July 31, 2026

Consolidated Financial Results for the Three Months Ended June 30, 2026 (Under Japanese GAAP)

Company name: Digital Arts Inc.
Listing: Tokyo Stock Exchange
Securities code: 2326
URL: https://www.daj.jp/
Representative: Toshio Dogu Representative Director, President and CEO
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Scheduled date to commence dividend payments: -
Preparation of supplementary materials on financial results:Yes
Holding of financial results briefing: None

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

1. Consolidated financial results for the three months ended June 30, 2026 (from April 1, 2026 to June 30, 2026)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2026	2,711	19.4	1,035	30.2	1,060	31.5	718	29.2
June 30, 2025	2,270	1.6	795	(5.2)	806	(4.8)	556	(4.9)

Note: Comprehensive income For the three months ended June 30, 2026: ¥ 718 million [29.5%]
For the three months ended June 30, 2025: ¥ 555 million [(5.5) %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2026	53.53	52.70
June 30, 2025	40.97	40.09

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2026	29,175	18,199	62.3	1,359.76
March 31, 2026	27,865	18,454	66.1	1,370.52

Reference: Equity
As of June 30, 2026: ¥ 18,175 million
As of March 31, 2026: ¥ 18,425 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, 2026	-	45.00	-	50.00	95.00
Fiscal year ending March 31, 2027	-				
Fiscal year ending March 31, 2027 (Forecast)		50.00	-	50.00	100.00

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

Note: Breakdown of the second-quarter-end dividend for the fiscal year ended March 31, 2026 :

Ordinary dividend 40.00 yen

Special dividend for 30th anniversary commemoration 5.00 yen

3. Consolidated financial results forecast for the fiscal year ending March 31, 2027 (from April 1, 2026 to March 31, 2027)

(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	12,000	10.8	5,400	12.7	5,505	13.7	3,770	10.0	280.45

Note: Revisions to the financial result forecast most recently announced: None

*** 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 quarterly consolidated financial statements: Yes

(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 June 30, 2026	14,133,000 shares
As of March 31, 2026	14,133,000 shares

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

As of June 30, 2026	766,615 shares
As of March 31, 2026	689,215 shares

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

Three months ended June 30, 2026	13,423,299 shares
Three months ended June 30, 2025	13,573,930 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

Table of Contents for the Attached Document

1. Overview of Business Results, etc.

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

During the first three months of the consolidated fiscal year under review (from April 1, 2026 to June 30, 2026), cyberattack methods continued to grow more sophisticated and diverse in the security industry in which the Digital Arts Group (the “Group”) operates. These included phishing scams, spoofed emails impersonating executives and business partners, and unauthorized access originating from stolen authentication information. In addition, as the business use of cloud services and generative AI expands, important challenges include protecting devices used outside the office and at multiple locations, managing the use of unapproved cloud services and generative AI services, and strengthening security governance across corporate groups.

Under these circumstances, in the final year of its Medium-Term Management Plan (fiscal year ended March 31, 2025 through fiscal year ending March 31, 2027), the Group focused on three priority areas: the growth of security business, the expansion of public sector market share, and the strengthening of sales and development teams supporting high-touch sales. The Group worked to grow its mainstay products, monetize new products, strengthen enterprise sales initiatives, and acquire projects in the public and education sectors.

In the enterprise sector market, i-FILTER expanded the areas of demand it addresses by capturing demand for managing the use of unapproved cloud services and generative AI services, in addition to measures against phishing and unauthorized access. Starting from measures to replace PPAP, m-FILTER contributed to contract acquisition as combined adoption with inbound security measures against spam and spoofed emails impersonating executives and business partners and migration to cloud-based email environments progressed. The new Z-FILTER product captured demand for integrated security management, with progress in project creation and order acquisition contributing to growth in contracts. In sales activities, the Group promoted packaged proposals in cooperation with sales partners and strengthened high-touch sales to existing end users. The Group created around 400 customer touchpoints, around 30% of which developed into new projects, making steady progress in strengthening sales and product capabilities based on customer needs.

In the public sector market, the Group maintained a high share of orders for projects for Phase 2 of the GIGA School Concept despite intensifying competition by continuously following up with existing customers and enhancing product features in line with the needs of educational settings. Order unit prices also increased compared with Phase 1 of the GIGA School Concept, contributing to growth in contracts. In addition, the Group utilized the customer base established through the GIGA School Concept to pursue projects in the education sector, including Next-Generation School Affairs DX. The Group also acquired central government projects and advanced product enhancements and proposal activities for the third round of security improvements for local governments.

Many of the projects that drove growth in contracts involved cloud service products. Because net sales are recognized over the contract period, growth in net sales was more moderate than growth in contracts. Meanwhile, the order backlog for cloud service products increased significantly, expanding the foundation for future net sales and recurring revenue.*

In terms of expenses, cost of sales increased due to communication expenses associated with the growth in the number of cloud service product users, software amortization following new product releases, and labor costs associated with the strengthening of the development structure. Selling, general and administrative expenses decreased year on year, despite increases in personnel investment and advertising expenses related to participation in trade shows, due to lower recruitment expenses and a decrease in 30th anniversary-related expenses incurred in the previous fiscal year.

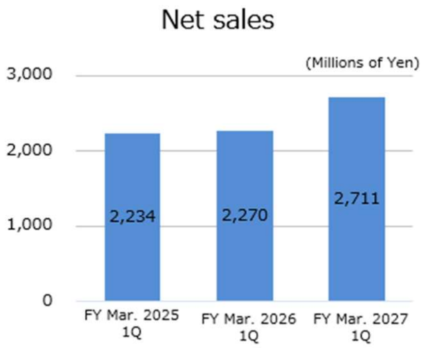
As a result, contracts for the first three months of the consolidated fiscal year under review reached 3,498 million yen (up 51.7% year on year), net sales amounted to 2,711 million yen (up 19.4% year on year), operating profit was 1,035 million yen (up 30.2% year on year), ordinary profit came to 1,060 million yen (up 31.5% year on year), and profit attributable to owners of parent was 718 million yen (up 29.2% year on year).

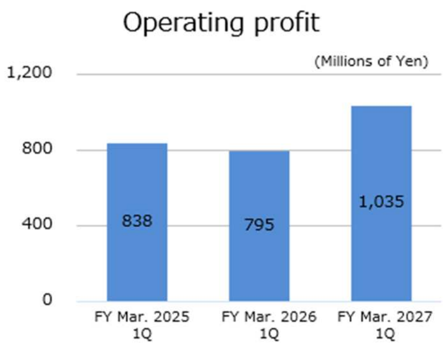
* For on-premises products sold as licenses, most of the contracted amount is generally recognized as net sales in a lump sum at the time of shipment. In contrast, net sales from cloud service products are generally recognized on a monthly prorated basis over the service period in accordance with the revenue recognition standard.

Overview of Consolidated Financial Results

(Millions of Yen)

	FY Mar. 2026 1Q	FY Mar. 2027 1Q	Change	% Change (%)
Contracts	2,306	3,498	+1,191	+51.7
Net sales	2,270	2,711	+440	+19.4
Operating profit	795	1,035	+240	+30.2
Ordinary profit	806	1,060	+254	+31.5
Profit attributable to owners of parent	556	718	+162	+29.2





Business performance by market was as follows.

Enterprise Sector Market

In the enterprise sector market, i-FILTER expanded the areas of demand it addresses by capturing demand for appropriately managing the use of unapproved cloud services and generative AI services, in addition to measures against phishing and unauthorized access. Starting from measures to replace PPAP, combined adoption of m-FILTER with inbound security measures against spam and spoofed emails impersonating executives and business partners progressed. m-FILTER also captured demand for migration to cloud services amid the shift of email servers to the cloud, contributing to contract acquisition.

In addition, the new Z-FILTER product captured demand for integrated security management across corporate groups and multiple locations, with progress in project creation and order acquisition. It is emerging as a new growth driver, contributing to growth in contracts through increased order acquisition. In sales activities, the Group promoted packaged proposals with sales partners and strengthened high-touch sales to end users. Through direct dialogue with existing customers, the Group identified latent security issues and created new projects by linking these needs to proposals for new products, upselling, cross-selling, and cloud migration. The Group also promoted initiatives centered on i-FILTER and Z-FILTER to comprehensively control and visualize generative AI inputs, outputs, and usage, enabling the secure use of generative AI in business operations.

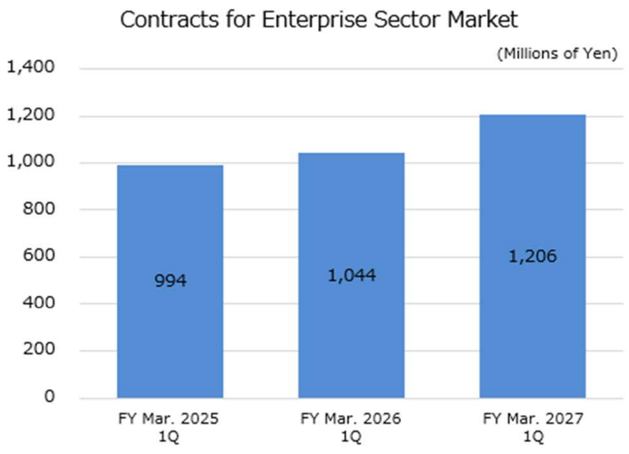
As a result, contracts in the enterprise sector market reached 1,206 million yen (up 15.5% year on year), and net sales amounted to 1,318 million yen (up 12.7% year on year).

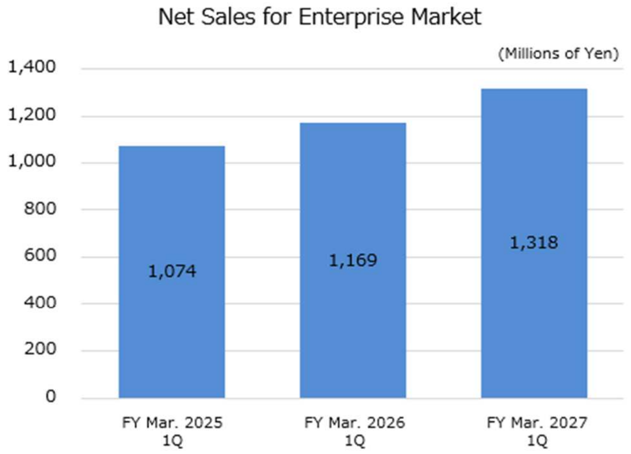
Public Sector Market

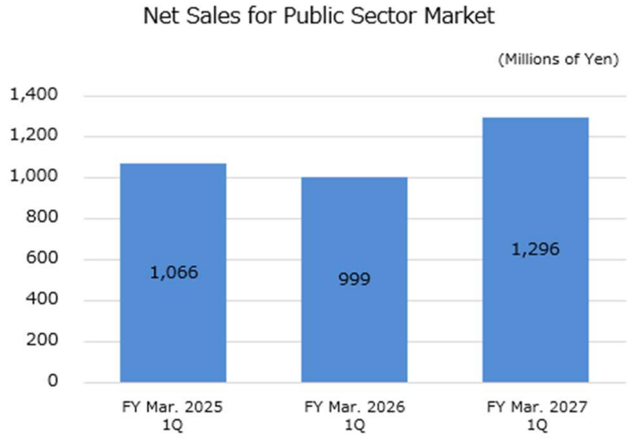
In the public sector market, the acquisition of projects for Phase 2 of the GIGA School Concept drove growth. The Group maintained a high share of orders despite intensifying competition by continuously following up with existing customers and enhancing product features in line with the needs of educational settings. Order unit prices also increased compared with Phase 1 of the GIGA School Concept, contributing to growth in contracts. In addition, the Group utilized the customer base established through the GIGA School Concept, making progress in acquiring projects in the education sector, including Next-Generation School Affairs DX. Through participation in education-related trade shows, the Group promoted products and solutions for the secure use of student devices and enhanced security in school administration environments to boards of education and school personnel, further increasing awareness.

In the government sector, the Group acquired central government projects and captured demand associated with the third round of security improvements for local governments, expanding its project coverage among government institutions. The Group continued to enhance product features and conduct proposal activities to acquire future projects. Meanwhile, many projects driving growth in contracts involved cloud service products. Because net sales are recognized over the contract period, net sales increased year on year but grew more moderately than contracts.

As a result, contracts in the public sector market reached 2,195 million yen (up 89.2% year on year), and net sales amounted to 1,296 million yen (up 29.8% year on year).







Consumer Sector Market

In the consumer sector market, amid continued phishing scams impersonating financial institutions and online retailers, the Group strengthened new proposal activities for i-Filter 10 to address personal security needs, including preventing access to dangerous websites. However, demand in existing sales channels was lower than in the same period of the previous fiscal year, resulting in year-on-year declines in contracts and net sales.

As a result, contracts in the consumer sector market totaled 96 million yen (down 5.1% year on year), and net sales amounted to 96 million yen (down 5.4% year on year).

(2) Overview of financial position for the first three months of the consolidated fiscal year under review

(Assets)

Total assets at the end of the first three months of the consolidated fiscal year under review increased 1,310 million yen from the end of the previous fiscal year to 29,175 million yen. This was due mainly to an increase of 867 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the first three months of the consolidated fiscal year under review increased 1,564 million yen from the end of the previous fiscal year to 10,975 million yen. This was due mainly to an increase of 1,918 million yen in advances received.

(Net assets)

Net assets at the end of the first three months of the consolidated fiscal year under review decreased 254 million yen from the end of the previous fiscal year to 18,199 million yen. This was mainly because dividends paid and purchases of treasury shares exceeded the increase in retained earnings resulting from the recording of profit attributable to owners of parent.

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

Operating results for the first three months of the consolidated fiscal year under review remained steady overall, and there was therefore no change in the forecast of consolidated financial results for the fiscal year ending March 31, 2027 announced on May 7, 2026.

The Company has determined the results forecasts based on information available on the date of publication of these financial results. Actual results may differ from the forecasts due to a variety of factors. If any significant changes occur, the Company will disclose them appropriately.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2026	As of June 30, 2026
Assets		
Current assets		
Cash and deposits	23,083	23,950
Notes and accounts receivable - trade	1,548	1,350
Finished goods	0	0
Supplies	0	1
Other	446	1,037
Total current assets	25,080	26,340
Non-current assets		
Property, plant and equipment	265	298
Intangible assets		
Software	1,912	1,831
Other	96	188
Total intangible assets	2,008	2,020
Investments and other assets	511	515
Total non-current assets	2,784	2,834
Total assets	27,865	29,175
Liabilities		
Current liabilities		
Accounts payable - trade	25	18
Income taxes payable	814	360
Provision for bonuses	152	85
Advances received	7,800	9,718
Other	566	739
Total current liabilities	9,358	10,923
Non-current liabilities		
Asset retirement obligations	49	49
Other	3	2
Total non-current liabilities	52	52
Total liabilities	9,410	10,975
Net assets		
Shareholders' equity		
Share capital	713	713
Capital surplus	957	957
Retained earnings	20,323	20,369
Treasury shares	(3,589)	(3,886)
Total shareholders' equity	18,405	18,154
Accumulated other comprehensive income		
Foreign currency translation adjustment	19	20
Total accumulated other comprehensive income	19	20
Share acquisition rights	29	24
Total net assets	18,454	18,199
Total liabilities and net assets	27,865	29,175

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

For the Three-Month Period

(Millions of yen)

	For the three months ended June 30, 2025	For the three months ended June 30, 2026
Net sales	2,270	2,711
Cost of sales	739	949
Gross profit	1,531	1,761
Selling, general and administrative expenses	735	725
Operating profit	795	1,035
Non-operating income		
Interest income	5	22
Gain on forfeiture of unclaimed dividends	0	0
Foreign exchange gains	3	1
Miscellaneous income	1	0
Total non-operating income	11	25
Non-operating expenses		
Miscellaneous losses	0	0
Total non-operating expenses	0	0
Ordinary profit	806	1,060
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	806	1,060
Income taxes	250	342
Profit	556	718
Profit attributable to owners of parent	556	718

Quarterly Consolidated Statement of Comprehensive Income

For the Three-Month Period

(Millions of yen)

	For the three months ended June 30, 2025	For the three months ended June 30, 2026
Profit	556	718
Other comprehensive income		
Foreign currency translation adjustment	(1)	0
Total other comprehensive income	(1)	0
Comprehensive income	555	718
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	555	718

(3) Notes to Quarterly Consolidated Financial Statements

(Application of special accounting methods for preparing quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax-effect accounting to profit before income taxes for the fiscal year, including the first quarter, and multiplying profit before income taxes by the estimated effective tax rate.

(Notes on segment information, etc.)

Segment information

First three months of fiscal 2026 (from April 1, 2025 to June 30, 2025) and first three months of fiscal 2027 (from April 1, 2026 to June 30, 2026)

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

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

There are no applicable matters.

(Notes on the premise of a going concern)

There are no applicable matters.

(Notes on statement of cash flows)

The quarterly consolidated statement of cash flows was not prepared for the first three months under review. Depreciation (including amortization of intangible assets) for the first three months under review is as follows.

	For the three months ended June 30, 2025 (From April 1, 2025 to June 30, 2025)	For the three months ended June 30, 2026 (From April 1, 2026 to June 30, 2026)
Depreciation	217 million yen	271 million yen