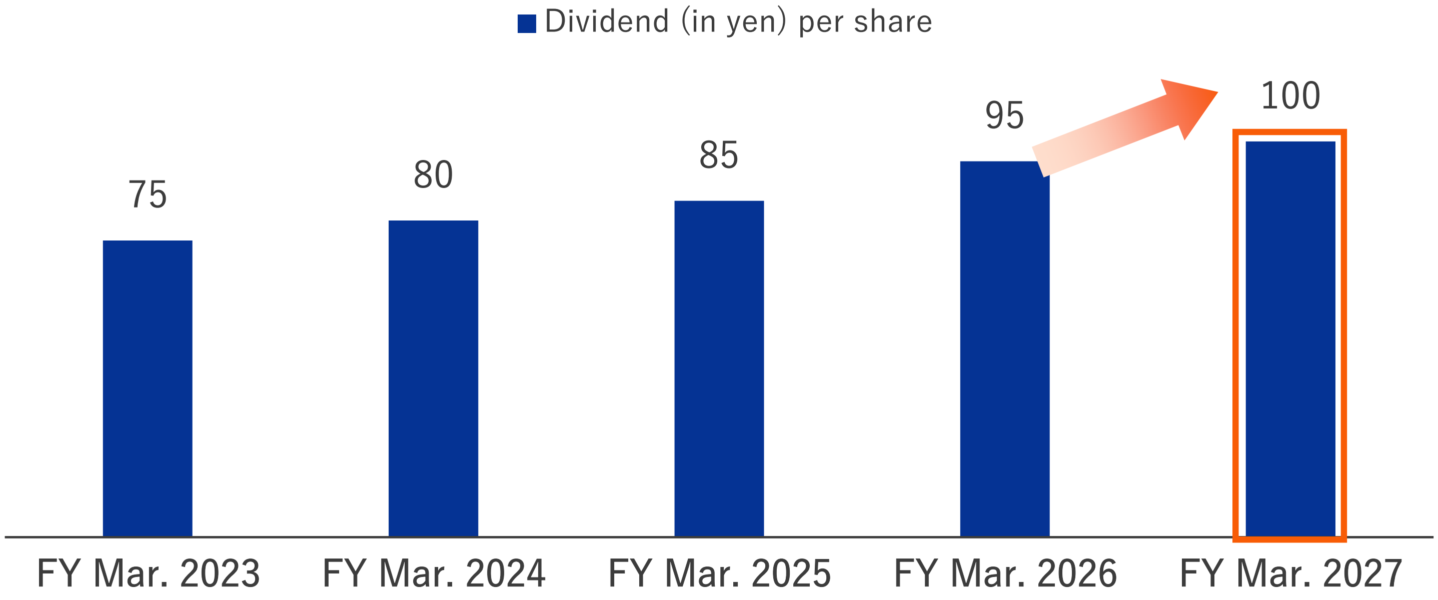
Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2027

07. FY03/27 Return to Shareholders

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	● We will purchase treasury shares flexibly in consideration of the trends in our performance and the stock market and other factors.



Amount of treasury shares purchased (Estimate)	FY Mar. 2023	FY Mar. 2024	FY Mar. 2025	FY Mar. 2026	FY Mar. 2027
	500 million yen	930 million yen	740 million yen	1,130 million yen	1,000 million yen + Flexible purchase of treasury shares

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.

- For internet convenience, safety and security -