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FOR IMMEDIATE RELEASE

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Notice Regarding Revision of FY March 2027 Targets in the Medium-Term Management Plan

Digital Arts Inc. hereby announces that it has revised the targets for the fiscal year ending March 31, 2027 under its Medium-Term Management Plan (FY2025–FY2027), originally disclosed on May 8, 2024, in light of recent business performance trends and changes in the operating environment.

1. Revision of the initial projections for the Medium-Term Management Plan

(Millions of Yen)

	FY Mar. 2024 Results*	FY Mar. 2025 Results [initial plan]	FY Mar. 2026 Results [initial plan]	FY Mar. 2027 Revised plan [initial plan]
Consolidated contracts	8,630	10,570 [-]	16,604 [-]	13,500 [-]
Consolidated net sales	9,304	9,982 [10,720]	10,835 [12,550]	12,000 [15,000]
Operating income	4,330	4,558 [5,130]	4,791 [6,150]	5,400 [7,800]
Operating margin	46.5%	45.7% [47.9%]	44.2% [49.0%]	45.0% [52.0%]

Ordinary profit	4,348	4,562 [5,140]	4,840 [6,150]	5,505 [7,800]
Number of employees	292	318 [360]	326 [420]	360 [450]

*Note: The figures exclude the financial results of Digital Arts Consulting Co., Ltd., for which the share transfer was completed on March 29, 2024.

2. The state of the cybersecurity market

Amid progress in the development and decentralization of the ICT environment surrounding companies, public offices, educational institutions, and households, cyberthreats, including ransomware attacks, targeted attacks, phishing, and the unauthorized access of networks are increasing and growing more sophisticated. The Group understands that security measures will become even more important. In addition, as the spread of AI further complicates the business environment, new risks are emerging that cannot be adequately addressed by conventional security measures alone, such as malfunctioning or inappropriate output of AI, confidential information leaks, loss of control due to the automated execution of tasks, and transparency and accountability. Additionally, methods of attacks are becoming increasingly sophisticated due to the use of AI, making it even more difficult to evaluate the authenticity of activities and detect anomalies.

Against the backdrop of these changes in the environment, the spread of cybersecurity-related policies, such as the Supply Chain Security Evaluation System (SCS Evaluation System), is expected to lead to an increase in the demand for a certain level of security measures not only by individual companies but also by their suppliers and supply chains as a whole. In line with this, the entire supply chain, including end users, distributors, SIers, etc., will increasingly demand safety and reliability of introduced products and services, and the Group believes that the importance of selecting and providing products and services with sufficient security standards and operational security, in addition to functionality, will increase even further.

In view of this, the Group anticipates that demand for security, including control, visualization, and governance premised on the use of AI, will continue to grow in the medium- and long-term future, in addition to demand for comprehensive security measures addressing networks, email, authentication information and endpoints.

3. Reasons for the revision

The revision primarily reflects:

- ① Ramp-up of growth in the enterprise market progressed more gradually than initially anticipated
- ② As a proportion of Cloud Service Products in total contrast sales increased, revenue sale recognition progressed more gradually than initially expected
- ③ Revisions to personnel and expense plans driven by increased utilization of AI technologies and related initiatives

In response to this situation, the Group has positioned the fiscal year ending March 31, 2027 as the year in which it will proceed with "building the foundation for the enterprise sector market," and intends to implement initiatives for re-accelerating growth by capturing the aforementioned security demand that is expected to grow. Specifically, the Group will strengthen its touchpoints with end users while continuing to collaborate with

distributors. By doing this, it will engage in activities to propose solutions after directly examining the issues and on-site needs of customers. At the same time, the Group will visualize and manage each stage of its process from project creation to the acceptance of orders and aim to improve the accuracy of its proposals by developing standardized proposal templates, sales materials, and client interview formats. Moreover, by horizontally expanding successful cases obtained through direct proposals to distributors, the Group will enhance the reproducibility of partner sales, leading to an improved order rate.

In addition, as the proportion of Cloud Service Products in total contract sales increased more than expected, revenue sale is recognized progressively over the contract period, resulting in a slower reflection in revenue sales in the short term than initially anticipated. Because revenue from cloud services is recognized progressively over the contract period, short-term sales growth has become more moderate compared with the original assumptions.

However, although the shift to Cloud Service Products is accompanied by short-term fluctuations in the timing of revenue recognition, it indicates that the Group's revenue structure is shifting from temporary license sales to continuous service revenues. The Group views this as a structural transition that will lead to stable and sustainable expansion of its revenue base in the medium to long term.

Regarding personnel strategy, Digital Arts revised its FY2027 employee target from 450 to 360 employees by improving productivity and operational efficiency through AI utilization. The Company emphasized that this does not represent a reduction in strategic investment in human resources. Compared with the current workforce of 326 employees, the Company still plans to continue hiring and investment in talent necessary to support the enterprise business foundation and long-term growth initiatives.

For details of the consolidated financial results and initiative policies for the fiscal year ending March 31, 2027, please refer to "Quarterly / Annual Consolidated Financial Results for the Fiscal Year Ended March 31, 2026" and "Quarterly / Annual Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 Supplementary Explanatory Material" released today.