

— 2020 Slogan —

DYNAMIC RESILIENCE

< 2020-2025 Mid-term Plan > Designing our New Normal Context

Digital Garage, Inc.

2Q of FYE March 31, 2021 Financial Report



Digital Garage

2020.11.13

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Mission & Business Model





As a

Context Company

Digital Garage creates innovative business *context* for the new Internet age and provides unique business solutions for new lifestyles, society, and industries by linking

Real & Cyber

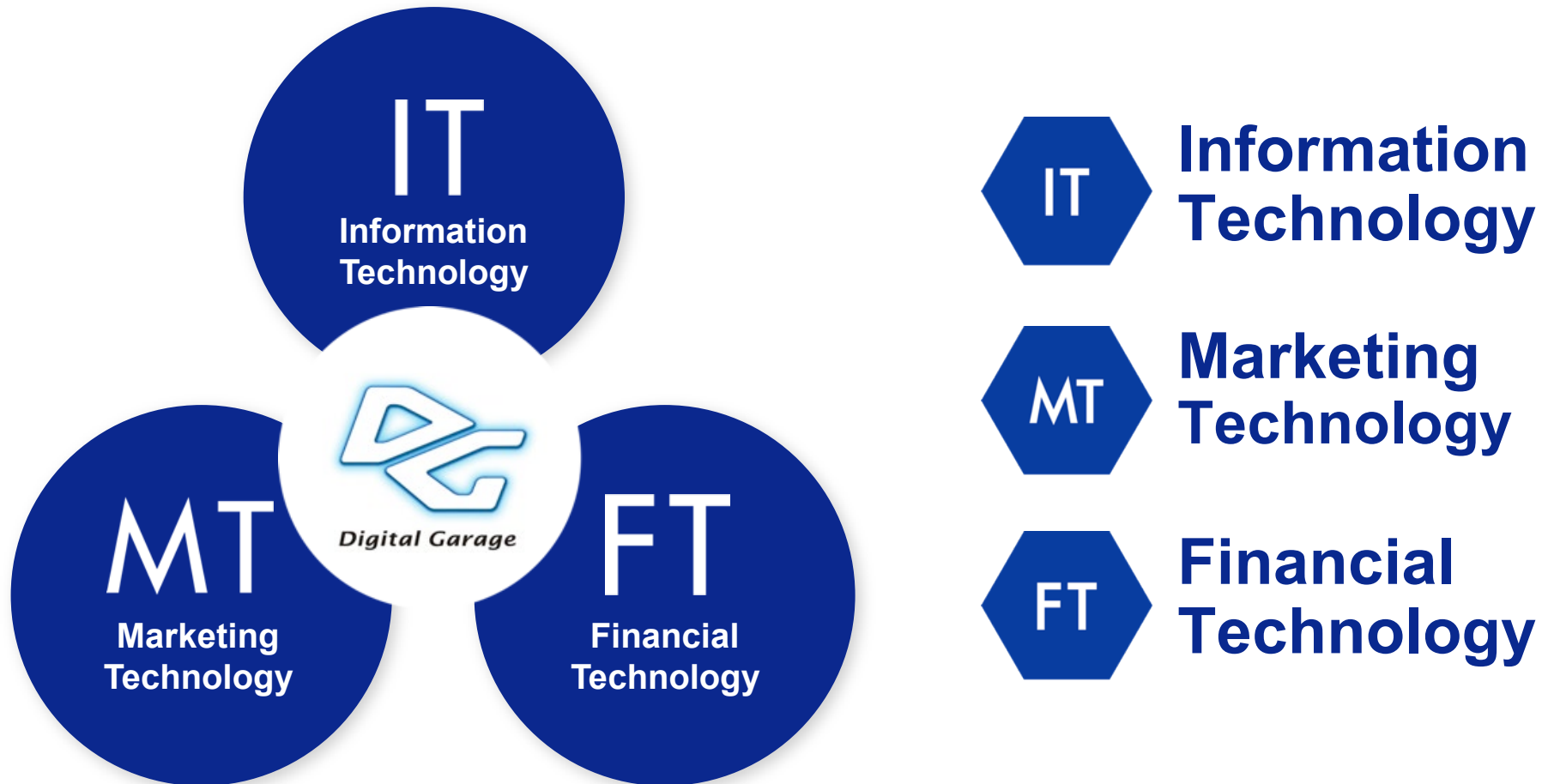
Local & International

Marketing & Technology

Present & Future

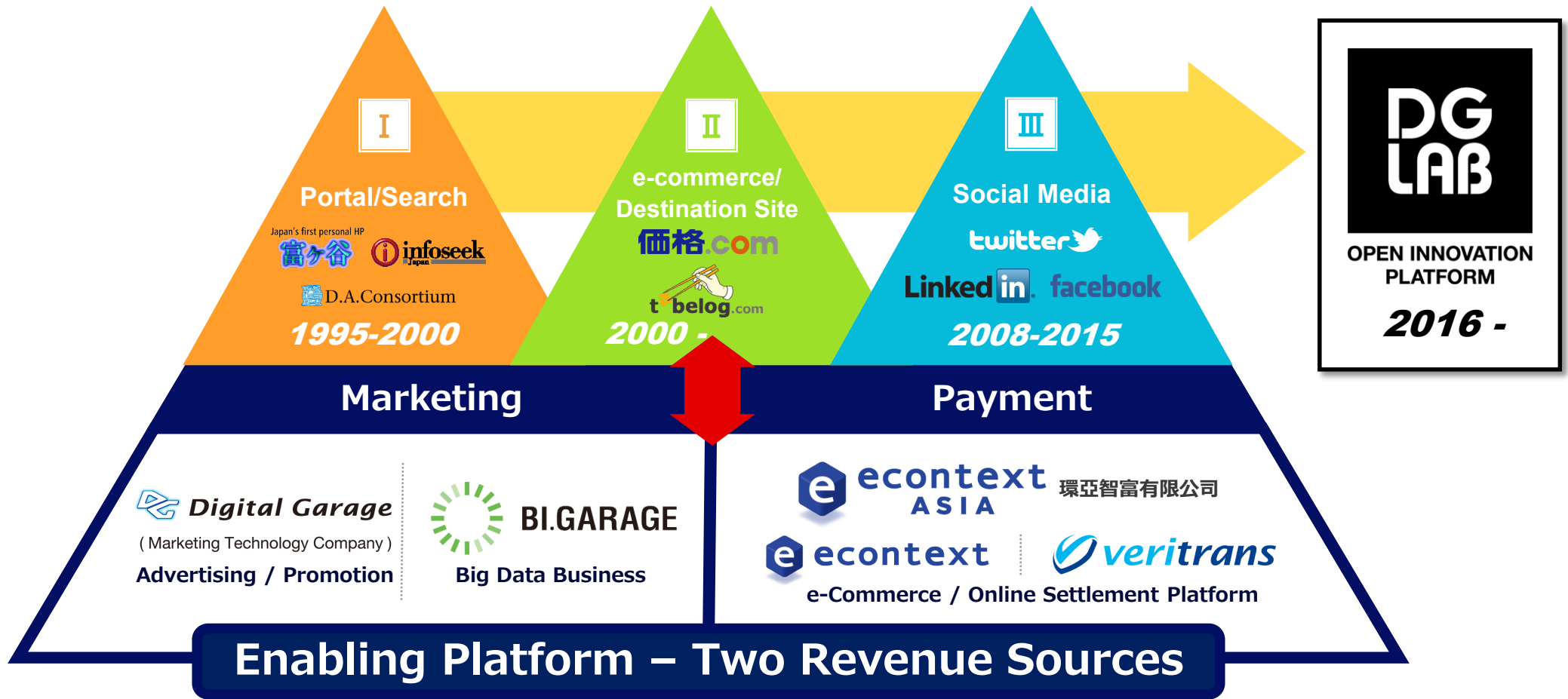


Producing and incubating Internet businesses by optimizing our 3 core strengths: IT, MT, and FT





DG continues to incubate and develop unique Internet services through its Enabling Platform since the early days of the Internet



Investment Highlights



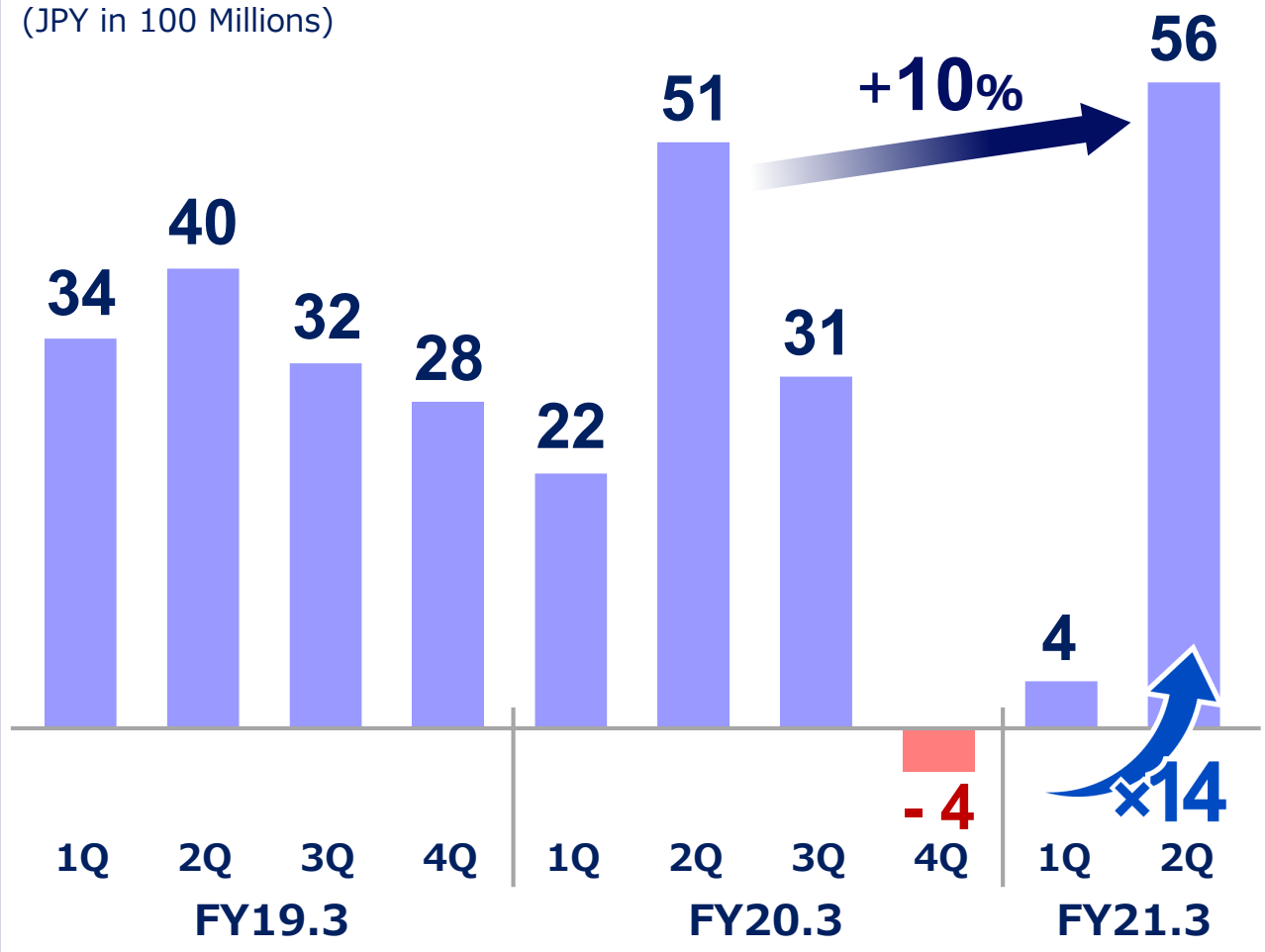


Profit before tax in 2Q rose 10% YoY (14 times in QoQ) to 5.6 B JPY, a record high for quarterly profits

~ The impact of COVID-19 remained in MT and LTI mainly. In addition to solid performance in FT, valuation gains grew in IT ~

Transition of profit before tax

(JPY in 100 Millions)



Consolidated profit before tax

	FY20.3 2Q	FY21.3 2Q	(YoY)
Consolidated	5.1 B JPY	5.6 B JPY	+10 %

Profit before tax by segments

FT	1.1 B JPY	1.1 B JPY	- 3 %
MT	0.7 B JPY	0.1 B JPY	- 88 %
IT	3.1 B JPY	4.9 B JPY	+57 %
LTI	0.9 B JPY	0.5 B JPY	- 48 %



Transaction volume in FT continued high growth, rising 20% YoY to 1.4 T JPY

~ The financing in IT recovered due to the normalization of the stock market on a global scale, and MT implemented large-scale optimization for medium-term growth ~

KPI by Segments

Outlook by Segments

FT

- Transaction volume 1.4 T JPY (YoY +20%)
of which, face-to-face settlement 69.2 B JPY (YoY -36%)
- Number of Transaction 303 million (YoY +35%)

- Transaction volume continued to grow strongly, rising 20% YoY to 1.4 T JPY due to at-home consumption, despite a sharp decrease in inbound and travel-related payments
- Focusing on system investment, and work on further stable operation toward the mid-term plan
- In Cloud Pay(multi-QR payments), add "au Pay" following "d Barai®" to establish a bridgehead with leading carriers

MT

- Digital Ads volume 12.5 B JPY (YoY +1%)
- Other volume 3.3 B JPY (YoY +17%)
(Next-generation user database business, etc.)

- Advertising volume of digital ads remained firm, mainly in the financial field, and the next-generation user DB business, including CRM, was strong
- Booked upfront costs for strategic businesses and restructuring costs in the real estate field, aiming for a V-shaped recovery from the next fiscal year onward

IT

- Investment/ Sold 0.7 B JPY/ 1.6 B JPY
- Fair valuation 40.6 B JPY (from E of Mar.2020 +11%)

- Global stock market and IPO environment normalized, financing environment for startups also recovered
- Increased in fair value of DX companies, mainly in Europe, the U.S. and Asia. Recorded a gain on the sale of Goodpatch Inc. in Japan

LTI

- Investment profit on equity method of Kakaku.com 0.9 B JPY (YoY -51%)
- BioHealth/
Number of Brain MRI consultation Exceeds 30,000 cases in total

- "Tabelog", which was affected by COVID-19 in 1Q, recovered in 2Q due to the launch of a "Go To Eat" campaign. Expected to recover further after 3Q
- BioHealth: The MRI business for drivers is expected to turn profitable on a monthly basis and also to be profitable for the full fiscal year. Ready to start data business utilizing AI

FY21.3 2Q Consolidated P/L Summary (IFRS)



Revenues in 2Q (Jul.-Sep.) were 12.3 B JPY, profit before tax was 5.6 B JPY, both up from 1Q (Apr.-Jun.)

~ The impact of the COVID-19 bottomed out, and results are recovering ~

JPY in Millions	FY20.3				FY21.3		QonQ		FY20.3	FY21.3	YonY	
	1Q	2Q	3Q	4Q	1Q	2Q	%	Amount	1Q-2Q	1Q-2Q	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	12,320	+77.4%	+5,377	19,596	19,264	-1.7%	-332
Revenue in recurring business	6,138	6,718	6,576	7,256	6,148	6,301	+2.5%	+153	12,856	12,449	-3.2%	-406
Revenue in operational investment securities	459	3,332	968	-739	302	4,968	16.5 x	+4,666	3,790	5,270	+39.0%	+1,480
Other income	817	422	301	877	193	207	+7.6%	+15	1,239	400	-67.7%	-839
Finance income	1	16	28	48	1	0	-75.6%	-1	17	1	-91.6%	-16
Share of profit of investments accounted for using equity method	803	891	1,205	821	300	843	2.8 x	+544	1,694	1,143	-32.5%	-551
Expenses	5,999	6,271	6,016	8,643	6,539	6,689	+2.3%	+150	12,270	13,228	+7.8%	+958
Cost of sales	2,740	2,976	2,853	3,467	2,764	2,829	+2.3%	+65	5,716	5,593	-2.1%	-123
Selling, general and administrative expenses	2,951	3,138	3,121	4,813	3,453	3,588	+3.9%	+135	6,089	7,041	+15.6%	+952
Other expenses	78	86	74	254	69	109	+57.6%	+40	164	178	+8.5%	+14
Finance costs	230	71	-32	109	252	163	-35.4%	-89	301	415	+37.8%	+114
Profit before tax	2,218	5,108	3,062	-381	405	5,632	13.9 x	+5,227	7,326	6,037	-17.6%	-1,290
Profit attributable to owners of parent	1,624	3,647	2,253	-105	224	3,779	16.9 x	+3,556	5,271	4,003	-24.1%	-1,268

NOTE: The above Revenue, Expenses, and Profit before tax refers to the continuing operations excluding discontinued operations

FY21.3 2Q Consolidated Segment P/L Summary (IFRS)



Significant growth in IT results, FT/LTI revenues and profits up compared to 1Q

~ MT is expecting to recover from 4Q due to cost optimization measures in the real estate advertising business ~

JPY in Millions	FY20.3				FY21.3		QonQ		FY20.3	FY21.3	YonY	
	1Q	2Q	3Q	4Q	1Q	2Q	%	Amount	1Q-2Q	1Q-2Q	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	12,320	+77.4%	+5,377	19,596	19,264	-1.7%	-332
Financial Technology	2,083	2,204	2,184	2,138	2,340	2,409	+2.9%	+69	4,287	4,749	+10.8%	+462
Marketing Technology	3,376	3,984	3,705	4,311	3,335	3,257	-2.4%	-78	7,360	6,591	-10.4%	-768
Incubation Technology	507	3,462	1,405	-506	389	5,269	13.5 x	+4,880	3,969	5,658	+42.6%	+1,690
Long-term Incubation	2,232	1,696	1,744	2,257	801	1,305	+62.9%	+504	3,928	2,105	-46.4%	-1,823
Others/Adjustments and Eliminations	19	33	39	63	79	81	+3.0%	+2	53	160	3.0 x	+108
Profit before tax	2,218	5,108	3,062	-381	405	5,632	13.9 x	+5,227	7,326	6,037	-17.6%	-1,290
Financial Technology	1,061	1,112	1,129	746	1,018	1,083	+6.3%	+64	2,173	2,101	-3.3%	-72
Marketing Technology	327	676	512	336	178	78	-56.2%	-100	1,004	256	-74.5%	-747
Incubation Technology	146	3,138	1,114	-835	72	4,916	68.7 x	+4,845	3,284	4,988	+51.9%	+1,704
Long-term Incubation	1,493	932	890	1,385	120	485	4.1 x	+365	2,426	605	-75.1%	-1,821
Others/Adjustments and Eliminations	-810	-751	-584	-2,013	-983	-931	-	+52	-1,561	-1,913	-	-353

NOTE: Segment revenue and profit before tax are before elimination of intersegment transaction and corporate revenue and expenses.



FY21.3 2Q Consolidated B/S Summary (IFRS)



JPY in Millions	End of FY20.3	End of FY21.3 2Q	Difference	Reason for change / Remarks
Current assets	98,852	100,806	+1,954	
Cash and cash equivalents	32,702	39,259	+6,556	FT business-related items
Trade and other receivables	26,657	19,157	-7,500	FT business-related items and decrease of account receivables
Operational investment securities	36,546	40,585	+4,038	Increase in fair value of investee companies
Non-current assets	63,444	65,401	+1,957	
Property, plant and equipment	21,367	20,388	-980	Decrease by depreciation
Investments accounted for using equity method	21,475	21,736	+262	Equity in earnings of affiliates
Other financial assets	6,319	8,858	+2,539	Increase due to mark-to-market valuation of listed shares
Total assets	162,296	166,206	+3,911	
Current liabilities	50,838	47,287	-3,551	
Borrowings	4,927	6,678	+1,751	Borrowing for operating funds
Trade and other payables	41,203	34,754	-6,449	FT business-related items and decrease of account payables
Non-current liabilities	58,663	61,805	+3,142	
Bonds and borrowings	38,247	39,570	+1,323	Borrowing of capital expenditures
Other financial liabilities	13,553	12,966	-588	
Deferred tax liabilities	5,426	7,347	+1,922	
Total liabilities	109,501	109,092	-408	
Total equity	52,795	57,114	+4,319	
Total equity attributable to owners of parent	52,033	56,075	+4,042	
Share capital	7,591	7,619	+28	
Capital surplus	4,409	4,569	+161	
Treasury shares	-5,012	-4,915	+97	
Other components of equity	324	1,826	+1,502	Increase due to mark-to-market valuation of listed shares
Retained earnings	44,721	46,975	+2,254	Increased profit
Non-controlling interests	762	1,039	+277	
Total liabilities and equity	162,296	166,206	+3,911	

Segment Performance Review





I Financial Technology Segment

	Revenue	Profit before tax
FY20.3 1Q-2Q	4,287 M JPY	2,173 M JPY
FY21.3 1Q-2Q	4,749 M JPY	2,101 M JPY

- ▶ **econtext, Inc.**
Integrates online and offline business as the convenience store payment pioneer



- ▶ **VeriTrans Inc.**
Provides leading e-commerce payment solutions



- ▶ **econtext ASIA Ltd.**
Payment business in Hong Kong



- ▶ **NaviPlus Co., Ltd.**
Subsidiary of VeriTrans Inc. Offers website support tools including personalized recommendation engines



- ▶ **ANA Digital Gate, Inc.** (49% stake/equity method)
Develops and offers the new payment solution by FinTech



- ▶ **SCORE Co., Ltd** (49% stake/equity method)
Development of post-settlement payment business and various financial businesses utilizing settlement data



- ▶ **TD Payment Corporation** (49% stake/equity method)
Offers multiple payment solutions for POS systems



NOTE: Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.



FT Segment – Five-Year Mid-term Plan Overview



Five-Year Mid-term Plan <Aim for Transaction Volume 10 T JPY in 2025 (CAGR:30%) >

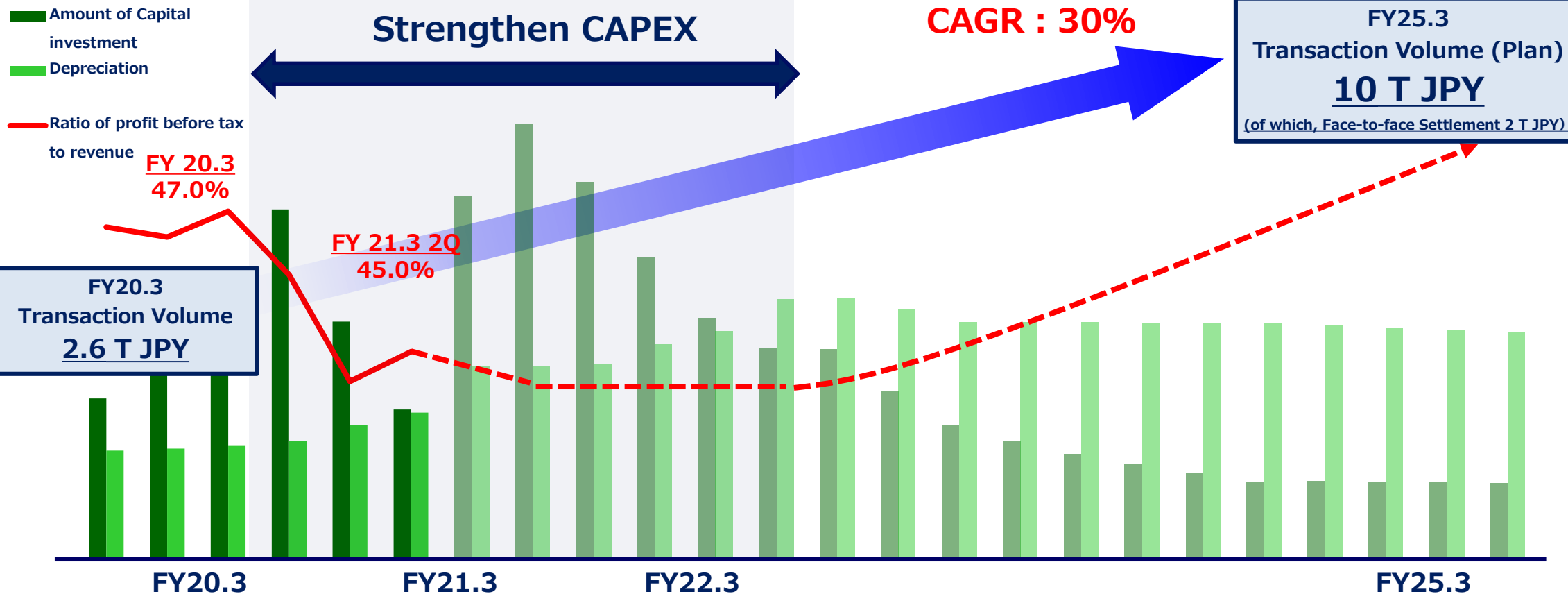
FT Segment
External environment

I Cashless

II Contactless

III Deregulation

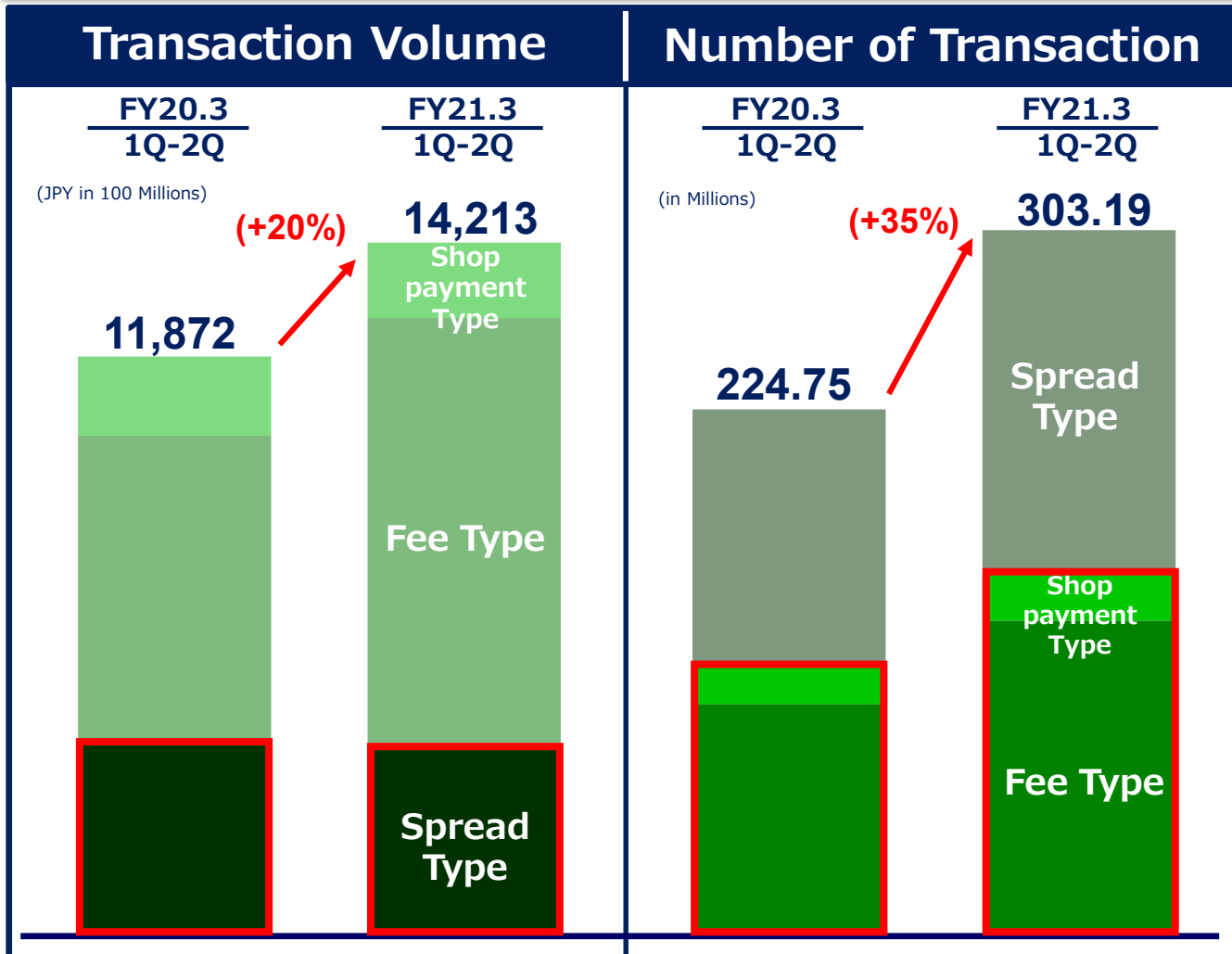
- Accelerate growth in both EC and face-to-face payments by strengthening support for diversifying payment methods
- Focus on building advanced and secure next-generation systems and operation systems for 24/365 systems





Transaction volume increased 20% YoY to 1.4 T JPY, and the number of transactions increased 35% YoY to 300 million, continuing high growth

~ Although inbound and travel-related transaction are decreasing, total transaction volume is increasing due to at-home consumption such as EC, digital contents, Take Out etc. ~



Spread Type

Transaction Volume	YoY	-2.1%
Number of Transaction	YoY	+37.6%

- Transaction volume decreased, due to a decrease in inbound payments and travel-related payments in the first half, but transaction volume of travel-related payments is on a recovery trend from 2Q
- Cashless payments and QR code payments in Japan grew due to the progress of cashless transactions

Fee Type

Transaction Volume	YoY	+39.5%
Number of Transaction	YoY	+36.1%

- In addition to the increase in EC payments by at-home consumption, increased the number of transaction mainly in digital contents such as Games and Video distribution services

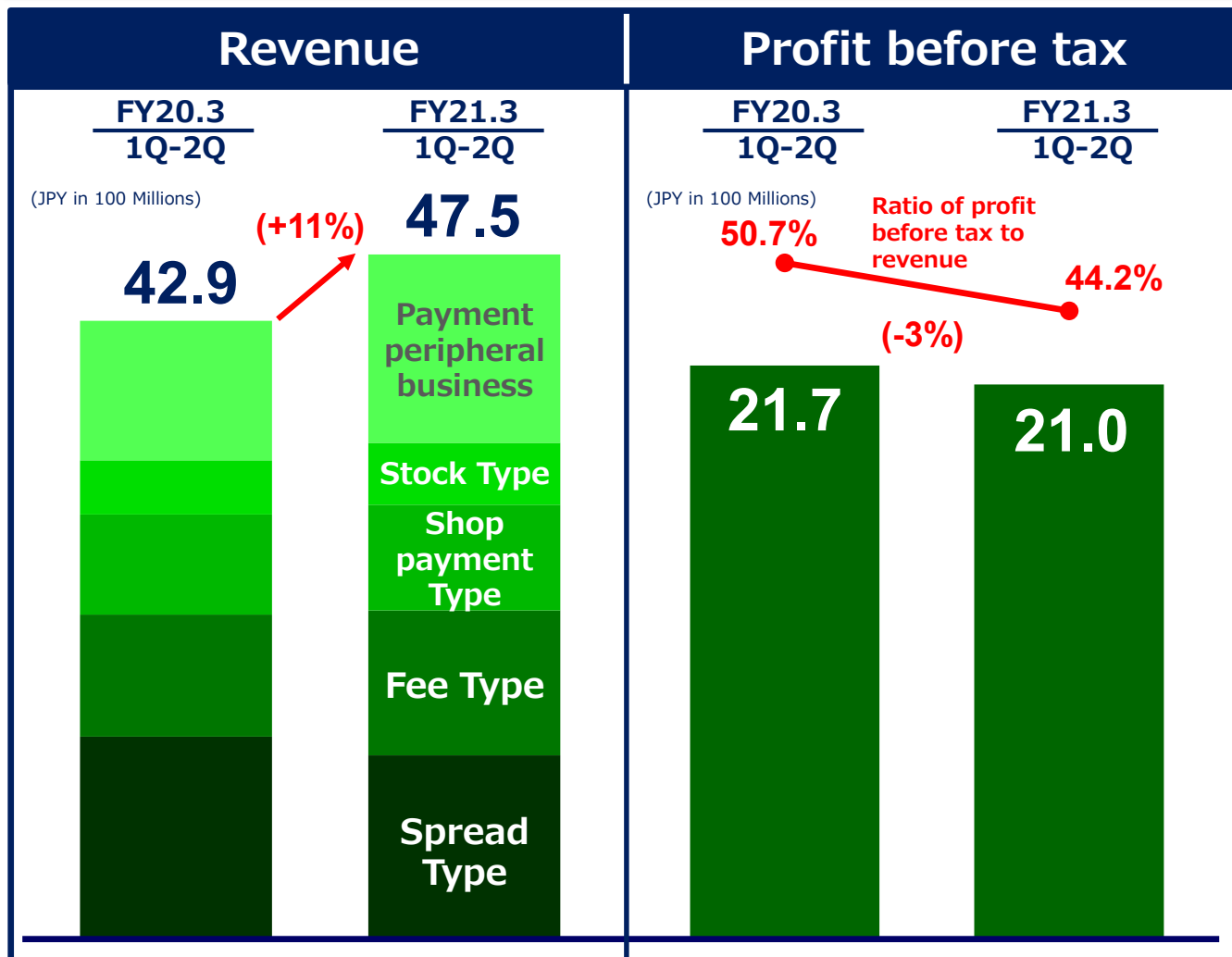
Shop payment Type

Transaction Volume	YoY	-4.2%
Number of Transaction	YoY	+11.8%



Transaction volume and the number of transaction strongly increasing,
revenue marked 4.8 B JPY, +11% YoY

~ Profit before tax decreased due to decrease of transaction volume of travel-related payments,
inbound payments and increased capital investment costs ~



Revenue

- Revenue decreased due to decrease Transaction Volume of travel-related payments, inbound payments
- Face-to-face payments' revenue increased with the increase in merchant
- Increased revenue in EC and digital contents by a going out self-restraint by COVID-19
- Other growth in SaaS for EC and fraud detection services

Profit before tax

- ✓ Profit is currently flat due to the following reasons
- Started development of next-generation core system
- Development to support diversifying payment methods such as mobile orders and QR payments
- Established a new operation center and realize complete redundancy of operations such as customer support
- Increased fixed costs associated with office expansion (Tokyo Office / Operation center in Yokohama)



Payment methods that match all store sizes and strategy support for O2O business

veritrans
econtext



POS Register

Direct



TDP
TD Payment Corporation

- Having introduced it directly to largest fast-food stores, department stores, general merchandising stores and station buildings, etc.
- JV with Toshiba Tec Corporation, the top share company in Japan providing multi-payment solution. Smoothly introduced to major retailers such as drug stores

Large Scale



Tablet POS Multi-Payment Terminal mPOS

OEM



ANA DIGITAL GATE

- Providing multi-payment solutions for mobile POS such as Recruit Holdings Co., Ltd.
- JV with ANA group, “ANA Digital Gate, Inc.” providing multi-payment terminals for face-to-face retailers, etc. Airport facilities were affected by COVID-19, but recovery trend due to national measures such as Go To Travel campaign

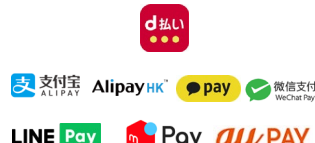
Medium Scale



QR Code Scanning Panel Cloud Pay



Cloud Pay



- Develop consortium-type multi-QR solutions that integrate various MPM-type payments into one QR code, focusing on small stores.
- Starts linkage with LINE Pay in August, au Pay in October.
- Due to the cashless trend, electronic payments for small-scale individual stores are becoming widespread. The number of merchants has increased to hundreds of thousands.

Small Scale

Note) MPM (Merchant Presented Mode) : Method in which consumers scan QR codes displayed at stores with their smartphones to make payments



II Marketing Technology Segment

	Revenue	Profit before tax
FY20.3 1Q-2Q	7,360 M JPY	1,004 M JPY
FY21.3 1Q-2Q	6,591 M JPY	256 M JPY

▶ Marketing Technology Company

Supports client's business through performance-based ads, Online to Offline strategy and web marketing



▶ DG Communications Co., Ltd.

Provides solutions that make people's lives more comfortable, mainly through the real estate advertising business



▶ BI.Garage, Inc.

Develops and provides ad products incorporating data science, media consortium business, and cutting edge ad technology



▶ CyberBuzz, Inc. (20.4% stake/equity method)

Provides the social media marketing platform structured with influencers as its center part



▶ DG MARKETING DESIGN, Inc. (20% stake/equity method)

Established on June 25th, 2018 and its predecessor is Business Design Company



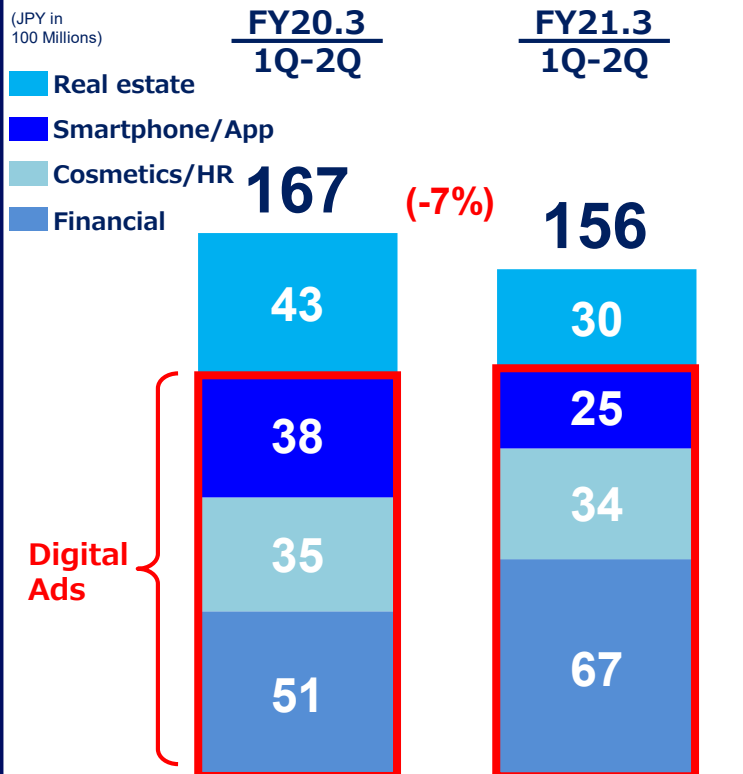
NOTE: Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.



Volume of digital ads remained firm, and higher revenue in CRM and other next-generation user DB businesses

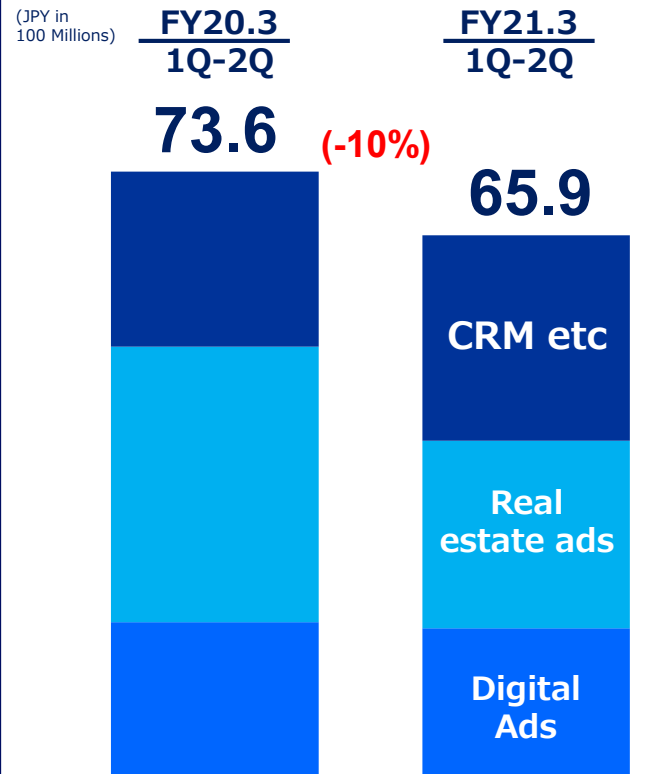
~ Expenses recorded due to optimization of costs in the real estate field over the next five years and upfront investment in strategic businesses ~

Advertisement volume



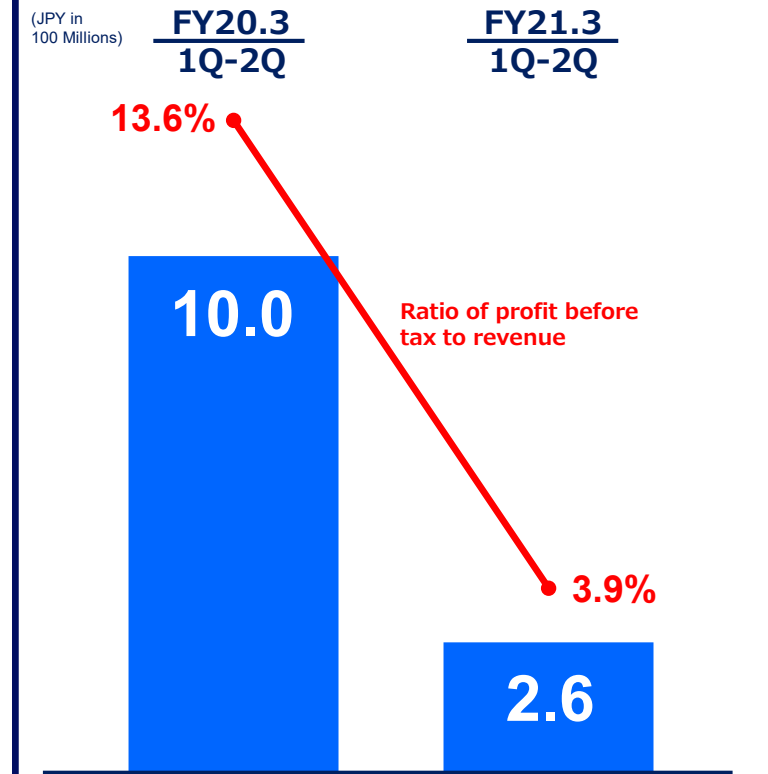
- Mainstay digital ads remained firm
- Real estate sales advertising decreased significantly due to the COVID-19

Revenue



- Digital Ad earnings remained robust
- Revenue of CRM etc up 18% YoY
- On the other hand, real estate ads declined 32% YoY

Profit before tax



- COVID-19 impact on real estate ads
- Promote measures to optimize costs from the next fiscal year onward and expenses for strategic businesses are in advance



Marketing Environment/ Technological change

I Cookieless/
Personal Information protection

II Evolution of DX
(Digital contracts etc)

III New normal of media contract

Strategic Businesses

Media-cross advertising solutions through a consortium with 28 companies

A new AD platform implementing a cookieless new technology

Digital solutions for real estate contracts

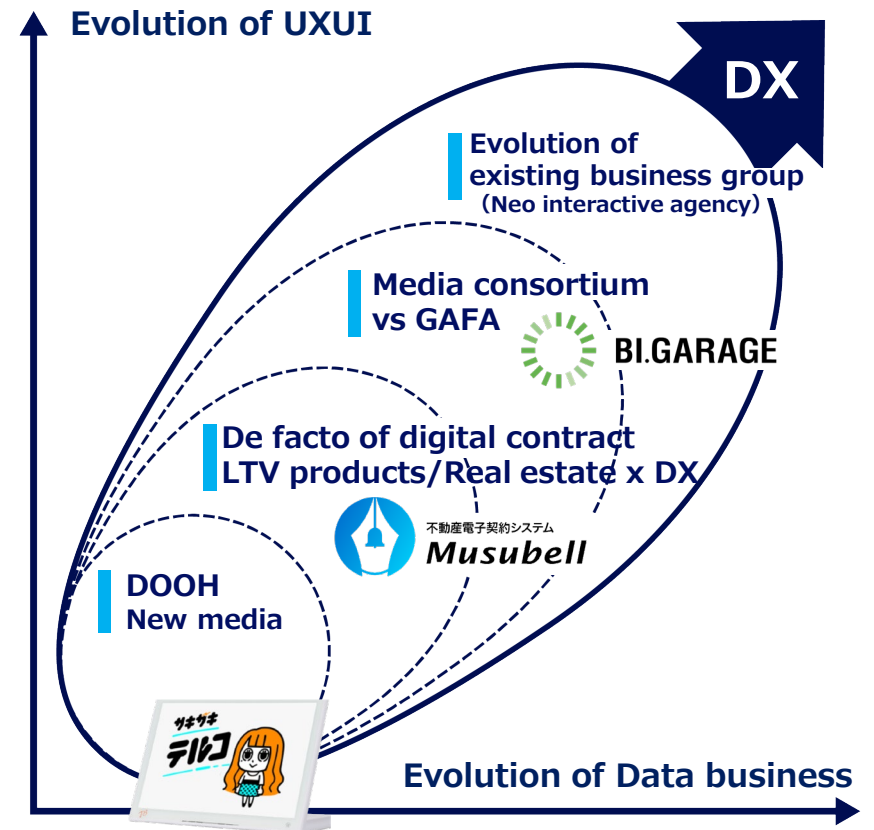
Full-scale entry into DOOH
New media development



Evolution of existing business groups



Portfolio in 2025





Promoting DX for the real estate industry through the Group’s comprehensive strengths

Entry into the real estate legal tech area in addition to real estate advertising and Regi-Tech investment

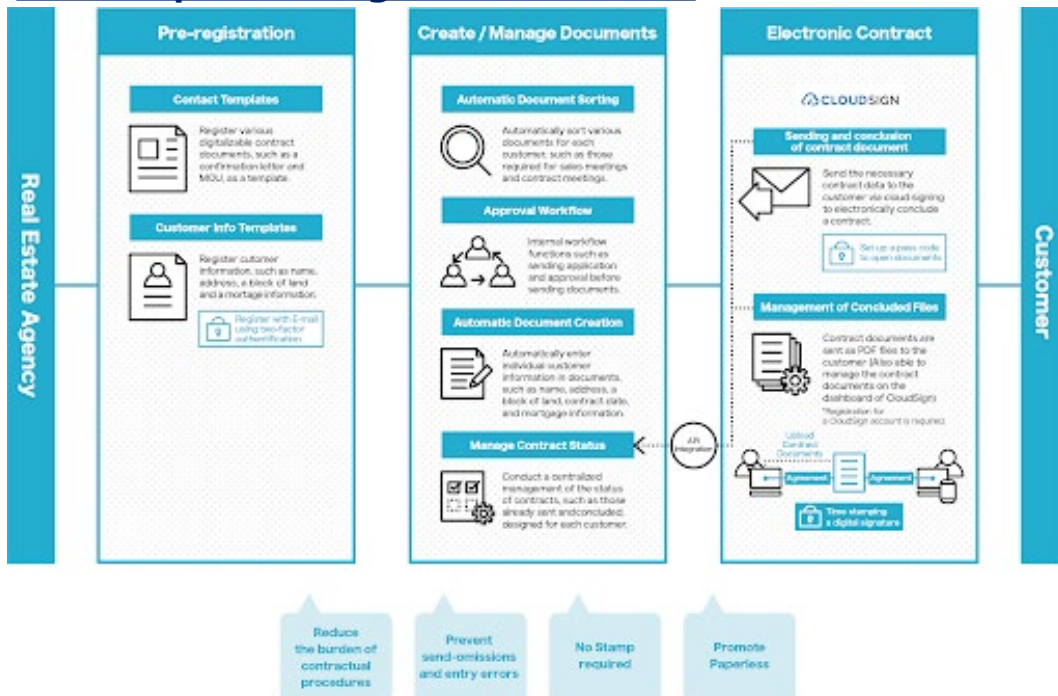


不動産電子契約システム

Musubell

- Automated screening and generation of necessary documents in the real estate sales agreement and execution of digital contract conclusion
- Online centralized management of contract status
- Simplification of signatures, stamps, mailings, etc. by digitization is omitted.
- Signing, mailing, etc. are omitted by digitization.

■ Conceptual Image of “Musubell”



Launched in July as the first phase

Automation of documents, stamps, mailings, document management, and business in real estate sales contracts

Industry needs are rapidly increasing due to the COVID-19 and the trend toward DX

Application to marketing and financial domains through data analysis

Introduced in Nomura Real Estate Development Co., Ltd. as the first phase

Press release:
<https://www.garage.co.jp/en/pr/release/2020/07/20200728/>

Digital contract solutions connected to API of Bengo4.com, Inc. as the first phase



III Incubation Technology Segment

	Revenue	Profit before tax
FY20.3 1Q-2Q	3,969 M JPY	3,284 M JPY
FY21.3 1Q-2Q	5,658 M JPY	4,988 M JPY

▶ **DG Ventures Inc.** (Former DG Incubation, Inc.)*

Invests in and incubates cutting-edge internet startups

*Trade name changed to "DG Ventures Inc." as of January 1st 2020.



▶ **Open Network Lab, Inc.**

Seed Accelerator Program in progress in the 22nd term



▶ **Digital Garage US, Inc.**

The US-based global strategy headquarters



▶ **DG Daiwa Ventures, Inc.** (50% stake/equity method)

Manages DG Lab Fund to invest in startups with next-generation technologies



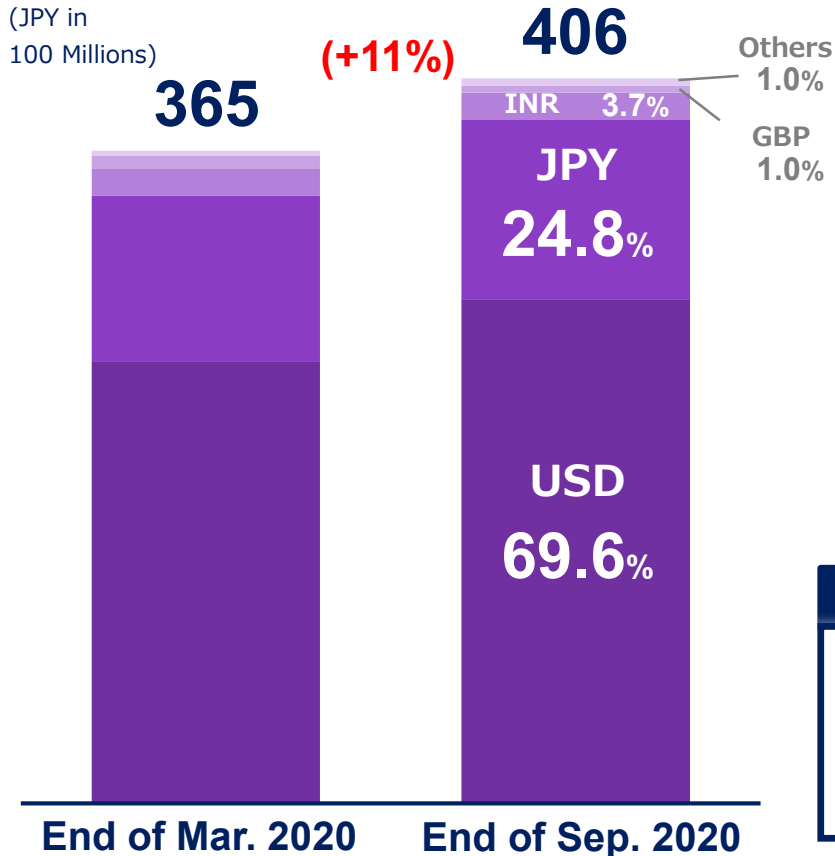
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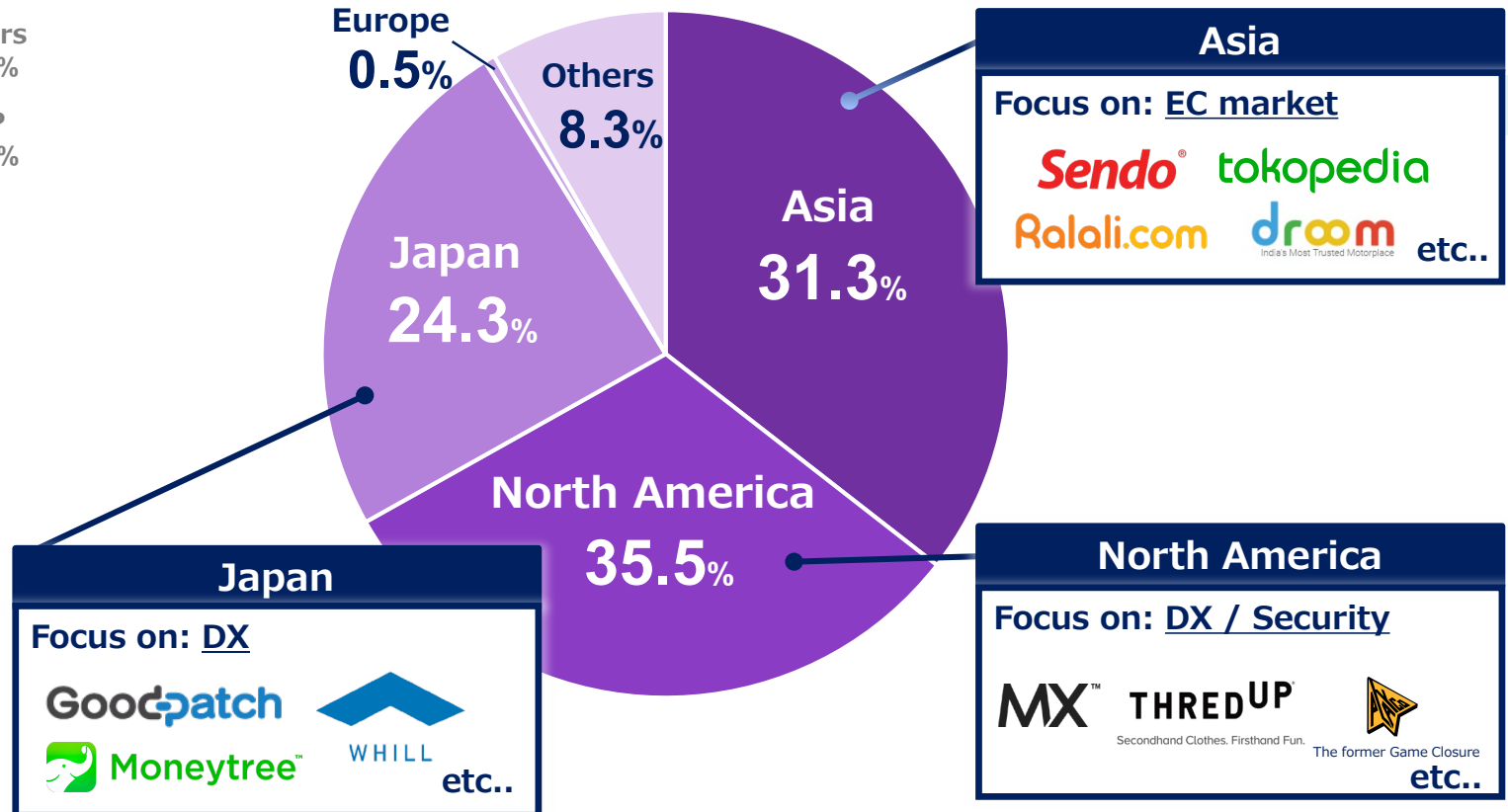
In addition to Goodpatch Inc.'s IPO, the fair value of the U.S., Europe and Asia investees has increased significantly

~ Operating investment securities increased 11% YoY to 40.6 B JPY ~

Operational Investment Securities (ratio by currencies)












Portfolio by Regions



※Portfolio of consolidated subsidiaries (DG Ventures, DK Gate, D2 Garage, econtext ASIA)



Growth in promising investments in the era of COVID-19 in Japan, Asia, and North America

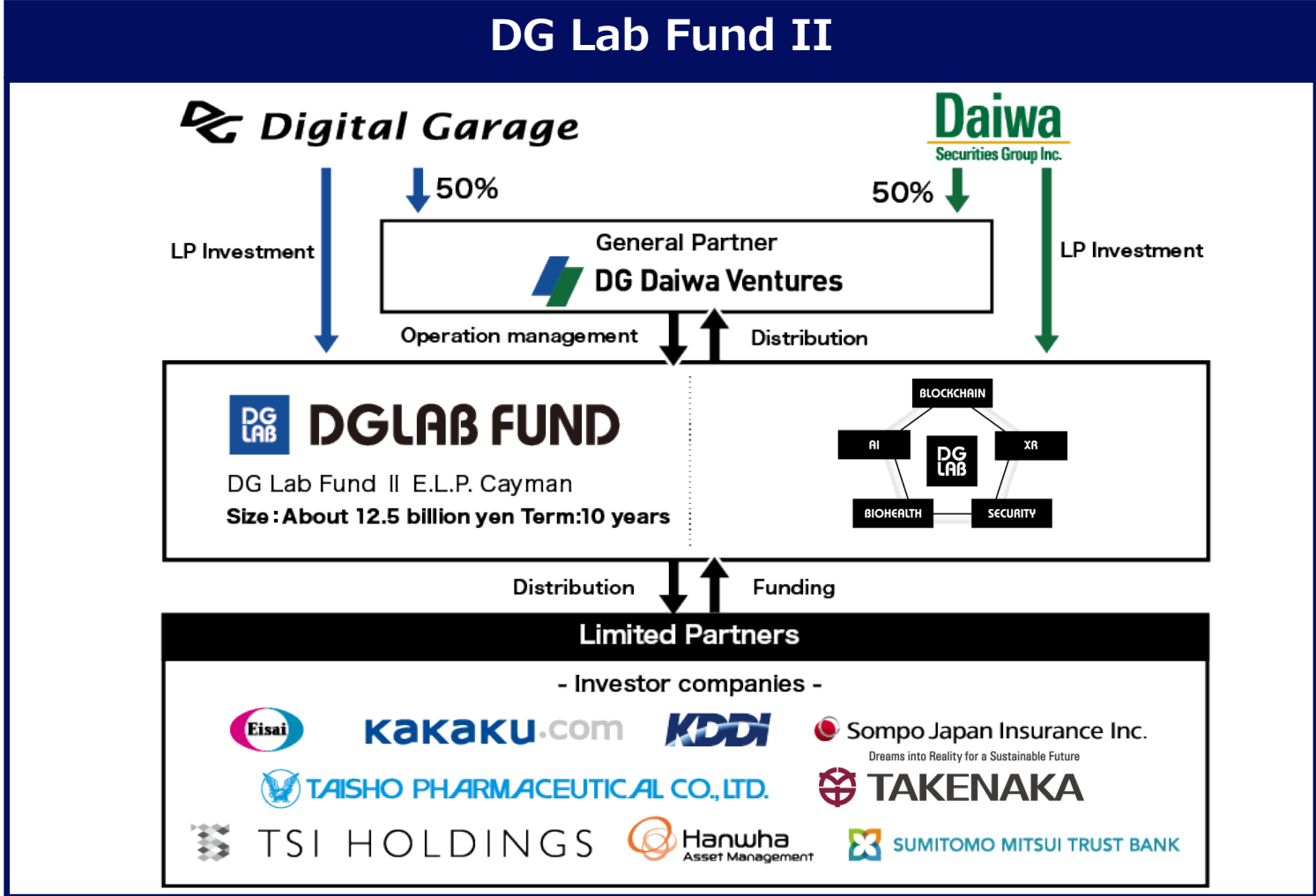
Japan	Asia	North America
<p>Following Goodpatch Inc., DX leading-edge companies prepare for domestic IPO</p>	<p>Investing in prominent companies such as Indonesia, India and Vietnam</p>	<p>Invest in unicorn and potential-unicorn, mainly in DX/FinTech</p>
<p>Goodpatch [Japan] </p> <p>A design company specializing in UI/UX design. Provides “Prott”, a product typing tool, and “ReDesigner”, a career support service specifically designed for designers.</p>	<p>Sen Do Technology [Vietnam] </p> <p>Operates Sendo, a marketplace for C2C and B2C in Vietnam, and provides electronic wallet services</p>	<p>MX Technologies [US] </p> <p>Offers a PFM (personal financial management) tool for financial institutions in the US.</p>
<p>STMN [Japan] </p> <p>Offers perks and benefits through its cloud platform TUNAG to help companies increase employee satisfaction.</p>	<p>Tokopedia [Indonesia] </p> <p>Indonesia’s largest online marketplace. Providing a platform for individual entrepreneurs and SMEs to open online stores</p>	<p>Playco Global [US] (The former Game Closure) </p> <p>Provider of a mobile application intended to offer a HTML5 game development platform.</p>
<p>QD Laser [Japan] </p> <p>Develop and provide new semiconductor laser solutions in the telecommunications, industrial, medical, and consumer sectors as a pioneer in the commercialization of quantum dot laser technology</p>	<p>NoBroker Technologies Solutions [India] </p> <p>Operates India’s peer-to-peer property marketplace. Using this service, people can rent/buy houses online without brokers</p>	<p>ThredUp [US] </p> <p>Secondhand Clothes. Firsthand Fun.</p> <p>The world’s largest fashion resale platform, inspiring a new generation to think secondhand first. Specializing in women's and children's clothing</p>

※The investees of DG Ventures, DK Gate, D2 Garage, econtext ASIA EC Fund



Complete establishment of “DG Lab Fund II” for global startups with next-generation technologies

~ Total of approximately 20 B JPY invested in DG Lab Fund I & II, and strengthening collaboration with DG Lab globally ~



< Fund I & II >

(As of Sep. 30, 2020)

Total operating amount	Approx. 20 B JPY
Sponsoring partners	17
Investees	40 or more

DG Lab Fund Examples of Investment



Listed on the Mothers section of the Tokyo Stock Exchange on June 30, 2020



Acquired U.S. FDA approval for the world's first game-based digital therapeutic app and acquired CE mark in the EU region



Idein Inc.

Efforts in edge computing and highly evaluated globally



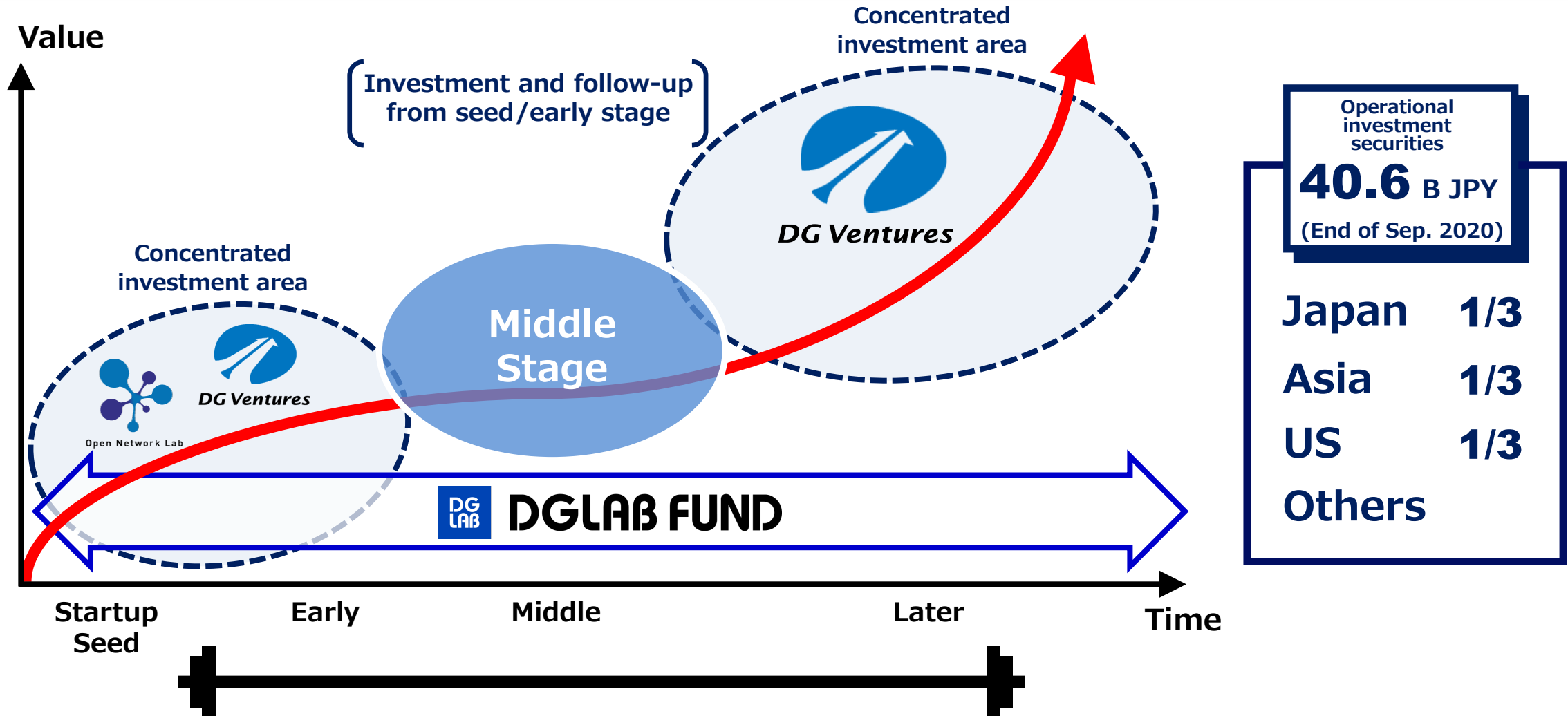
Blockstream

Established JV with Digital Garage and Tokyo Tanshi Co., Ltd. based on blockchain basic technologies

IT Segment – Investment Strategy in Mid-term Plan



Establish a DG investment ecosystem based on a key strategy (barbell strategy) in line with corporate growth and a global portfolio (Japan, Asia, and the U.S.) diversifying geopolitical risks





IV Long-term Incubation Segment

	Revenue	Profit before tax
FY 20.3 1Q-2Q	3,928 M JPY	2,426 M JPY
FY21.3 1Q-2Q	2,105 M JPY	605 M JPY

▶ **Kakaku.com, Inc.** (20% stake/equity method)

Operates purchase support service Kakaku.com, restaurant review and restaurant service tabelog, and New Media and Solutions



▶ **Crypto Garage, Inc.**

Promoting development of advanced financial services utilizing blockchain technology and cryptography technology with Tokyo Tanshi Co., Ltd.



▶ **Brainscan Technologies, Inc.**

MRI business for drivers



▶ **ACADEMIE DU VIN**

Operation of wine schools and development of community and e-commerce businesses utilizing digital technologies



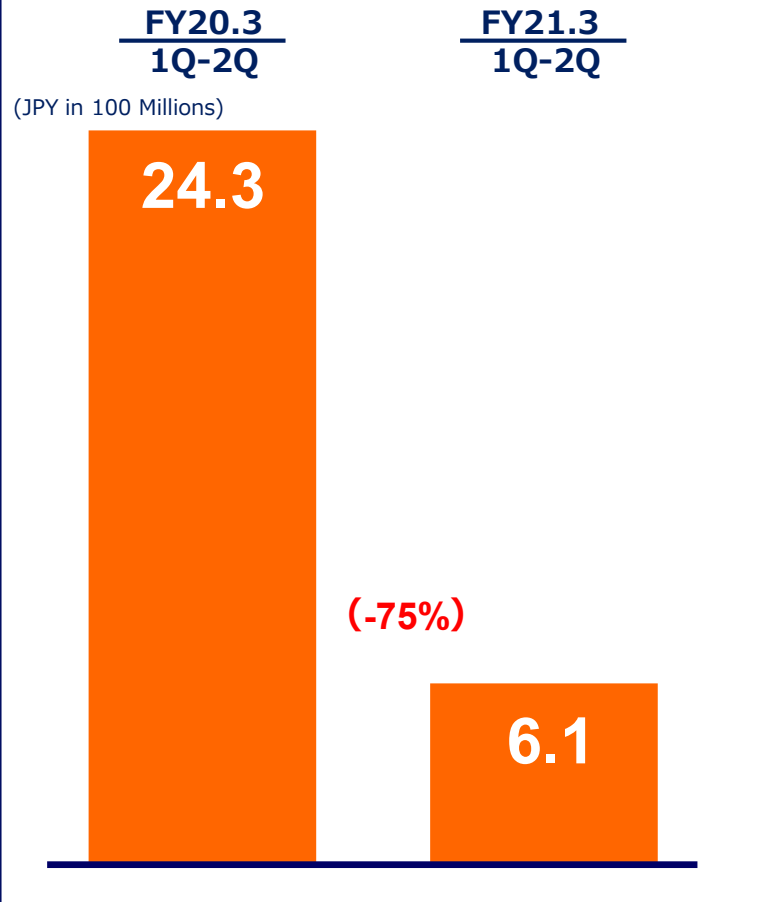
NOTE: Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.



Decrease share of profit of investments accounted for using equity method of Kakaku.com, Inc. and advance the commercialization cost of new business

~ "Tabelog" will recover after 2Q, and will recover further with the start of the "Go To Eat" campaign ~

Profit before tax

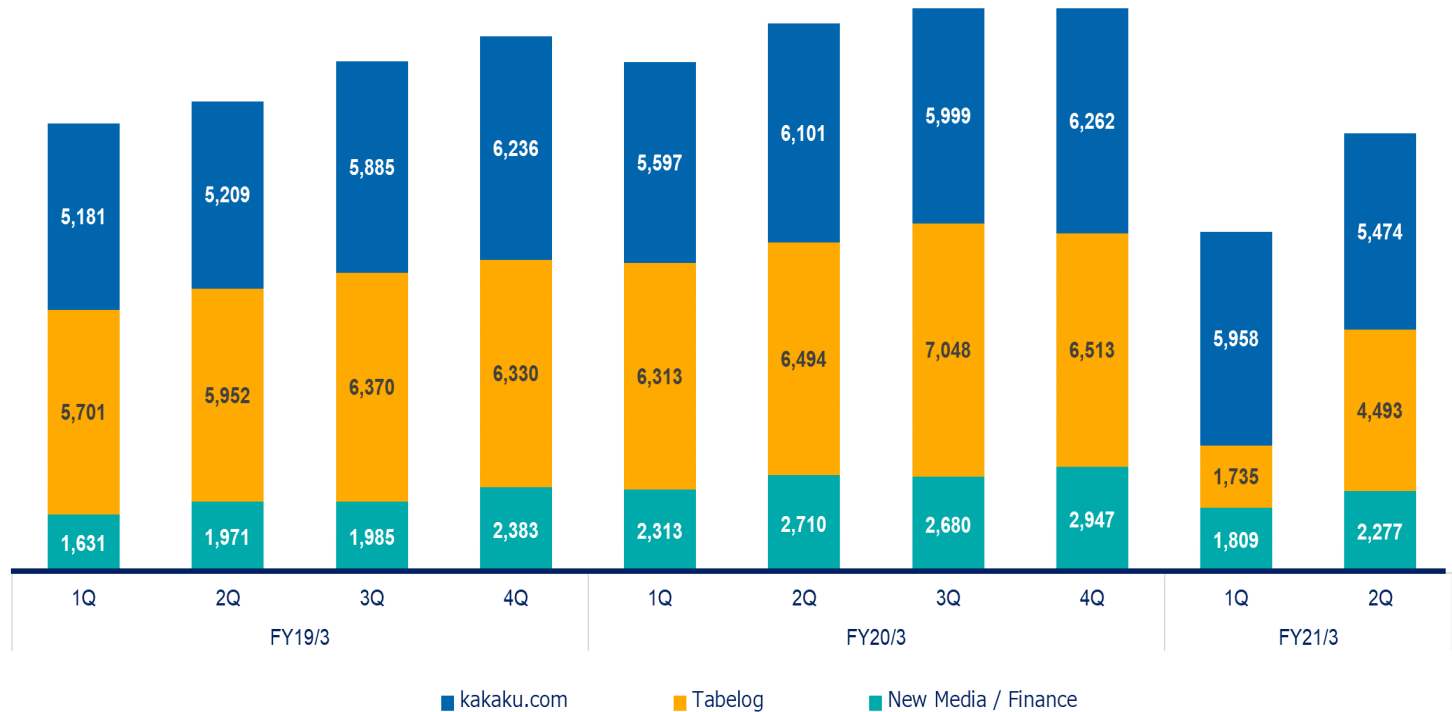


Business Progress of Kakaku.com, Inc.

【 Quarterly Consolidated Revenue for Kakaku.com Group 】
Consolidated Revenue YoY-26.4%

(JPY Million)

Ref. Kakaku.com, Inc. Results Briefing for FY21.3 2Q





Bio-Health/ The number of the brain MRI medical consultations exceeds total 30,000 cases in Brainscan Technologies, Inc.

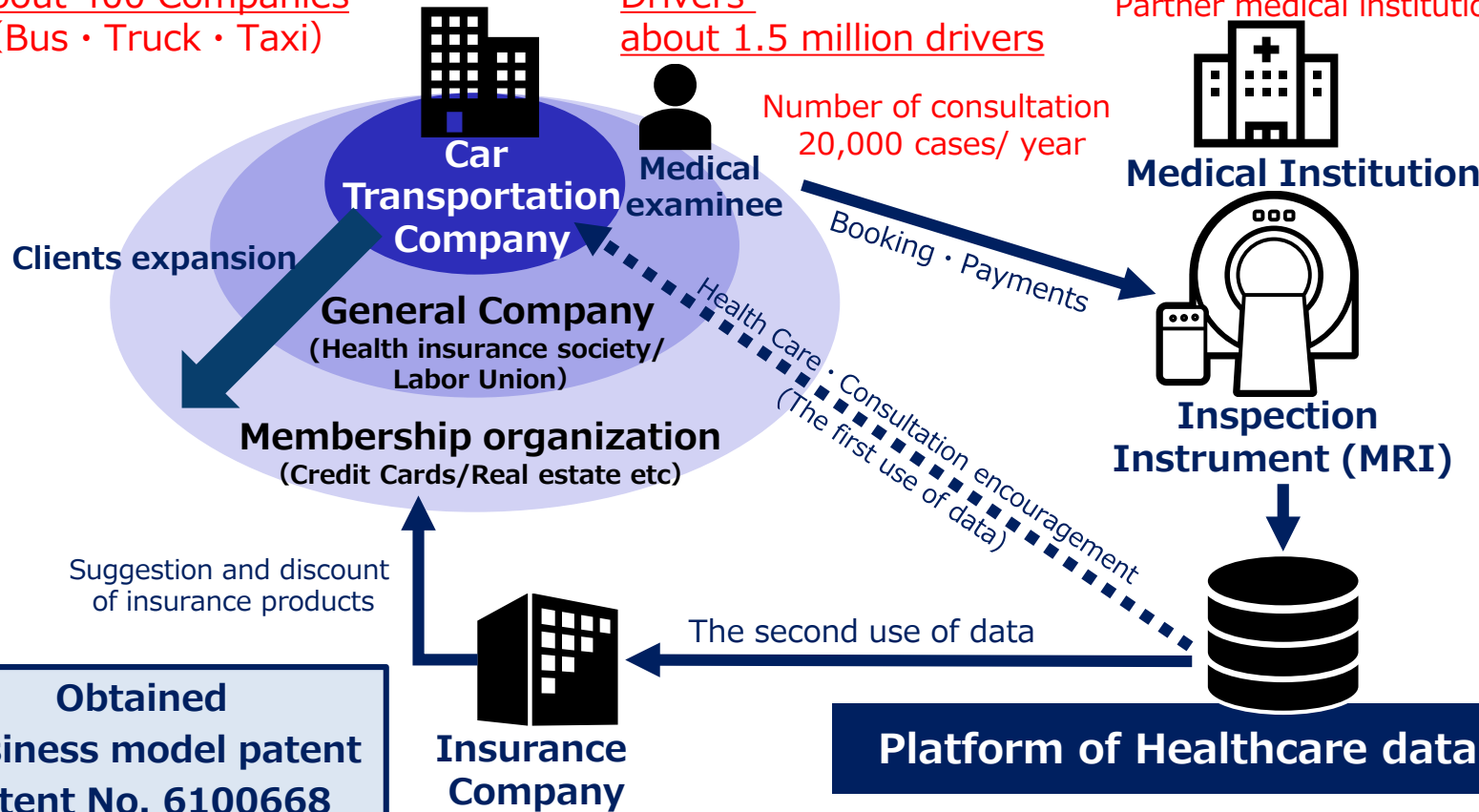
~ Service development by the inflection of the big data and AI of the brain based on the business of the brain MRI to drivers ~

Brainscan Technologies, Inc. Business Model

About 400 Companies
(Bus · Truck · Taxi)

Drivers
about 1.5 million drivers

About 200
Partner medical institution



Obtained
business model patent
Patent No. 6100668

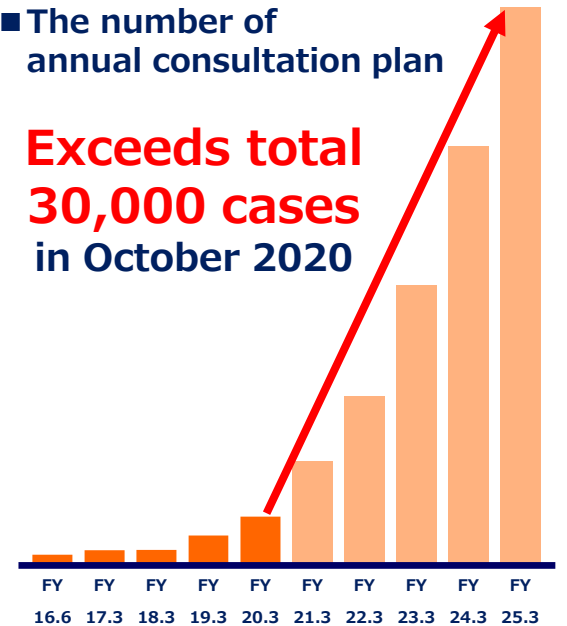
The number of brain MRI medical examination consultations

By the law revision of 2017*, each association group and health insurance starts grant supply to brain MRI consultations. So, **the number of consultation is largely extended**

* Partial Revision of the Road Transportation Law and Motor Truck Transportation Business Act

■ The number of annual consultation plan

Exceeds total 30,000 cases in October 2020





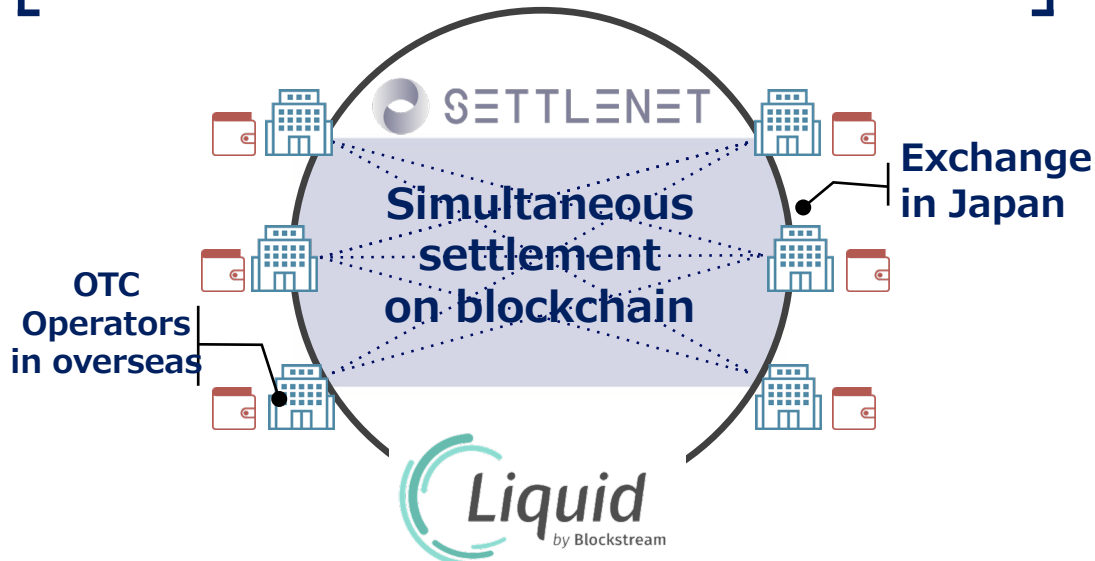
For the purpose of future business expansion, we are promoting the acquisition of domestic and foreign excellent customers and the expansion of the handling assets

~ Accelerate business deployment for construction of the next-generation global finance infrastructure ~

Crypto Garage/SETTLENET

- Continue the activity for the acquisition of domestic and foreign excellence customers
- Toward the entry examination to the security token field, we join association of Japan STO

Connect with 7 major crypto asset related companies in Japan and overseas
To expand assets handled next to BTC / JPY

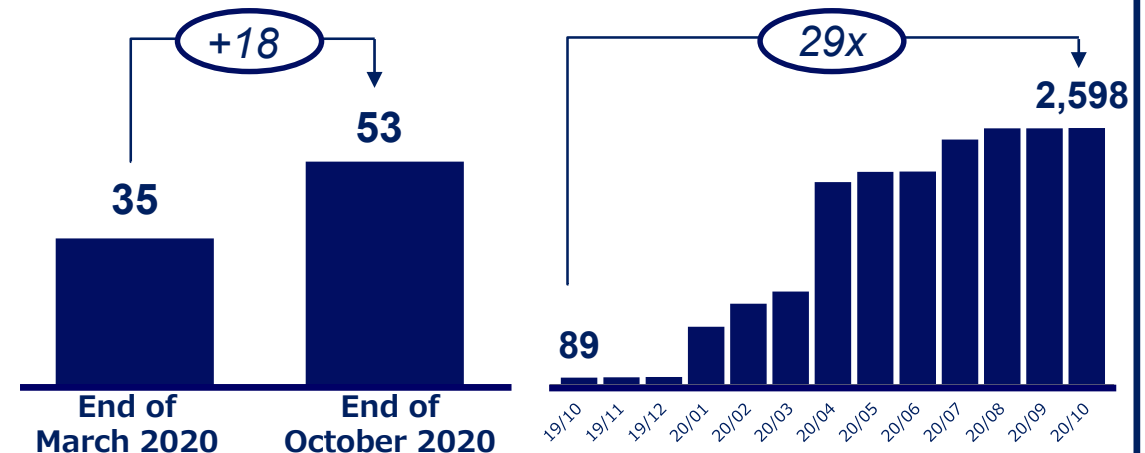


Blockstream Corporation Inc. /Liquid Network

- The number of the network participation companies and the distribution Bitcoin largely increase
- To the block chain for the largest enterprise

As a block chain for enterprise, Liquid Network grows into a network with the largest number of participating companies

<The number of participants> <The total number of distribution BTC>





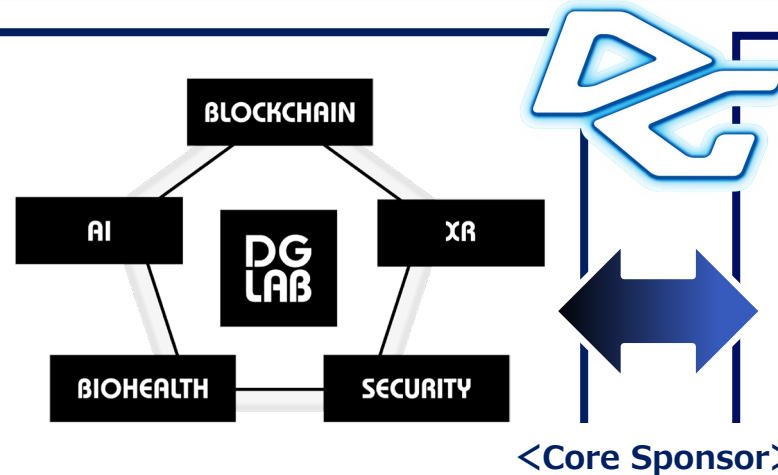
"DG Lab" started in 2016 advance to the second stage



OPEN INNOVATION PLATFORM

R&D and experiments in strategic 5 focus areas (Blockchain, AI, XR, Security, BioHealth)

<Sponsor>



<Core Sponsor>



DGLAB FUND

JV with 大和証券グループ本社
Daiwa Securities Group Inc.

< **DG Daiwa Ventures Inc.** >

1st & 2nd Fund

Management of funds about 20 billion JPY scales

Eisai Co., Ltd. / Sompo Japan Insurance Inc.
Taisho Pharmaceutical Holdings Co., Ltd. / TAKENAKA CORPORATION
TSI HOLDINGS CO., LTD./ Hanwha Group.
Sumitomo Mitsui Trust Bank etc..

R&D / Next-Generation Business Themes

<p>■ AI</p> <p>Preparing to create next-generation businesses based on data held by DG Lab sponsors.</p>	<p>■ Security</p> <p>Under development of use case utilizing secret calculation technology that enables analysis processing while concealing data</p>
<p>■ Blockchain</p> <p>Crypto asset settlement business, construction of crypto asset system for financial industry</p>	<p>■ xR</p> <p>Building an advertising platform targeting digital outdoor signage (DOOH)</p>
<p>■ BioHealth</p> <p>Utilization of brain MRI image data and personal health diagnosis data. Preparation for distribution business of digital medicine (DTx)</p>	<p>■ Data</p> <p>We are planning a next-generation data distribution platform by utilizing deep learning-based clustering technology that promotes data collaboration between different industries.</p>

Appendix





Due to the diversification of payment methods, there will be a divergence from the actual situation in the conventional disclosure classification, change the classification from the viewpoint of management approach from current term

Previous Classification	New Classification	Definition
Credit card payment	Spread Type	Payment such as credit card payment, which are fees that are based on <u>the payment amount</u>
Data processing	Fee Type	Payment in which fees are paid according to <u>the number of payment processes</u> , mainly Data processing etc.
Convenience store payment	Shop Payment Type	Payment settlement by convenience store terminal
Monthly basic fee /OEM	Stock Type	Fixed income generated by fixed monthly amount such as monthly basic fee and OEM offer fee for payment system
Others	Payment peripheral business	Revenues from refund remittance service and group companies that develop payment peripheral businesses etc.



Financial Results: Consolidated PL (IFRS)



JPY in Millions	FY18.3 Result	FY19.3 Result	FY20.3 Result
■ Continuing operations			
Revenue	25,503	35,687	36,936
Revenue in recurring business	18,141	22,713	26,687
Revenue in operational investment securities	1,007	6,090	4,020
Other income	2,111	1,933	2,416
Finance income	764	117	93
Share of profit of investments accounted for using equity method	3,481	4,835	3,720
Expenses	17,127	22,264	26,929
Cost of sales	7,187	10,401	12,036
Selling, general and administrative expenses	9,095	11,296	14,022
Other expenses	542	332	492
Finance costs	303	235	379
Profit before tax	8,376	13,424	10,008
Income tax expense	1,857	4,088	2,677
Profit from continuing operations	6,518	9,336	7,331
■ Discontinued operations			
Revenue	3,260	1,261	-
Expenses	3,403	1,655	-
Profit (loss) before tax	-143	-394	-
Income tax expense	38	-225	-
Loss (gain) on sales on discontinued operations	-	898	-
Income tax expense from sale of discontinued operations	-	275	-
Profit (loss) from discontinued operations	-181	454	-
Profit	6,337	9,790	7,331
Owners of parent	6,412	9,771	7,420
Non-controlling interests	-75	19	-89

◆ Financial Results: Consolidated PL by Segments (IFRS)



JPY in Millions	FY18.3 Result	FY19.3 Result	FY20.3 Result
Revenue	25,503	35,687	36,936
Financial Technology	5,929	7,447	8,609
Marketing Technology	9,939	12,922	15,375
Incubation Technology	2,553	8,022	4,868
Long-term Incubation	6,301	7,133	7,929
Others/Adjustments and Eliminations	781	164	155
Profit before tax	8,376	13,424	10,008
Financial Technology	2,809	3,349	4,049
Marketing Technology	1,856	1,215	1,853
Incubation Technology	1,321	6,889	3,563
Long-term Incubation	3,621	4,378	4,701
Others/Adjustments and Eliminations	-1,231	-2,408	-4,158

NOTE: Segment revenue and profit before tax are before elimination of intersegment transaction and corporate revenue and expenses.



Date		Title
2020.11.5	 Digital Garage	Digital Garage and Daiwa Securities Group Complete Establishment of DG Lab Fund II for Global Startups with Next-generation Technologies with Around 12.5 Billion Yen
2020.10.27	 Digital Garage	DG Group's "Cloud Pay," a Unified QR Code Payment Solution Starts Linkage with "au Pay" and "WeChat Pay"
2020.10.13	 Digital Garage	Digital Garage, FDC, Fukuoka Growth Next Begin Accepting Applications for the 2nd Batch of "Onlab FUKUOKA," the Open Innovation Program
2020.10.1	 veritrans	VeriTrans Provides Facial Recognition Payment Service for "Toyama-city Facial Recognition System Pilot Program" with NEC
2020.9.29	 veritrans	VeriTrans – Comprehensive Payment Solution "VeriTrans4G" Supports "Amazon Pay"
2020.8.31	 veritrans	VeriTrans Provides "POS Barcode Payment Solution," which Installs Multiple Barcode/QR Code Payment Types All at Once, to PRONTO Corporation
2020.8.12	 Digital Garage	DG Group's "Cloud Pay," a Unified QR Code Payment Solution Starts Linkage with "LINE Pay"
2020.8.3	 Digital Garage	Digital Garage Enters the DOOH Market with the Launch of "SAKIZAKI TERUKO," a Digital Signage Media for Beauty Salons
2020.7.31	 Digital Garage	Digital Garage Supports the Ministry of the Environment to Set Up an Official "LINE" Account and Provides a Message Delivery Service for "Heat Stroke Caution Alert (Trial Service)"
2020.7.28	 Digital Garage	Digital Garage Develops "Musubell" for Centralized Real Estate Contract Management, Integrated with Bengo4.com's "CloudSign" to Fully Digitalize Contract Documents
2020.6.22	 Digital Garage	28 Prominent Media Companies Establish the Content Media Consortium
2020.6.9	 CRYPTO GARAGE	Crypto Garage Launches the Commercial Service of "SETTLENET," a Settlement Platform for the Crypto Asset OTC Market
2020.5.28	 Digital Garage	Digital Garage's Portfolio Company, Goodpatch is Approved for Listing on the TSE's Mothers Section



Digital Garage

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