



**Consolidated Financial Results
for the First Half of the Fiscal Year
Ending March 31, 2021**
(From April 1, 2020 to September 30, 2020)

Supplementary Material
October 30, 2020

Digital Arts Inc.
(Securities Code: 2326)

Item

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**Supplementary Material on Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2021**

Key Points

(1) Contracts and net sales for the first half hit record high

Contracts leaped considerably, specifically 43.7% year on year, to 3,748 million yen. Consolidated net sales rose by 12.2% year on year to 3,101 million yen.

* Reasons for the disparity in the increase between contracts and net sales are explained in the Supplement.

- In the enterprise sector market, teleworking rapidly increased as a means of addressing COVID-19. Sales of the i-FILTER series, which provides secure access to websites irrespective of location or situation, grew.
- In the public sector market, sales of the i-FILTER series surged because of the GIGA School Concept.
- Digital Arts Consulting (DAC), a subsidiary offering security consulting services, achieved steady growth.

(2) Operating profit for the first half also achieved a record high

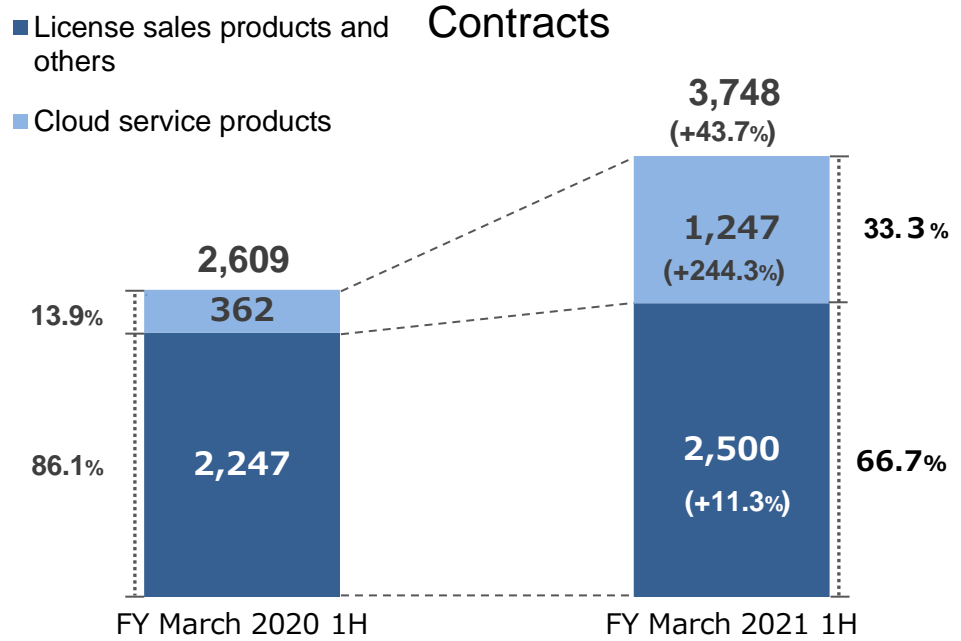
Operating profit was up 19.5% to 213 million yen after cost of sales rose 245 million yen (up 38.9%) and SG&A expenses dropped 121 million yen (down 11.7%) year on year.

- The rise in the cost of sales resulted from a hike in labor expenses following the increase in consultants at DAC.
- SG&A expenses contracted after the cancellation of events and the shift to working from home.

(Million yen)

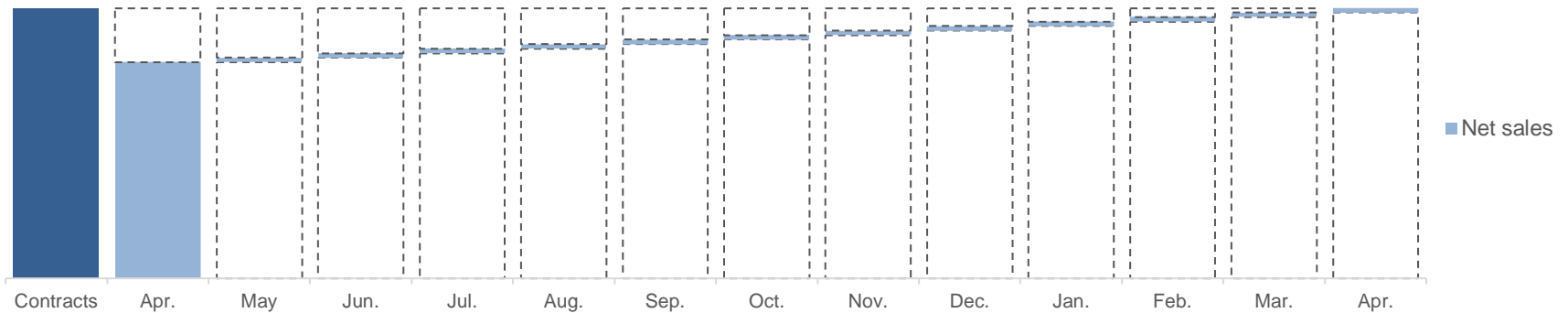
	FY March 2020 1H	FY March 2021 1H	Change	% Change
Contracts	2,609	3,748	1,139	+43.7%
Net sales	2,764	3,101	337	+12.2%

- Contracts obtained in the first half **raised 1,139 million yen or 43.7% year on year.**
- Net sales for the first half **rose 337 million yen or 12.2% year on year.**
- The disparity in the increase between contracts and net sales is explained by a massive rise in the percentage of total contracts that contracts for cloud service products accounted for, **from 13.9% for the first half of previous fiscal year to 33.3% for the same period of the fiscal year under review.**
- The method for posting sales differs between the two categories of products. For license sales products, **a large part of the contract amount is recorded as sales in a lump at the time of contract.** For cloud service products, **recorded sales are apportioned on a monthly basis throughout the contract period.**
- **Recorded sales within a short period are smaller** for cloud service products than for license sales products, **and the amount of the contract that is deferred is larger.**



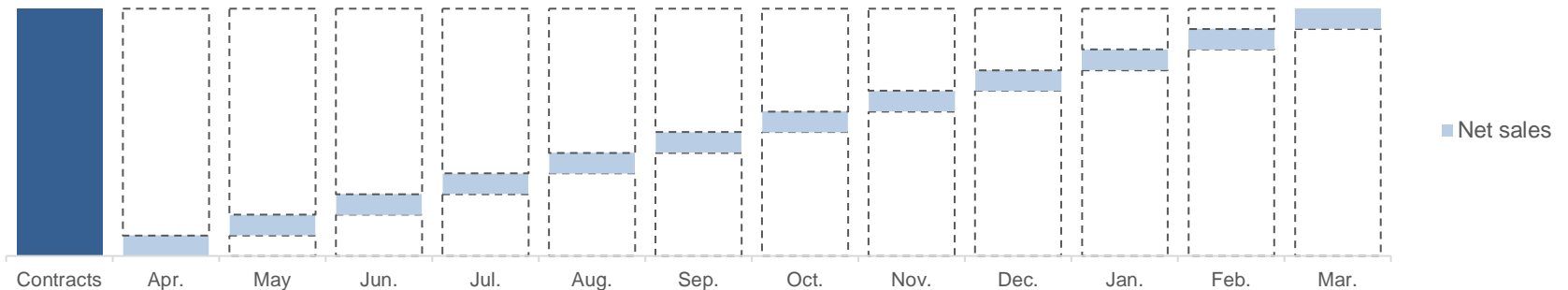
Recording of sales of license sales products

- **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.**
- The maintenance fees portion is apportioned on a monthly basis throughout the contract period.



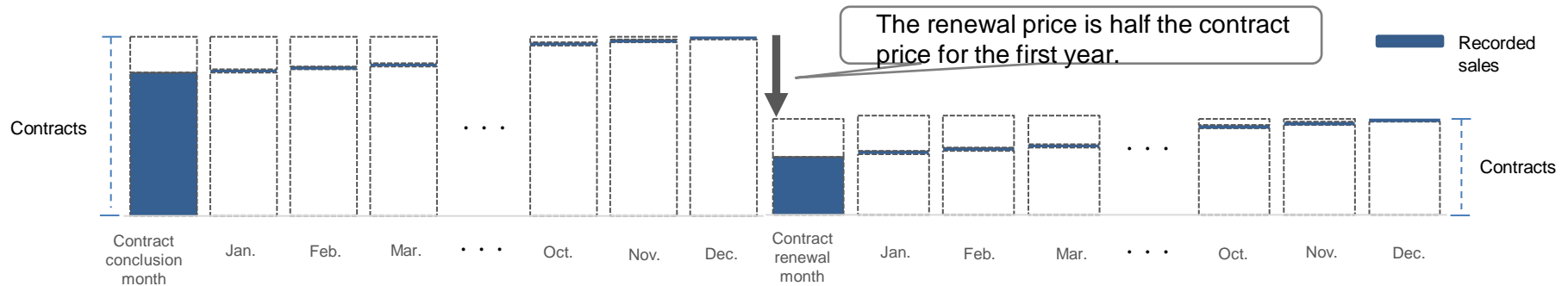
Recording of sales of cloud service products

- Sales of cloud service products **are apportioned on a monthly basis throughout the contract period, recording the resulting monthly portions as sales.**
- As the contract amount of cloud service products rises, the contract amount that is deferred increases.



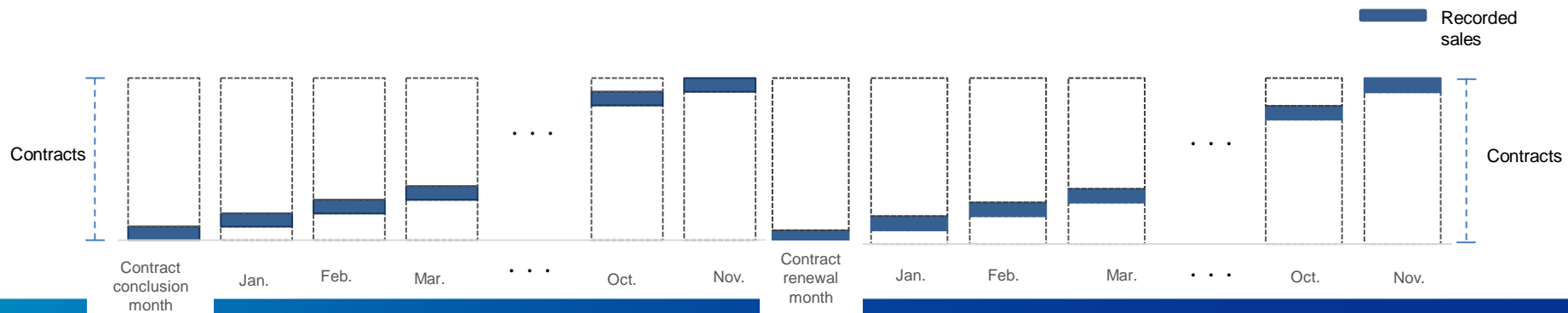
Contracts for license sales products

- For license sales products with a contract period of one year, the contract is renewed every year.
- The renewal price is **half the contract price for the first year**.

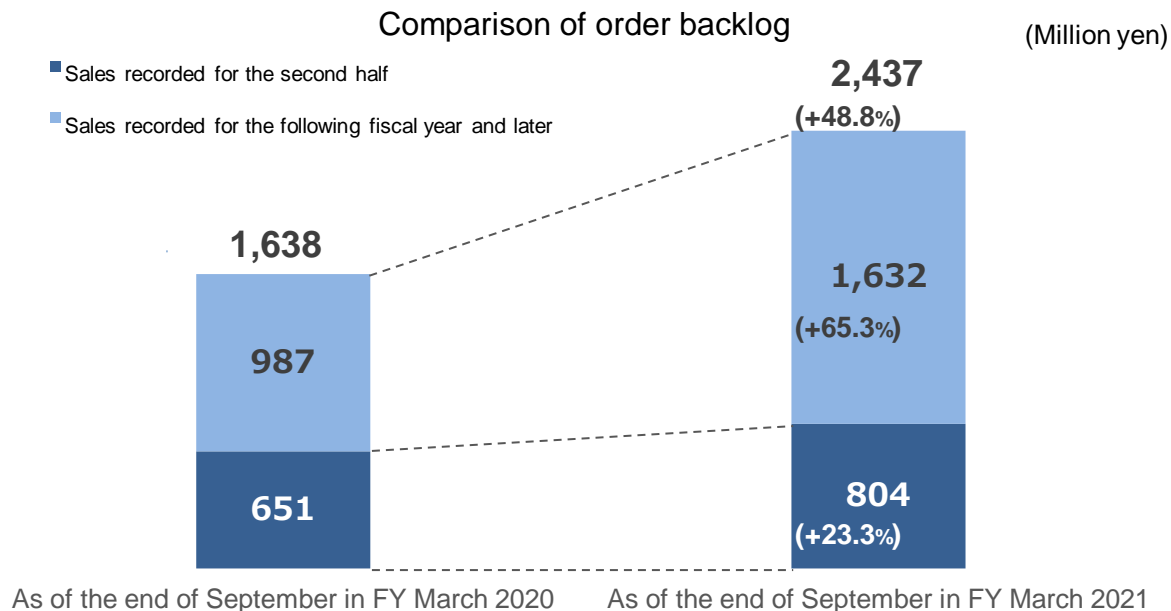


Contracts for cloud service products

- For cloud service products with a contract period of one year, the contract is also renewed every year.
- The renewal price is **the same as in the first year of contract**. That means that **cloud service products are more profitable than license sales ones**.



- The share of cloud service products is growing. For this type of product, the contract amount is apportioned on a monthly basis for recording purposes. **The contract amount deferred to the second half or later, or the order backlog, rose 48.8% to 2,437 million yen.**
- The portion **to be recorded as sales for the second half** increases **23.3% to 804 million yen.**
- The portion **to be recorded as sales for the next fiscal year or later** grows **65.3% to 1,632 million yen.**
- According to the increase in contracts of cloud service products, the deferred contract amount increases. Since the contract price is constant for future renewals, **a stable revenue base according to the stock-type business model is established.**



**Supplementary Material on Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2021**

Consolidated Results Highlights

Contracts

Contracts: **3,748** million yen (+1,139 million yen / +43.7% YoY)

Sales of the i-FILTER series increased in the public sector market, due to the influence of the GIGA School Concept.

Projects increased as DAC gained new customers.

Net sales

Net Sales: **3,101** million yen (+337 million yen / +12.2% YoY)

The spread of teleworking in the enterprise sector market helped boost sales. Sales grew after DAC gained new customers.

Operating profit

Operating profit: **1,310** million yen (+213 million yen / +19.5% YoY)

In cost of sales, labor expenses soared after DAC increased staff.

Among SG&A expenses, advertising expenses contracted after the cancellation of events and expenses declined due to the shift to working from home.

Ordinary profit

Ordinary profit: **1,316** million yen (+224 million yen / +20.5% YoY)

Profit attributable to owners of parent

Profit: **908** million yen (+163 million yen / +22.0% YoY)

Consolidated Results

(Million yen)

	FY March 2020 1H	FY March 2021 1H	Change YoY	Financial forecast for FY March 2021 1H
Contracts	2,609	3,748	+43.7%	—
Net sales	2,764	3,101	+12.2%	3,300
Cost of sales	630	875	+38.9%	770
Gross profit	2,133	2,225	+4.3%	2,530
Selling, general and administrative expenses	1,036	915	-11.7%	1,040
Operating profit	1,096	1,310	+19.5%	1,490
Operating margin	39.7%	42.3%	—	45.2%
Ordinary profit	1,092	1,316	+20.5%	1,490
Profit attributable to owners of parent	745	908	+22.0%	1,030
EBITDA	1,508	1,770	+17.4%	—

* Financial Forecast is the consolidated financial forecast announced on May 8, 2020.

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

Consolidated quarterly results

(Million yen)

	FY March 2020 2Q	FY March 2021 2Q	Change YoY	FY March 2020 1H	FY March 2021 1H	Change YoY
Contracts	1,461	2,286	+56.5%	2,609	3,748	+43.7%
Net sales	1,514	1,687	+11.4%	2,764	3,101	+12.2%
Cost of sales	343	447	+30.3%	630	875	+38.9%
Gross profit	1,171	1,239	+5.9%	2,133	2,225	+4.3%
Selling, general and administrative expenses	487	414	-15.1%	1,036	915	-11.7%
Operating profit	683	825	+20.8%	1,096	1,310	+19.5%
Operating margin	45.1%	48.9%	—	39.7%	42.3%	—
Ordinary profit	680	827	+21.6%	1,092	1,316	+20.5%
Profit attributable to owners of parent	464	574	+23.7%	745	908	+22.0%

Non-Consolidated Results for the First Half

(Million yen)

	FY March 2020 1H	FY March 2021 1H	Change YoY	Plan for FY March 2021 1H
Contracts	2,482	3,405	+37.2%	—
Net sales	2,677	2,797	+4.5%	3,100
Cost of sales	569	605	+2.0%	600
Gross profit	2,107	2,191	+4.0%	2,500
Selling, general and administrative expenses	986	866	-12.2%	1,020
Operating profit	1,120	1,324	+18.2%	1,480
Operating margin	41.9%	47.4%	—	47.7%
Ordinary profit	1,117	1,332	+19.2%	1,480
Profit	770	924	+20.1%	1,020

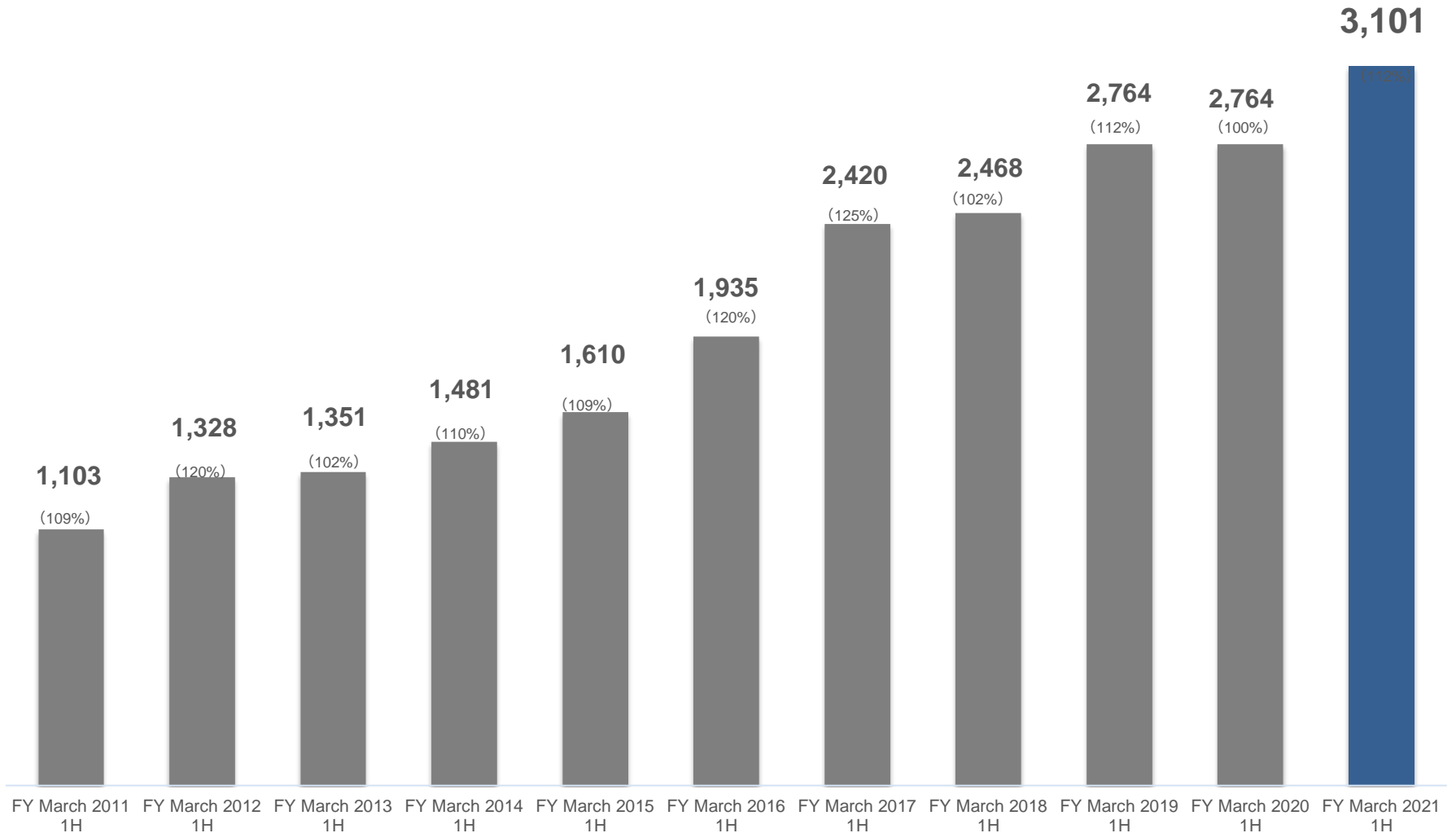
Non-Consolidated Quarterly Results

(Million yen)

	FY March 2020 2Q	FY March 2021 2Q	Change YoY	FY March 2020 1H	FY March 2021 1H	Change YoY
Contracts	1,383	2,108	+52.5%	2,482	3,405	+37.2%
Net sales	1,465	1,509	+3.0%	2,677	2,797	+4.5%
Cost of sales	308	294	-4.4%	569	605	+2.0%
Gross profit	1,157	1,214	+4.9%	2,107	2,191	+4.0%
Selling, general and administrative expenses	469	411	-12.4%	986	866	-12.2%
Operating profit	687	802	+16.7%	1,120	1,324	+18.2%
Operating margin	46.9%	53.2%	—	41.9%	47.4%	—
Ordinary profit	685	806	+17.6%	1,117	1,332	+19.2%
Profit	472	555	+17.6%	770	924	+20.1%

Sales for the first half hit a record high, following the briskness of the enterprise sector and public sector markets.

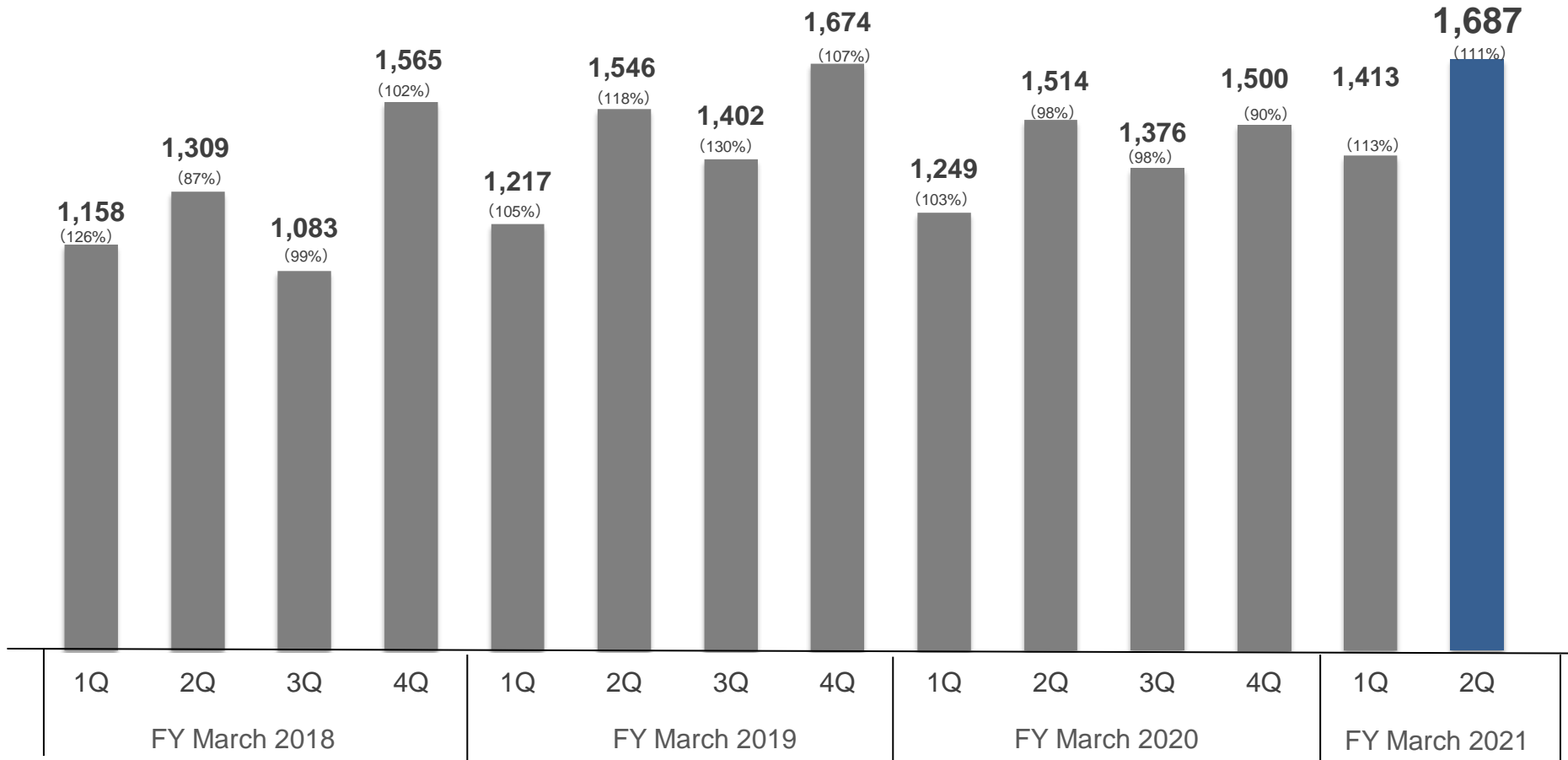
(Million yen)



* Percentage figures represent comparisons with the preceding 1H.

Record quarterly sales were achieved with strong performance in the enterprise sector and public sector markets.

(Million yen)



* Percentage figures represent comparisons with the same period a year earlier.

Consolidated Cost of Sales and Selling, General and Administrative Expenses



- Labor expenses constituting part of the cost of sales rose after DAC increased consultants.
- Depreciation as part of the cost of sales increased after the start of the depreciation of cloud products and other software in the second quarter of the previous fiscal year.
- Advertising expenses as part of SG&A expenses decreased due to the cancellation of the Partner Conference and other outside events.
- Transportation expenses as part of SG&A expenses declined because of working from home and online sales activities introduced as a measure against COVID-19.

(Million yen)

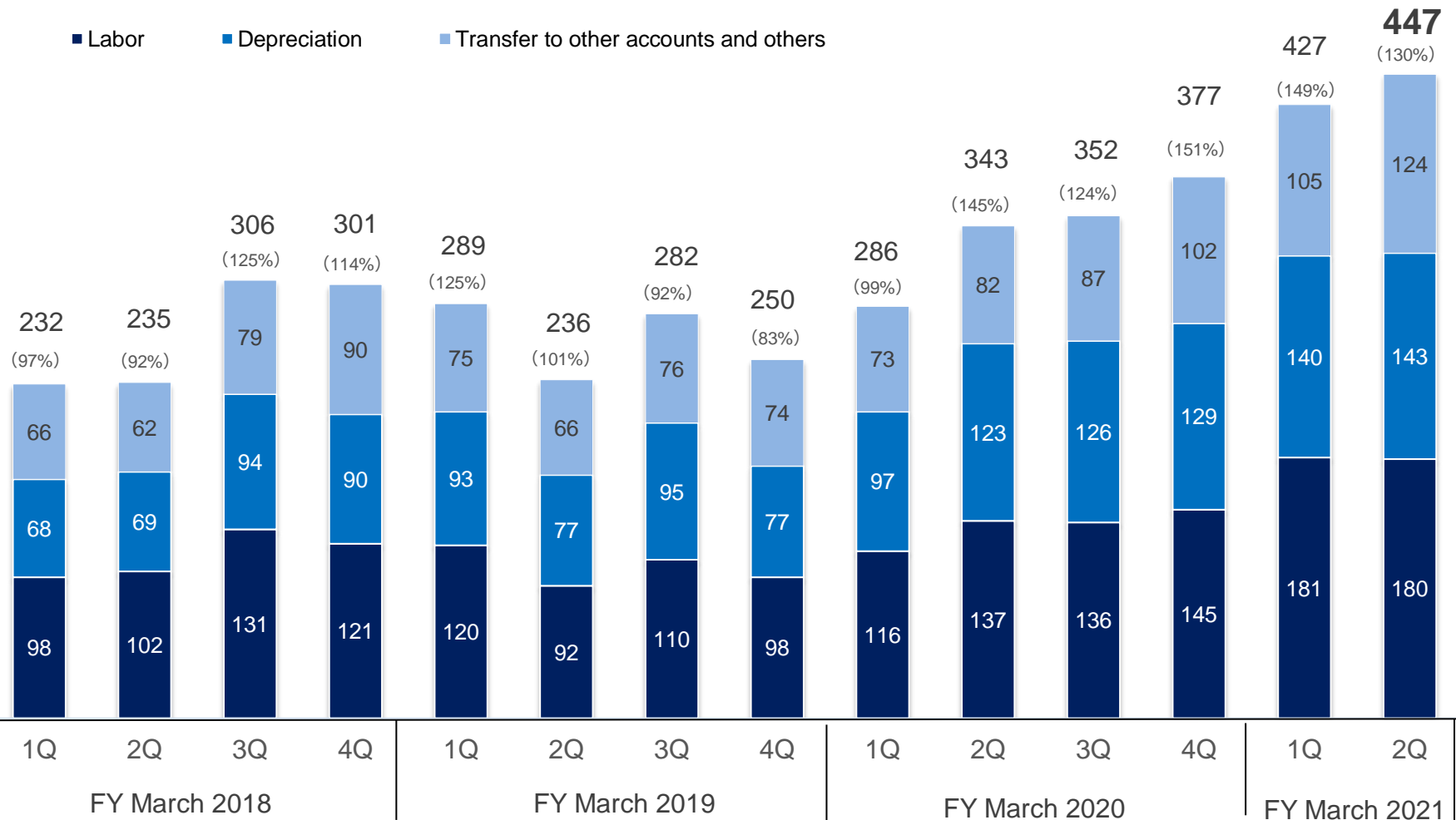
	FY March 2020 1H	FY March 2021 1H	Change YoY	Main Factors for Change
Cost of sales	630	875	+245	
Labor	253	362	+108	DAC increased consultants.
Depreciation	221	283	+62	Depreciation of cloud products and other software has been rising since the second quarter of the previous fiscal year.
Transfer to other accounts Other manufacturing costs	155	229	+73	Outsourcing expenses soared after DAC obtained more orders.
Selling, general and administrative expenses	1,036	915	-121	
Personnel expenses	529	490	-39	
Advertising expenses	116	67	-49	Decrease due to the voluntary decision to refrain from holding the Partner Conference and other events
Other	389	356	-33	Transportation expenses fell for reason of working from home and online sales activities.

Quarterly Trend in Consolidated Cost of Sales

- Labor expenses swelled after DAC increased consultants.
- Increase after start of depreciation of cloud products and other software in the second quarter of the previous fiscal year

(Million yen)

■ Labor ■ Depreciation ■ Transfer to other accounts and others

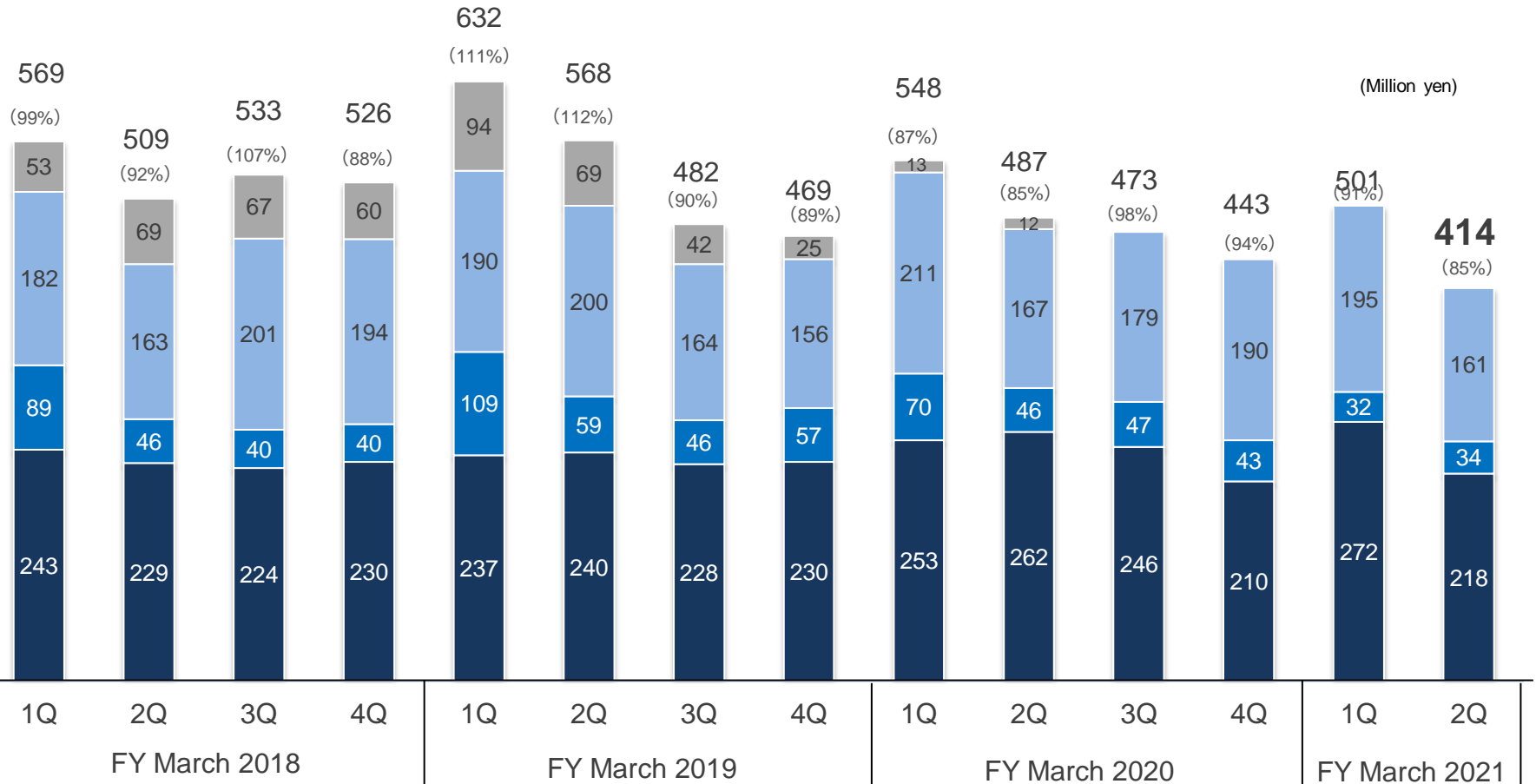


* Percentage figures represent comparisons with the same period a year earlier.

Quarterly Trend in Consolidated Selling, General and Administrative Expenses

- Advertising expenses contracted due to voluntary restraint of the Partner Conference and other outside events.
- Decrease in transportation expenses due to shift to working from home and online sales activities to work to control COVID-19

■ Personnel expenses ■ Advertising expenses ■ Other ■ Overseas expenses



* Percentage figures represent comparisons with the same period a year earlier.

Consolidated balance sheet

- The equity ratio stood at 80.6% to show that strong financial health was maintained.
- Capital efficiency was good with higher ROE and ROA than in the preceding year.

(Million yen)

	As of end of 2Q FY March 2020	As of end of 2Q FY March 2021	% Change	As of end of FY March 2020
Current assets	8,408	9,380	+11.6%	8,733
(Cash and deposits)	7,363	8,257	+12.1%	7,651
Non-current assets	2,126	2,056	-3.3%	2,118
Total assets	10,534	11,437	+8.6%	10,852
Current liabilities	2,023	2,149	+6.2%	2,125
Non-current liabilities	46	49	+6.4%	46
Equity capital	8,428	9,220	+9.4%	8,652
Net assets	8,464	9,238	+9.1%	8,680
Equity ratio	80.0%	80.6%	—	79.7%
ROE	9.2%	10.2%	—	19.4%
ROA	7.3%	8.2%	—	15.4%

**Supplementary Material on Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2021**

By Market

- In the enterprise sector market, net sales were up 293 million yen or 19.1% after acquisition of i-FILTER projects and the growth of DAC.
- In the public sector market, net sales were up 79 million yen or 8.1% after acquisition of i-FILTER projects as the government furthered the GIGA School Concept.
- In the consumer sector market, net sales were down 35 million yen or 13.8% due to reduction in prices for carriers in the second quarter of the previous fiscal year despite a rise in the introduction of filtering among young people.

Consolidated net sales

Net Sales: **3,101** million yen
Contracts: 3,748 million yen

(+337 million yen / +12.2% YoY)

(+1,139 million yen / +43.7% YoY)

Enterprise Sector

Net Sales: **1,832** million yen
Contracts: 1,774 million yen

(+293 million yen / +19.1% YoY)

(+363 million yen / +25.8% YoY)

Public Sector

Net Sales: **1,049** million yen
Contracts: 1,755 million yen

(+79 million yen / +8.1% YoY)

(+797 million yen / +83.2% YoY)

Consumer Sector

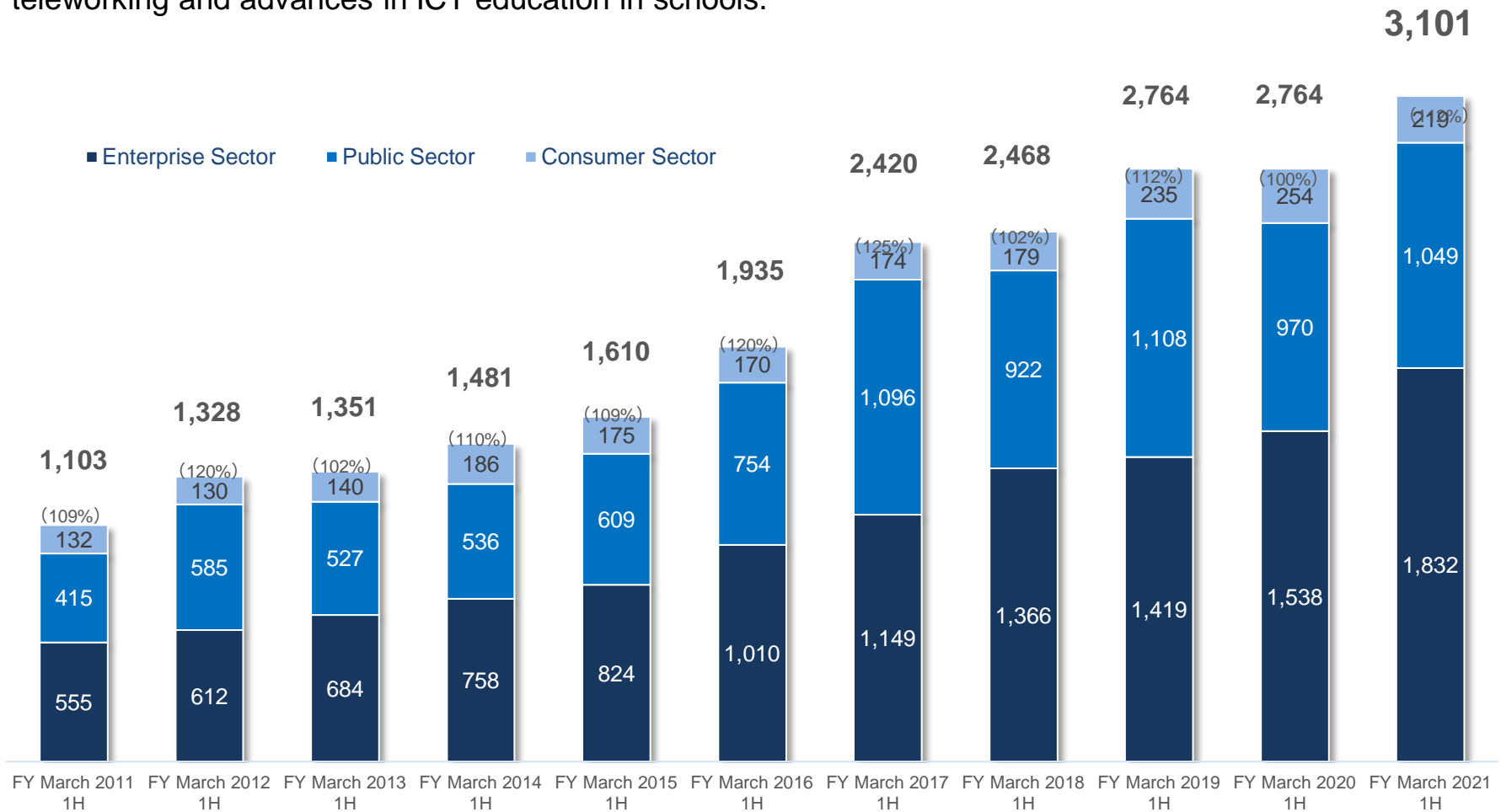
Net Sales: **219** million yen
Contracts: 219 million yen

(-35 million yen / -13.8% YoY)

(-21 million yen / -8.8% YoY)

Record-setting net sales were attained for the first half with bullish performance in the enterprise sector and public sector markets, favored by the increase in teleworking and advances in ICT education in schools.

(Million yen)

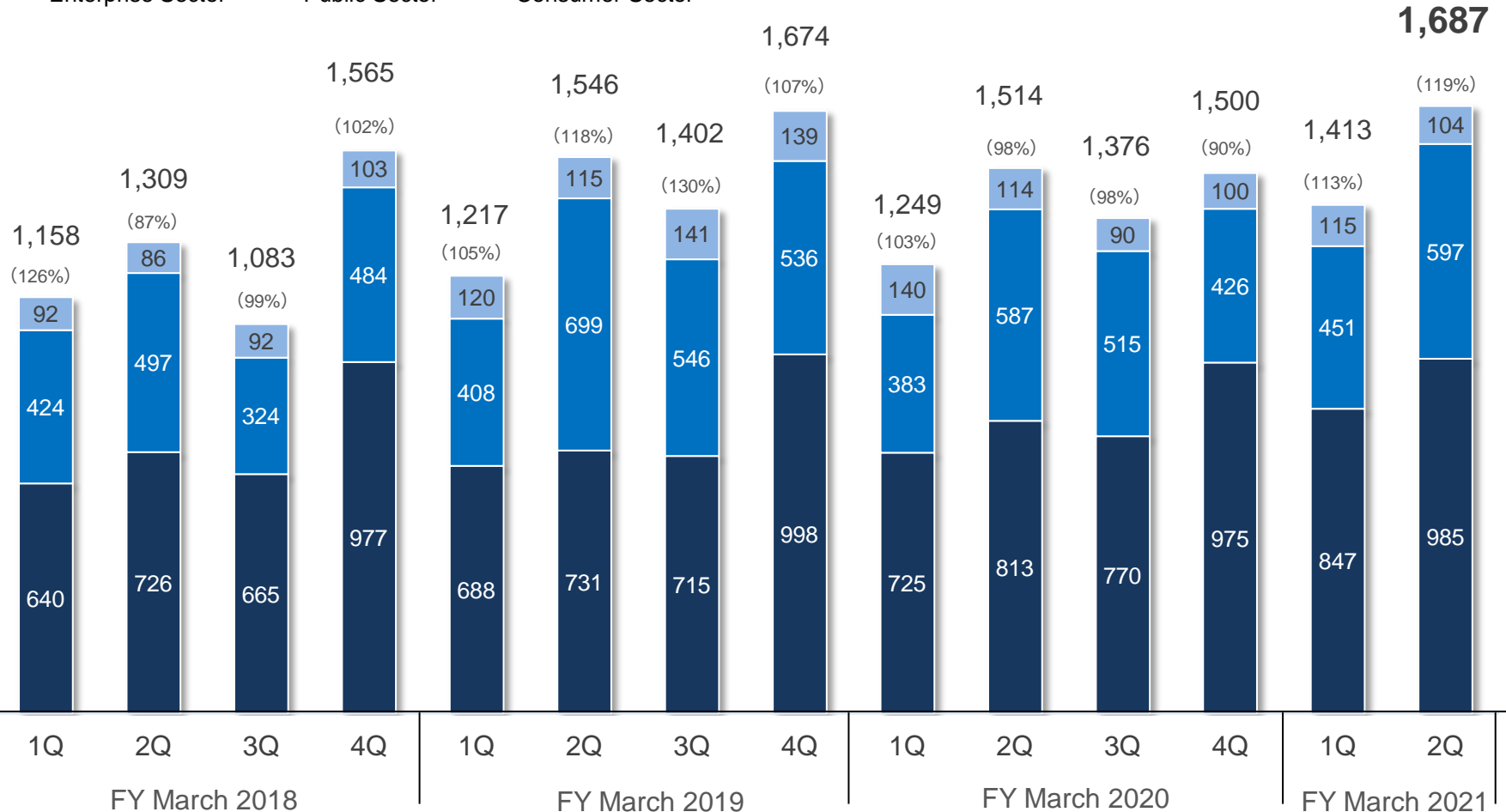


* Percentage figures represent comparisons with the preceding 1H.

Highest-ever quarterly net sales were marked with strong sales of the i-FILTER series following the increase in teleworking and advances in ICT education in schools.

(Million yen)

■ Enterprise Sector ■ Public Sector ■ Consumer Sector



* Percentage figures represent comparisons with the same period a year earlier.

Introduction to Digital Arts Consulting (DAC)

Digital Arts Consulting was established in 2016 as a subsidiary of Digital Arts for the purpose of offering security consulting services.

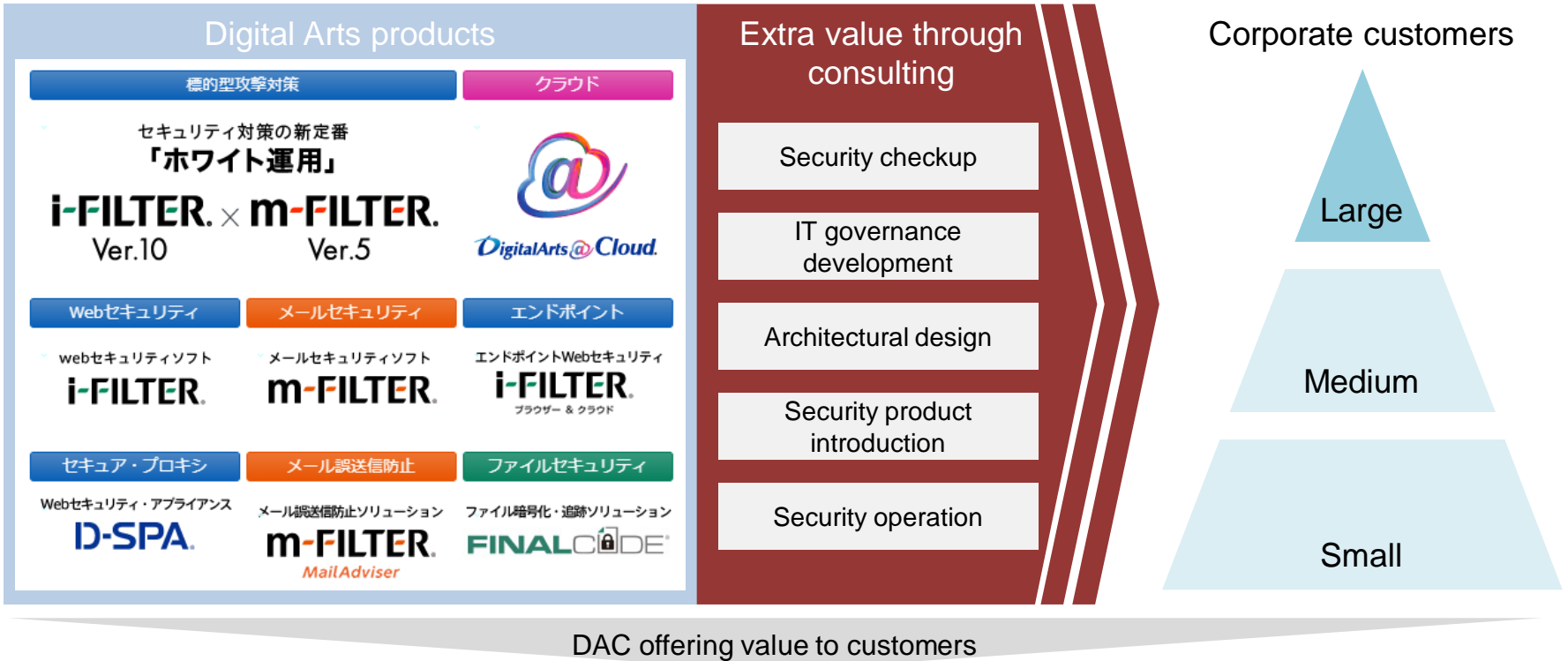
As it steadily won new projects, it made an upfront investment to hire additional consultants.

Company Profile	
Company	Digital Arts Consulting Inc.
Address	14F Otemachi First Square West Tower, 1-5-1 Otemachi, Chiyoda-ku, Tokyo 100-0004 Japan
Date of establishment	April 1, 2016
Share capital	73 million yen
Parent company (primary shareholder)	Digital Arts Inc.
Business	IT strategy consulting Business consulting Information security consulting
Staff	<div style="display: flex; align-items: center; justify-content: space-around;"> <div style="text-align: center;"> <p>Four officers 24 employees (as of the end of March 2020)</p> </div> <div style="font-size: 2em; color: #4F81BD;">➔</div> <div style="text-align: center;"> <p>Four officers 54 employees (as of the end of September 2020)</p> </div> </div>

In security consulting, it introduces i-FILTER, m-FILTER, FinalCode and other solutions to produce synergy.

Business	IT Strategy Consulting (CIO Service)	Security Consulting (CISO Service)	Digital Solutions Business
Overview	<p>Providing a one-stop, all-inclusive consulting service covering the development of IT strategies for optimal use of different IT solutions and the construction of systems and operations for helping clients with digital transformation (DX)</p>	<p>Offering comprehensive services including security checkups and analysis, proposals of measures and solutions for raising the security level and support for implementation</p>	<p>Offering solutions that help clients achieve digitalization and security enhancement in a broad range of areas</p>
Service Details	<ul style="list-style-type: none"> - Development of IT (DX) business strategies and plans - Business process reengineering (BPR) - Optimization of SoR/SoE - DAC Robotics Service - FIDO authentication solutions 	<ul style="list-style-type: none"> - Governance consulting - Cyber security consulting and solutions - Support service for toughening security measures 	<ul style="list-style-type: none"> - FIDO authentication solutions - Robotic process automation (RPA)

To large companies, it advertises Digital Arts products after taking comprehensive security measures based on its understanding of customers' businesses, system configuration and status of operations to ensure that customers accurately understand the product value.



Advertise the value of Digital Arts products on the basis of comprehensive security measures

Provide operation services using specialists familiar with Digital Arts and other products (realization of whitelist operations)

Introduce Digital Arts products optimally configured from the perspective of customers

Offer the Group's one-stop security services to maximize cost effectiveness for customers

**Material on Consolidated Financial Results for the First Half
of the Fiscal Year Ending March 31, 2021**

Initiatives for the Second Half

Actions in the Second Half of FY2021 March

Enterprise Sector

- Advertise whitelist operation as the last resort of a multi-layered defense in a Zero Trust environment (end point security)
- Expand sales of DigitalArts@Cloud in line with the accelerated use of cloud services based on the increase of teleworking
- Carry out sales promotional activities centering around online seminars. Sales activities to target large companies.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">External environment</p>	<p style="text-align: center;">Zero Trust</p> <p>A security model according to which security measures are implemented on the assumption that nothing can be trusted Ubiquity of employees and information assets amid the trends toward work style reforms and cloud technologies</p>	<p style="text-align: center;">Accelerate the shift to cloud technologies</p> <p>Due to the COVID-19 coronavirus pandemic, teleworking rapidly became widespread and the shift of security products to the cloud speed up.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Actions</p>	<p style="text-align: center;">Stress whitelist operations</p> <p>Explain that it has at least 5 million users and that the solutions are so useful that no incident resulting in damage from malware has been reported to emphatically stress their whitelist operations as the last resort of a multi-layered defense (end point security)</p>	<p style="text-align: center;">Expand sales of DigitalArts@Cloud</p> <p>Provide a secure experience in a cloud environment using the whitelist operations of i-FILTER and m-FILTER</p>
	<p style="text-align: center;">Carry out sales promotional activities centering around online seminars</p> <p>Organize these events for partners and end users</p> <p style="text-align: center;">Conduct sales activities to target large companies</p> <p>Collaborate with partners and carry out direct sales activities targeting large companies with 1,000 or more employees</p>	



● ご担当者の声

「i-FILTER」が多層防御の “最後の砦” となって守ってくれる

——ITインフラサービス部長 亀倉 隆夫

野村證券株式会社
NOMURA

導入製品

i-FILTER. Ver.10

東京都中央区日本橋一丁目本館を構える、野村ホールディングス傘下の野村證券株式会社(以下、野村證券)は、1925年の設立。野村グループの証券業務における中核企業であり、100年近い歴史と共に債券取引を強みに事業を拡大してきました。その野村證券全般のシステム基盤を担っているITインフラサービス部では、社内外の情報取り扱いに厳しい規制を遵守する「守りの要」の役割を担っています。

サイバーセキュリティ対策の“最後の砦”

野村證券のITインフラに約10年ものあいだ関わってきたITインフラサービス部 部長 亀倉 隆夫氏は、「サイバーセキュリティに対する投資はここ数年、徐々に増えるようになってきました。加えて、同部 オフィス基盤課 ヴァイス・プレジデント 井筒吉孝氏は、「世の中全体で、サイバーセキュリティの重要性は年々増えています。多層防御の考え方のもと、入口対策として複数のマルウェア対策製品を導入し、毎月60万通もの不審メールを遮断しています。それでもすり抜けてくる不審メールは少なからず存在します」と危機感を募らせます。

サイバー攻撃に利用されるメールアドレスやURLは攻撃用に新しく作られたばかりであるケースが多く、セキュリティ製品のブラックリストに登録されていない「未知の脅威」であるため、多層防御をすり抜けてしまうケースがあります。そこで野村證券で活用されているのが、Webセキュリティ製品として導入しているデジタルアーツの「i-FILTER」です。

「i-FILTER」Ver.10は、DB登録されているURLにしかアクセスできないという『ホワイト運用』によって未知の脅威に対しても有効となり、その点で評価しています」(井筒氏)

「i-FILTER」Ver.10は、網羅率の高いデータベース(DB)にカテゴライズされていない未知のURLへのアクセスを拒否する設定(ホワイト運用)ができます。ホワイト運用であれば、仮に多層防御をすり抜けた攻撃メールの添付ファイルやURLを調べてクリックしてしまっても不審な送信元を遮断でき、マルウェア感染による被害を避けることが可能となります。

「導入時は最新で適切なサイトへのアクセスを制限することが目的でしたが、今は「i-FILTER」が“最後の砦”としてあるおかげでセキュリティ全体が守られているという安心感があります」(亀倉氏)



野村證券株式会社
ITインフラサービス部長
亀倉 隆夫

野村證券株式会社 Overview

野村證券株式会社は、野村グループの中核企業として証券業務を行っており、野村グループの母体企業である野村ホールディングス株式会社の100%子会社です。

管理者だけでなくユーザーの使用感も考慮した製品

「i-FILTER」はサイバーセキュリティ対策のひとつとして、当初は業務上適切でないサイトへのアクセスを制限する目的で、2011年導入されました。バージョンアップを行いながら、現在は最新のVer.10を利用してはいます。情報漏れとインターネット接続環境との間に「i-FILTER」を設置し、Web閲覧を行う際には必ず届出するように設定して利用しています。野村證券だけでなく、野村グループ会社16社で約17,000人が利用しています。

導入時のことを振り返って、井筒氏は、「それまで他社の製品を利用していたのですが、契約更新のタイミングが来たことでリプレースの検討を行いました。営業部門のユーザーが利用するため、日本国内のWebサイトのカテゴリに強い製品であったこと、加えて使い勝手の良さの点を評価して、他製品と比較検討した結果「i-FILTER」にリプレースしました」といいます。

「海外の製品も使ったことがありますが、英語は未対応でも構わない上、管理画面やブロック画面の表記内容が分かりやすいということがありました。その点「i-FILTER」はわかりやすく、管理者だけでなくユーザーの使用感も考慮されていると感じました」(亀倉氏)



野村證券株式会社
ITインフラサービス部長
亀倉 隆夫

導入以来、「i-FILTER」でWebセキュリティの課題が解決され続けた

導入以降、現在まで長年にわたり継続して活用していることについて、井筒氏は「サイバーセキュリティの要となる強化のため、課題が発生したときには他社製品への移行を検討したこともありましたが「i-FILTER」はいつもその課題について先回りして対応していたので、どのタイミングでもリプレースする必要がなかったです」と実感をこぼしました。

たとえば、「i-FILTER」を導入したのは不適切なサイトを見せないこともありますが、社員がインターネット経由でアップロード・ダウンロードする情報の監視も目的のひとつにありました。そこに、2017年頃からインターネット全体で急速にWebサイトのHTTPS化が進み、HTTPSサイトでは監視が難しくなってきたという課題が発生しました。

「当時は、HTTPSサイトは原則すべてアクセス禁止にしていましたが、HTTPSサイトが主流になりだし、すべてアクセス禁止というのも厳しくなりました。どうしようかと悩んでいたのですが、「i-FILTER」には標準機能としてSSLデコードなどの機能がすでに備わっていたので、悩む必要はありませんでした」(井筒氏)

ほかにも、アクセスできないサイトについてのユーザーからの問い合わせ対応と、アクセス許可する場合のURL解放作業を手間がかさんでいたことがありました。その対応策を模索していたところ、Ver.10へのバージョンアップの際にセキュリティの深いDBへ変更されることと、カテゴリ化されたURLが大幅に増加し、ITインフラサービス部部署内で行っていたURLの解放作業が、月1,600件から200件程度に抑えられました。セキュリティの向上と運用負担軽減を同時に図ることができたのです。

「業務ではスピード感が大事となります。開通した分業があるため、それだけで時間的・費用的な損失となります。運用負担の軽減は大きなメリットと感じています」(亀倉氏)

日々変わりゆくWebにさらなるセキュリティ強化を

野村證券では、「i-FILTER」やその他の製品でユーザーを守るだけでなく、ユーザー向けにサイバーセキュリティに関する研修を行うなど教育にも力を入れています。

「年に3回ほど、標的型攻撃メールの訓練を行っています。また、セキュリティに関する社内ポータルを作って情報提供を行うほか、CSIRT/シーサート(Computer Security Incident Response Team)を立ち上げ、グループ企業を含めて情報連携の対応もしています」(亀倉氏)

また、サイバー攻撃の手法は日々変化しているため、更新セキュリティ強化を検討しています。

「i-FILTER」によって守られているのは確かですが、万が一ということもあります。ひとつの考え方として、Web分離(インターネット分離)を検討しています」(亀倉氏)

「従来、会社の外に出るインターネットのアクセスはWebブラウザを経由していましたが、クラウドサービスに対するアクセスも考えたいかなければなりません。Webのプロキシとどう組み合わせるのか? サービスをオンプレミスに置いておくのか? そのようなことも今後の検討課題だと考えています」(井筒氏)

インターネット上のWebサイトは次から次へと新しいサイトが立ち上がります。それらの迅速なカテゴリ化とカテゴリ精度の一層の向上を「i-FILTER」に期待していると語ります。

製品に関するお問い合わせ Tel / 03-5220-3090 <受付時間>平日9:00~18:00(土、日、祝日、弊社定休日 参照してください)

E-Mail / sales-info@daj.co.jp URL / www.daj.jp

Actions in the Second Half of FY2021 March

Public Sector

- Massively higher sales than the average year are expected from the actions surrounding the GIGA School Concept.
- Advertise the importance of advanced filtering
- Engage in sales promotional activities through online seminars and internal and external media outlets
- Focus sales approaches on customers that have not yet introduced solutions

External environment	<p>Acceleration of the GIGA School Concept</p> <p>The GIGA School Concept has unveiled a policy to supply approximately 7.5 million tablets to school-aged children to realize an environment in which every child has a terminal. New demand for web filtering software is foreseeable.</p>	
Actions	<p>Engage in sales promotional activities through online seminars and internal and external media outlets</p> <p>Advertise the importance of advanced filtering and facilitate the introduction of cloud services by supporting kitting and other measures</p>	<p>Stress the necessity of Digital Arts products to customers that have yet to introduce them</p> <p>Intensively approach boards of education that have yet to introduce filtering because advanced filtering is essential to secure online learning for school-aged children</p>

**Supplementary Material on Consolidated Financial Results
for the First Half of the Fiscal Year Ending March 31, 2021**

Full-year Financial Forecast for the Fiscal Year Ending March 2021

Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2021

Achieve the growth of cloud services in the enterprise sector market and boost sales under the GIGA School Concept in the public sector market with the goal of achieving a high rate of growth
(Million yen)

	FY March 2020 Full-Year Results	FY March 2021 Full-Year Plan	% Change	FY March 2021 1H Results	Achievement rate
Net sales	5,641	7,500	+32.9 %	3,101	41.4%
Cost of sales	1,361	1,850	+35.9 %	875	47.3%
Gross profit	4,280	5,650	+32.0 %	2,225	39.4%
Selling, general and administrative expenses	1,952	2,100	+7.6 %	915	43.6%
Operating profit	2,328	3,550	+52.5 %	1,310	36.9%
Ordinary profit	2,326	3,550	+52.6 %	1,316	37.1%
Profit attributable to owners of parent	1,590	2,450	+54.0 %	908	37.1%

Non-Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2021

(Million yen)

	FY March 2020 Full-Year Results	FY March 2021 Full-Year Plan	% Change	FY March 2021 1H Results	Achievement rate
Net sales	5,336	7,000	+31.2 %	2,797	40.0%
Cost of sales	1,098	1,450	+32.0 %	605	41.8%
Gross profit	4,238	5,550	+30.9 %	2,191	39.5%
Selling, general and administrative expenses	1,881	2,050	+9.0 %	866	42.3%
Operating profit	2,357	3,500	+48.5 %	1,324	37.9%
Ordinary profit	2,359	3,500	+48.4 %	1,332	38.1%
Profit	1,613	2,420	+50.0 %	924	38.2%

Dividends

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, 2021: 31.5% (of consolidated net profit)

Annual dividends of surplus forecasted for fiscal year ending March 31, 2021: 55.00 yen per share

	Dividend (in yen) per share			Consolidated payout ratio
	Interim	Year-end	Total	
FY March 2020	25.00	25.00	50.00	44.0%
FY March 2021	25.00			
FY March 2021 (forecast)		30.00	55.00	31.5%

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, info board, ARS, Active Rating System, ACTIVE RATING, ZBRAIN, D-SPA, SP-Cache, NET FILTER, White Web, m-FILTER, m-FILTER MailFilter, m-FILTER Archive, m-FILTER Anti-Spam, m-FILTER File Scan, Mail Detox, FinalCode, i-FILTER, DigitalArts@Cloud, Desk@Cloud, D-Alert, D-Content, and logos and icons related to Digital Arts Inc. and its products are trademarks or registered trademarks of Digital Arts Inc.
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