



25TH ANNIV
since 1995 TOMIGAYA

In 2020,
we are celebrating
our 25th anniversary

**DIGITAL GARAGE
ANNUAL REPORT 2020**



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Cautionary Statement

Discussions of Digital Garage's current plans and strategies, and outlooks for future performance, included in this annual report are based on information available as of the preparation of this report. Digital Garage believes the views expressed are reasonable as of the time this report was prepared. Nevertheless, risk and uncertainty are inherent in discussions of the future. Users of this report should bear in mind that various factors may cause actual results to differ from expectations or outlooks expressed in this annual report.

MISSION

CONTEXT

COMPANY

REAL LOCAL MARKETING PRESENT & CYBER INTERNATIONAL TECHNOLOGY FUTURE

Since its establishment in 1995, Digital Garage has put itself forward as a company that creates contexts for the internet era. In using the word, “**context**,” we mean shared understanding based on relationships, environments, culture, and ideas. We established DG as a company that would explore ways for creating internet contexts incorporating real space and cyberspace which is set to expand by leaps and bounds and linking Japan with the rest of the world, marketing with technology, and the present with the future. We also established DG to be a company that would create contexts useful for the world. And, indeed, DG has built a solid track record of constantly being at the cutting edge of internet development, and taking on “first-in-Japan” projects.

We are proud that the history of DG is the history of the internet in Japan. Looking to the future, we will remain steadfast in our efforts to add a new page to the history of the internet by creating new services that contribute to society. We aim to accomplish much and welcome anticipation of our results.

Financial Results Highlights and New Mid-term Plan

Revenue increased 4% YoY to 36.9 billion JPY and profit before tax decreased 25% YoY to 10 billion JPY

In recurring businesses, double-digit growth was recorded again in both revenue and profit, and the fair value of investee companies also increased

In FY2020, revenue was 36,936 million JPY (+3.5% YoY), profit before tax was 10,008 million JPY (-25.4% YoY), and profit attributable to owners of parent was 7,420 million JPY (-24.1% YoY).

"Revenue in recurring business," which is gained from the stable enabling platforms including the Financial Technology Segment (FT Segment) and the Marketing Technology Segment (MT Segment), enjoyed a strong growth by 17.5% YoY. In the Long-term Incubation Segment (LTI Segment), the performance of equity-method affiliate Kakaku.com, Inc. contributed to posting "share of profit of investments accounted for using equity method" of 3,702 million JPY(+9.3% YoY).

In the Incubation Technology Segment (IT Segment), the balance of operational investment securities increased by 9,851 million JPY from the end of the previous fiscal year to 36,546 million JPY mainly due to a rise in the fair value of securities held.

On the other hand, in addition to the effects of the appreciation of the yen in foreign exchange rates, "revenue in operational investment securities" decreased YoY, and selling, general and administrative expenses temporarily rose mainly due to equipment costs incurred for the expansion of the head office, resulting in a decrease in profit before tax.

JPY in Millions	FY19.3	FY20.3	YoY	
			%	Amount
Revenue	35,687	36,936	+3.5	+1,249
Revenue in recurring business	22,713	26,687	+17.5	+3,974
Revenue in operational investment securities	6,090	4,020	-34.0	-2,070
Other income	1,933	2,416	+25.0	+483
Finance income	117	93	-20.2	-24
Share of profit of investments accounted for using equity method	4,835	3,720	-23.1	-1,115
Expenses	22,264	26,929	+21.0	+4,665
Cost of sales	10,401	12,036	+15.7	+1,635
Selling, general and administrative expenses	11,296	14,022	+24.1	+2,726
Other expenses	332	492	+48.2	+160
Finance costs	235	379	+61.1	+144
Profit before tax	13,424	10,008	-25.4	-3,416
Profit attributable to owners of parent	9,771	7,420	-24.1	-2,351

JPY in Millions	FY19.3	FY20.3	YoY	
			%	Amount
Revenue	35,687	36,936	+3.5	+1,249
FT Financial Technology	7,447	8,609	+15.6	+1,162
MT Marketing Technology	12,922	15,375	+19.0	+2,454
IT Incubation Technology	8,022	4,868	-39.3	-3,154
LTI Long-term Incubation	7,133	7,929	+11.2	+796
Others/Adjustments and Eliminations	164	155	-5.2	-8
Profit before tax	13,424	10,008	-25.4	-3,416
FT Financial Technology	3,349	4,049	+20.9	+700
MT Marketing Technology	1,215	1,853	+52.4	+637
IT Incubation Technology	6,889	3,563	-48.3	-3,326
LTI Long-term Incubation	4,378	4,701	+7.4	+323
Others/Adjustments and Eliminations	-2,408	-4,158	-	-1,750

Note) Revenues here shows revenue from are external revenues. Segment profit before tax is before elimination of intersegment transaction and corporate revenue and expenses.

JPY in Millions	End of FY19.3	End of FY20.3	Difference
Current assets	99,186	98,852	-334
Cash and cash equivalents	48,154	32,702	-15,452
Trade and other receivables	23,254	26,657	+3,403
Operational investment securities	26,695	36,546	+9,851
Non-current assets	47,704	63,444	+15,740
Property, plant and equipment	9,421	21,367	+11,946
Goodwill	6,575	7,689	+1,114
Investments accounted for using equity method	19,139	21,475	+2,336
Total assets	146,890	162,296	+15,406
Current liabilities	52,420	50,838	-1,582
Borrowings	2,211	4,927	+2,717
Trade and other payables	45,799	41,203	-4,595
Non-current liabilities	47,125	58,663	+11,538
Bonds and borrowings	35,959	38,247	+2,288
Other financial liabilities	5,430	13,553	+8,123
Deferred tax liabilities	4,744	5,426	+682
Total liabilities	99,545	109,501	+9,956
Total equity	47,345	52,795	+5,450
Equity attributable to owners of parent	46,609	52,033	+5,424
Share capital	7,504	7,591	+88
Capital surplus	4,235	4,409	+174
Treasury shares	-5,026	-5,012	+14
Other components of equity	1,303	324	-979
Retained earnings	38,593	44,721	+6,127
Non-controlling interests	736	762	+26
Total liabilities and equity	146,890	162,296	+15,406

The financial position at the end of FY2020 was as follows:

Assets: Total assets at the end of the current fiscal year increased by 15,406 million JPY from the end of the previous fiscal year to 162,296 million JPY. This is mainly because of an increase of 11,946 million JPY in property, plant and equipment primarily due to new acquisition and the recognition of right-of-use assets through lease transactions relating to the expansion of the head office, 9,851 million JPY in operational investment securities primarily through new investments in investment businesses and fair value valuation of investee companies, 3,403 million JPY in trade and other receivables on the payment business, etc., and 2,336 million JPY in investments accounted for using equity method, despite a decrease of 15,452 million JPY in cash and cash equivalents.

Liabilities: Total liabilities at the end of the current fiscal year increased by 9,956 million JPY from the end of the previous fiscal year to 109,501 million JPY. This is mainly because of an increase of 8,123 million JPY in other financial liabilities (non-current liabilities) primarily due to the recognition of lease liabilities related to the expansion of the head office, and 5,005 million JPY in bonds and borrowings (current and non-current liabilities) related to the expansion of the head office, despite a decrease of 4,595 million JPY in trade and other payables on the payment business, etc.

Equity: Total equity at the end of the current fiscal year increased by 5,450 million JPY from the end of the previous fiscal year to 52,795 million JPY. This is mainly because of an increase of 6,127 million JPY in retained earnings due to the addition of profit attributable to owners of parent, etc., despite a decrease of 874 million JPY in net change in fair value of equity instruments.

Reviewing the 3-year Mid-term Plan (FY2018.3 – FY2020.3)

In FY2020, DG terminated its three-year Mid-term Plan under the slogan of "Open Incubation toward 2020." Over the three-year period of the Mid-term Plan, we continued to promote "Open Incubation," which is the next step for "Open Innovation," the advancement of technological innovation in collaboration with a variety of companies, and nurturing the germ of a promising business in an open ecosystem together with group companies and third-party companies.

In the FT Segment, we provided a variety of payment solutions and made

expansions in both EC payments and face-to-face payments, resulting in the achievement of 20% annual profit growth. In the MT Segment, we achieved our target at 16% average annual growth in recurring businesses mainly due to the success of our strategy aimed at improving profitability in our mainstay digital advertising business. In the IT and LTI Segments, the investment hurdle rate was 2.2 times over the three-year period, and the target was almost achieved. ROE (capital efficiency) was 17%, and the dividend payout ratio (shareholder return) was 18%.

Formulating the Mid-term Plan for the Next Five Years Creating the Next-Generation DX (Digital Transformation) Context in a New Order

In FY2021, which marks the 25th anniversary of the founding, DG has launched its Mid-term Business Plan for the next five years under the concept of "Designing our New Normal Context."

In the new Mid-term Plan, as in the previous plan, numeric targets were set as growth indicators for the recurring business and investment hurdle rates for the investment business.

Under the previous Mid-term Plan, we were able to surpass the 15% average annual growth rate in profit before tax, which was set as the target in the recurring businesses, the FT and MT Segments. Taking this point into consideration, we will aim for 20% growth in profit before tax for the next five years. The LTI Segment also targets an average annual growth rate of 15% in

profit before tax. In the IT Segment, we aim to achieve ROI of 2.5 times and will continue to make investment and recovery.

For capital efficiency indicators, we continue to set the return on equity ratio at 20%. The DG Group will promote management with the focus of capital efficiency. With regard to shareholder return indicators, we have newly set a target of a dividend payout ratio of 20% for the actual cash flow (business cash flow before income taxes) generated from the businesses. Taking into account the increase in gains and losses on fair value valuation not associated with cash flows in the IT Segment due to the voluntary application of the International Financial Reporting Standards (IFRS), we aim to achieve a more stable shareholder return by setting a dividend policy that reflects the DG Group's actual cash flow.

Previous Mid-term Plan (FY2018.3 – FY2020.3)

Growth Indicators	Profit before tax	CAGR (JGAAP)
FY17.3 (Full year conversion) CAGR		
FT 2.1 billion JPY	+15% ↑	+20%
MT 1.4 billion JPY	+15% ↑	+9%
(Reference) Total in recurring businesses		+16%

Hurdle Rate for Investment		
IT LTI	2.5x ROI ↑	2.2x

Capital Efficiency	
ROE	20% vs 17%*

Shareholder Return	
Dividend payout ratio	20% vs 18%*

New Mid-term Plan (FY2021.3 – FY2025.3)

Results	CAGR
FY20.3	
FT 4.0 billion JPY	+20%
MT 1.9 billion JPY	+20%
LTI 4.7 billion JPY	+15%

Investment Indicators in the Incubation Business	
IT ROI	2.5x

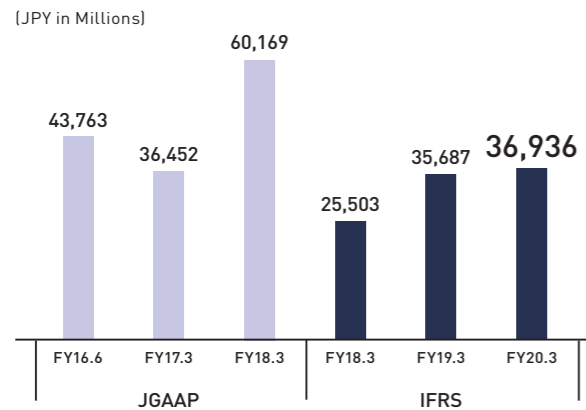
Capital Efficiency	
ROE	20%

Shareholder Return	
Dividend payout ratio to business cash flow before income taxes	20%

*Results of ROE and dividend payout ratio are calculated based on the weighted average for FY2018.3 to FY2020.3.

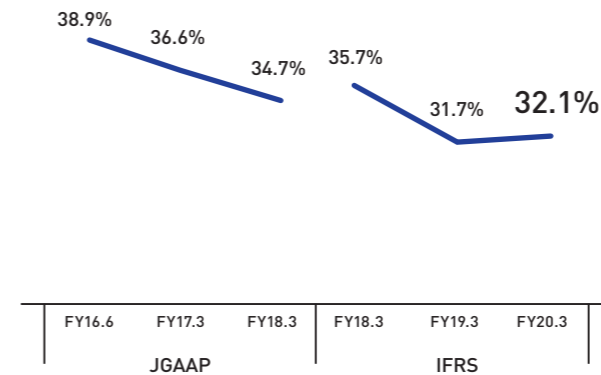
Key Performance Indicators

Revenue



Revenue rose 3.5% YoY, to 36.9 billion JPY in FY2020. "Revenue in recurring business," which is gained from the stable enabling platforms including the FT Segment and the MT Segment, enjoyed a strong growth by 17.5% YoY. In addition, in the LTI Segment, the performance of equity-method affiliate Kakaku.com, Inc. remained strong. Meanwhile, in the IT Segment, "revenue in operational investment securities" fell 34.0% YoY, primarily due to the impact of the reactional drop after recording revenue gained with a large-scale exit case in FY2019 and the effects of the appreciation of the yen in foreign exchange rates.

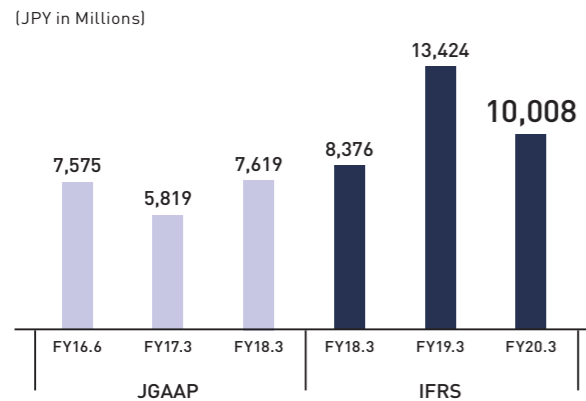
Ratio of equity attributable to owners of parent to total assets (equity ratio)



The ratio of equity attributable to owners of parent to total assets rose 0.4 percentage points YoY, to 32.1% in FY2020. Lease liabilities (non-current assets) relating to office leases was recognized due to the expansion of the head office. In addition, borrowing mainly associated with investments in head office facilities rose, and the total liabilities increased by 10 billion JPY (+10.0% from the end of the previous fiscal year). Meanwhile, other factor includes an increase in retained earnings due to the addition of the profit, resulting in an increase in total equity by 5.5 billion JPY (+11.5% from the end of the previous fiscal year).

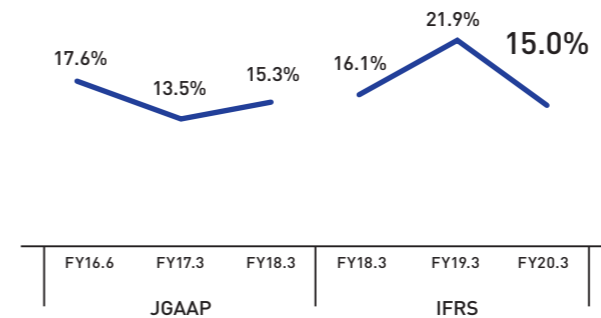
The DG Group strives to achieve an optimal capital structure with the focus on the balance between equity and interest-bearing liabilities. Going forward, we will maintain financial health while conducting the financial and IR strategy utilizing some level of asset/equity ratio.

Profit before tax



Profit before tax fell 25.4% YoY, to 10.0 billion JPY in FY2020. In addition to stable revenues in both the FT and MT Segments, profitability improved owing to the success of cost control and other related measures, resulting in double-digit profit growth in both segments. However, profit before tax dropped due to profit decrease in the IT Segment and a temporary increase in selling, general and administrative expenses in the corporate division due to equipment costs incurred for the expansion of the head office.

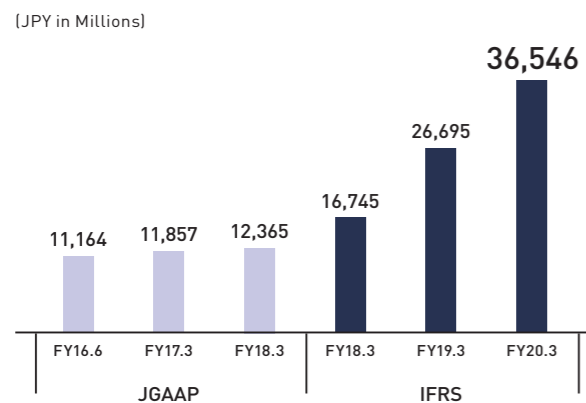
ROE



In FY 2020, ROE fell 6.9 percentage points YoY, to 15.0%. This was mainly because of a decrease in profit attributable to owners of parent compared to the previous fiscal year, and an increase in total equity primarily due to an increase in retained earnings.

In the new Mid-term Plan that will commence in FY2021, the DG Group continues to set the return on equity ratio at 20% as an indicator of capital efficiency. Going forward, we will continue to make effort into achieving the ROE at 20% level through management with the focus on profitability and capital efficiency.

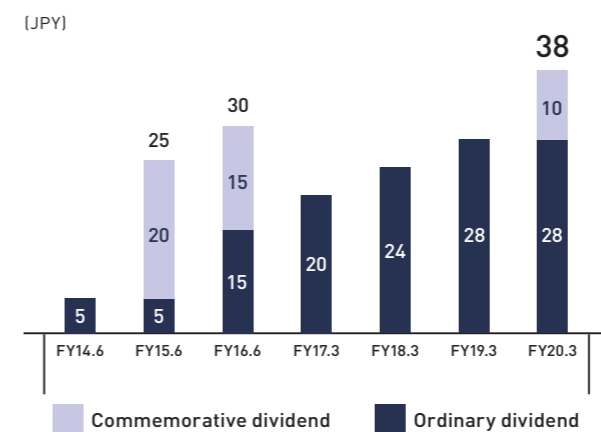
Operational investment securities



With the voluntary application of IFRS from FY2019, the equity value of the investee companies in the IT Segment is valued at fair value as of the end of the fiscal year and reflected on the balance sheet as operational investment securities.

The balance of operational investment securities for FY2020 increased YoY by 9.9 billion JPY to 36.5 billion JPY. Because about two-thirds of the investment portfolio is dollar-denominated assets, the trend of the strong yen in foreign exchange rates had an impact on the value through the conversion into the yen. Meanwhile, the fair value of DG's equity in existing investee companies rose with an increase by 4 billion JPY from the end of the previous fiscal year. In addition, new investment progressed smoothly and equitably in various areas including the US, Asia and Japan.

Per-Share Dividends


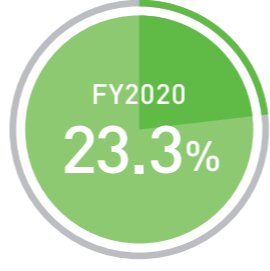
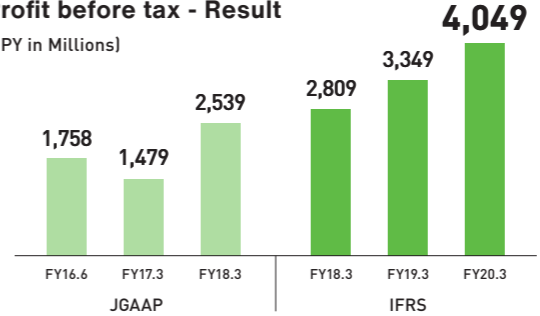

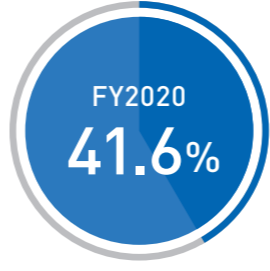
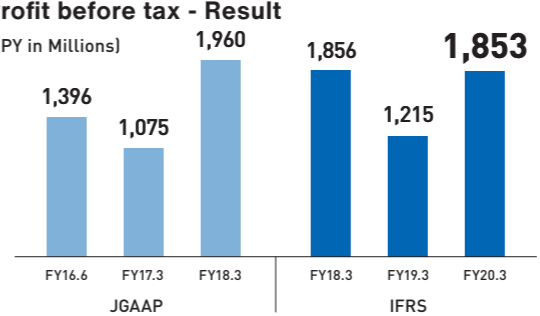

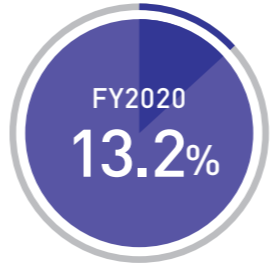
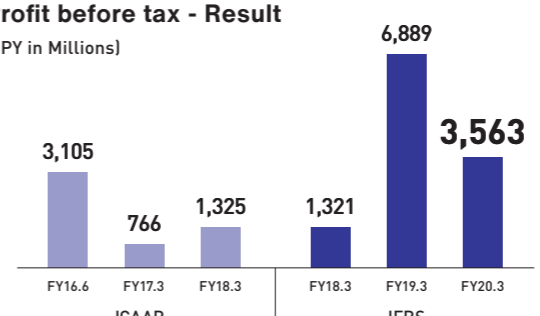

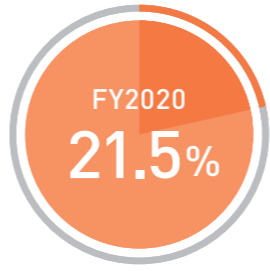
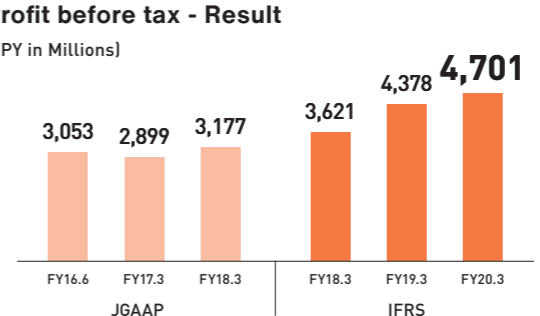


The DG Group views shareholder returns as one of its principal management concerns. We make decisions on shareholder returns based on considerations of factors such as DG's financial condition, business performance outlook, and future capital needs.

With regard to the FY2020 year-end dividend, we paid a commemorative dividend of 10 JPY per share to celebrate our 25th anniversary of the founding in FY2021, in addition to an ordinary dividend of 28 JPY per share based on the above policy.

*FY2017 has a nine-month irregular account settlement period as a result of the change of closing date.
*IFRS have been voluntarily applied since FY2019.

BUSINESS OVERVIEW

 <p>FT FINANCIAL TECHNOLOGY SEGMENT</p>	<p>KEY FIGURES FY2020</p> <table border="1"> <tr> <td>Revenue 8.6 billion JPY YoY +15.6%</td> <td>Profit before tax 4.0 billion JPY YoY +20.9%</td> <td>Transaction volume 2.6 trillion JPY YoY +24.0%</td> </tr> </table>	Revenue 8.6 billion JPY YoY +15.6%	Profit before tax 4.0 billion JPY YoY +20.9%	Transaction volume 2.6 trillion JPY YoY +24.0%	<p>Segment Revenue Ratio</p> 	<p>Profit before tax - Result (JPY in Millions)</p>  <table border="1"> <tr> <th>Period</th> <th>Value (JPY Millions)</th> </tr> <tr> <td>FY16.6 (JGAAP)</td> <td>1,758</td> </tr> <tr> <td>FY17.3 (JGAAP)</td> <td>1,479</td> </tr> <tr> <td>FY18.3 (JGAAP)</td> <td>2,539</td> </tr> <tr> <td>FY18.3 (IFRS)</td> <td>2,809</td> </tr> <tr> <td>FY19.3 (IFRS)</td> <td>3,349</td> </tr> <tr> <td>FY20.3 (IFRS)</td> <td>4,049</td> </tr> </table>	Period	Value (JPY Millions)	FY16.6 (JGAAP)	1,758	FY17.3 (JGAAP)	1,479	FY18.3 (JGAAP)	2,539	FY18.3 (IFRS)	2,809	FY19.3 (IFRS)	3,349	FY20.3 (IFRS)	4,049	<p>Principal Companies</p> <ul style="list-style-type: none"> econtext, veritrans econtext ASIA, NaviPlus ANA DIGITAL GATE, TDP SCORE Payment Service
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 <p>LTI LONG-TERM INCUBATION SEGMENT</p>	<p>KEY FIGURES FY2020</p> <table border="1"> <tr> <td>Revenue 7.9 billion JPY YoY +11.2%</td> <td>Profit before tax 4.7 billion JPY YoY +7.4%</td> <td>Monthly traffic for all sites of Kakaku.com 255.87 million</td> </tr> </table>	Revenue 7.9 billion JPY YoY +11.2%	Profit before tax 4.7 billion JPY YoY +7.4%	Monthly traffic for all sites of Kakaku.com 255.87 million	<p>Segment Revenue Ratio</p> 	<p>Profit before tax - Result (JPY in Millions)</p>  <table border="1"> <tr> <th>Period</th> <th>Value (JPY Millions)</th> </tr> <tr> <td>FY16.6 (JGAAP)</td> <td>3,053</td> </tr> <tr> <td>FY17.3 (JGAAP)</td> <td>2,899</td> </tr> <tr> <td>FY18.3 (JGAAP)</td> <td>3,177</td> </tr> <tr> <td>FY18.3 (IFRS)</td> <td>3,621</td> </tr> <tr> <td>FY19.3 (IFRS)</td> <td>4,378</td> </tr> <tr> <td>FY20.3 (IFRS)</td> <td>4,701</td> </tr> </table>	Period	Value (JPY Millions)	FY16.6 (JGAAP)	3,053	FY17.3 (JGAAP)	2,899	FY18.3 (JGAAP)	3,177	FY18.3 (IFRS)	3,621	FY19.3 (IFRS)	4,378	FY20.3 (IFRS)	4,701	<p>Principal Companies</p> <ul style="list-style-type: none"> kakaku.com (TSE First Section 2371) CRYPTO GARAGE BRAINSCAN TECHNOLOGIES ACADEMIE DU VIN
Revenue 7.9 billion JPY YoY +11.2%	Profit before tax 4.7 billion JPY YoY +7.4%	Monthly traffic for all sites of Kakaku.com 255.87 million																			
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*FY2017 has a nine-month irregular account settlement period as a result of the change of closing date.
 *IFRS have been voluntarily applied since FY2019.
 *The value of segment profit before tax for FY2019 has been revised retroactively following the segment change (from MT to FT) of Naviplus Co., Ltd., which was implemented in FY2020.

Business Model

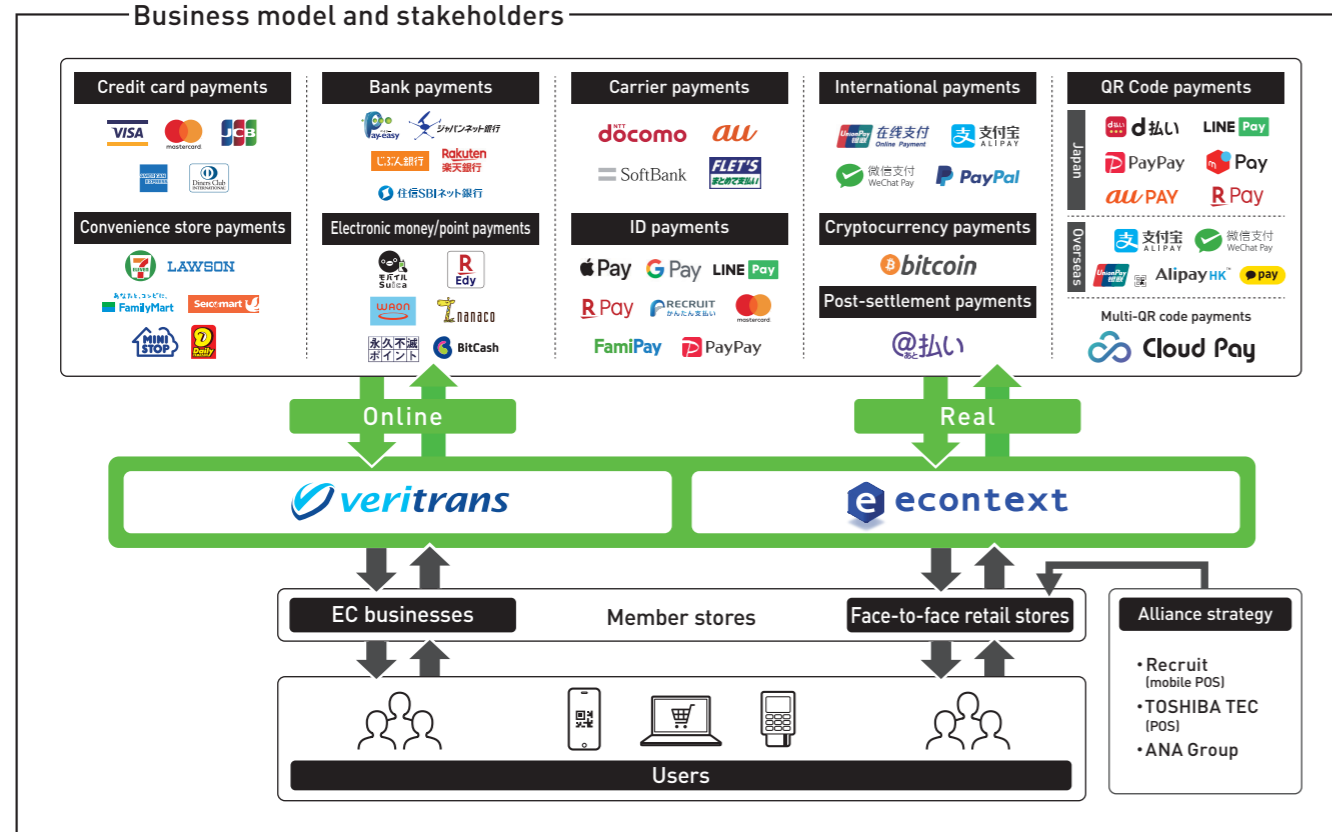
As one of Japan's largest payment system providers, we provide a diversity of comprehensive payment platforms including credit card payment, convenience store payment, and QR code payment systems, etc.

As a payment service provider, the Financial Technology Segment collectively provides EC businesses and face-to-face retail stores with an ever-increasing number of diverse payment methods, including mobile carrier payments, ID payments, QR code payment services, international QR code payment services that are available to foreign visitors to Japan such as Alipay and WeChat Pay, various electronic money such as Suica, in addition to credit card payments and convenience store payments.

The business model for the payment business, which is the mainstay of

the FT Segment, is to subtract the commissions paid to the credit card companies and convenience store chains from the payment commissions resulting from multiplying the amount of payments handled by retail businesses by the commission rate and record it as revenue. Additionally, transaction types are diversifying, as commissions are being collected according to the number of payments handled through the provision of capabilities such as fraud detection systems and QR code issuing systems.

Business model and stakeholders



Market Environment and Business Overview

Growth continues far beyond the rate of the EC market, total amount of payments handled was approximately 2.6 trillion JPY and the number of payments handled was approximately 490 million

In calendar year 2019, EC market of Japan's BtoC grew by a solid 7.7% YoY to 19.3609 trillion JPY, according to "FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E-Commerce Market Survey)" of the Ministry of Economy, Trade and Industry (METI).

Also, Japan's ratio of cashless payments is low among developed countries, at 19.8% in 2016, and in order to respond to inbound demand ahead of the 2021 Tokyo Olympics and Paralympic Games, and EXPO 2025 Osaka, METI released its "Cashless Vision" in April 2018, which aims to achieve a cashless payment ratio of 40% by June 2025. The Japanese government is promoting cashless payments in Japan through the implementation of the "Point Reward Project for Consumers using Cashless Payment" from October 2019 to June 2020. We predict that progression toward a cashless society will expand the market.

For FY2020, revenue was 8,609 million JPY (+15.6% YoY) and profit before tax was

4,049 million JPY (+20.9% YoY). In addition to continuous growth of the EC market and steady expansion of business of existing merchants, regarding face-to-face payments, we are providing multi-payment solutions packaged with TOSHIBA TEC CORPORATION's POS registers, primarily for large-scale retail stores. Also, in collaboration with Recruit Group and ANA Group, we are providing a payment solution using mobile POS and mPOS terminals. Additionally, we started in May 2019 to provide "Cloud Pay" that enables multiple QR code payments to be introduced at the same time in a simple manner by just setting up a single QR code in a store. By providing this and other payment services we are covering the retail store market comprehensively, thereby leading to the operational expansion.

Based on longstanding knowledge and technological capabilities, we will accelerate the growth of payment systems which have become an extremely important part of social infrastructure, as a new FinTech platform.

Business Model

Providing clients in a variety of industries with end-to-end marketing solutions that integrate the digital and real

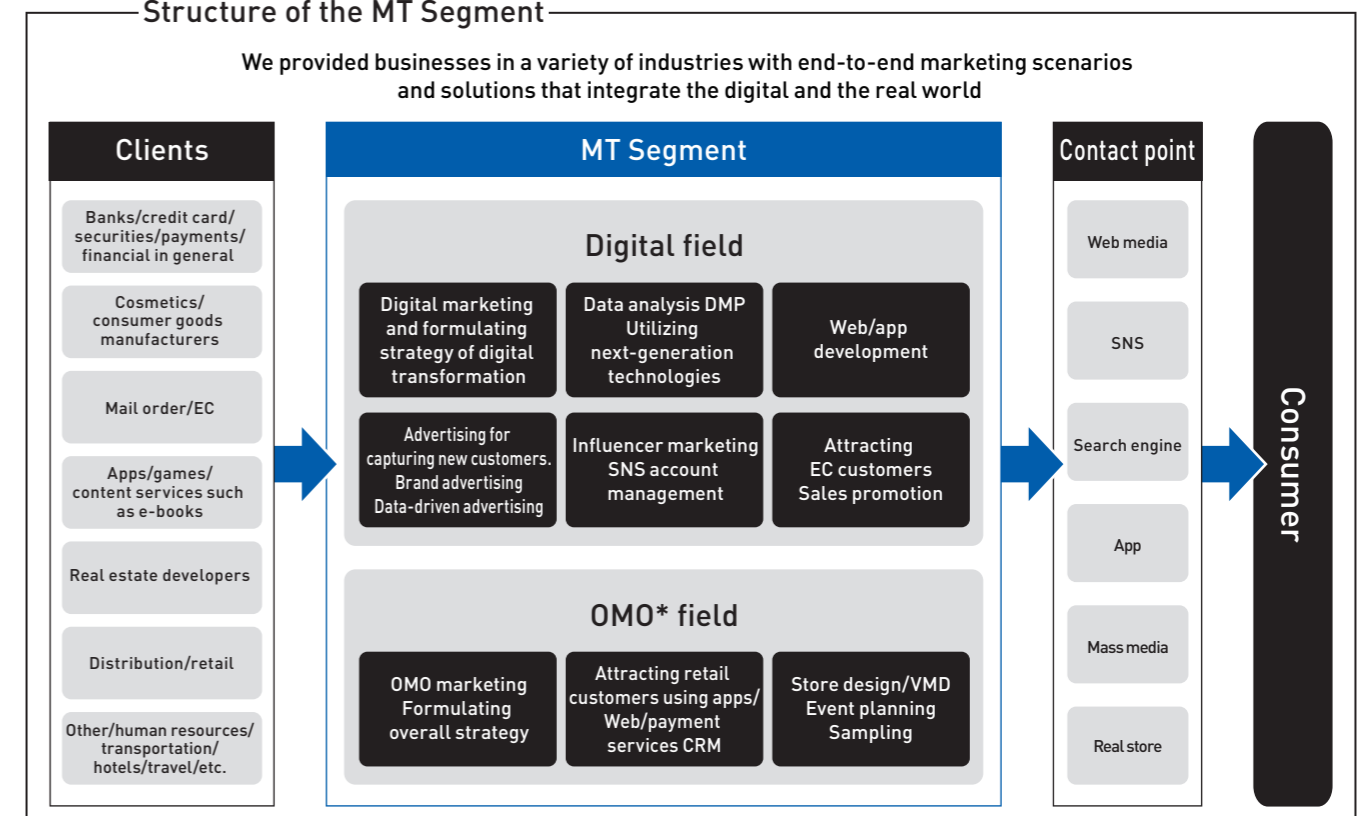
The Marketing Technology Segment is responsible for "marketing", one of Digital Garage's enabling platforms. Specifically, we provide optimal solutions for our clients' needs and challenges in a range of industries including financial and payment service provision, contents service provision such as apps and games, EC site operation, real estate development, and manufacturing in order to maximize our clients' marketing ROI (cost-effectiveness).

We are providing a one-stop service ranging from streamlining advertising using agency functions, affiliate and targeted marketing, analysis and the like, and providing creative output to app development, CRM for improved customer engagement and planning consultation. At BI Garage, Inc., a consolidated subsidiary, we are providing a large number of national clients with solutions based on data analytics utilizing the various big data owned by the DG Group

and data provided by collaboration partners. BI Garage, Inc. announced in June 2020 that it would jointly establish the Content Media Consortium with 28 major Japanese media companies with the intent to jointly promote the value of content and explore the value of advertising. While societies face huge issues on ad fraud and brand safety, we will develop a joint ad platform business and other related solutions that realize a safe, secure and reliable advertising environment on internet media and provide higher-value online ads that reflects synergies with contents, etc.

By providing this kind of variety of marketing solutions, we are monetizing a wide range of business models, including pay-per-performance, profit sharing, and development on a contract basis. In addition, by utilizing various marketing data and payment and purchase data in cooperation with the FT Segment, we will create the Group's comprehensive power.

Structure of the MT Segment



**Online Merges with Offline" A marketing philosophy that merges online and offline to remove the border between the two and have the starting point for everything begin online

Market Environment and Business Overview

Profit margin improved due to the selection and enhanced efficiency of profitability-oriented projects, profit before tax for FY2020 increased 52% YoY

In terms of the market environment, internet advertising expenditures in Japan* grew by 19.7% YoY to 2.1048 trillion JPY in calendar year 2019, which was double-digit growth for six consecutive years. This is the first time that the amount exceeds 2 trillion JPY over TV media advertising expenditures. In addition, actively managed ads, which account for about 60% of internet advertising expenditures, have been a driver of market growth, raising expectation for continuous market expansion.

*Dentsu Inc., 2019 Advertising Expenditures in Japan

For FY2020, revenue was 15,375 million JPY (+19.0% YoY) and profit before tax was 1,853 million JPY (+52.4% YoY). In the Marketing Technology Company, the payment app development business linked to the payment business in the FT Segment performed well. Also, the amount of ad handling on credit card issuance increased against the backdrop of the Japanese government's reward project for cashless payment. In addition, profit margin improved thanks to cost control and other strategies to improve profitability.

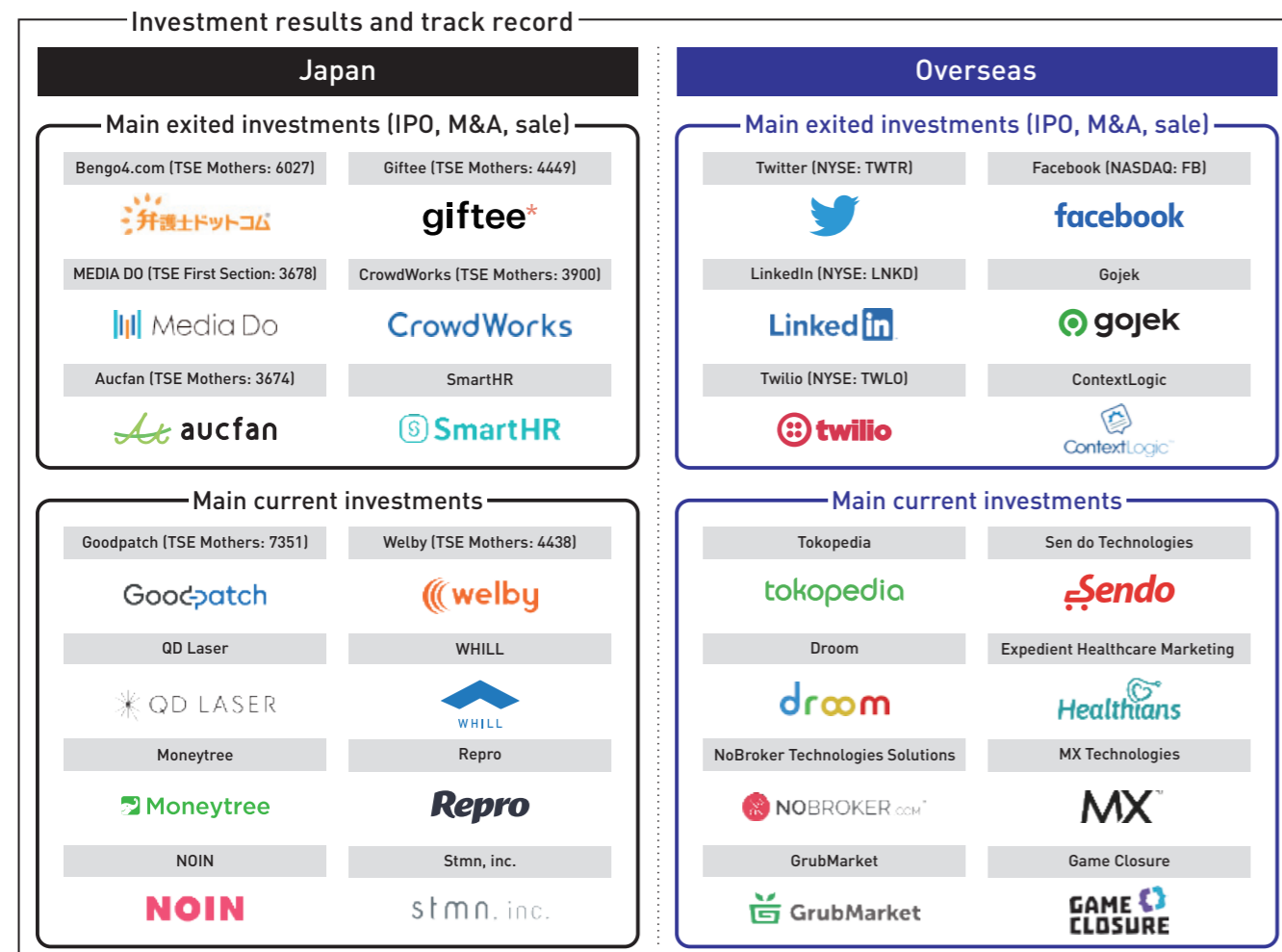
Business Model

Aiming for investment and recovery based on the criteria of achieving ROI of 2.5 times and continuous increase of the fair value

In the Incubation Technology segment we are proceeding to invest in next-generation technologies in global areas including the US, Asia and Japan, targeting unlisted companies at a wide range of growth stages, from seed and early-stage startups through to later-stage businesses.

By supporting the acceleration of business expansion through collaborations in payment and marketing, fields in which the DG Group operates, and collaborations in new fields of technological development

being worked on by DG Lab, we will aim to increase the value of the companies we invest in. Also, by advancing a cycle in which the funds raised through exits are invested in new startups based on the criteria of achieving ROI of 2.5 times, we are aiming to continuously enhance the fair value. Fair value valuations, which represent the equity value of those investee companies, are recorded in the balance sheet as the balance of operational investment securities.



*Include some stocks of non-IT Segment

Market Environment and Business Overview

The balance of operational investment securities for FY2020 increased by 9.9 billion JPY from the end of the previous fiscal year to 36.5 billion JPY

In FY2020, the year-end balance of operational investment securities increased by 9,851 million JPY from the end of the previous fiscal year to 36,546 million JPY due to the smooth progress in new investments in Japan and overseas, in addition to an increase in fair value valuations of investees mainly in the Asian region. The operations also progressed smoothly, such as nearly achieving ROI of 2.5 times, which was set as the target for FY2020, the final year of the Mid-term Plan.

In terms of the market environment of venture investment in 2019 (January-December 2019), the amount of annual investment by Japanese VCs/CVCs continued to increase by 10% YoY to 276.5 billion

JPY.* On the other hand, the said amount started to decrease YoY in January-March 2020, when COVID-19 began to spread globally. The environment surrounding venture enterprises is currently changing drastically. While some companies are being forced to change businesses due to the rapid acceleration of shift to digital, some startup companies are standing out and making a great leap forward, thus generating the likelihood of further divergence in the future trend. Under such environment, we aim to realize a strategic investment portfolio that accords with the new investment environment through the Global Incubation Stream in U.S. Silicon Valley and other areas.

* Venture Enterprise Center "Quarterly Trend"

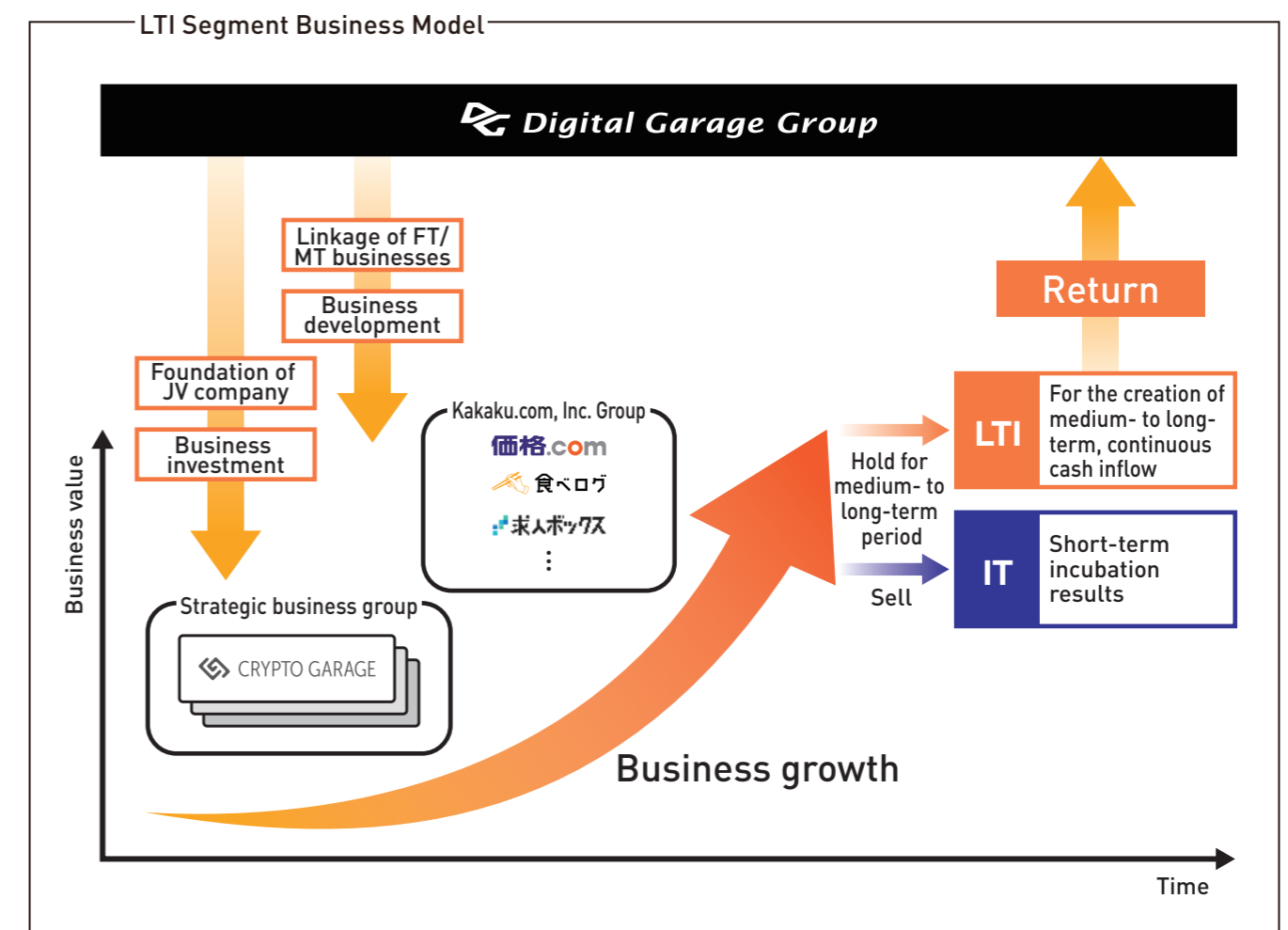
Business Model

We aim to create medium- to long-term, continuous cash inflow by collaborating with companies receiving DG Group investment, as well as initiatives such as establishing joint ventures with other collaboration partners.

In the Long-term Incubation Segment, we strive to create medium- to long-term, continuous cash inflow by utilizing the knowhow of investment cultivation and business development that the DG Group has been nurturing until today.

The DG Group is known as an internet incubator, and to realize

one of its missions of creating new businesses, we believe it is important to create not only short-term incubation results (gains on sales of shares), but also long-term, continuous cash inflow as represented by our investment and business development at Kakaku.com, Inc.



Business Overview

Investment profit on equity method of Kakaku.com, Inc. contributed to strong performance and profit before tax was 4.7 billion JPY

In FY2020, although up-front expenses for the businesses under investment cultivation were incurred, the performance of Kakaku.com, Inc., which were accounted for using equity method, remained steady. Such factors contributed to the DG's results and profit before tax amounted to 4,701 million JPY (+7.4% YoY).

Crypto Garage Inc., which is a consolidated subsidiary established as a joint venture with Tokyo Tanshi Co., Ltd., intends to commercialize advanced financial services utilizing the blockchain technology in cooperation with Blockstream Corporation Inc., which is a strategic investee company of the DG Group and a developer of the blockchain

technology. The firm commenced service verifications in January 2019 in collaboration with market participants and regulators under the Government of Japan's Regulatory Sandbox System, and completed trial experiments for service in January 2020. We will promote the activities to launch full-scale operations in FY2021 and contribute to earnings over the medium- to long-term period.

In addition, BrainscanTechnologies, Inc., a consolidated subsidiary, is promoting the creation of new businesses by utilizing healthcare data and AI, such as the brain MRI screening business for driving operators.

Directors



KAORU HAYASHI

Representative Director
KAORU HAYASHI

- Apr 1983 Representative Director, From Garage, Inc.
- Aug 1995 Founded Digital Garage, Inc. Representative Director, Digital Garage, Inc.
- Jun 2003 Chairman and Director, Kakaku.com, Inc. (current)
- Nov 2004 Representative Director, President and Group CEO, Digital Garage, Inc.
- Jul 2016 Director Chairman and CEO, Digital Garage US, Inc. (current)
- Sep 2016 Representative Director, President Executive Officer and Group CEO, Digital Garage, Inc. (current)
- May 2017 Representative Director, Chairman and President, DG Incubation, Inc. (now DG Ventures, Inc.) (current)
- Aug 2018 Chairman CEO, DG Communications Co., Ltd. (current)
- Sep 2018 Director, Crypto Garage, Inc. (current)



JOI ITO

Member, Board of Directors and Co-Founder
JOICHI ITO

- Aug 1995 Founded Digital Garage, Inc. Representative Director, Digital Garage, Inc.
- Sep 2006 Director, Digital Garage, Inc. (current)
- Apr 2011 Director, MIT Media Lab
- Jun 2012 Board Member, The New York Times Company
- Jun 2013 Director, Sony Corporation
- May 2015 Board Member, Chairman, PureTech Health plc



MAKOTO SODA

Member, Board of Directors
MAKOTO SODA

- Jun 1994 Joined Dresdner Kleinwort Benson Securities, Ltd.
- Jun 1997 Joined Daiwa Institute of Research Ltd.
- Apr 2000 Joined Monex Securities Inc.
- Mar 2007 Joined Digital Garage, Inc. Executive Officer, in charge of the Corporate Strategy Division
- Sep 2009 Director, Head of the Group CEO Office, Digital Garage, Inc.
- Jan 2012 Director, in charge of the Corporate Strategy Division, Digital Garage, Inc.
- Sep 2016 Director, Senior Executive Officer, in charge of the Corporate Strategy Division and the Media Incubation Technology Segment, Digital Garage, Inc.
- Jun 2017 Director, econtext Asia Limited (current)
- Apr 2019 Director, Senior Executive Officer, in charge of the Corporate Strategy Division and the Long-term Incubation Segment, Digital Garage, Inc.
- Jun 2019 Director, Senior Executive Officer, in charge of the Corporate Strategy Division, Digital Garage, Inc.
- Apr 2020 Director, Senior Managing Executive Officer, in charge of the Corporate Strategy Division, Digital Garage, Inc. (current)



KEIZO ODORI

Member, Board of Directors
KEIZO ODORI

- Apr 2000 Joined Faith, Inc.
- Jun 2005 Director, Faith, Inc.
- Sep 2010 Director, Digital Garage, Inc.
- Sep 2012 Director, in charge of the Payment Segment (now the Financial Technology Segment), Digital Garage, Inc.
- Oct 2013 Representative Director and President, Econtext, Inc. (current)
- Oct 2015 Director, iRidge, Inc. (current)
- Sep 2016 Director, Senior Executive Officer, in charge of the Financial Technology Segment, Digital Garage, Inc.
- Jun 2017 Representative Director and President, DK Gate, Inc. (current)
- Jun 2018 Director, DG MARKETING DESIGN, Inc.
- Oct 2018 Director, Senior Executive Officer, in charge of the Financial Technology Segment, and the Marketing Technology Segment, Digital Garage, Inc.
- Jan 2019 Director, TD Payment Corporation (current)
- Feb 2019 Director, CyberBuzz, Inc. (current)
- Jun 2019 Director, DG Daiwa Ventures, Inc. (current)
- Mar 2020 Director, BI Garage, Inc. (current)
- Apr 2020 Director, Senior Managing Executive Officer, in charge of the Long-term Incubation Segment, Digital Garage, Inc. (current)
- Jun 2020 Director, Crypto Garage, Inc. (current)



MASASHI TANAKA

Member, Board of Directors
MASASHI TANAKA

- Aug 2001 Joined Digital Garage, Inc.
- Jul 2006 Director, DG&Ibex Company (now Marketing Technology Company)
- Jan 2011 Senior Operating Officer, Digital Garage, Inc. Executive Vice President, DG&Ibex Company (now Marketing Technology Company)
- Sep 2012 Director, Head of Corporate Strategy Division, Digital Garage, Inc., and Executive Vice President of DG&Ibex Company (now Marketing Technology Company)
- Sep 2016 Representative Director, DG Technologies, Inc. (current)
- Apr 2017 Director, Senior Executive Officer, in charge of DG Lab, in charge of the Incubation Technology Segment, and Head of Corporate Strategy Division, Digital Garage, Inc.
- May 2017 Director, Vice President and COO, DG Incubation, Inc. (now DG Ventures, Inc.) (current)
- Jun 2017 Director, DK Gate, Inc. (current)
- May 2018 Director, Senior Executive Officer, in charge of DG Lab, the Incubation Technology Segment, and Group CEO Division, Digital Garage, Inc.
- Sep 2018 Director, Crypto Garage, Inc.
- Jun 2019 Director, Senior Executive Officer, in charge of DG Lab, in charge of the Incubation Technology Segment, and the Group CEO Division Executive Director, Digital Garage, Inc.
- Dec 2019 Director, Digital Garage US, Inc. (current)
- Apr 2020 Director, Senior Executive Officer, in charge of the Incubation Technology Segment, Digital Garage, Inc. (current)



MASAHITO OKUMA

Member, Board of Directors
MASAHITO OKUMA

- Apr 1999 Joined Mitsubishi Corporation
- Mar 2011 Joined FAST RETAILING CO., LTD.
- Dec 2015 Vice President, UNIQLO USA LLC
- Nov 2016 Joined Digital Garage, Inc.
- Apr 2017 Corporate Officer and COO of DG Lab, Digital Garage, Inc.
- May 2017 Director, DG Incubation, Inc. (now DG Ventures, Inc.) (current)
- Dec 2017 Director COO, Digital Garage US, Inc. (current)
- Apr 2018 Senior Corporate Officer and COO of DG Lab, Digital Garage, Inc.
- Jun 2018 Director, Senior Executive Officer, COO of DG Lab, Head of Group CEO Division, Digital Garage, Inc.
- Sep 2018 President, Crypto Garage, Inc.
- Apr 2019 President and CEO, Crypto Garage, Inc. (current)
- Jun 2019 Representative Director, DG Daiwa Ventures, Inc. (current)
- Jun 2019 Director, Senior Executive Officer, in charge of Group CEO Division, in charge of the Long-term Incubation Segment, and COO of DG Lab, Digital Garage, Inc.
- Aug 2019 Director, Dentsu ScienceJam Inc. (current)
- Nov 2019 Representative Director, BrainscanTechnologies, Inc. (current)
- Apr 2020 Director, Senior Executive Officer, in charge of DG Lab Division, and in charge of other related business, Digital Garage, Inc. (current)



HIROSHI SHINO

Member, Board of Directors
HIROSHI SHINO

- Apr 2000 Joined Softbank Finance Corporation
- Nov 2011 Director and Executive Officer, VeriTrans Inc.
- Apr 2013 Representative Director, Executive Officer and CEO, NaviPlus Co., Ltd. (current)
- Oct 2013 Director, Executive Officer and COO, VeriTrans Inc.
- July 2015 Corporate Officer, Digital Garage, Inc.
- Sep 2015 Director, ECONTEXT, INC. (current)
- Sep 2015 Representative Director, Executive Officer and President, VeriTrans Inc. (current)
- Sep 2016 Senior Corporate Officer, Digital Garage, Inc.
- Oct 2016 Director and COO, ANA Digital Gate, Inc. (current)
- Oct 2018 Director, SCORE.Co., Ltd. (current)
- Jan 2019 Director, TD Payment Corporation (current)
- Apr 2020 Senior Corporate Officer and in charge of the Financial Technologies Segment, Digital Garage, Inc.
- Jun 2020 Director, Senior Executive Officer, in charge of the Financial Technology Segment, Digital Garage, Inc. (current)



KENJI FUJIWARA

Outside Director
KENJI FUJIWARA

- Apr 1969 Joined Shufu-no-mise Daiei, Inc. (now The Daiei, Inc.)
- Jun 1994 Representative Director & President, Daiei Convenience Systems, Co. Ltd. (now Lawson, Inc.)
- Jun 2003 President, Representative Director, FANCL CORPORATION
- Sep 2008 Outside Director, Digital Garage, Inc. (current)
- Jun 2009 Director, Kakaku.com, Inc.



EMI OMURA

Outside Director
EMI OMURA

- Oct 2002 Admitted to practice law in Japan (Tokyo Bar Association)
- Jul 2008 Partner, Athena Law Office
- Sep 2010 Associate Expert, International Labour Office in Geneva, the International Labour Organization (ILO)
- Jan 2014 Director, the Office of International Affairs, Japan Federation of Bar Associations
- Sep 2014 Outside Director, Digital Garage, Inc. (current)
- Jun 2019 Counsel, Kamiyacho International Law Office (current)



YASUYUKI ROKUYATA

Director (Audit and Supervisory Committee Chairperson)
YASUYUKI ROKUYATA

- Dec 1995 Director, Digital Garage, Inc.
- Mar 2011 Representative Director and President, DG Incubation, Inc. (now DG Ventures, Inc.)
- Jul 2011 Director and COO, Digital Garage, Inc.
- Sep 2012 Director and Vice President, in charge of the Incubation Segment (now the Incubation Technology Segment), Digital Garage, Inc.
- Jul 2013 Director, Digital Garage US, Inc.
- Sep 2016 Director, Vice President Executive Officer, in charge of the Incubation Technology Segment, Digital Garage, Inc.
- Apr 2017 Director, Vice President Executive Officer, Digital Garage, Inc.
- Jun 2018 Director, Audit and Supervisory Committee Chairperson, Digital Garage, Inc. (current)
- Sep 2018 Auditor, Crypto Garage, Inc. (current)
- Jan 2019 Auditor, TD Payment Corporation (current)
- Jun 2019 Auditor, BrainscanTechnologies, Inc. (current)
- Jan 2020 Auditor, ACADEMIE DU VIN (current)



MAKOTO SAKAI

Outside Director, Audit and Supervisory Committee Member
MAKOTO SAKAI

- Apr 1986 Admitted to practice law in Japan (Nagoya Bar Association)
- Apr 1988 Registered to the Tokyo Bar Association
- Aug 2000 Established the Sakai Makoto Law Office
- Mar 2005 Partner, the Sirius Law Office
- Sep 2010 Outside Auditor, Digital Garage, Inc.
- Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)
- Mar 2019 Representative, the Sakai Makoto Law Office (current)



JUNJI INOUE

Outside Director, Audit and Supervisory Committee Member
JUNJI INOUE

- Apr 1974 Joined Mitsubishi Corporation
- Apr 2003 Executive Officer, Mitsubishi Corporation
- Jun 2003 Representative Director, Executive Officer & President, IT Frontier Corp.
- Jun 2007 Director, eAccess Ltd.
- Apr 2012 Adviser, Bewith, Inc. (current)
- Jun 2012 Executive Managing Director, Remote Sensing Technology Center of Japan (current)
- Sep 2012 Outside Auditor, Digital Garage, Inc.
- Jul 2016 Adviser, Takasago Thermal Engineering Co., Ltd. (current)
- Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)



KOJI MAKINO

Outside Director, Audit and Supervisory Committee Member
KOJI MAKINO

- Oct 1988 Joined KPMG Minato Audit Firm (now KPMG AZSA LLC) Tokyo Office
- Aug 1992 Became a Certified Public Accountant
- Jan 2006 Established and Representative, Makino Koji Certified Public Accountant Office (current)
- Feb 2009 Director, BE1 Accounting Office (current)
- Sep 2012 Outside Auditor, Digital Garage, Inc.
- Jun 2013 Outside Auditor, Inageya Co., Ltd. (current)
- Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)
- Dec 2017 Outside Director, Obara Group Inc. (current)



MINORU OHNO

Outside Director, Audit and Supervisory Committee Member
MINORU OHNO

- Jan 1977 Established Labor Consultants Ohno Office
- Apr 2003 Representative Member, Labor Consultants Ohno Office (current)
- Sep 2003 Auditor, Digital Garage, Inc.
- Apr 2009 Part-time lecturer, Graduate School of Law, Aoyama Gakuin University
- May 2013 Chairman, Tokyo Labor and Social Security Attorney Association
- Jun 2013 Vice Chairman, Japan Federation of Labor and Social Security Attorney's Associations
- Dec 2013 Council Member, Japan Pension Service Management Council
- Jun 2015 Advisor, Japan Federation of Labor and Social Security Attorney's Associations
- Jun 2017 Chairman, Tokyo Labor and Social Security Attorney Association
- Jun 2017 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc.
- Jun 2019 Chairman, Japan Federation of Labor and Social Security Attorney's Associations (current)
- Jun 2020 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)

(as of June 23, 2020)

Corporate Governance

Basic Concepts

Consistent with our philosophy and credo, as described below, Digital Garage, Inc. (DG) is committed to living up to the faith of our shareholders and all other stakeholders, and to achieving ongoing growth and

medium- to long-term increases in corporate value, by enhancing and strengthening corporate governance that emphasizes transparency, fairness, and speedy, resolute decision-making.

<p><Philosophy></p> <p>With the First Penguin Spirit mindset, Digital Garage strives to contribute to make a sustainable society by connecting internet business to various fields, shaping contexts, and creating new businesses.</p>	<p><Credo></p> <table border="0"> <tr><td>TENACITY</td><td>TENACITY</td></tr> <tr><td>OPENNESS</td><td>OPENNESS</td></tr> <tr><td>INTEGRITY</td><td>INTEGRITY</td></tr> <tr><td>AGILITY</td><td>AGILITY</td></tr> <tr><td>COURAGE</td><td>COURAGE</td></tr> </table>	TENACITY	TENACITY	OPENNESS	OPENNESS	INTEGRITY	INTEGRITY	AGILITY	AGILITY	COURAGE	COURAGE	
TENACITY	TENACITY											
OPENNESS	OPENNESS											
INTEGRITY	INTEGRITY											
AGILITY	AGILITY											
COURAGE	COURAGE											

Corporate Governance

DG has always viewed corporate governance as a critical management concern and striven to take the steps necessary to ensure strong governance. Given the adoption of Japan's Corporate Governance Code, we switched to the "company with audit and supervisory committee" form of organization to achieve the "growth-oriented governance" called for by the code. This organizational change was formalized following the approval of a resolution to that effect at the 21st Shareholders' General Meeting, convened on September 29, 2016. Under the "company with audit and supervisory committee" form of organization, directors who are Audit and Supervisory Committee members perform oversight for management decision making and the performance of duties by directors in meetings of the Board of Directors. The Audit and Supervisory Committee, meanwhile, oversees the performance of duties by directors more broadly. While realizing a greater strengthening of corporate governance through ensuring no less than a 1-to-3 ratio of outside directors in the Board of Directors, DG has introduced an executive officer system to clearly separate the business execution function from

the decision making and supervisory functions with the aim of bringing greater speed and efficiency to the execution of business. Moreover, with the aim of strengthening the independence and objectivity in the functions of the nomination and remuneration of Directors within the Board of Directors and bolstering the corporate governance further, DG established the Nomination and Remuneration Advisory Committee consisting of three or more members of the Directors and whose majority is comprised of independent Outside Directors in February 2020.

Board of Directors

The Board of Directors of Digital Garage, Inc. consists of 14 members. Five of the 14 members are also Audit and Supervisory Committee members, and four of these five members are outside directors. Of the nine members who are not Audit and Supervisory Committee members, two are outside directors. In addition to its regular monthly meetings, the Board of Directors meets at other times, as necessary. In FY2020, meetings of the Board of Directors were held a

total of 16 times. The Board of Directors makes decisions on important matters set forth in laws and regulations, the Articles of Incorporation, and Board of Directors Provisions. It also oversees the activities of board members as they perform their duties. Outside directors perform governance functions by drawing on their individual expertise, management experience and insight, to oversee board activities and contribute advice, from an independent perspective. More than one third of the total 14 members of the Board of Directors or six members are Outside Directors, and all of the six Outside Directors have been reported as independent directors in accordance with the regulations of the Tokyo Stock Exchange. In this way, we believe a system is in place at the Board of Directors to conduct highly effective oversight.

Nomination and Remuneration Advisory Committee

DG has established the Nomination and Remuneration Advisory Committee, which consists of three or more members of the Directors and whose majority is comprised of independent Outside Directors. The Nomination and Remuneration Advisory Committee is made up of three members: Representative Director, Kaoru Hayashi, independent Outside Director Kenji Fujiwara (Chairman), and independent Outside Director Makoto Sakai. Upon the consultation with the President, Executive Officer, the election of the Board of Directors and remuneration thereof (excluding Audit and Supervisory Committee Member) are deliberated and reported.

Internal Control System

To provide an environment that supports appropriate risk taking by directors and others, the Board of Directors has acted to build and maintain proper internal control and risk management systems. The Board of Directors supervises these systems to ensure their effective operation. It has also approved resolutions for the formulation of the Basic Policies on the Construction of an Internal Control System, in accordance with Japan's Companies Act, Ordinance for Enforcement of the Companies Act, and Financial Instruments and Exchange Act.

Audit and Supervisory Committee

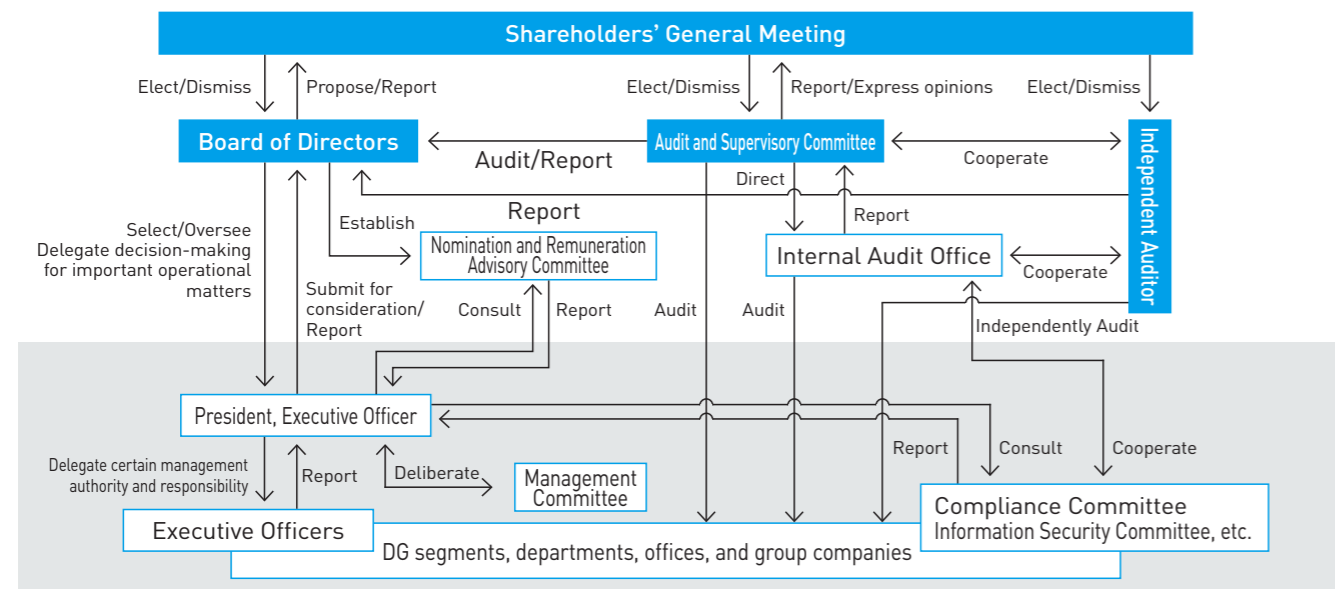
DG's Audit and Supervisory Committee consists of five members - one director and four outside directors. Audit and Supervisory Committee members attend Audit and Supervisory Committee meetings held after regular monthly meetings of the Board of Directors. They attend other important meetings, including those of the Board of Directors, as well, and are free to express their opinions and contribute in other ways to enhance the effectiveness of corporate governance.

Stronger Governance from Compliance with the Corporate Governance Code

During FY2020, we addressed the following points by taking steps to strengthen our governance in accordance with the fundamental principles of the Corporate Governance Code established by the Tokyo Stock Exchange.

Outline of initiatives based on the fundamental principles of the Corporate Governance Code	
Exercise Shareholder Rights at General Shareholder Meetings	<p>To provide shareholders enough time to consider the general meeting agenda, the following decisions were made at the 25th Ordinary Shareholders' General Meeting. (Supplementary principle 1-2 [2])</p> <ul style="list-style-type: none"> Convening notices will be sent promptly by postal mail 20 days prior to the general meeting date. Convening notices will be posted on the web 22 days prior to the general meeting date. <p>Scheduling the general meeting to avoid the peak day (Supplementary principle 1-2 [3])</p> <ul style="list-style-type: none"> The 25th Ordinary Shareholders' General Meeting was scheduled to be held on June 23, 2020 to avoid the so-called general meeting peak day. <p>Promoting disclosure and provision of information in English in consideration of the share of overseas investors, etc. (Supplementary principle 3-1 [2])</p> <ul style="list-style-type: none"> Operation of an English language version of the Company's website. Disclosure of English language versions of convocation notices, financial results and important press releases.
Nomination and Remuneration of Directors	<p>Establishment of the independent and optional Nomination and Remuneration Advisory Committees (Supplementary principle 4-10 [1])</p> <ul style="list-style-type: none"> With the aim of strengthening the independence and objectivity in the functions of the nomination and remuneration of Directors within the Board of Directors and bolstering the corporate governance further, DG passed a resolution, at the meeting of the Board of Directors held on February 21, 2020, of the establishment of the Nomination and Remuneration Advisory Committee, which serves as the optional Advisory Committee of the Board of Directors, consisting of three or more members of the Directors and whose majority is comprised of independent Outside Directors. <p>To enhance the transparency of the remuneration determination process, the following actions were taken.</p> <ul style="list-style-type: none"> Evaluating directors on the performance of their duties and contributions to the company based on a director grading system. Implementation of reporting by an advisory committee consisting of the representative director[s] and at least one outside director on proposed remuneration for the representative director[s]. <p>The following steps were taken as measures related to provision of incentives to Directors.</p> <ul style="list-style-type: none"> Performance-based remuneration plan Stock option plan
Evaluation, Analysis, and Disclosure of Board Effectiveness	<p>The Board of Directors implemented the evaluation and analysis of overall board effectiveness. The evaluations and analyses are made based on self-evaluations conducted by individual Directors for matters such as the composition and the operation of the board, matters concerning board deliberations, the role and duties of the board, the role and duties of the Nomination and Remuneration Advisory Committee, and items of respective principles of the corporate governance code that are not exercised.</p> <p>The evaluation results for FY2020 confirmed that the overall board effectiveness has been sufficiently ensured. In particular, the evaluation indicated DG maintains a framework that facilitates swift decision-making related to important operational matters, lively discussions on medium-to-long term strategy and planning, and proactive information disclosure to promote dialogue with shareholders. With respect to the establishment of the independent and optional committee, by the resolution of the Board of Directors meeting held on February 21, 2020, DG has established the Nomination and Remuneration Advisory Committee, which consists of three or more members of the Directors and whose majority is comprised of independent Outside Directors. DG executes solid initiatives focused on PDCA cycle.</p> <p>The DG Group continue to work on the enhancement of its management aimed at enriching corporate value and push through the improvement of functions within the Board of Directors and the Nomination and Remuneration Advisory Committee, with reflecting the evaluation result on the effectiveness, and various opinions and the likes raised by each member of the Board of Directors through the effectiveness evaluation processes.</p> <p>The evaluation recognized succession planning, human resource development, etc., as issues to consider to further enhance overall board effectiveness. Further, the DG Group will bolster its PDCA cycle for the enhancement of corporate value by putting in place management focused on cost of capital and will have ample time to discuss matters concerning ESG and SDGs (Sustainable Development Goals).(Supplementary principle 4-11[3])</p>

Corporate Governance Organization Chart (as of June 24, 2020)



Compliance and Risk Management

Compliance Statement

The corporate philosophy of Digital Garage is as follows: “With the First Penguin Spirit mindset, Digital Garage strives to contribute to make a sustainable society by connecting internet business to various fields, shaping contexts, and creating new businesses.”

In order to achieve this and ensure our sustainable development, each and every employee is called upon to understand changes in society and ensure that our actions resonate with our environment, in the spirit of the “first penguin.” We recognize the irreplaceable roles that our employees play in our efforts and the importance of

providing them with a rewarding working environment that they are proud to be a part of. In addition, individuals must also commit to regulatory compliance.

DG has established a compliance program outlining standards for individual business conduct with integrity and efficiency based on our shared ethical values.

In order to exercise the aforementioned corporate philosophy, every staff member at DG is committed to adhering to the compliance program guidelines as detailed in the following seven articles in our code of conduct.

<Code of Conduct>

1. Hold high ethical standards and conduct business in compliance with laws
2. Respect fundamental individual rights and diversity and maintain a healthy work environment free from discrimination and harassment
3. Promote harmonious co-existence with society and conduct environmentally-responsible business activities
4. Foster transparency of business and fair and free competition
5. Maintain fair and healthy relationships with government and other public offices
6. Disclose necessary corporate information to stakeholders fairly and openly
7. Manage and utilize corporate assets and information appropriately and effectively

DG’s Compliance Statement can be viewed on the following webpage.
<https://www.garage.co.jp/en/company/corporate-governance/compliance>

Personal Information Protection Policy

In operating its businesses, DG receives and/or collects personal information from customers, business partners, employees, etc. DG recognizes the importance of

personal information and pays utmost care in protecting it.

For information on the Personal Information Protection Policy, please refer to the webpage below.
<https://www.garage.co.jp/en/policy/>

Disclosure Policy

Emphasizing transparency, fairness, and continuity, DG endeavors to provide information in a timely manner to all of its shareholders, investors and other stakeholders. Our basic policy is to disclose information in compliance with the regulations on timely disclosure established

under the Financial Instruments and Exchange Act and by Tokyo Stock Exchange, Inc. DG also strives to disclose as proactively and quickly as possible even information to which the timely disclosure regulations do not apply, if we consider it useful in promoting understanding of DG.

For information on the Disclosure Policy, please refer to the webpage below.
<https://www.garage.co.jp/en/ir/disclosurepolicy/>

Basic Information Security Policy

DG regards the information we possess and our information systems (computers, networks, etc.) for executing business by DG and our subsidiaries (“DG

Group”) as “information assets.” We make best efforts for information security to safely handle these assets.

Operational structure for information security

CEO and directors in charge of information security appoint a chief information security officer (CISO), who serves as a central information hub in security management throughout the overall DG Group. Because the DG Group implements different business formats in each segment and different security risks must be dealt with in each company, the group is taking required security

measures and acquires external certifications. CISO also conducts reviews for multifaceted confirmation of the security structure. A structure is set up in which, if a serious security incident occurs in the DG Group, CISO serves a central role to promptly work with DG’s management and respond appropriately to the problem.

Certifications

The DG Group is qualified to obtain third-party certifications according to the special characteristics of our businesses. DG has received PrivacyMark certification for our personal information protection management system complying to JIS Q 15001. DG and our subsidiaries have received certification as a group for ISO/IEC 27001:2013, an international standard for information

security management systems (ISMS), and JIS Q 27001:2014, a Japanese standard. Our subsidiaries that handle credit card information have also received Payment Card Industry Data Security Standard (PCI DSS) certification, the international security standard of credit card industry for the safe handling of credit card information.

Measures against cyber attacks

The DG Group recognizes the threat of increasingly diverse, sophisticated cyber attacks, and is taking continual measures against such attacks. These include incorporating multilayer

defense and the latest defense technologies into our systems. We also educate officers and employees about threats to guard against attacks involving internal parties (targeted attacks, etc.).

Business continuity

DG believes our social mission is to provide a range of online services. In the event of a disaster, cyber terrorism, system failure, or other serious danger, we will first ensure securely and

accurately safekeeping customer information and continuing our services to the maximum level possible, at the same time the safety of our officers and employees and their family members.

Setting and promoting understanding of information security rules

DG establishes information security rules and continually promotes thorough understanding of them among officers and employees by conducting security training for new hires, as well as annual security training.

An employee who breaches laws, ordinances, this Basic Information Security Policy, information security-related rules, or internal regulations will be subject to penalties in compliance with the company regulation manual, etc.

Code of Conduct

- DG employees strictly adhere to all information security provisions and practice stringent compliance management in accordance with the protocols of applicable regulations, industry business norms and our code of conduct, as well as contractual security obligations.
- We set information security objectives to maintain an appropriate level of information security and work to reliably achieve them.
- We conduct ongoing activities related to the Basic Information Security Policy and have established a risk management cycle to counter new threats. We work to constantly review and continuously improve this policy.

List of certifications obtained by DG and our subsidiaries

	PrivacyMark	ISMS	PCIDSS
Digital Garage, Inc.	○	○	
econtext Inc.	○	○	○
VeriTrans Inc.	○	○	○
DG Communications Co., Ltd.	○		
BI.Garage, Inc.		○	
NaviPlus Co., Ltd.	○		
DG Ventures, Inc.		○	
Academie du Vin Co., Ltd.	○		

For information on the Basic Information Security Policy, please refer to the webpage below.
<https://www.garage.co.jp/ja/compliance/security/>

Summary of Consolidated Business Performance Indicators

Key Performance Indicators (JPY in Millions)

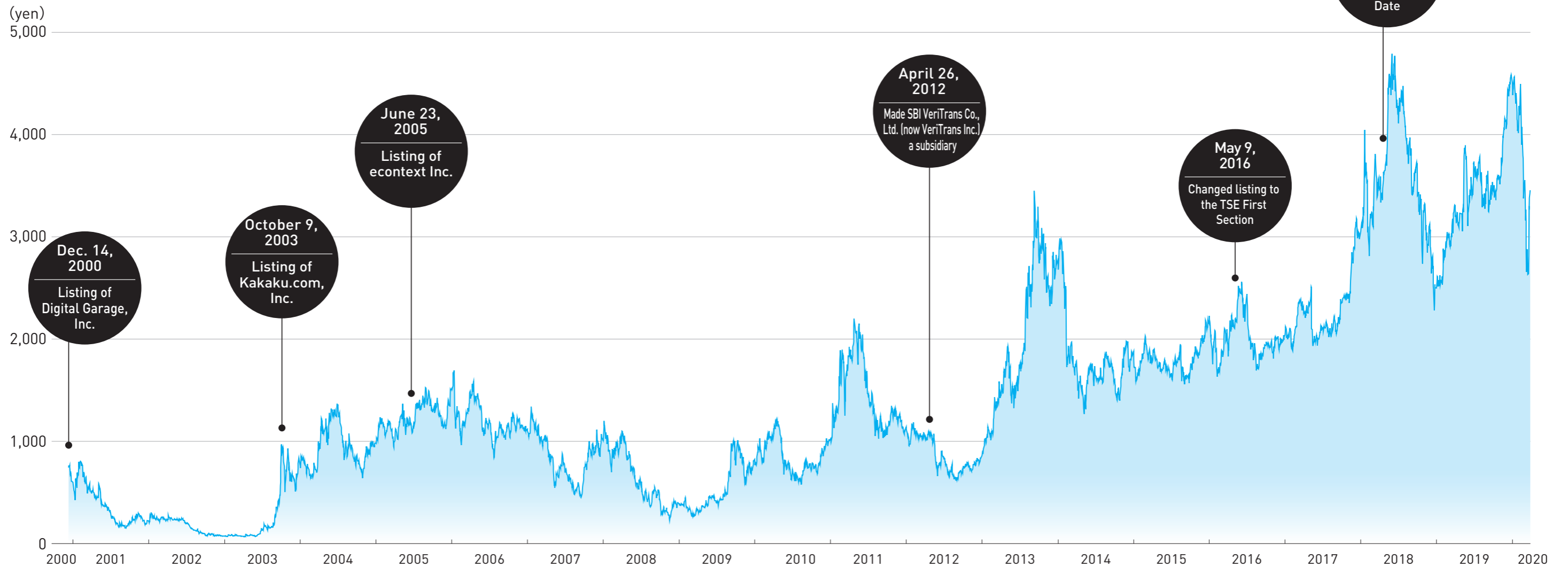
JGAAP

	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Net sales	33,751	38,087	43,763	36,452	60,169
Profit before income taxes	5,035	9,249	7,575	5,819	7,619
Net profit	3,148	5,394	5,189	4,294	5,486
Profit attributable to owners of parent	2,847	5,081	5,165	4,289	5,461
Total assets	71,009	86,495	77,336	91,687	108,596
Net assets	36,489	29,065	30,664	34,371	39,017
Cash flows from operating activities	-34	5,040	-2,619	4,149	14,294
Cash flows from investing activities	-5,155	509	-1,072	-1,453	1,009
Cash flows from financial activities	11,260	1,390	-11,638	4,176	-2,307
Cash and cash equivalents at end of year	25,183	34,077	18,322	25,335	38,249

IFRS

	FY18.3	FY19.3	FY20.3
Revenue	25,503	35,687	36,936
Profit before tax	8,376	13,424	10,008
Profit	6,337	9,790	7,331
Profit attributable to owners of parent	6,412	9,771	7,420
Total assets	119,545	146,890	162,296
Total equity	43,199	47,345	52,795
Cash flows from operating activities	12,316	2,580	-12,322
Cash flows from investing activities	2,883	-2,397	-5,473
Cash flows from financing activities	174	8,509	2,363
Cash and cash equivalents at end of period	39,450	48,154	32,702

Trends in Share Price



*On February 20, 2004, Digital Garage, Inc. conducted a 5 for 1 share split for its shareholders as of December 31, 2003. On October 1, 2013, Digital Garage, Inc. conducted a 200 for 1 share split for its shareholders as of September 30, 2013. This table is stated retrospectively and is based on the share split-adjusted share price.

Consolidated Balance Sheet and Consolidated Statement of Financial Position (JPY in Millions)

JGAAP

	FY11.6	FY12.6	FY13.6	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Current assets	14,345	28,005	33,837	45,455	57,743	48,324	59,624	75,496
Cash and deposits	4,784	12,308	15,329	24,294	30,956	15,703	23,029	32,922
Notes and accounts receivable	1,466	2,479	2,688	3,658	3,824	5,441	7,056	7,741
Money held in trust	2,501	3,404	3,768	889	3,120	2,592	2,264	5,307
Operational investment securities	912	1,904	2,641	8,063	8,208	11,164	11,857	12,365
Receivables	4,351	7,577	9,037	8,596	11,646	13,946	15,422	16,889
Other	329	329	372	-48	-11	-524	-5	270
Non-current assets	6,075	21,333	22,173	25,554	28,752	29,011	32,061	33,295
Tangible fixed assets	377	912	2,038	2,158	2,250	2,279	2,245	2,338
Intangible assets	2,102	13,080	11,093	8,587	7,574	7,455	7,224	9,869
Software	316	959	1,106	1,210	1,314	1,664	1,784	2,019
Goodwill	1,768	12,104	9,968	7,354	6,237	5,765	5,411	7,822
Other	17	16	18	23	22	25	27	28
Investments and other assets	3,595	7,340	9,041	14,808	18,927	19,276	22,592	21,087
Investment securities	3,305	4,299	5,521	10,644	14,220	14,844	18,357	16,552
Other	290	3,040	3,519	4,163	4,706	4,432	4,235	4,535
Total assets	20,421	49,338	56,010	71,009	86,495	77,336	91,687	108,596
Current liabilities	9,933	28,505	21,801	25,461	50,624	30,187	38,815	49,540
Notes and accounts payable	540	1,154	1,232	1,629	2,039	2,728	3,713	5,018
Short-term borrowing	2,519	10,740	305	3,690	23,533	3,200	6,937	4,137
Income taxes payable	46	740	810	1,241	2,147	720	435	1,008
Deposits	6,168	14,956	18,229	16,434	20,998	21,876	25,127	36,499
Other	658	914	1,224	2,464	1,904	1,660	2,601	2,876
Non-current liabilities	592	355	6,950	9,058	6,806	16,484	18,499	20,233
Bonds payable	-	-	-	-	-	-	-	-
Long-term borrowing	351	183	6,799	8,841	5,546	15,370	17,207	18,890
Deferred tax liabilities	30	-	20	43	938	596	488	551
Other	210	172	129	174	321	517	803	792
Total liabilities	10,525	28,861	28,752	34,519	57,430	46,671	57,315	69,774
Shareholders' equity	9,759	20,155	25,279	27,762	24,641	28,610	31,633	36,363
Common stock	1,872	6,017	7,330	7,399	7,426	7,435	7,437	7,464
Capital surplus	5,558	9,703	11,016	10,817	2,854	2,825	2,946	3,104
Retained earnings	2,398	4,505	7,003	9,615	14,430	18,419	21,300	25,819
Treasury stock	-69	-69	-69	-69	-70	-69	-50	-26
Accumulated other comprehensive income	64	115	426	2,679	4,003	1,502	1,956	1,440
Valuation difference on available-for-sale securities	64	-76	31	2,193	2,585	138	644	339
Foreign currency translation adjustment	-	191	394	485	1,416	1,363	1,312	1,100
Minority interests	71	174	1,468	5,906	126	119	132	369
Share acquisition rights	-	31	84	141	295	431	648	844
Total net assets	9,895	20,476	27,258	36,489	29,065	30,664	34,371	39,017
Total liabilities/net assets	20,421	49,338	56,010	71,009	86,495	77,336	91,687	108,596

IFRS

	FY18.3	FY19.3	FY20.3
Current assets	78,776	99,186	98,852
Cash and cash equivalents	39,450	48,154	32,702
Trade and other receivables	21,330	23,254	26,657
Inventories	283	232	319
Operational investment securities	16,745	26,695	36,546
Other financial assets	442	451	1,323
Income taxes receivable	44	6	324
Other current assets	482	394	980
Non-current assets	40,769	47,704	63,444
Property, plant and equipment	8,495	9,421	21,367
Goodwill	7,959	6,575	7,689
Intangible assets	2,104	2,575	3,496
Investment property	2,966	3,046	2,932
Investments accounted for using equity method	13,915	19,139	21,475
Other financial assets	5,010	6,662	6,319
Deferred tax assets	195	137	45
Other non-current assets	124	148	120
Total assets	119,545	146,890	162,296
Current liabilities	48,044	52,420	50,838
Borrowings	4,623	2,211	4,927
Trade and other payables	39,407	45,799	41,203
Other financial liabilities	760	853	1,783
Income taxes payable	1,010	1,076	207
Other current liabilities	2,244	2,482	2,717
Non-current liabilities	28,302	47,125	58,663
Bonds and borrowings	19,243	35,959	38,247
Other financial liabilities	5,244	5,430	13,553
Retirement benefit liability	544	565	571
Provisions	326	321	589
Deferred tax liabilities	2,754	4,744	5,426
Other non-current liabilities	191	106	278
Total liabilities	76,346	99,545	109,501
Share capital	7,465	7,504	7,591
Capital surplus	3,748	4,235	4,409
Retained earnings	29,955	38,593	44,721
Treasury shares	-26	-5,026	-5,012
Other components of equity	1,575	1,303	324
Total equity attributable to owners of parent	42,717	46,609	52,033
Non-controlling interests	483	736	762
Total equity	43,199	47,345	52,795
Total liabilities and equity	119,545	146,890	162,296

Consolidated Statements of Income (JPY in Millions)

JGAAP

	FY11.6	FY12.6	FY13.6	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Net sales	11,067	14,903	27,964	33,751	38,087	43,763	36,452	60,169
Cost of sales	8,282	10,644	21,533	25,534	25,847	32,273	29,838	48,524
Gross profit	2,784	4,258	6,431	8,216	12,240	11,490	6,613	11,644
Selling, general and administrative expenses	2,649	2,637	5,109	5,608	7,431	7,288	5,889	9,333
Directors' compensation	286	287	403	458	524	466	330	481
Salaries	851	825	1,319	1,428	2,440	2,599	1,998	3,178
Bonuses	40	77	65	85	152	171	181	276
Legal welfare expenses	128	128	162	199	349	381	306	496
Welfare expenses	21	25	48	82	102	99	74	105
Retirement benefit expenses	6	9	33	34	65	66	49	72
Advertising expenses	31	39	95	190	101	194	127	180
Travel and transportation expenses	52	84	157	200	212	167	125	212
Taxes and dues	34	58	111	91	128	143	131	217
Commission fees	137	124	203	277	286	317	228	478
Business consignment expenses	75	76	291	241	288	306	258	416
Research and development expenses	29	52	38	59	79	56	114	252
Rent expenses	269	274	404	430	654	644	447	658
Depreciation	66	39	99	107	136	140	120	153
Amortization of goodwill	177	188	940	756	754	471	353	570
Other	439	343	731	962	1,161	1,062	1,039	1,581
Operating profit	135	1,621	1,322	2,608	4,810	4,201	723	2,310
Operating profit rate	1.2%	10.9%	4.7%	7.7%	12.6%	9.6%	2.0%	3.8%
Non-operating income	925	1,215	2,179	2,307	3,737	3,031	3,246	3,305
Interest income	17	8	14	7	18	18	5	9
Dividends income	11	42	43	30	0	0	29	0
Investment profit on equity method	866	1,004	1,361	1,741	2,081	2,406	2,528	2,768
Foreign exchange gains	-	112	499	143	1,091	-	-	-
Rent expenses on real estates	-	32	222	278	337	371	331	359
Other	30	15	38	105	210	236	352	167
Non-operating expenses	88	128	423	472	936	1,040	292	597
Interest expenses	43	49	102	88	98	85	56	79
Commission fees	6	1	50	0	554	-	0	66
Foreign exchange losses	30	-	-	-	-	689	-	160
Rent cost of real estate	-	13	127	189	275	248	223	259
Listed expenses	-	-	94	191	-	-	-	-
Investment loss on equity method	-	-	-	-	-	-	-	-
Other	0	62	48	3	9	16	10	31
Ordinary profit	972	2,708	3,078	4,442	7,610	6,193	3,679	5,018
Ordinary profit rate	8.8%	18.2%	11.0%	13.2%	20.0%	14.2%	10.1%	8.3%
Extraordinary income	58	63	1,304	630	2,463	1,392	2,265	2,669
Gain on change in equity	46	20	18	374	2,364	157	47	33
Gain on sales of investment securities	0	42	153	220	-	-	1,829	1,032
Gain on sales of shares of subsidiaries and associates	-	-	1,131	-	-	521	386	1,471
Other	0	0	1	35	99	713	2	131
Extraordinary losses	71	236	168	38	824	10	124	67
Loss on retirement of non-current assets	9	3	22	7	27	8	16	31
Loss on liquidation of subsidiaries and associates	-	-	-	-	77	-	-	-
Impairment loss	22	222	88	0	658	-	104	25
Loss on valuation of investment securities	-	8	33	-	-	-	-	10
Other	0	2	23	30	62	1	3	0
Profit before income taxes	958	2,535	4,215	5,035	9,249	7,575	5,819	7,619
Profit before income taxes rate	8.7%	17.0%	15.1%	14.9%	24.3%	17.3%	16.0%	12.7%
Income taxes-current	47	409	1,520	1,919	3,699	2,241	1,647	2,028
Income taxes-deferred	-	-	-9	-32	155	143	-121	104
Net profit	911	2,126	2,705	3,148	5,394	5,189	4,294	5,486
Profit attributable to non-controlling interests	9	19	-11	300	312	24	4	25
Profit attributable to owners of parent	901	2,106	2,715	2,847	5,081	5,165	4,289	5,461
Profit rate	8.1%	14.1%	9.7%	8.4%	13.3%	11.8%	11.8%	9.1%

IFRS

	FY18.3	FY19.3	FY20.3
Continuing operations			
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
Total	25,503	35,687	36,936
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
Total	17,127	22,264	26,929
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 from discontinued operations	-143	-394	-
Income tax expense	38	-225	-
Profit (loss) after tax from discontinued operations	-181	-169	-
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
Profit (loss) attributable to			
Owners of parent	6,412	9,771	7,420
Non-controlling interests	-75	19	-89
Earnings (loss) per share (Yen)			
Basic earnings (loss) per share			
Continuing operations	139.66	199.93	161.37
Discontinued operations	-3.68	10.35	-
Total	135.99	210.28	161.37
Diluted earnings (loss) per share			
Continuing operations	138.63	189.51	147.82
Discontinued operations	-3.65	9.75	-
Total	134.98	199.26	147.82

Non-Financial Information

Number of Group employees

954

[as of March 31, 2020]

The number of DG Group employees has increased with the expansion of business.

Number of employees worldwide*

77

[as of March 31, 2020]

DG has been recruiting diverse human resources globally.

*Number of non-Japanese employees in DG Group

Number of Group companies

31

[as of March 31, 2020]

There are 31 DG Group companies, of which 18 are consolidated subsidiaries and 13 are equity-method affiliates.

Group ratio of female employees

35.1%

[as of March 31, 2020]

Many women are assuming active roles as DG aims to establish a friendly working environment for women.

Return rate after childcare leave

100%

[as of March 31, 2020]

DG emphasizes work life balance for each and every employee and is implementing programs and a leave system to support work and childrearing as well as caring.

Paid leave acquisition rate

72.5%

[as of March 31, 2020]

To increase the productivity of each and every employee, DG is actively recommending all employees take leave.

Number of Independent Outside Directors/Ratio

6/42.9%

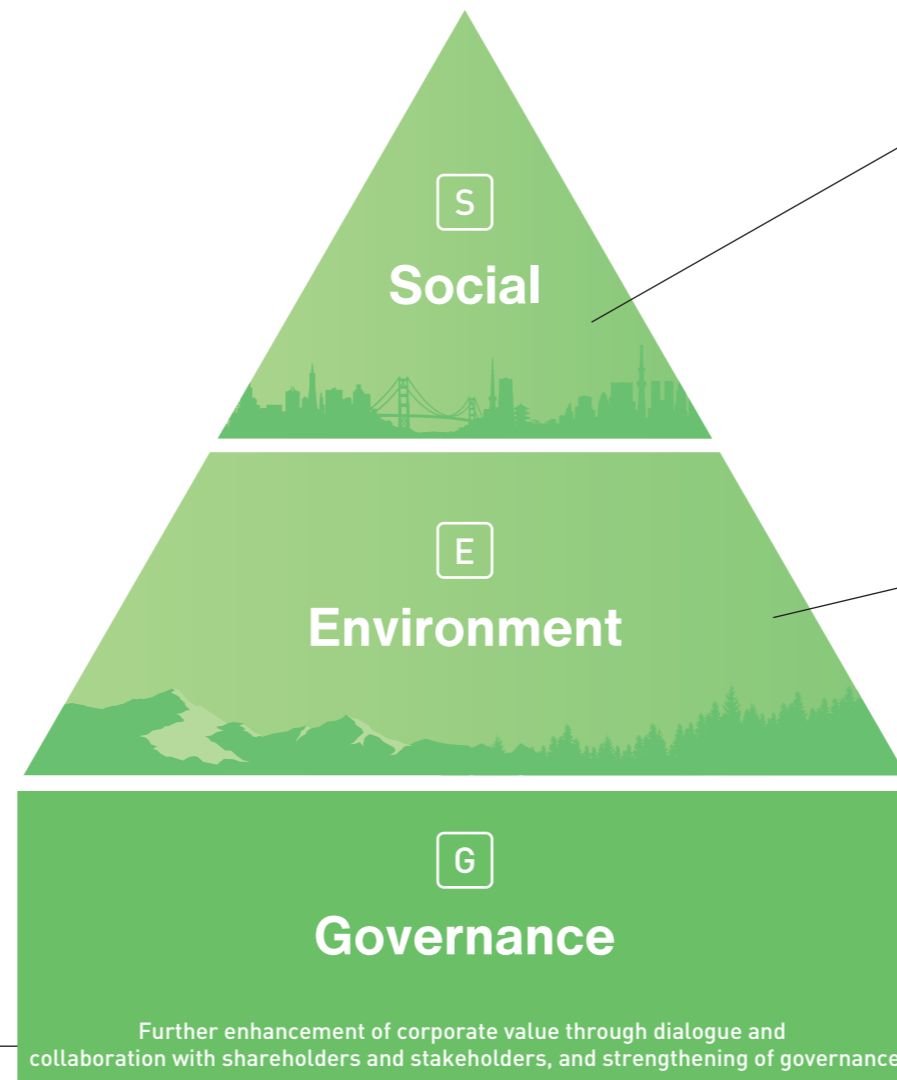
[as of June 30 2020]

Six Independent Outside Directors have been appointed, accounting for 42.9% of the total of 14 Directors.

ESG in DG Group

Concept of New Mid-term Plan: ESG resonance with “Designing our New Normal Context”

- S Social**
 - Sponsorship and support for the Tohoku Youth Orchestra aimed at reconstruction after the Great East Japan Earthquake
 - Planning to support non-profit organizations networked with experts from Boston
- E Environment**
 - Fostering and supporting social entrepreneurs through Open Network Lab
 - Support for activities in the Peace-Nippon Project
 - Archiving activities that preserve Japan’s natural beauty in the future



- G Governance**
 - Assigning SDGs officers in the U.S.
 - Selection of three SDGs measures
 - Solving social issues by contributing to the development of internet technology
 - Contribution to sustainable society development
 - Building Global Partnerships to Realize SDGs

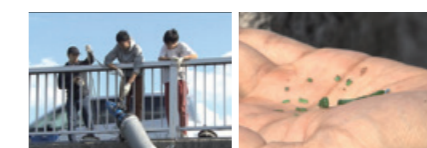
Sponsorship and support for the Tohoku Youth Orchestra

An orchestra organized around children from the three disaster-stricken prefectures to symbolize recovery from the Great East Japan Earthquake. Mr. Ryuichi Sakamoto presides over it as a volunteer. It was positioned as a place of growth where children learned about the world and experienced it with their peers through instruction and performances by outstanding musicians and exchanges with people. We will continue to provide support not only through sponsorship but also through social media and creative programs.



Fostering and supporting social entrepreneurs

As a graduate of Open Network Lab, the entire DG Group provides support to social entrepreneurs, such as PIRIKA, which deals with waste issues. Example: PIRIKA, DG, and Shibuya Ward collaborate to promote projects to resolve river and marine trash problems, where artificial turf is the source.



Cooperation in NPO activities utilizing the latest technologies that bring together industry, government, and academia

Full-scale support for NPOs launched by Joichi Ito, a director and co-founder, together with Reid Hoffman. Beginning with a project aimed at COVID-19, which is being



Directors and Co-Founder Joichi Ito

promoted through a network of experts from Boston, a mecca of global biotech, support and promotion of social contribution-type projects that create new normal by collaborating with the DG Group for various projects utilizing artificial intelligence, statistical analysis, biotechnology, cybersecurity, etc. beyond the barriers between industry, government, and academia.

Projects








- Development of COVID-19 diagnostics kit
- Development of contact tracing technologies and policies to maintain social activities
- Global and open clinical trial design
- Design of next-generation coworking spaces, etc.








Assigning SDGs designated officers in the U.S.
Corporate Officer Debbie Altomonte









FINANCIAL TECHNOLOGY SEGMENT

	econtext Inc. Consolidated subsidiary	econtext Inc. pioneered cash payments using kiosk terminals at convenience stores and has promoted the provision of online payment services to EC businesses centered on convenience store payments. As a money transfer business, it also operates a money sending service.
	VeriTrans Inc. Consolidated subsidiary	Since its establishment in 1997, VeriTrans Inc. has provided a credit card payment system incorporating the latest security technology in the US, and been a leader in the payment aspect of e-commerce in Japan. Going forward, VeriTrans Inc. will focus on developing, and introducing cashless payment systems, in major markets where electronic payment has yet to be adopted.
	econtext Asia Limited Consolidated subsidiary	econtext Asia Limited operates a payment business based in Hong Kong.
	NaviPlus Co., Ltd. Consolidated subsidiary	NaviPlus Co., Ltd. develops and provides marketing solutions that support the development of e-business, including EC sites, by using gathered and analyzed data based on its proprietary technology.
	ANA Digital Gate, Inc. Affiliate	ANA Digital Gate, Inc. is a joint venture between VeriTrans Inc. and the ANA Group's ALL NIPPON AIRWAYS TRADING CO., LTD., that is developing a corporation-oriented payment solution business that uses FinTech.
	SCORE Co., Ltd. Affiliate	SCORE Co., Ltd. is a joint venture between VeriTrans Inc. and Nissen Co., Ltd. providing post-settlement payment services. The two companies combine their payment business knowledge, technologies, and other strengths with the aim of developing Fintech services incorporating new marketing elements, such as credit monitoring, scoring, and purchasing promotion.
	TD Payment Corporation Affiliate	TD Payment Corporation is a joint venture between VeriTrans Inc. and TOSHIBA TEC CORPORATION offering multiple payment solutions for POS systems to meet diversifying cashless payment needs.







MARKETING TECHNOLOGY SEGMENT

	Digital Garage Marketing Technology Company Company	In addition to advertising awareness and acquisition advertising, Digital Garage Marketing Technology Company provides a wide range of marketing solutions from CRM and other solutions to improve engagement, through to data analysis, AI applications, DX advancement, and settlement systems. It leverages the cutting-edge technology and assets of the DG Group to develop and offer unique solutions, and provide support to clients, the market, and the world as a business strategy partner with continuous assistance and business creation akin to social infrastructure.
	DG Communications Co., Ltd. Consolidated subsidiary	Utilizing the real-estate-advertisement-related knowhow cultivated and accumulated over many years including knowledge, experience, and data, as well as the DG Group's advanced technology and sophisticated strategy management, DG Communications' business does not stop at property sales in the real estate field, but uses real estate as a gateway to provide solutions to help people live more comfortable lives.
	BI.Garage, Inc. Consolidated subsidiary	With framing the concept of "CONTENTS × DATA × TECHNOLOGIES", BI.Garage, Inc. has been developing the "Contents Media Consortium", the joint advertisement distribution business platform collaborated with Japanese influential contents media companies, as well as other solutions that utilize the know-how of social media management and the DG Group's extensive data and cutting-edge technologies.
	CyberBuzz, Inc. (TSE Mothers 7069) Affiliate	CyberBuzz, Inc. is developing a social media marketing business centered on influencers under the vision of "changing communication into value and changing the world." CyberBuzz, Inc. is providing services such as promotion support using the influencer network, social media account management service, and "to buy," the influencer commerce media, etc.
	DG Marketing Design, Inc. Affiliate	DG Marketing Design, Inc. provides integrated marketing solutions from planning, to creative, to data analysis that surpasses the barriers of real and digital in promotions, conversions, and relations in the marketing field.

INCUBATION TECHNOLOGY SEGMENT

	DG Ventures, Inc. Consolidated subsidiary	As the investment arm of the Digital Garage Group, DG Ventures, Inc. supports Internet entrepreneurs throughout the world. It operates an investment business going beyond simple investment as an incubator, to create ventures collaboratively with targeted startup companies that are expected to give rise to synergies with the DG Group's various businesses.
	Digital Garage US, Inc. Consolidated subsidiary	Digital Garage US, Inc. is the DG Group's US-based global strategy headquarters. It operates the DG717 incubation center established in the heart of San Francisco in 2013, supporting entrepreneurs and engineers from around the world.
	DK Gate, Inc. Consolidated subsidiary	A joint venture of Digital Garage, Inc. and Kodansha Ltd., the purpose of DK Gate is to make strategic investments in content businesses. DK Gate, Inc. focuses on identifying and nurturing companies pursuing next-generation content businesses throughout the world.
	DG Technologies, Inc. Consolidated subsidiary	As a strategic company that supports the technological aspects of DG Lab, DG Technologies, Inc. engages in research and development with an eye toward business application and promotes the development of cutting-edge technology by combining the technological capabilities, etc. of Digital Garage, Inc. and TIS Inc.
	D2 Garage, Inc. Consolidated subsidiary	The "Open Network Lab HOKKAIDO" business is creating a start-up support program that aims to build a start-up ecosystem in Hokkaido and investing in developing start-ups that leverage Hokkaido's resources and issues such as primary industry, tourism, and rich natural world.
	DG Daiwa Ventures, Inc. Affiliate	DG Daiwa Ventures, Inc. was established as a joint venture between Digital Garage, Inc. and Daiwa Securities Group Inc. and operates investment funds. The purpose of this fund is to promote investment in promising Japanese and overseas startups with advanced technologies in the research areas DG Lab has designated as high priorities.

LONG-TERM INCUBATION SEGMENT

	Kakaku.com, Inc. (TSE First Section 2371) Affiliate	Kakaku.com, Inc. operates a price comparison site (kakaku.com) and a restaurant review and advertising site (tabelog.com).
	Crypto Garage, Inc. Consolidated subsidiary	Crypto Garage, Inc. is a joint-venture between Digital Garage, Tokyo Tanshi Co., Ltd. and Blockstream, Inc. that is accelerating R&D and commercialization of advanced financial services leveraging blockchain in the Fintech field.
	New Context Services, Inc. Consolidated subsidiary	New Context Services, Inc. provides data security-related solutions.
	BrainscanTechnologies, Inc. Consolidated subsidiary	BrainscanTechnologies, Inc. aims to develop and monetize services using a medical examination data platform founded on business dealing with brain MRI medical examinations for driving operators.
	Academie du Vin Co., Ltd. Consolidated subsidiary	Academie du Vin manages the wine school business and is expanding a wine wholesale business.
	Dentsu ScienceJam Inc. Affiliate	Dentsu ScienceJam commercializes scientific research results.

(as of March 31, 2020)

COMPANY INFORMATION

(as of March 31, 2020)

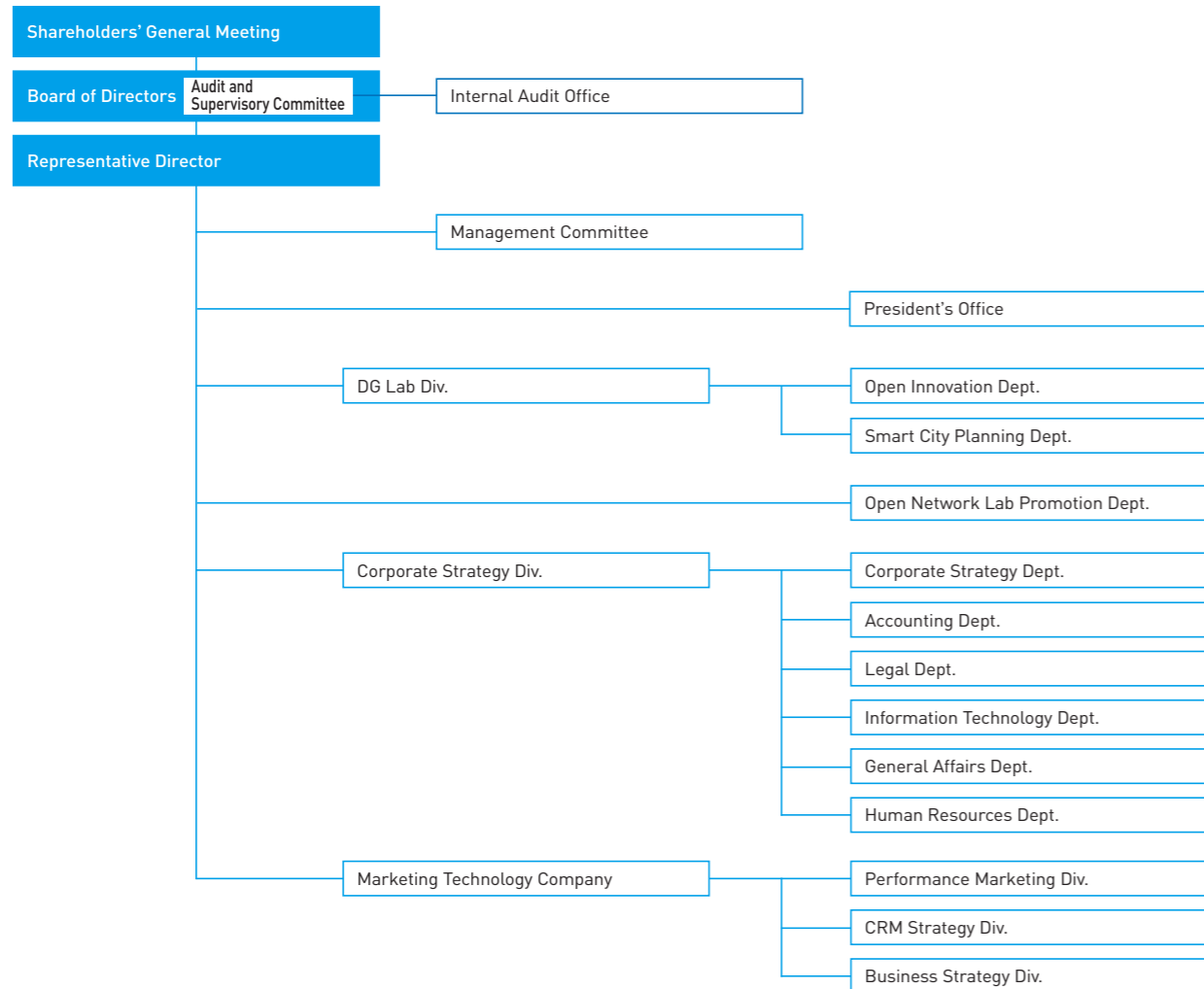
Basic Information

Company Name	Digital Garage, Inc.
Head Office	DG Bldg., 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo 150-0022, Japan Shibuya PARCO DG Bldg., 15-1 Udagawa-cho, Shibuya-ku, Tokyo 150-0042, Japan
Established	August 17th, 1995
Phone	03-6367-1111 (Main)
Fax	03-6367-1119
Stock listings	Tokyo Stock Exchange 1st section (4819)
Fiscal year end	March 31
Stock Capitalization	7,591 million yen
Number of employees	954 [consolidated] / 468 [non-consolidated]

DIGITAL GARAGE GROUP CHART

(as of April 1, 2020)

Organization Chart



STOCK INFORMATION

Stock Information

(as of March 31, 2020)

Authorized shares	120,000,000
Total number of shares issued	47,406,800
Voting rights	460,100
Shareholders	6,009

Major Shareholders

(as of March 31, 2020)

	Shares Owned	Ownership Percentage
Kaoru Hayashi	6,819,200	14.82
The Master Trust Bank of Japan, Ltd. (Trust accounts)	3,464,500	7.53
Dentsu Group Inc.	3,300,000	7.17
TIS Inc.	2,364,500	5.14
Japan Trustee Services Bank, Ltd. (Trust accounts)	1,859,700	4.04
Japan Trustee Services Bank, Ltd. (Trust accounts 9)	1,755,900	3.82
J.P. Morgan Bank Luxembourg S.A. 385576	1,572,426	3.42
The Bank of New York Mellon 140051	1,212,900	2.64
Japan Trustee Services Bank, Ltd. (Trust accounts 5)	720,200	1.57
Credit Saison Co., Ltd.	655,200	1.42

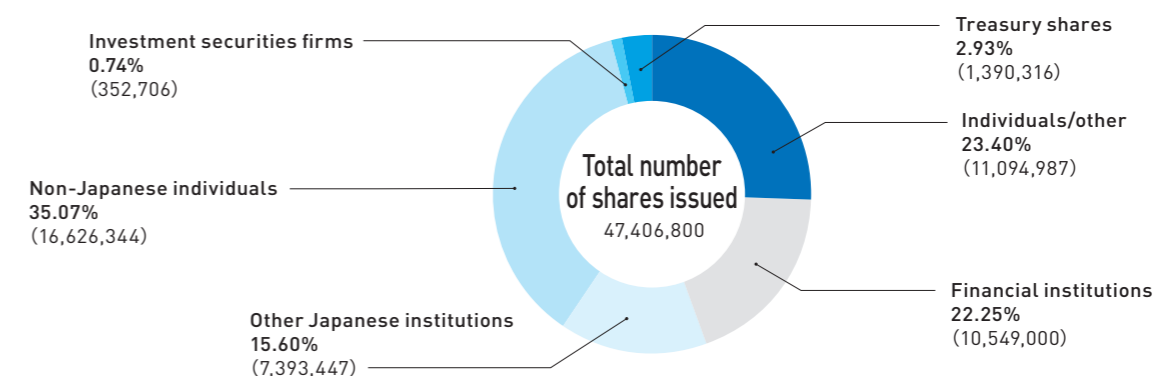
* Share ownership percentages were calculated based on issued shares net of treasury shares (1,390,316 shares).

Dividend Trends

	FY14.6 (JGAAP)	FY15.6 (JGAAP)	FY16.6 (JGAAP)	FY17.3 (JGAAP)	FY18.3 (JGAAP)	FY19.3 (IFRS)	FY20.3 (IFRS)
Ordinary dividend	5 JPY	5 JPY	15 JPY	20 JPY	24 JPY	28 JPY	28 JPY
Commemorative dividend	-	20 JPY 20th anniversary	15 JPY In commemoration of our change to the TSE First Section	-	-	-	10 JPY 25th anniversary
Purchase of treasury shares	-	-	-	-	-	5.0 billion JPY	-
Ordinary dividend payout ratio	8.2%	4.6%	13.7%	22.0%	20.7%	13.3%	17.4%
Total return ratio	8.2%	23.1%	27.3%	22.0%	20.7%	64.3%	23.5%

Share Ownership Distribution

(as of March 31, 2020)





Digital Garage, Inc.
DG Bldg., 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo 150-0022, Japan
Shibuya PARCO DG Bldg., 15-1 Udagawa-cho, Shibuya-ku, Tokyo 150-0042, Japan
www.garage.co.jp/en/

