

DYNAMIC RESILIENCE



Mid-term Plan Slogan **Designing our New Normal Context**

Digital Garage, Inc.

1Q of FYE March 31, 2021 Financial Report



Profit before tax decreased by 82% YoY due to the impact of the COVID-19 and growth-oriented expenditure for FT/LTI (Results of IPO recorded in 2Q)

~ Impact of COVID-19 on restaurant industry (LTI), real estate sales advertising (MT), and travel-related businesses (FT), and loss on startup of strategic businesses ~

	<u>FY20.3 1Q</u>	<u>FY21.3 1Q</u> (YoY)	
Consolidated Profit before tax	2.2 B JPY	0.4 B JPY - 82%	<ul style="list-style-type: none"> • COVID-19 related crisis in all segments • Full-fledged launch of growth investment under the new mid-term business plan • Return to profitability after improving from the loss in the previous 4Q
	KPI	By Segments	
FT	<ul style="list-style-type: none"> ■ Transaction volume <u>689.8 B JPY (YoY up by 19%)</u> ■ of which, face-to-face settlement <u>29.2 B JPY (YoY down by 44%)</u> 	1.0 B JPY - 4%	<ul style="list-style-type: none"> • Transaction volume continues to grow at double-digit rates • Sharp decrease in travel-related business due to the COVID-19 • Increased expenses due to investments for mid-term growth
MT	<ul style="list-style-type: none"> ■ Advertisement volume <u>7.3 B JPY (YoY down by 11%)</u> ■ Other volume <u>1.8 B JPY (YoY up by 75%)</u> <small>(Next-generation user database business, etc.)</small> 	0.2 B JPY - 46%	<ul style="list-style-type: none"> • Strong revenue of digital ads, mainly in the financial field • Revenue in the real estate advertising business fell 45% YoY
IT	<ul style="list-style-type: none"> ■ Investment/ Sold <u>0.4 B JPY / 0.6 B JPY</u> ■ Fair valuation <u>36.3 B JPY (from E of Mar.2020 down by 1%)</u> 	0.1 B JPY - 51%	<ul style="list-style-type: none"> • Fair value of existing investments increased steadily • The impact of COVID-19 (10% impairment risk) estimated at the beginning of the fiscal year is expected to be limited
LTI	<ul style="list-style-type: none"> ■ Investment profit on equity method of Kakaku.com <u>0.3 B JPY (YoY down by 67%)</u> ■ Monthly traffic for all sites of Kakaku.com 236.6million 	0.1 B JPY - 92%	<ul style="list-style-type: none"> • Revenue of Tabelog decreased 73% YoY due to the free of charge fee for restaurants • Crypto Garage has launched and began investing

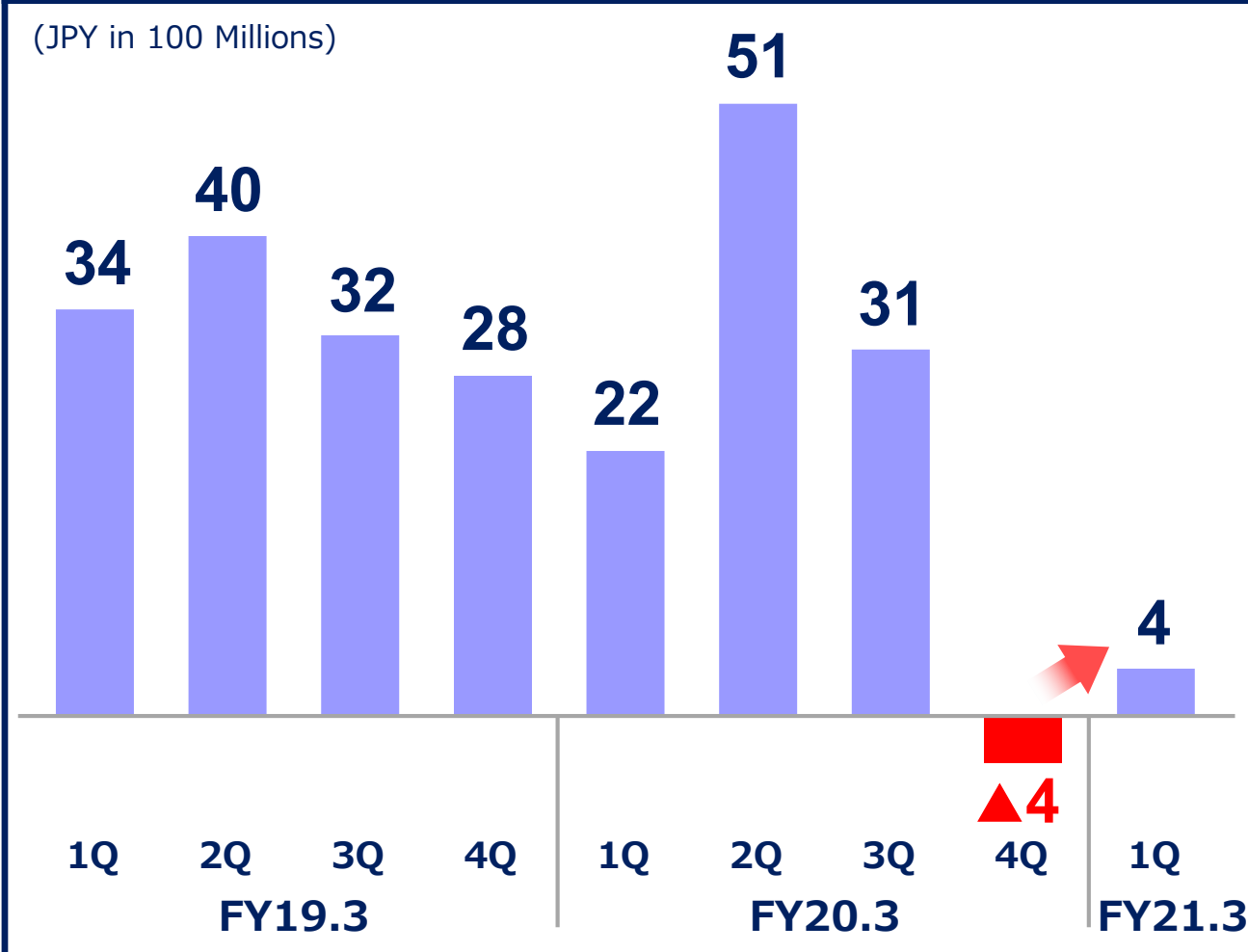


Profit before tax improved by 800M JPY in QoQ despite the impact of the new coronavirus

~ Optimize responses to changes in the business environment with COVID-19 by segments ~

Profit before tax

(JPY in 100 Millions)



Outlook

- FT** • Travel-related business and face-to-face payments for inbound tourists recovered along with the convergence of the COVID-19
- MT** • Solid performance in the digital ad/solution field
- Real estate sales enters the full-scale DX phase
- IT** • Sold a portion of our holdings in connection with the IPO of our investee, and valuation gains will be recorded in 2Q
- LTI** • Toward recovery with normalization of restaurant operations

Actions

- FT** • Promote strategic business with alliance partners
- MT** • Provides integrated management services for real estate developers, including the digitization of contracts
- Launch of Media Consortium Business
- IT** • Investment strategies associated with changes in the pandemic and power balance

FY21.3 1Q Consolidated P/L Summary (IFRS)



Profit before tax improved by 800 M JPY from a loss in Q4 FY20.3

~ Revenue and profit decreased YoY due to the impact of the COVID-19 ~

JPY in Millions	FY2020.3				FY2021.3	YoY		QonQ	
	1Q	2Q	3Q	4Q	1Q	%	Amount	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	-15.5%	-1,274	-16.0%	-1,318
Revenue in recurring business	6,138	6,718	6,576	7,256	6,148	+0.2%	+11	-15.3%	-1,108
Revenue in operational investment securities	459	3,332	968	-739	302	-34.2%	-157	-	+1,041
Other income	817	422	301	877	193	-76.4%	-624	-78.0%	-684
Finance income	1	16	28	48	1	-4.1%	-0	-97.6%	-47
Share of profit of investments accounted for using equity method	803	891	1,205	821	300	-62.7%	-504	-63.5%	-521
Expenses	5,999	6,271	6,016	8,643	6,539	+9.0%	+540	-24.3%	-2,104
Cost of sales	2,740	2,976	2,853	3,467	2,764	+0.9%	+24	-20.3%	-703
Selling, general and administrative expenses	2,951	3,138	3,121	4,813	3,453	+17.0%	+502	-28.2%	-1,359
Other expenses	78	86	74	254	69	-11.8%	-9	-72.8%	-185
Finance costs	230	71	-32	109	252	+9.7%	+22	+131.8%	+143
Profit before tax	2,218	5,108	3,062	-381	405	-81.7%	-1,813	-	+786
Profit attributable to owners of parent	1,624	3,647	2,253	-105	224	-86.2%	-1,401	-	+328

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

FY21.3 1Q Consolidated Segment P/L Summary (IFRS)



Continued double-digit growth in revenue of FT and maintained flat revenue of MT

~ Profit decreased due to the impact of the COVID-19, growth investment in FT, and startup investment in LTI Strategic Business ~

JPY in Millions	FY2020.3				FY2021.3	YonY		QonQ	
	1Q	2Q	3Q	4Q	1Q	%	Amount	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	-15.5%	-1,274	-16.0%	-1,318
FT Financial Technology	2,083	2,204	2,184	2,138	2,340	+12.3%	+257	+9.5%	+202
MT Marketing Technology	3,376	3,984	3,705	4,311	3,335	-1.2%	-41	-22.6%	-976
IT Incubation Technology	507	3,462	1,405	-506	389	-23.3%	-118	-	+895
LTI Long Term Incubation	2,232	1,696	1,744	2,257	801	-64.1%	-1,431	-64.5%	-1,456
Others/Adjustments and Eliminations	19	33	39	63	79	+310.0%	+60	+25.6%	+16
Profit before tax	2,218	5,108	3,062	-381	405	-81.7%	-1,813	-	+786
FT Financial Technology	1,061	1,112	1,129	746	1,018	-4.0%	-43	+36.5%	+272
MT Marketing Technology	327	676	512	336	178	-45.6%	-149	-47.0%	-158
IT Incubation Technology	146	3,138	1,114	-835	72	-51.1%	-75	-	+907
LTI Long Term Incubation	1,493	932	890	1,385	120	-92.0%	-1,374	-91.4%	-1,265
Others/Adjustments and Eliminations	-810	-751	-584	-2,013	-983	-	-173	-	+1,030

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

FY21.3 1Q Consolidated B/S Summary (IFRS)



JPY in Millions	End of FY20.3	End of FY21.3 1Q	Difference	Reason for change / Remarks
Current assets	98,852	95,163	-3,689	
Cash and cash equivalents	32,702	37,111	+4,408	FT business-related items
Trade and other receivables	26,657	19,210	-7,447	FT business-related items and decrease of account receivables
Operational investment securities	36,546	36,303	-243	Decrease by the exit portfolio
Non-current assets	63,444	64,690	+1,247	
Property, plant and equipment	21,367	20,955	-413	Decrease by depreciation
Investments accounted for using equity method	21,475	20,890	-585	Decrease by dividends of equity methods affiliates
Other financial assets	6,319	8,452	+2,133	Increase due to mark-to-market valuation of listed shares
Total assets	162,296	159,853	-2,442	
Current liabilities	50,838	46,539	-4,299	
Borrowings	4,927	6,909	+1,982	Borrowing for operating funds
Trade and other payables	41,203	34,763	-6,440	FT business-related items and decrease of account payables
Non-current liabilities	58,663	60,433	+1,770	
Bonds and borrowings	38,247	39,394	+1,148	Borrowing of capital expenditures
Other financial liabilities	13,553	13,329	-224	
Deferred tax liabilities	5,426	5,753	+327	
Total liabilities	109,501	106,972	-2,529	
Total equity	52,795	52,882	+87	
Total equity attributable to owners of parent	52,033	51,824	-209	
Share capital	7,591	7,596	+5	
Capital surplus	4,409	4,420	+12	
Treasury shares	-5,012	-5,012	-0	
Other components of equity	324	1,624	+1,299	Increase due to mark-to-market valuation of listed shares
Retained earnings	44,721	43,196	-1,525	Decrease due to the payment of year-end dividends
Non-controlling interests	762	1,058	+296	
Total liabilities and equity	162,296	159,853	-2,442	

Segment Performance Review





I Financial Technology Segment

	Revenue	Profit before tax
FY20.3 1Q	2,083 M JPY	1,061 M JPY
FY21.3 1Q	2,340 M JPY	1,018 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.



Financial Technology Segment in New Normal Era Strategies in the First Year

- I** Two-sided strategy to support profit before tax CAGR 20% in payment business (EC, Face-to-face Settlement)
- II** Expand business in payment peripheral business (Marketing, Fraud detection, Data utilization)
- III** Alliance with strategic partners
- IV** Target after five years: Transaction volume of 10 trillion yen
- V** System investment for 5 years/ Overall optimization



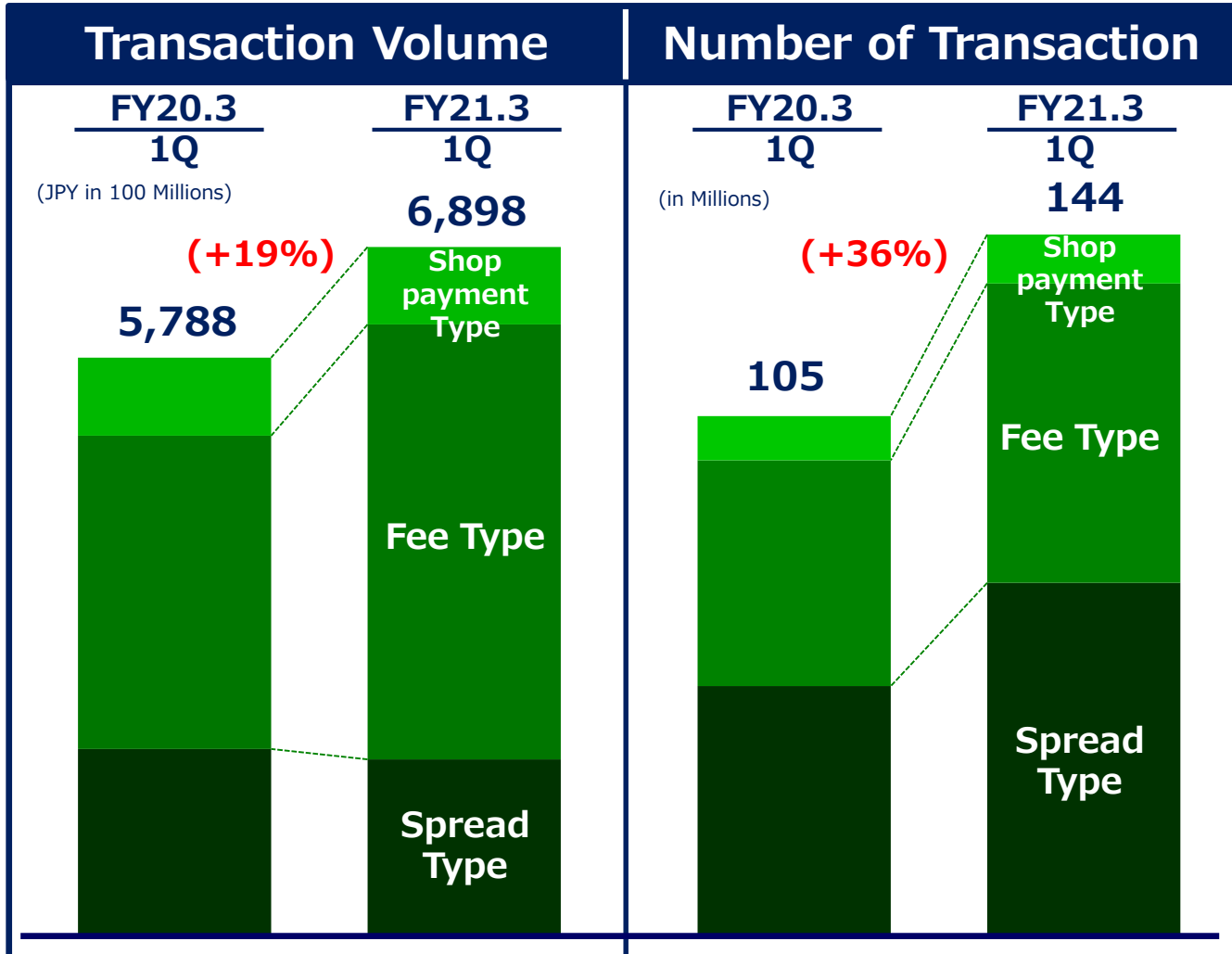
Due to the diversification of payment methods, there will be a divergence from the actual situation in the conventional disclosure classification, change the classification from the viewpoint of management approach from current term

Previous Classification	New Classification	Definition
Credit card payment	Spread Type	Payment such as credit card payment, which are fees that are based on the payment amount
Data processing	Fee Type	Payment in which fees are paid according to the number of payment processes, 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.



Transaction volume +19% YoY, number of transaction +36% YoY

~ Although inbound and travel-related transaction are sharply decreasing, total transaction volume is increasing due to consumption by a going out self-restraint ~



Fee Type

Transaction Volume	YoY	+38.7%
Number of Transaction	id.	+32.2%

- Increased transaction mainly in digital contents such as Games and Video distribution services by a going out self-restraint
- Increased transaction of national pension insurance premiums

Spread Type

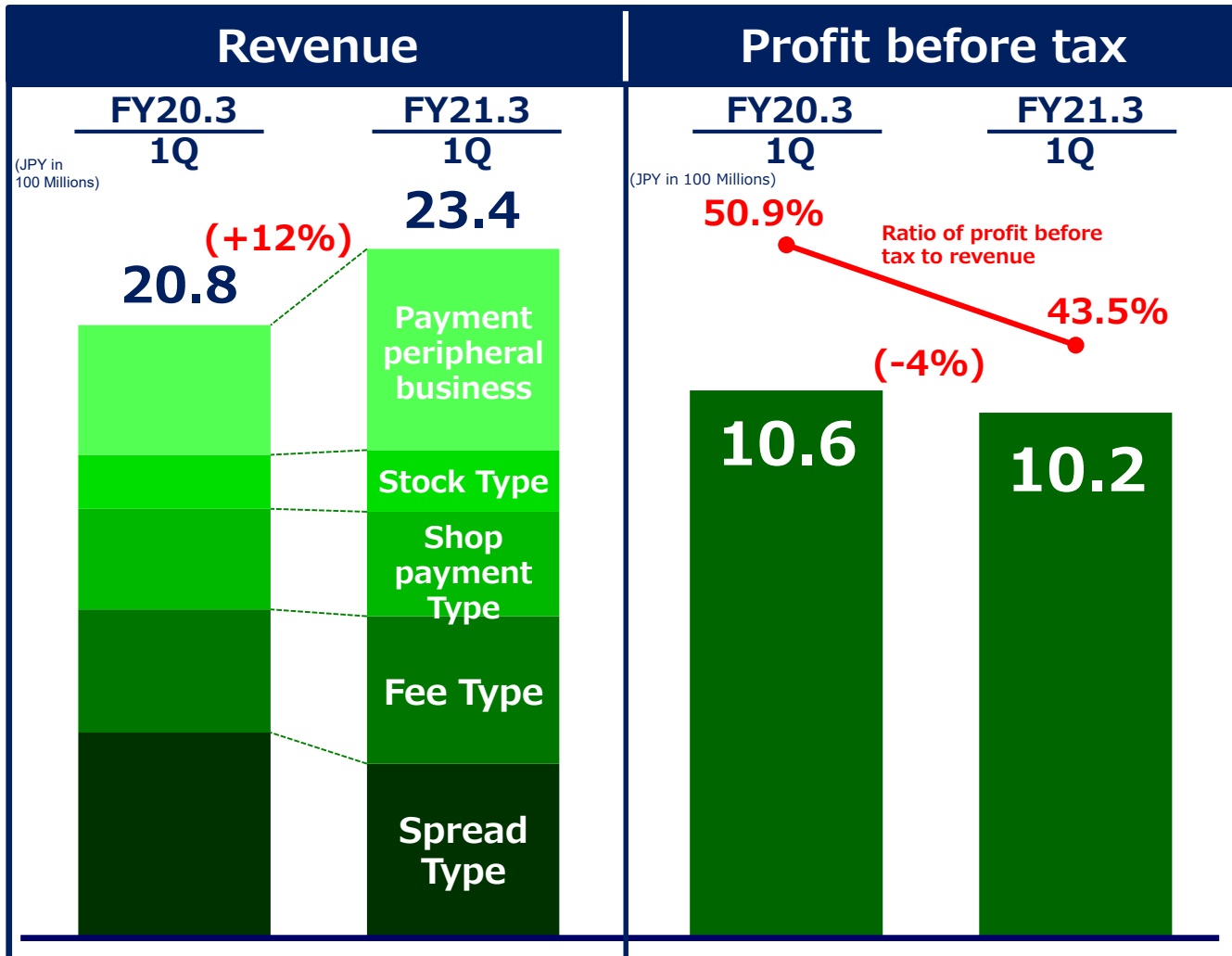
Transaction Volume	YoY	-5.5%
Number of Transaction	id.	+43.0%

- Cashless payments and QR code payments in Japan grew due to the progress of cashless transactions, and the number of transactions increased.
- Transaction volume decreased, due to a decrease in inbound QR code payments and travel-related payments with high transaction volume per transaction



Transaction volume steadily increasing, revenue marked 2.3 B JPY, +12% YoY

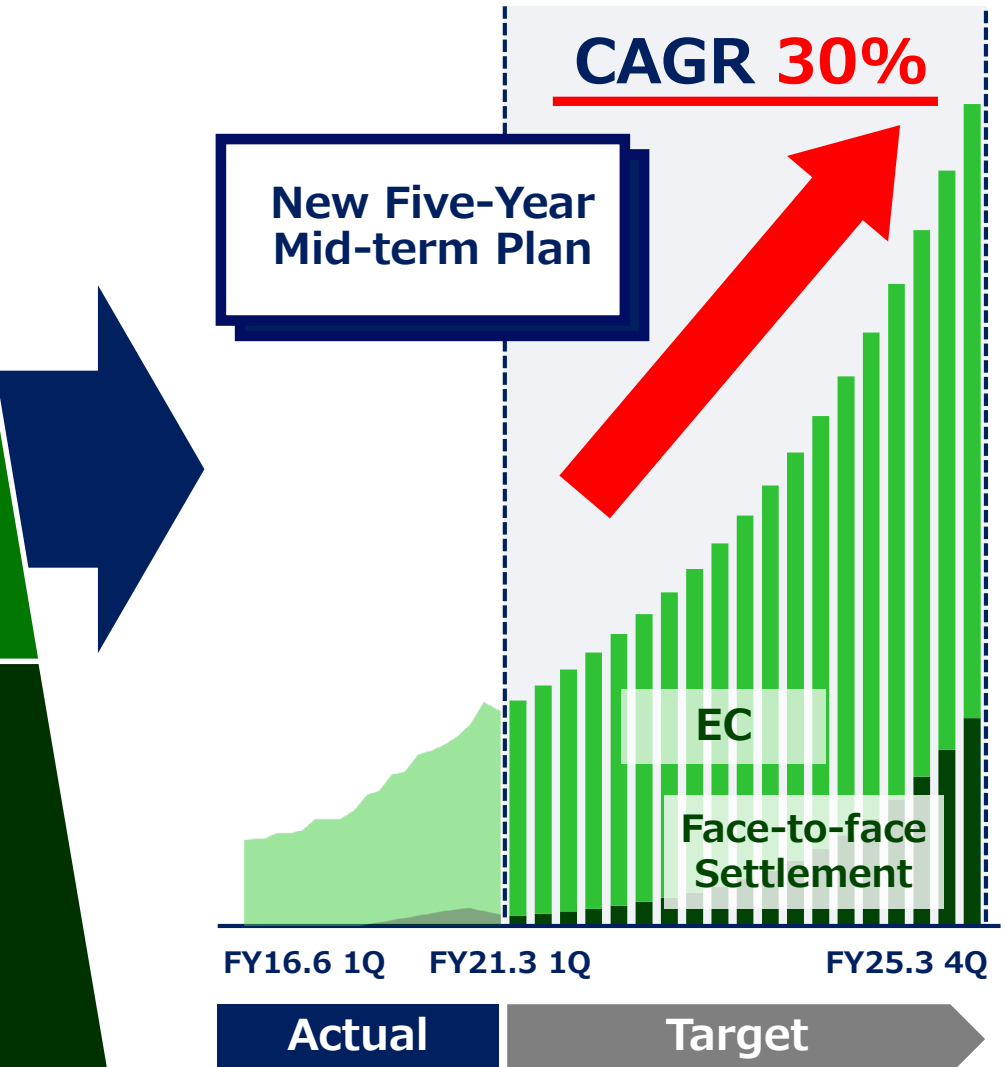
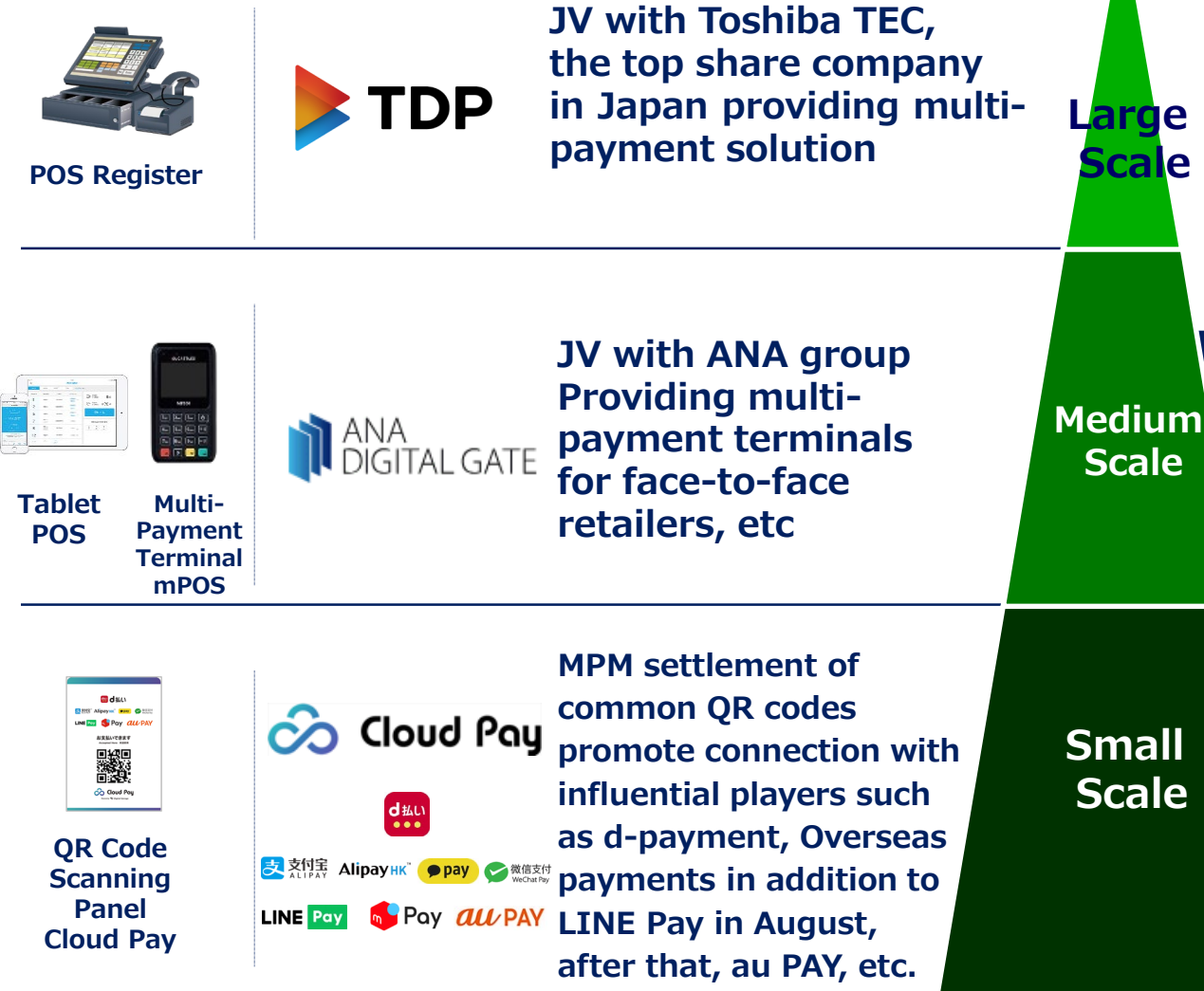
~ Earnings decreased due to system investment leading to expansion of business scale and diversified payment methods ~



Revenue	
Spread Type	• Significant decrease in inbound QR code payments and travel-related payments
Fee Type	• Increased revenue mainly in digital contents by a going out self-restraint
Payment peripheral business	• Refund remittance service expanded due to event cancellation etc.
Profit before tax	
✓	Start building next-generation system and operation system in anticipation of growth over the next five years
✓	Further advancement of 24/365 system and complete redundancy of operations
Factors that increase costs	• System-related investment to support diversifying payment • Operation enhancement to expand customer support • Office function expansion due to business expansion

Face-to-face Settlement Alliance strategy

Transaction Volume Growth Image



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	3,376 M JPY	327 M JPY
FY21.3 1Q	3,335 M JPY	178 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. (20.6% 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.



Marketing Technology Segment in New Normal Era Strategies in the First Year

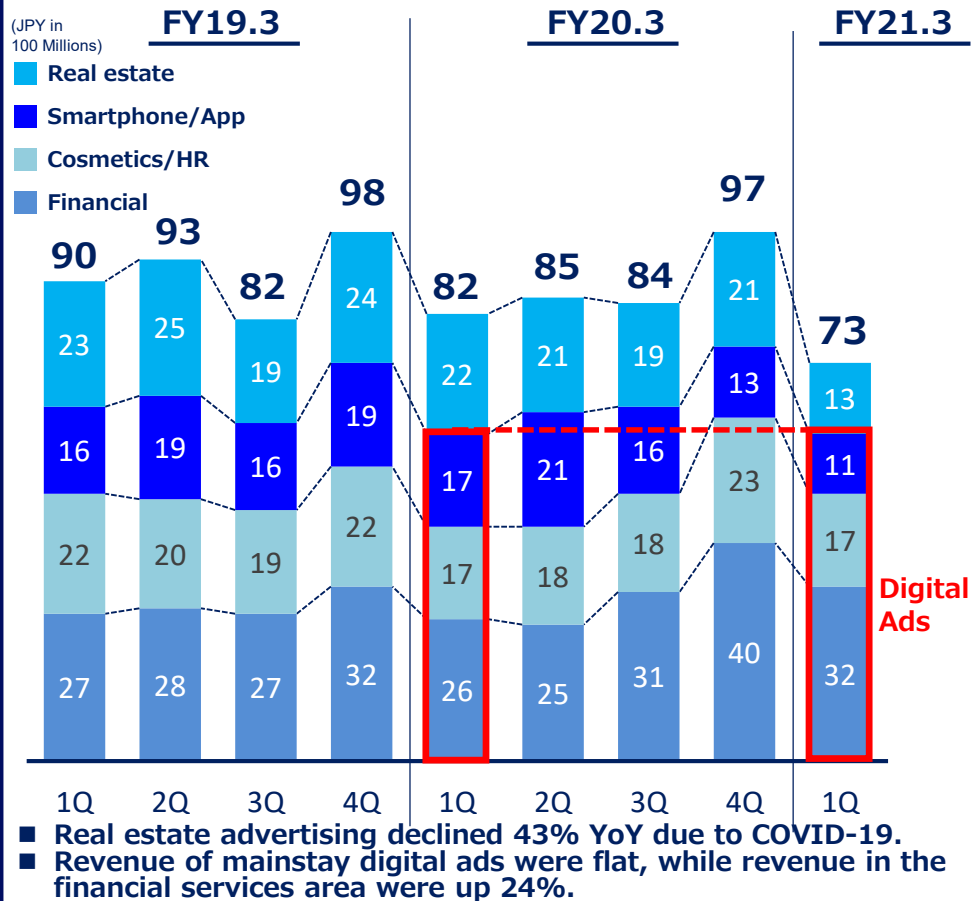
- I Optimization of human resources and technologies that support the growth of the digital ad business**
- II Support for DX adoption by the entire group of real estate developers**
- III Full-scale launch of the Content Media Consortium business**
- IV Media development tailored to new lifestyles (DOOH business group)**
- V Strategic alliances with DG Lab and foreign ad-tech companies (Europe/US/India others)**



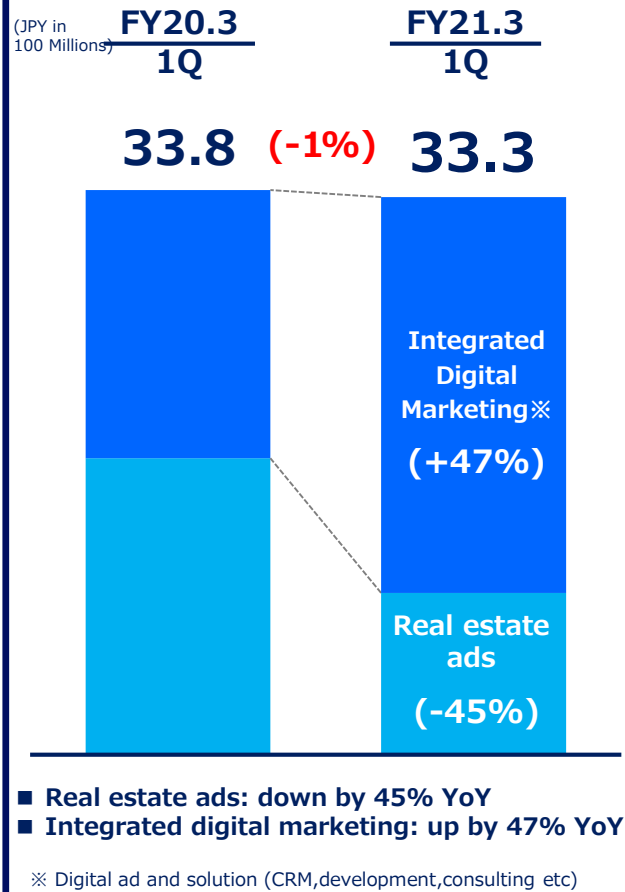
Revenue remained unchanged YoY at 3.3 B JPY, and profit before tax decreased 46% to 180 M JPY

~ Advertising volume fell 11% YoY. Digital ad revenue remained firm, but real estate sales advertising transactions declined ~

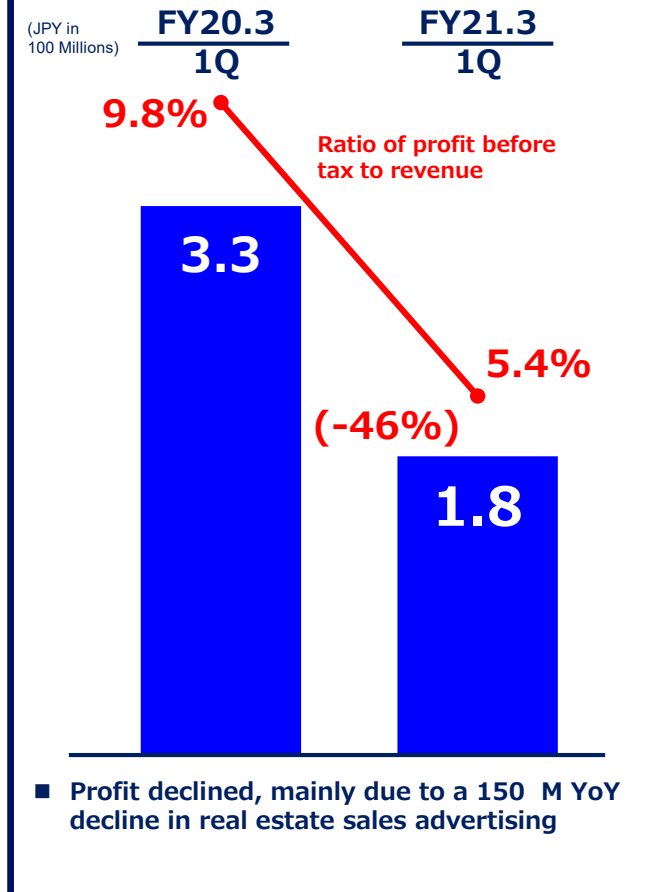
Advertisement volume



Revenue



Profit before tax





III Incubation Technology Segment

	Revenue	Profit before tax
FY20.3 1Q	507 M JPY	146 M JPY
FY21.3 1Q	389 M JPY	72 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 21st term



- ▶ **Digital Garage US, Inc.**
 The US-based global strategy headquarters



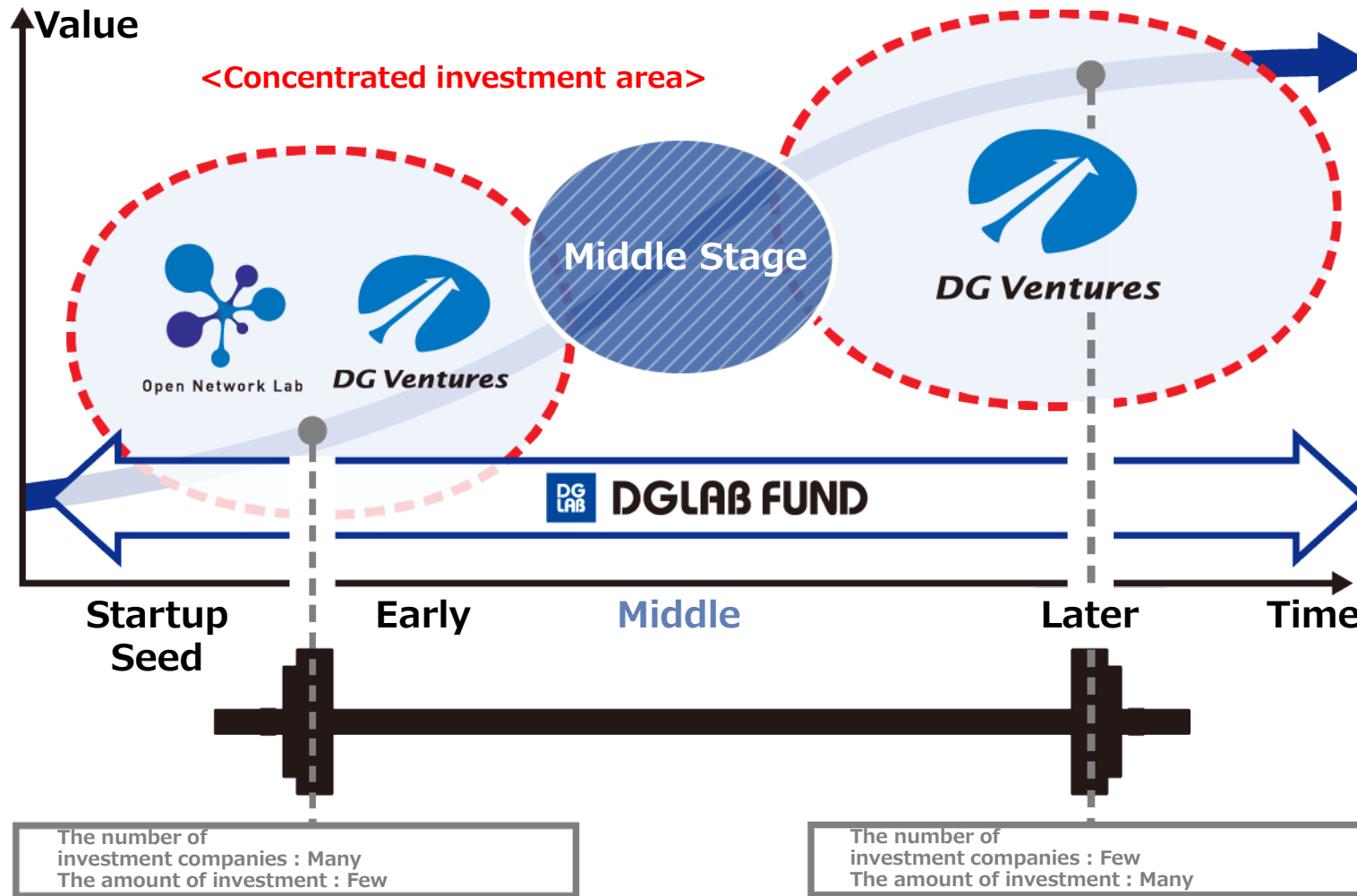
- ▶ **DG Daiwa Ventures, Inc. (50% stake/equity method)**
 Manages DG Lab Fund to invest in startups with next-generation technologies



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



Based on the Barbel Strategy, prepare a system for investment in the middle stage from support for startups, and establish a DG investment ecosystem



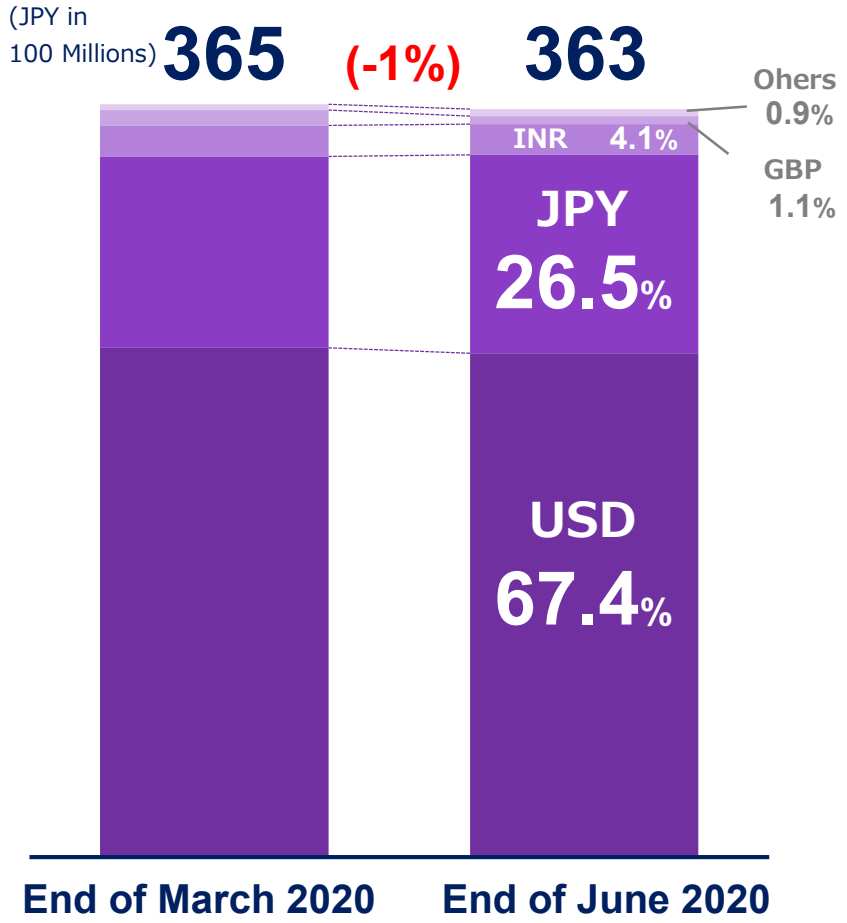
Operational investment securities	
36.3B JPY	
(FY21.3 End of 1Q)	
Japan	1/3
Asia	1/3
US	1/3
Others	



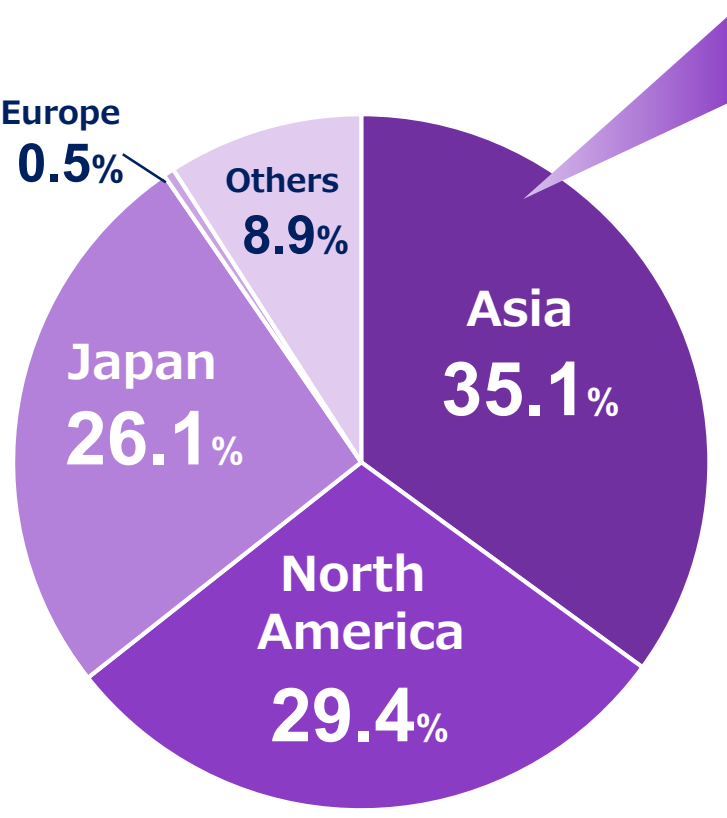
While the fair value of existing investments increased, the balance of operational investment securities remained unchanged due to partial sales

~ Crustal fluctuations against the background of the international situation, and capital inflows to Asia, especially India and Vietnam etc ~

Operational Investment Securities (ratio by currencies)



Portfolio by Regions



Investment Environment in Asia

- The economic war between the United States and China has drastically changed the environment surrounding Asia
- Capital outflow from Hong Kong due to the enforcement of the National Safety Act
- Flow of funds into India and Vietnam etc as a growth market to replace China
- ✓ Google Announces \$10 billion in India in 5-7 Years
- ✓ Sequoia Capital and other major funds are preparing to invest in post-China Southeast Asia



Impairment risk estimated at the beginning of the fiscal year is expected to be limited as a result of careful examination of post-pandemic investee conditions

~ Valuation gain on Goodpatch inc. listed on Mothers at the end of 1Q is scheduled to be recorded as 2Q ~

Examples of Investment

QD Laser [Japan]  QD LASER

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

Sen Do Technology [Vietnam]  **Sendo**

Operates Sendo, a marketplace for C2C and B2C in Vietnam, and provides electronic wallet services

Moneytree [Japan]  **Moneytree**

Provides personal finance app that aggregates bank, credit card, e-money, and various expenses to the user's smartphone etc to check and track account balances and usage.

NoBroker Technologies Solutions [India]  **NOBROKER.COM**

Operates India's peer-to-peer property marketplace. Using this service, people can rent/buy houses online without brokers

STMN [Japan]  **stmn, inc.**

Offers perks and benefits through its cloud platform TUNAG to help companies increase employee satisfaction.

Expedient Healthcare Marketing [India]  **Healthians**

Operates "Healthians.com", a healthcare web-based service that provides reservations for examinations at clinics and related information from doctors and specialists

Vivino [US]  **VIVINO**

Vivino is the world's largest online wine marketplace and most downloaded wine app, uses community data to suggest personalized wine recommendations.

Cobalt Labs [US]  **Cobalt**
Pen Testing as a Service

Provides a penetration test platform (PTaaS) that conducts intrusion testing of enterprise software in the form of crowdsourcing, from the discovery of vulnerabilities through to restoration.

News

① Goodpatch inc. was listed on June 30th

 **Goodpatch**

Offering price: 690JPY
Opening price: 2,757JPY (July 1st)

Partially sold in connection with the IPO

Valuation gains will be recorded in 2Q

② Open Network Lab 10th anniversary

Supporting over 150 startups in 10 years

Create a book containing methods in one book.



Open Network Lab





IV Long-Term Incubation Segment

	Revenue	Profit before tax
FY 20.3 1Q	2,232 M JPY	1,493 M JPY
FY21.3 1Q	801 M JPY	120 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.

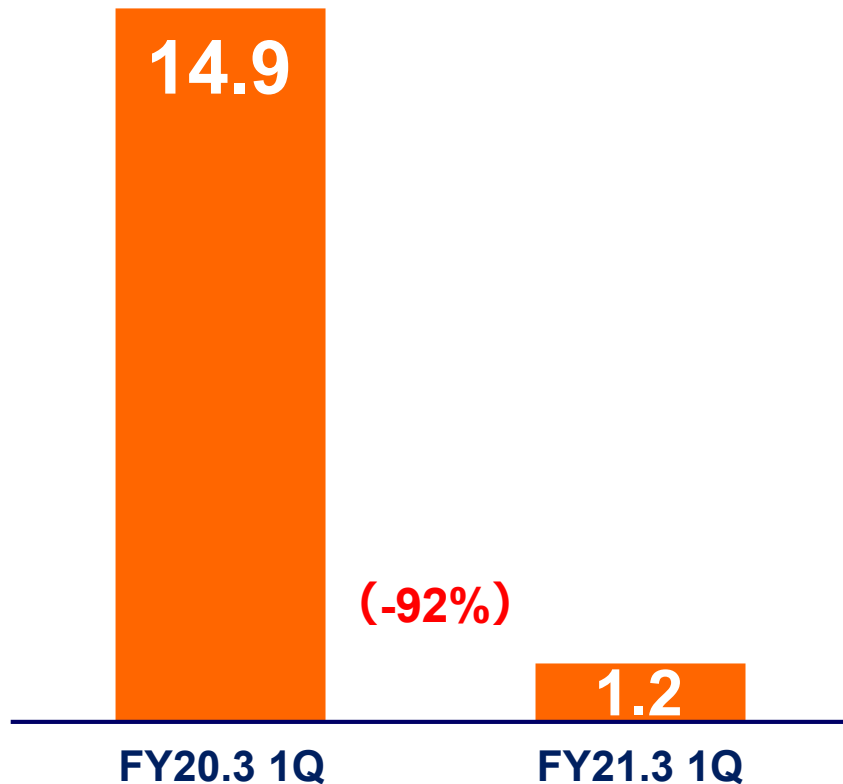


Decrease share of profit of investments accounted for using equity method of Kakaku.com, Inc. and increase associated with commercialization of Crypto Garage

~ As actions for 1Q of FY21.3, Kakaku.com temporarily provided Tabelog free of charge for member stores~

Profit before tax

(JPY in 100 Millions)



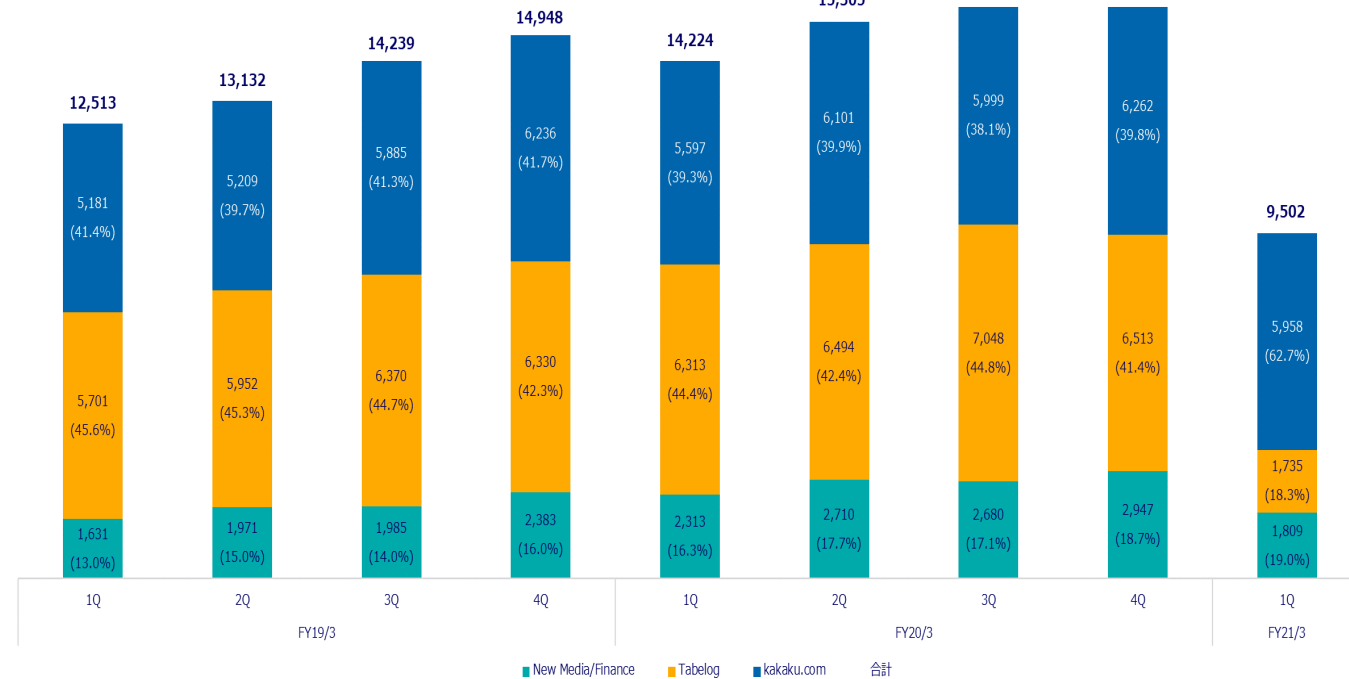
Business Progress of Kakaku.com, Inc.

[Quarterly Consolidated Revenue for Kakaku.com Group]
Consolidated Revenue YoY-33.2%

Ref. Kakaku.com, Inc. Results Briefing for FY21.3 1Q

(JPY Million)

※The composition ratio is shown in parentheses

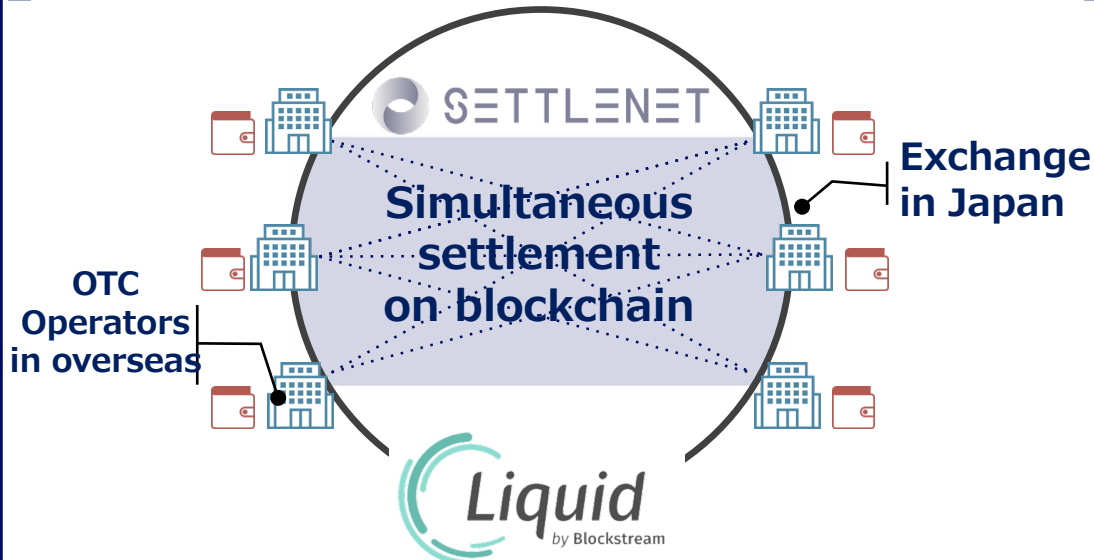




Crypto Garage, Inc.

- Started providing services to multiple businesses in Japan and overseas, and started transactions in August
- Full-scale operation of trading transactions from FY21.3 2Q

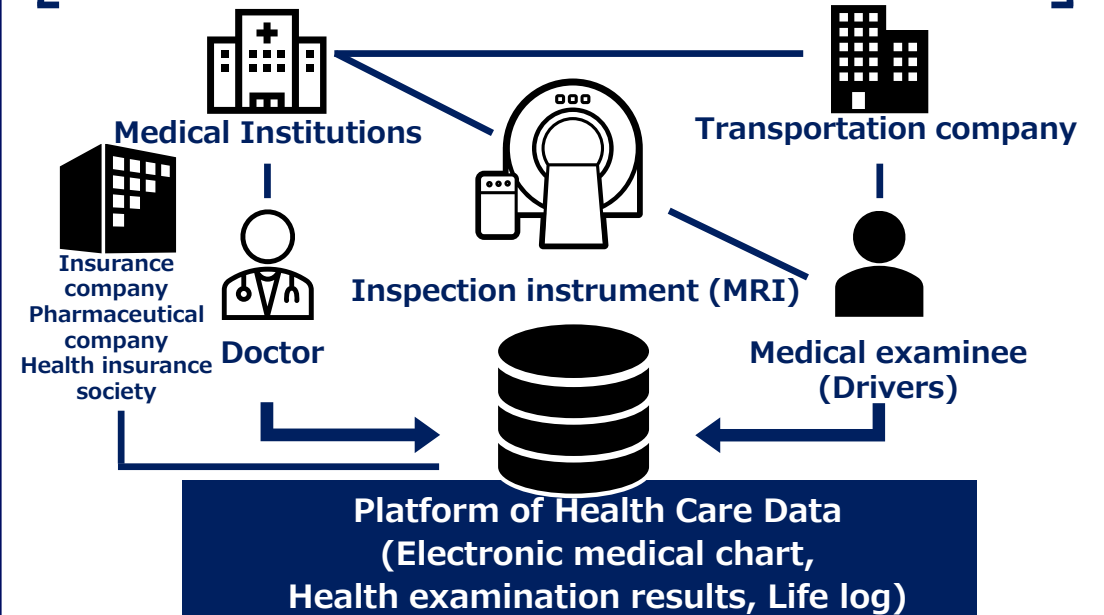
The crypto assets such as the Bitcoin are starts for activation in the half-valued period, and we start the business for participation of domestic major player and overseas business company in this term



Brainscan Technologies, Inc.

- The number of MRI physical examination temporarily decreased due to the COVID-19, but it increased significantly

Aiming to Service Development and monetization by Platform of Health Care Data



ACADEMIE DU VIN

- The wine school was temporarily closed during the declaration of an emergency, but it is now open and online courses are doing well
- In the liquor sales business, sales to restaurants have decreased, but e-commerce has been favorable

Appendix





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	Digital Garage	Title
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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