

# Open Incubation toward 2020

<2020 Group Slogan>

**DYNAMIC RESILIENCE**

**Digital Garage, Inc.**

**FYE March 31, 2020 Financial Report**

**2020.5.13**

 **Digital Garage**

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# Mission & Business Model





As a

# Context Company

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

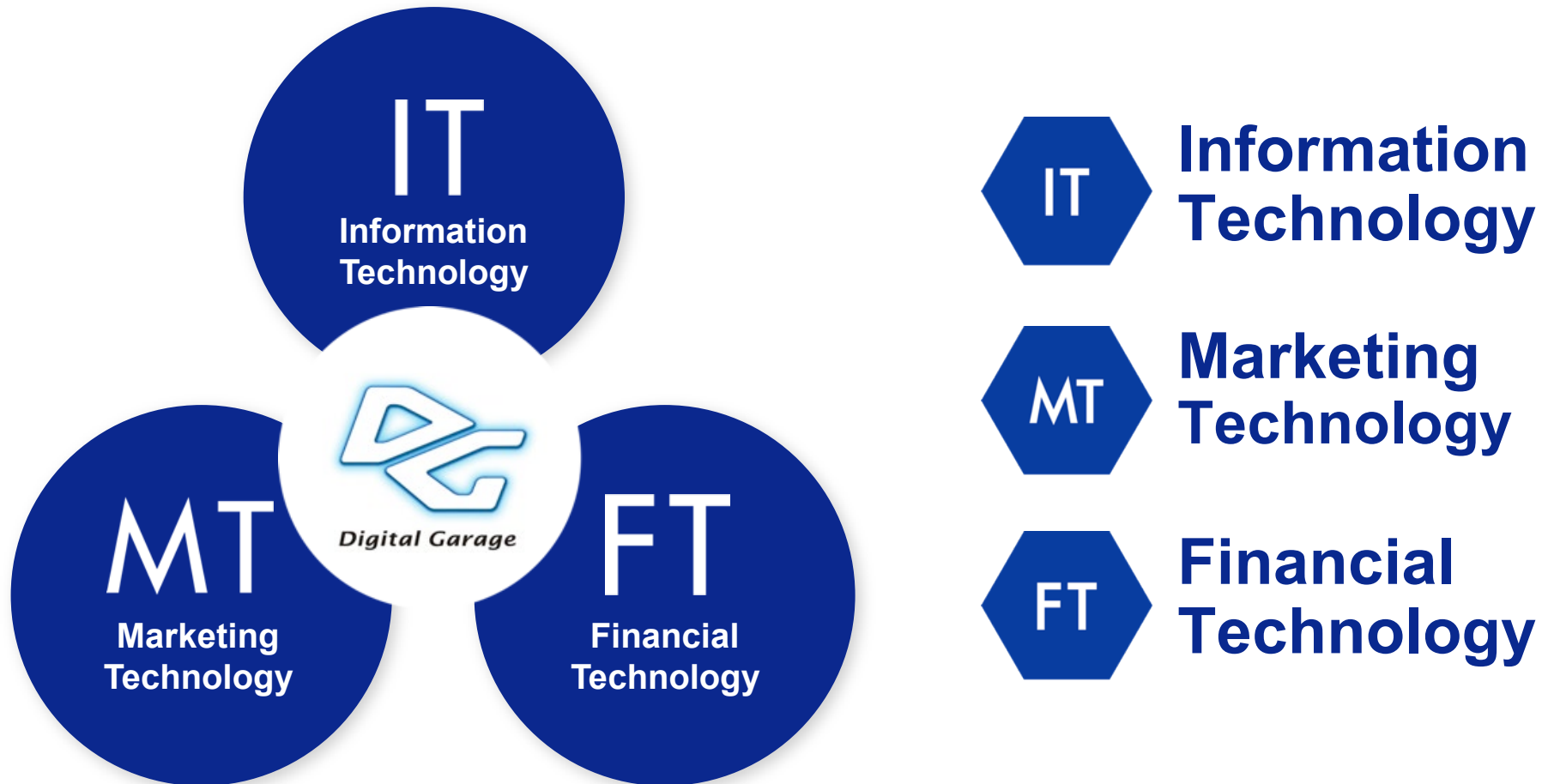
**Real & Cyber**

**Local & International**

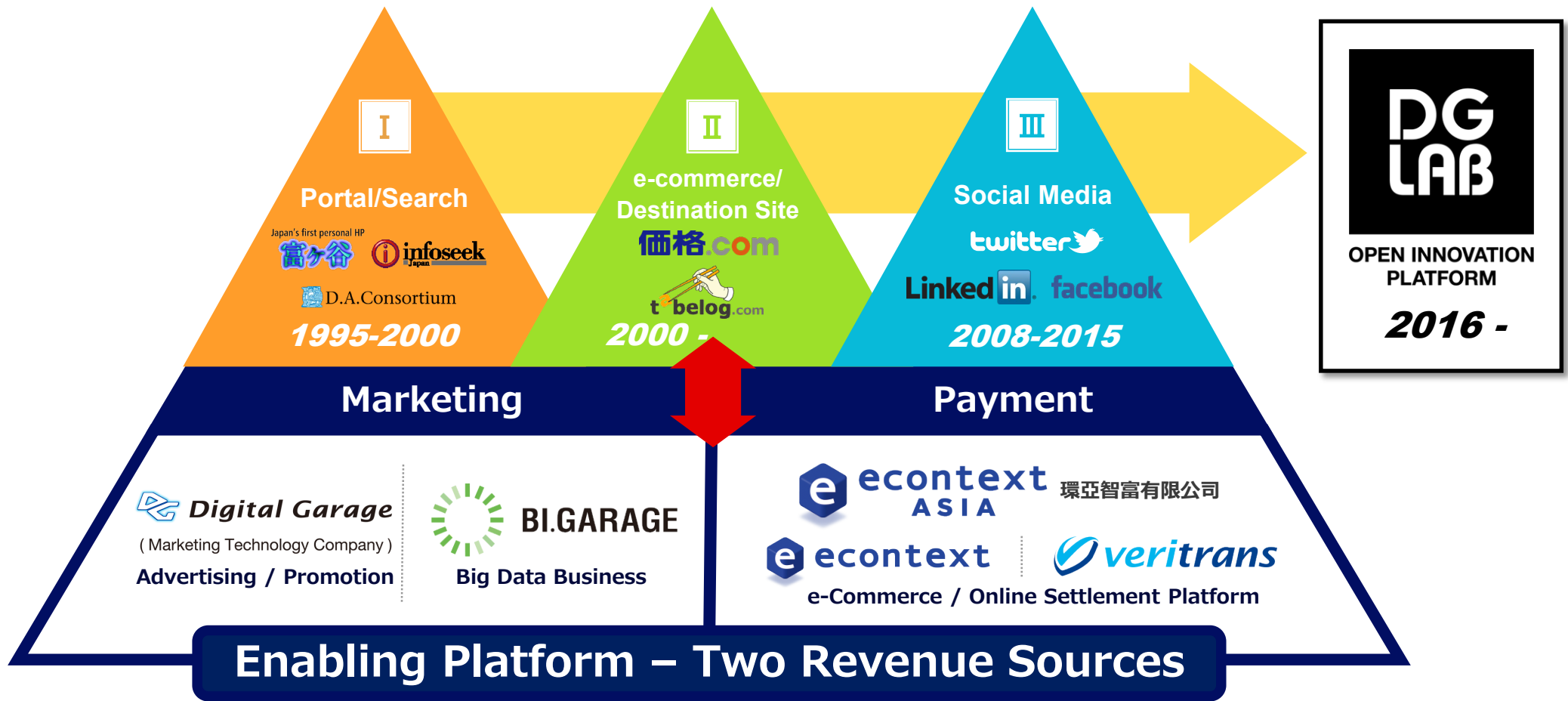
**Marketing & Technology**

**Present & Future**

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



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



# Investment Highlights



# Financial Results Highlights



**FY20.3 Profit before tax: 10B JPY, down 25% YoY due to a profit decline in IT and one-time expenses for the expansion of the head office**

~ Double-digit revenue and profit growth in recurring business (FT/MT) and the fair value of investees also increased ~

## Consolidated Profit before tax

	FY19.3	FY20.3	(YoY)
Consolidated Profit before tax	13.4 B JPY	10.0 B JPY	-25%

- Profit decline in IT and impact of exchange rates
- One-time expenses for the expansion of the head office

### KPI

FT

- Transaction volume 2.6 T JPY (YoY up by 24%)
- of which, face-to-face settlement 0.2 T JPY (YoY up by 53%)

MT

- Advertisement volume 34.9 B JPY (YoY down by 5%)
- Other volume 7.1 B JPY (YoY up by 77%)  
(Next-generation user database business, etc.)

IT

- Investment/ Sold 6.7 B JPY/ 0.7 B JPY
- Fair valuation 36.5 B JPY (from E of Mar.2019 up by 37%)

LTI

- Investment profit on equity method of Kakaku.com 3.8 B JPY (YoY up by 9%)
- Monthly traffic for all sites of Kakaku.com 255.87million

### By Segments

4.0 B JPY +21%

- EC payments performed strongly
- Growth in face-to-face settlement such as QR/POS (strategic alliances with major companies)

1.9 B JPY +52%

- Recovery mainly in the financial sector by promoting selection and efficiency
- Next-generation user database business (apps and CRM/ point business) performed well

3.6 B JPY -48%

- Profit decline by exchange rates impact and a reactionary decline following large-scale Exit in FY19.3
- Significant increase in fair value valuation of investees

4.7 B JPY +7%

- Investment profit on equity method of Kakaku.com, Inc. trended steadily
- Completion of preparations for commercialization of Crypto Garage



# FY20.3 Consolidated P/L Summary (IFRS)



Revenue increased by 4% YoY to 36.9 B JPY, profit before tax decreased by 25% YoY to 10.0 B JPY  
 ~ Revenue in recurring business grew by 18% YoY, revenue in operational investment securities decreased by 34% ~

JPY in Millions	FY2019.3					FY2020.3					YoY	
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	%	Amount
<b>Revenue</b>	<b>8,548</b>	<b>9,677</b>	<b>8,465</b>	<b>8,997</b>	<b>35,687</b>	<b>8,217</b>	<b>11,379</b>	<b>9,078</b>	<b>8,262</b>	<b>36,936</b>	<b>+3.5%</b>	<b>+1,249</b>
Revenue in recurring business	5,323	5,722	5,352	6,316	22,713	6,138	6,718	6,576	7,256	26,687	+17.5%	+3,974
Revenue in operational investment securities	1,732	2,677	1,398	283	6,090	459	3,332	968	-739	4,020	-34.0%	-2,070
Other income	664	206	872	191	1,933	817	422	301	877	2,416	+25.0%	+483
Finance income	104	125	-134	22	117	1	16	28	48	93	-20.2%	-24
Share of profit of investments accounted for using equity method	725	946	978	2,185	4,835	803	891	1,205	821	3,720	-23.1%	-1,115
<b>Expenses</b>	<b>5,154</b>	<b>5,671</b>	<b>5,286</b>	<b>6,153</b>	<b>22,264</b>	<b>5,999</b>	<b>6,271</b>	<b>6,016</b>	<b>8,643</b>	<b>26,929</b>	<b>+21.0%</b>	<b>+4,665</b>
Cost of sales	2,463	2,629	2,312	2,997	10,401	2,740	2,976	2,853	3,467	12,036	+15.7%	+1,635
Selling, general and administrative expenses	2,582	2,914	2,829	2,970	11,296	2,951	3,138	3,121	4,813	14,022	+24.1%	+2,726
Other expenses	72	76	70	113	332	78	86	74	254	492	+48.2%	+160
Finance costs	37	51	74	73	235	230	71	-32	109	379	+61.1%	+144
<b>Profit before tax</b>	<b>3,394</b>	<b>4,006</b>	<b>3,179</b>	<b>2,844</b>	<b>13,424</b>	<b>2,218</b>	<b>5,108</b>	<b>3,062</b>	<b>-381</b>	<b>10,008</b>	<b>-25.4%</b>	<b>-3,416</b>
<b>Profit attributable to owners of parent</b>	<b>3,113</b>	<b>2,612</b>	<b>1,957</b>	<b>2,089</b>	<b>9,771</b>	<b>1,624</b>	<b>3,647</b>	<b>2,253</b>	<b>-105</b>	<b>7,420</b>	<b>-24.1%</b>	<b>-2,351</b>

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

# FY20.3 Consolidated Segment P/L Summary (IFRS)



**FT and MT performed well, achieving double-digit growth**

~ Profit decline due to the fair value evaluation of IT segment and one-time expenses for the expansion of the head office ~

JPY in Millions	FY2019.3					FY2020.3					YoY	
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	%	Amount
<b>Revenue</b>	<b>8,548</b>	<b>9,677</b>	<b>8,465</b>	<b>8,997</b>	<b>35,687</b>	<b>8,217</b>	<b>11,379</b>	<b>9,078</b>	<b>8,262</b>	<b>36,936</b>	<b>+3.5%</b>	<b>+1,249</b>
FT Financial Technology	1,763	1,812	1,838	2,034	7,447	2,083	2,204	2,184	2,138	8,609	+15.6%	+1,162
MT Marketing Technology	3,053	3,390	2,953	3,526	12,922	3,376	3,984	3,705	4,311	15,375	+19.0%	+2,454
IT Incubation Technology	1,898	2,890	1,485	1,749	8,022	507	3,462	1,405	-506	4,868	-39.3%	-3,154
LTI Long Term Incubation	1,740	1,506	2,245	1,642	7,133	2,232	1,696	1,744	2,257	7,929	+11.2%	+796
Others/Adjustments and Eliminations	94	79	-56	47	164	19	33	39	63	155	-5.2%	-8
<b>Profit before tax</b>	<b>3,394</b>	<b>4,006</b>	<b>3,179</b>	<b>2,844</b>	<b>13,424</b>	<b>2,218</b>	<b>5,108</b>	<b>3,062</b>	<b>-381</b>	<b>10,008</b>	<b>-25.4%</b>	<b>-3,416</b>
FT Financial Technology	849	856	950	693	3,349	1,061	1,112	1,129	746	4,049	+20.9%	+700
MT Marketing Technology	266	402	188	359	1,215	327	676	512	336	1,853	+52.4%	+637
IT Incubation Technology	1,634	2,573	1,208	1,475	6,889	146	3,138	1,114	-835	3,563	-48.3%	-3,326
LTI Long Term Incubation	1,050	825	1,528	976	4,378	1,493	932	890	1,385	4,701	+7.4%	+323
Others/Adjustments and Eliminations	-405	-650	-695	-659	-2,408	-810	-751	-584	-2,013	-4,158	-	-1,750

NOTE: Revenue here shows revenue from external customers. Segment profit before tax is before elimination of intersegment transaction and corporate revenue and expenses.

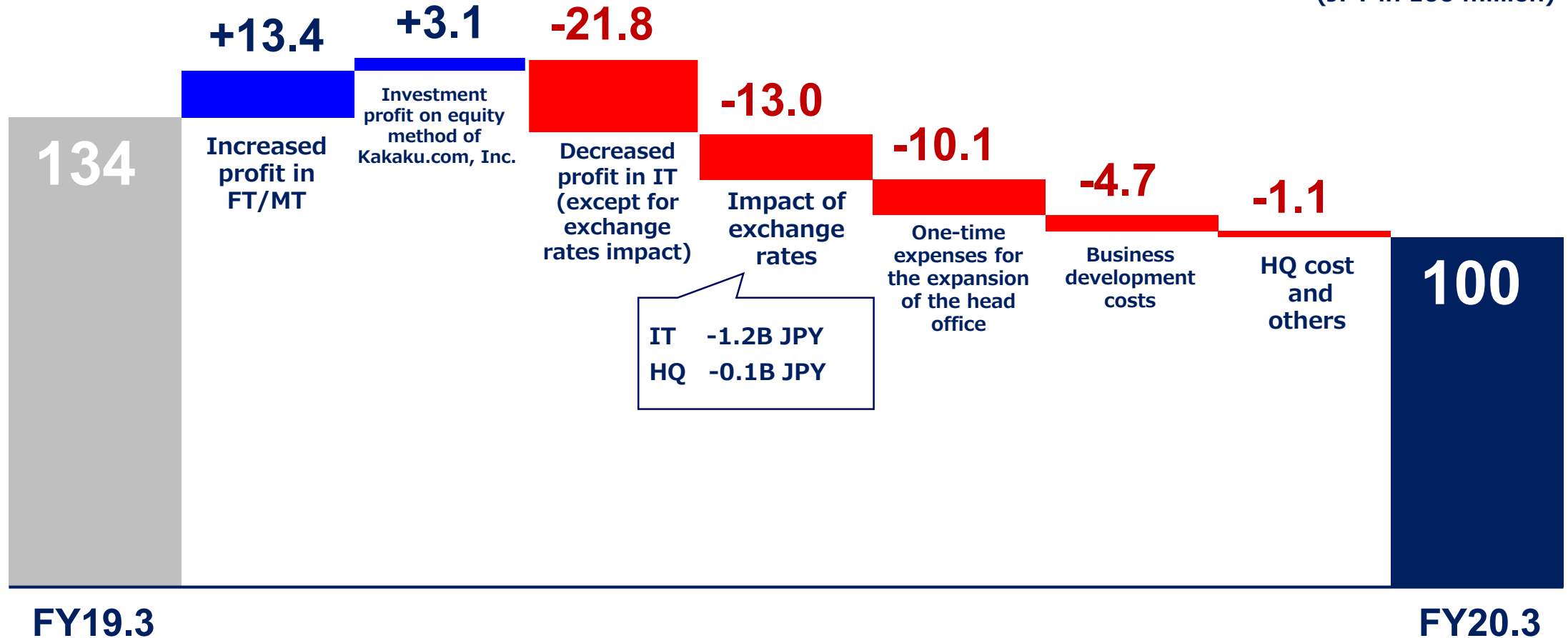


## Recurring business continues to drive

~ Profit decreased due to a reactionary decline in the IT segment and the impact of exchange rates, as well as the recording of one-time expenses for the expansion of the head office ~

### Profit before Tax YoY

(JPY in 100 million)



# FY20.3 Consolidated B/S Summary (IFRS)



JPY in Million	End of FY19.3	End of FY20.3	Difference	Reason for change / Remarks
<b>Current assets</b>	<b>99,186</b>	<b>98,852</b>	<b>-334</b>	
Cash and cash equivalents	48,154	32,702	-15,452	Decreasing cash and cash equivalents in FT business
Trade and other receivables	23,254	26,657	+3,403	
Operational investment securities	26,695	36,546	+9,851	New investments and increase in fair value of investee companies
<b>Non-current assets</b>	<b>47,704</b>	<b>63,444</b>	<b>+15,740</b>	
Property, plant and equipment	9,421	21,367	+11,946	Increase in leased assets, buildings, fixtures, etc. due to the expansion of the head office
Goodwill	6,575	7,689	+1,114	New acquisition
Investments accounted for using equity method	19,139	21,475	+2,336	Increased investment profit on equity method
<b>Total assets</b>	<b>146,890</b>	<b>162,296</b>	<b>+15,406</b>	
<b>Current liabilities</b>	<b>52,420</b>	<b>50,838</b>	<b>-1,582</b>	
Borrowings	2,211	4,927	+2,717	Transfer from long-term borrowings to current portion of borrowings
Trade and other payables	45,799	41,203	-4,595	Relating to FT business etc
<b>Non-current liabilities</b>	<b>47,125</b>	<b>58,663</b>	<b>+11,538</b>	
Bonds and borrowings	35,959	38,247	+2,288	Borrowing of funds for expansion of head office, etc
Other financial liabilities	5,430	13,553	+8,123	Recognition of lease liabilities for expansion of head office, etc
Deferred tax liabilities	4,744	5,426	+682	
<b>Total liabilities</b>	<b>99,545</b>	<b>109,501</b>	<b>+9,956</b>	
<b>Total equity</b>	<b>47,345</b>	<b>52,795</b>	<b>+5,450</b>	
Total 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	Increased profit
Non-controlling interests	736	762	+26	
<b>Total liabilities and equity</b>	<b>146,890</b>	<b>162,296</b>	<b>+15,406</b>	

# Response and Impact of COVID-19





In addition to ensuring the safety of our stakeholders, employees in the FT will have the minimum number to attend the office for the purpose of business execution, which designated as critical infrastructure services in Japan. The Head Office division worked at office for handling financial results, but other segments were thoroughly committed to telecommuting. The telecommuting rate for the group as a whole was 88% in April.

## February

- Recommendation for work-from-home
- Recommendation for staggered working hours and flextime work
- Prohibition of participation in meetings, events, seminars, etc. by the large numbers
- Avoidance of unnecessary and non-urgent outings
- Thorough prevention of infectious diseases and disease response
- Thorough care to people who have a family

## March

- Establishment of emergency affairs office
- Meetings with internal and external stakeholders were held remotely in principle
- Restrict transfers between bases and to other floors in the same building

## April






- Thermographic temperature measurement at the time of entry into the office
- In principle, work-from-home from April 8

## Work-from-home rate

MT, IT, LTI	97 %	✓	The FT secured the minimum number to work at office for business execution as <b>a critical infrastructure service in Japan</b>
FT	66 %		
Head Office	77 %		✓ The Head Office worked at office temporarily for handling financial results
<b>DG Group</b>	<b>88 %</b>		

※Results of 2020 April



Category	Impact on Digital Garage	
<b>FT</b>	<b>FT is steadily promoting business as critical infrastructure services in Japan (minimal impact)</b>	
	<b>e-commerce</b>	 <p>Sales of digital contents, such as merchandise and video, increased due to the demand from staying at home and spending</p>
	<b>Public funds Lifeline</b>	 <p>Increase in payments related to utilities, drug stores, supermarkets, etc.</p>
	<b>Travel Inbound</b>	 <p>Face-to-face settlements for inbound tourists declined due to a decline in travel-related business (*Alipay/WeChatPay account for about 3% of FT)</p>
<b>MT</b>	<b>90% of major clients are advanced digital shift enterprises (little impact)</b>	
	<b>Financial Smartphone/App</b>	 <p>Credit card business is growing steadily, backed by the promotion of cashless services. In addition, the financial business as a whole, including securities and FX-related businesses, performed well. Payment apps, e-books, games, and other staying-at-home relating businesses also performed well.</p>
	<b>Retail Real estate</b>	 <p>Orders declined in the retail and real estate fields due to the postponement or cancellation of promotions. (*Account for about 10% of MT)</p>



Category	Impact on Digital Garage	
IT	Occurrence of impairment risk and increasing polarization	
	Stockholdings	<ul style="list-style-type: none"> <li>■ Occurrence of impairment risk due to business slowdown in investee companies (Estimation of max. risk: approx. 10% of stockholdings of 36.5B JPY)</li> </ul>
	Investment environment	<ul style="list-style-type: none"> <li>■ Progress of bipolarization through further digital shifts</li> </ul>
LTI	"Tabelog" affected by restraint from going out, and the crypto assets market is revitalized	
	Kakaku.com, Inc.	<p>N/A - Despite the impact of "Tabelog", transactions for durables and consumer goods at "Kakaku.com" remained strong. Full-year forecasts not yet announced.</p>
	Crypto Garage	<p>↑</p> <ul style="list-style-type: none"> <li>■ The momentum of crypto assets is recovering. Especially bitcoin have halving and become more active.</li> <li>■ Begin this fiscal year with the participation of major domestic players and overseas companies</li> </ul>



# Segment Performance Review





## I Financial Technology Segment

	Revenue	Profit before tax
FY19.3	7,447 M JPY	3,349 M JPY
<b>FY20.3</b>	<b>8,609 M JPY</b>	<b>4,049 M JPY</b>

▶ **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 corporation to expand e-commerce platforms globally



▶ **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

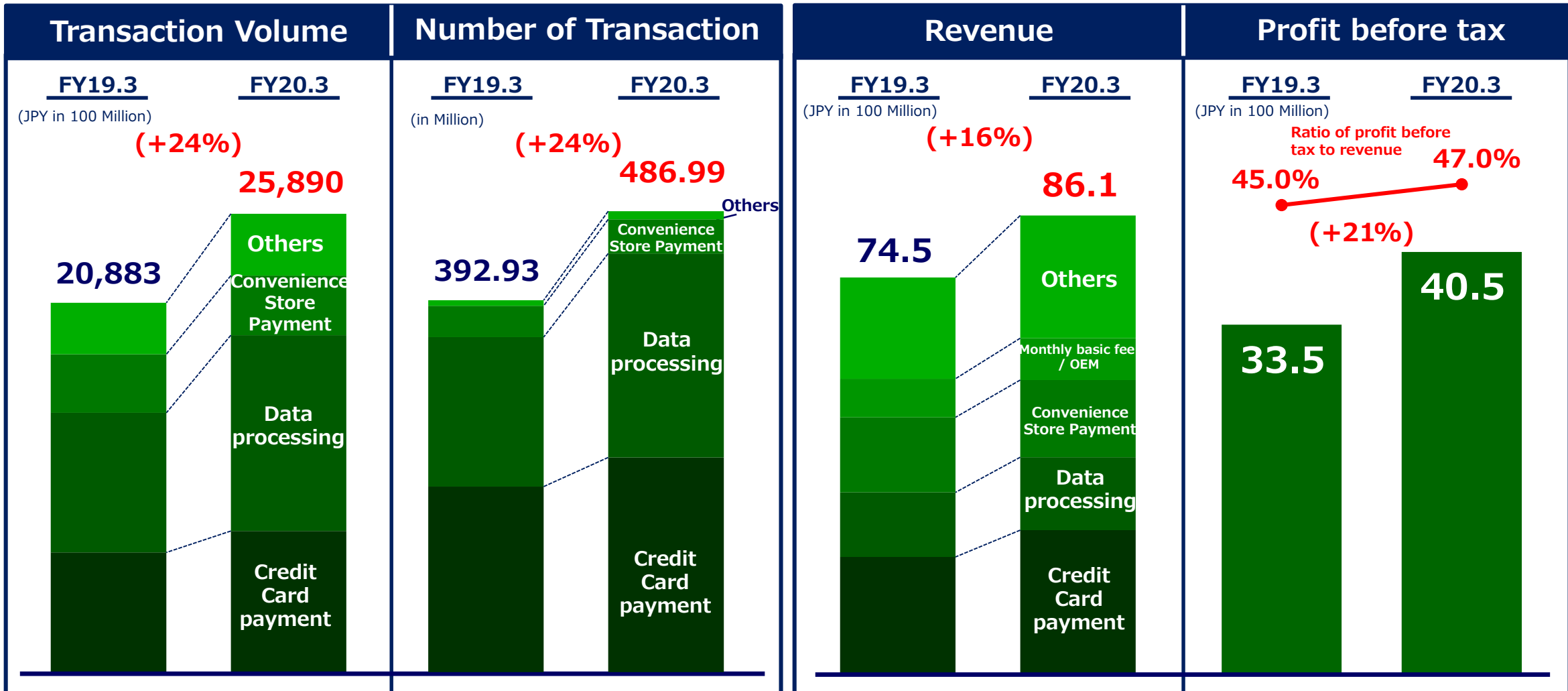


NOTE: Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.



**Transaction volume marked approx. 2.6 T JPY, +24% YoY,  
number of transaction marked 486 million, +24% YoY**

~ Revenue rose 16% YoY, Profit before tax marked 4.05 B JPY, +21% YoY, record-high earnings~





Alliances with business partners to cover large businesses and small and medium-sized retail stores

~ The government's cashless return policy has provided a tailwind ~

## Alliance strategy



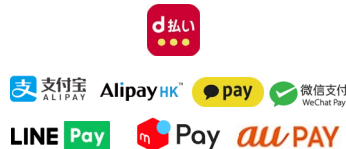
JV with Toshiba TEC, the top share company in Japan  
Providing multi-payment solution



JV with ANA group  
Providing multi-payment terminals for face-to-face retailers, etc

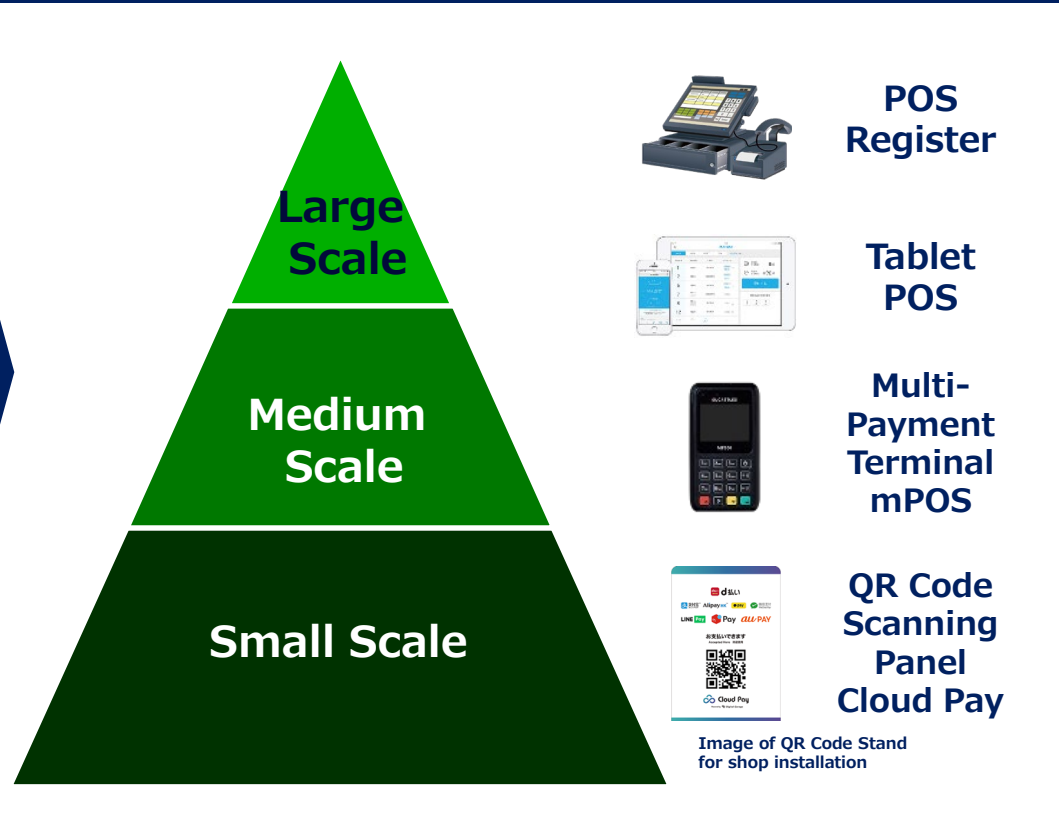


Partnering with NTT DOCOMO, INC. and leading players in Japan and overseas



such as au PAY for MPM settlement of common QR codes

## Merchant by Size / Payment Terminal



## Transaction volume of Face-to face settlement

[FY20.3]  
**217.0**  
Billion JPY

[YoY]  
**x1.5**

FY19.3  
**141.7 B JPY**

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
FY19.3	12,922 M JPY	1,215 M JPY
<b>FY20.3</b>	<b>15,375 M JPY</b>	<b>1,853 M JPY</b>

### ▶ 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, social marketing, and cutting edge ad technology



### ▶ CyberBuzz, Inc. (20.7% 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

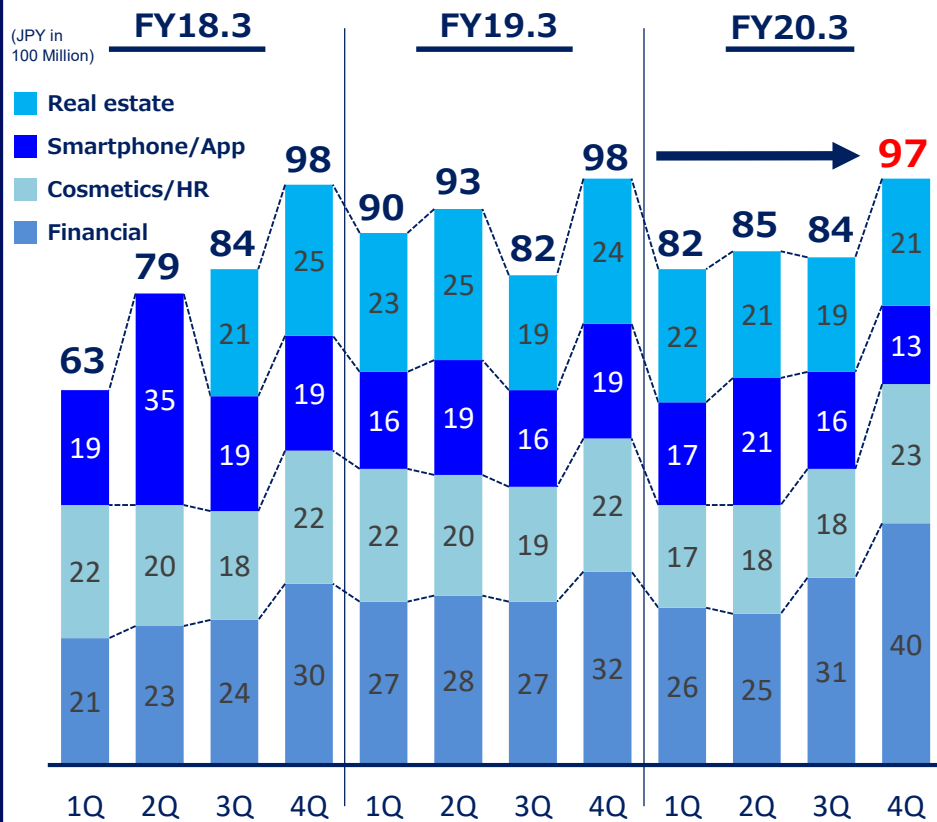


NOTE: Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.



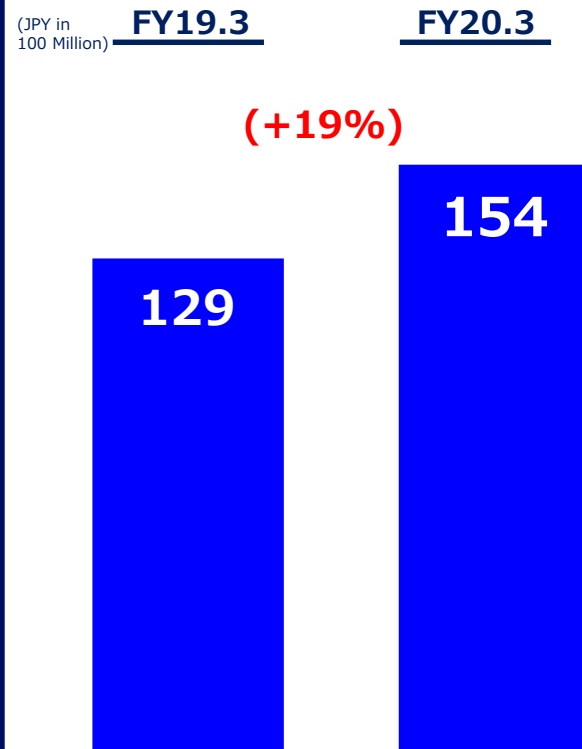
Revenue marked 15.4 B JPY, +19% YoY, and profit before tax increased to 1.85 B JPY, +52% YoY  
 ~ Maintain profitability improvement through selection and concentration of highly profitable cases ~

## Advertisement volume



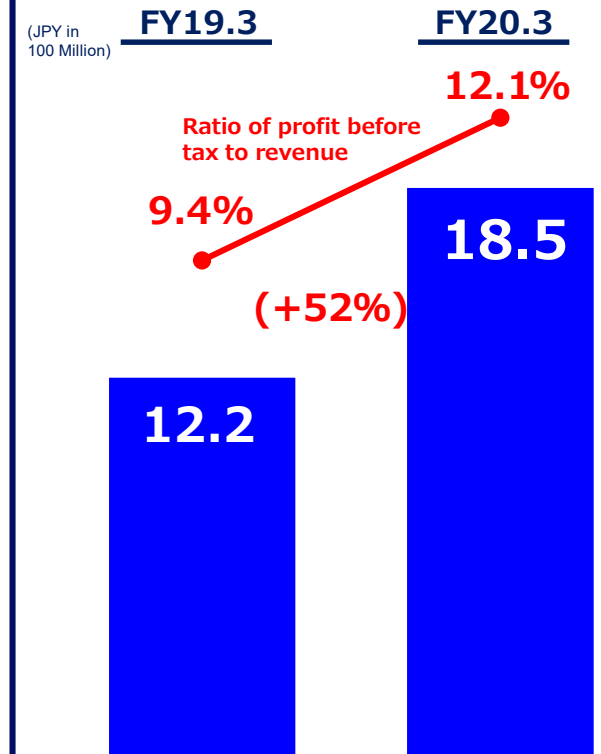
■ Recovery due to specialization in areas of expertise such as finance (credit card-related advertising)

## Revenue



■ Other than Internet Advertising Business, next-generation user database business (apps and CRM/point business) performed well

## Profit before tax



■ Selection and concentration of cases with an emphasis on improving profitability  
 ■ Successful control of SG&A expenses



## Responding to Changes in the Business Environment



### MT / FT collaboration

Revenues from next-generation user database business (apps and CRM/ point business) **increased 2.5 times YoY**

Point marketing business of credit card company performed well. Continue to promote cross-segment growth strategies including FT



### Real estate / Collaborate with ONL

"Open Network Lab Resi-Tech" for the real estate developer industry

Open for the 2<sup>nd</sup> Batch

Collaborating with leading real estate partner companies to start and promote demonstration experiments that are consistent with urban plans



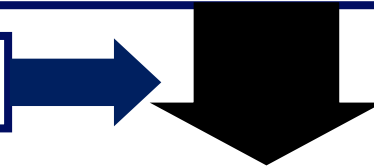
### <CyberBuzz, Inc.> Social Media Marketing

Develop proprietary platforms for influencer marketing utilizing SNS such as Instagram and Facebook

Generate future marketing group synergies



Leading data scientists in Japan



Next-generation data technology



BI.GARAGE



### <Media Consortium Planning Office> National Client

Formed a Japan Premium Media Consortium with **40 leading Japanese content media companies**, and conducted test marketing of high-value digital advertisements to major clients. Promote activities for joint commercialization. Scheduled to be a joint venture this year.

## < Strengthen data science business across FT / MT / LTI >

BI.Garage  
transaction volume  
YoY +39%

Increased advertising business from national clients by menu developed mainly by DG and Kakaku.com



**kakaku.com**

Number of clients

FY19.3

129

FY20.3

163





## III Incubation Technology Segment

	Revenue	Profit before tax
FY19.3	8,022 M JPY	6,889 M JPY
<b>FY20.3</b>	<b>4,868 M JPY</b>	<b>3,563 M JPY</b>

- ▶ **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 1<sup>st</sup> 2020.



- ▶ **Open Network Lab** (program)  
 Seed Accelerator Program in progress in the 21<sup>st</sup> 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.



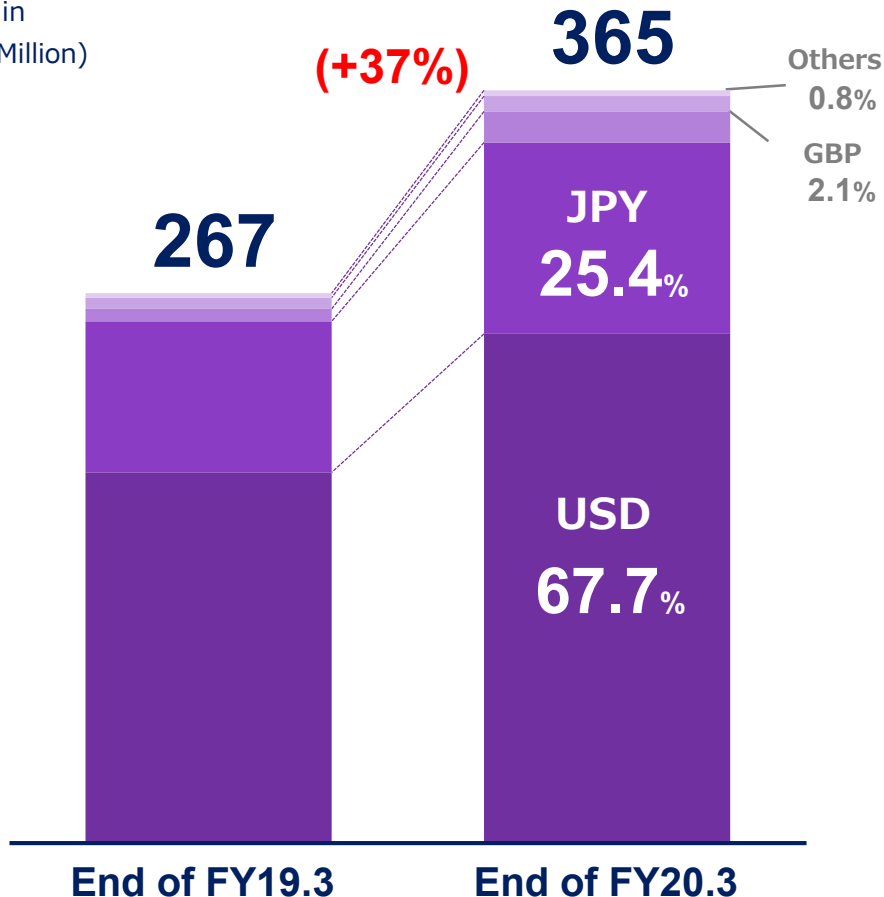


The balance of operational investment securities as of the end of March 2020 was **36.5 B JPY, up 37% from the end of FY19.3**

~ Decreased due to the impact of exchange rates and a reactionary decline following a large-scale Exit in FY19.3 ~

## Operational Investment Securities (ratio by currencies)

(JPY in  
100 Million)



## IT Segment KPI

Operational investment securities End of FY20.3 **36.5B JPY**

- Amount in BS, which represents the value of equity in investees in the IT segment
- Fair value of equity of investee based on application of IFRS
- Fair value increased steadily in FY20.3, **up 37% YoY**

ROI Past 5 years **x2.9**

- Criteria for measuring the results of investment and recovery in the short to medium term
- Investment and recovery based on **ROI 2.5 times** for investment for Exit purposes
- **Achievements in the past five fiscal years were 2.9 times**, exceeding the benchmark.

Profit before tax FY20.3 **3.56B JPY**

- **Steady increase in fair value** of investees
- Decreased due to a reactionary decline following the large-scale Exit in FY19.3, in addition to the negative impact of foreign exchange rates of 1.2 B JPY.

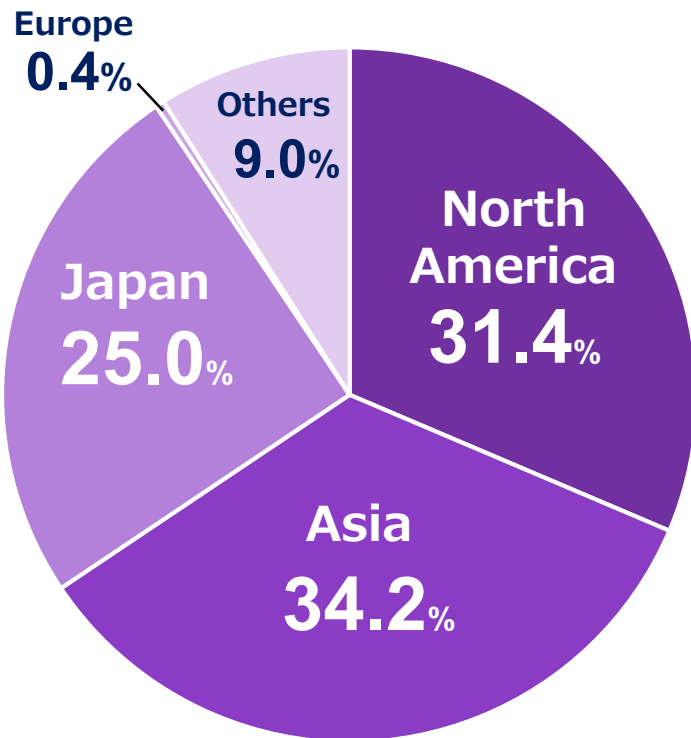


## Balanced investment in Japan, the U.S. and Asia

~ Aiming to continuously improve investment value, working to further strengthen the support system ~

### Portfolio by Regions

Building a well-balanced investment portfolio centered on Japan, North America, and Asia



### 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]



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

#### Goodpatch [Japan] Goodpatch

Provides one-stop services and product planning, concept making, UX design, prototyping, and implementation

#### 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.



**IV Long-Term Incubation Segment**

	Revenue	Profit before tax
FY19.3	7,133 M JPY	4,378 M JPY
<b>FY20.3</b>	<b>7,929 M JPY</b>	<b>4,701 M JPY</b>

- ▶ **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.



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



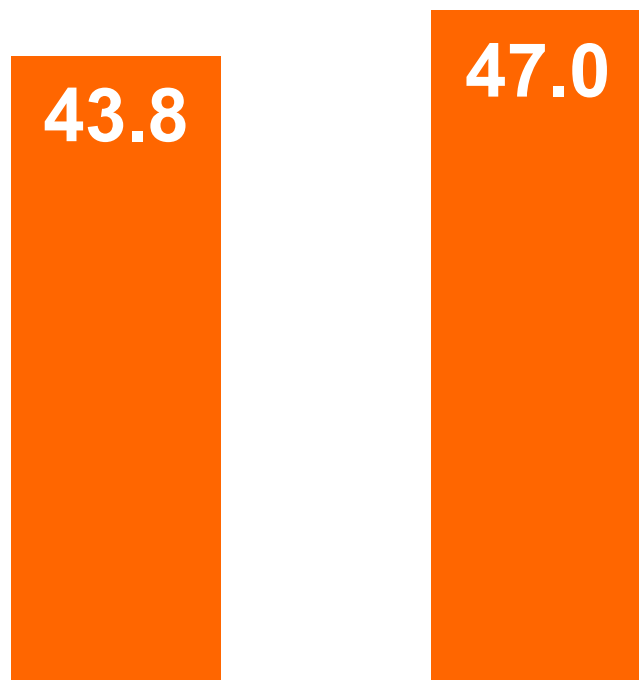
**Profit before tax marked 4.7 B JPY, up 7% YoY**

~ Investment profit on equity method of Kakaku.com, Inc. steadily contributed ~

## Profit before tax

(JPY in 100 Million)

**(+7%)**



**FY19.3**

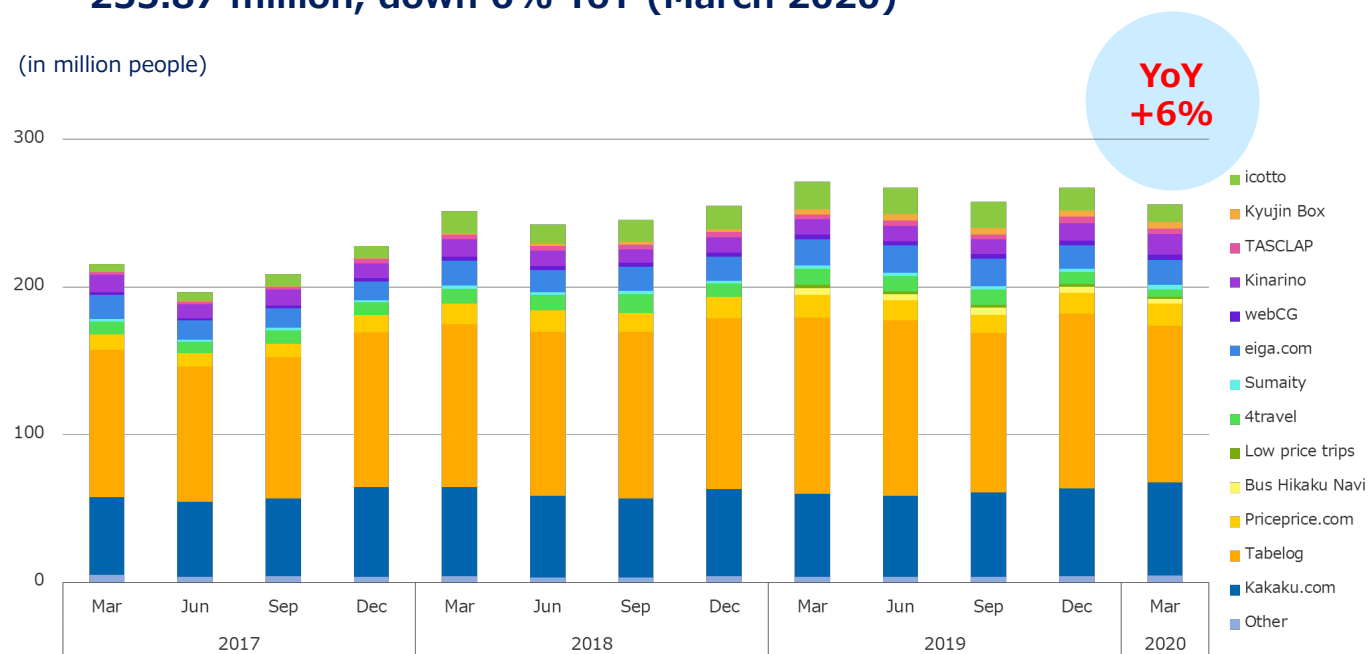
**FY20.3**

## Business Progress of Kakaku.com, Inc.

**【 Total Accumulated Traffic for Kakaku.com Group 】**

Monthly traffic for all sites of Kakaku.com has increased to 255.87 million, down 6% YoY (March 2020)

(in million people)














Ref. Kakaku.com, Inc. Results Briefing for FY2020/3


# New Five-Year Mid-term Plan Digest






# ❖ Reviewing the 3-Year Mid-term Plan (FY2018.3 - FY2020.3)

CAGR of Recurring Business was 16%, exceed growth indications by favorable profit growth.  
Hurdle Rate for Investment (ROI) was 2.2x

Growth Indicators (Profit before tax CAGR)				Results			CAGR (JGAAP)
	FY17.3 (Full Year Conversion)	CAGR (17.3 ~ 20.3)		*FY18.3	FY19.3	FY20.3	
<b>FT</b>	2.1 B JPY	+15 %		+27 % 	+19 % 	+21 % 	+20 % 
<b>MT</b>	1.4 B JPY	+15 %		+37 % 	-35 %	+52 % 	+9 %
Note: Recurring business total				+31 % 	-2 %	+29 % 	+16 % 

Hurdle Rate for Investment			FY18.3 ~ FY20.3	
<b>IT</b>	<b>LTI</b>	ROI 2.5 x		2.2 x

		*FY18.3	FY19.3	FY20.3
<b>Capital Efficiency</b>	ROE	15 %	22 % 	15 %
<b>Shareholder Return</b>	Dividend Payout Ratio	21 % 	13 %	24 % 

NOTE) FY17.3 profit before tax in FT and MT announced on May 12, 2017, retroactively reflected the change in segments. The growth rate, ROE, and dividend payout ratio for FY18.3 are calculated based on JGAAP.



# Targets of the New Mid-Term Plan(FY2021.3 - FY2025.3)



- Aiming to further increase corporate value over the next five years by capturing structural changes brought about by the pandemic
- Set new shareholder return indicators that reflect actual conditions, in addition to previous mid-term plan indicators

## Growth Indicators

(Profit before tax CAGR)

	FY20.3	CAGR (20.3 - 25.3)	
<b>FT</b>	4.0 B JPY	20 %	<ul style="list-style-type: none"> <li>■ Contributing to society as a government-specified operator of "Critical infrastructure", and supporting digital businesses utilizing cutting-edge technologies</li> </ul>
<b>MT</b>	1.9 B JPY	20 %	<ul style="list-style-type: none"> <li>■ Further growth of digital ads to leading DX companies, and development of brand ads from developing DX companies into a second pillar</li> </ul>
<b>LTI</b>	4.7 B JPY	15 %	<ul style="list-style-type: none"> <li>■ In addition to Kakaku.com, capture changes in New Normal era and create strategic businesses in Japan and overseas</li> </ul>

## Investment Indicators in the Incubation Business

	FY20.3	FY25.3	
<b>IT</b>	ROI 2.2 x	2.5 x	<ul style="list-style-type: none"> <li>■ Investment and return at a level that achieves the investment hurdle rate</li> </ul>

## Capital Efficiency

ROE

20 %

## Shareholder Return


Dividend payout ratio to Business cash flow before income taxes

20 %



## Designing our New Normal Context

~ Creating the Next Generation DX(Digital Transformation) Context in a New Order ~

- ☑ Pandemic seeks to create a New Normal centered on lifestyle, economy, education, and healthcare.
- ☑ On the other hand, leapfrogging evolution of services and businesses using state-of-the-art technologies drives the beginning of the new era.
- ☑ Global technology continents (digital  Pangaea ) that transcend industry-government-academia boundaries will emerge, and various digital shifts will begin landslide.
- ☑ Working with a variety of companies around the world, we will continue to create contexts that benefit the global community while maintaining dynamic equilibrium and neutrality.





~ Creating the Next Generation DX(Digital Transformation) Context in a New Order ~

<Key fields> lifestyle, economy, education, and healthcare

## FT Financial Technology

- Further social contribution as a government-specified operator of "Critical infrastructure"
- Comprehensive support for digital businesses utilizing leading-edge payment technologies
- Creating leapfrogging FinTech businesses by hybridizing various data

## IT Incubation Technology

- Continued investing barbell strategy in seed, early and later stages (discovering Leapfrogging businesses)
- Utilize Open Network Lab (Japan's first seed accelerator), which marks the 10th anniversary, and further strengthen the community of seed and early
- Maximizing the use of Global Incubation Stream in the U.S., including Silicon Valley, and realizing a strategic investment-portfolio

# Designing our New Normal Context



2021~2025

## MT Marketing Technology

- Further growth in digital advertising as a leading DX company
- Develop brand advertising from DX developing companies into a second pillar
- Creating leapfrogging MT businesses by hybridizing various data

## LTI Long-term Incubation

- In addition to Kakaku.com, Inc., capture changes in New Normal era and create strategic businesses in Japan and overseas

Crypto Asset →  CRYPTO GARAGE

- ✓ Full-scale development of advanced financial services utilizing crypto assets and blockchain technology

Medical →  BRAINSCAN TECHNOLOGIES

- ✓ Started a new business based on the MRI business for drivers using big data of brain × AI

Recurring Segments

Investment/Incubation Segments

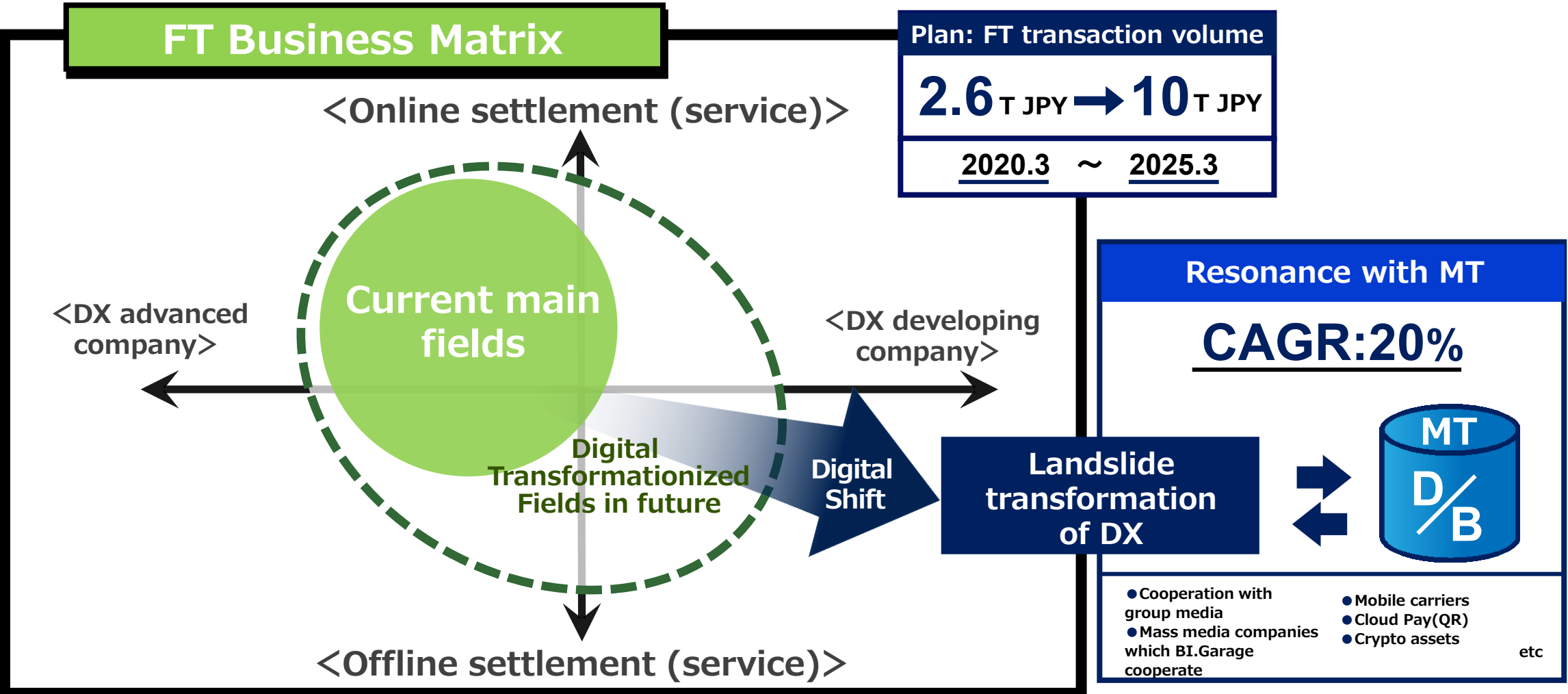
# FT Segment



# FT: Business Concept (Recurring business from FT side)



Key factor	I External environmental change	II External environmental change	III External environmental change
	✓ <b>Cashless</b>	✓ <b>Contactless</b>	✓ <b>Deregulation</b>

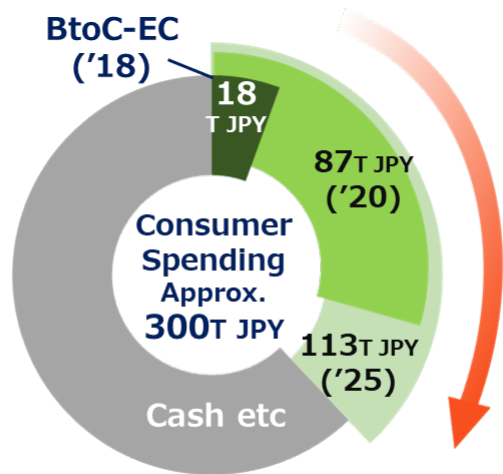




## < Business Environment >

✓ Regulation change	Landslide DX and deregulation, and supporting payment infrastructure (lifestyle, economy, education, and healthcare)
✓ Cashless growth	Accelerate growth by cashless face-to-face payments in addition to EC markets
✓ Awareness of Contactless	Demand materialized through pandemics based on technologies such as QR payments, biometric identification, and NFC

## < Market size and track records >

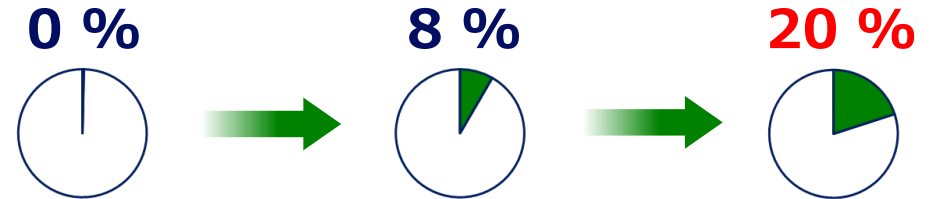


Ref : METI, Card Wave, Inc.

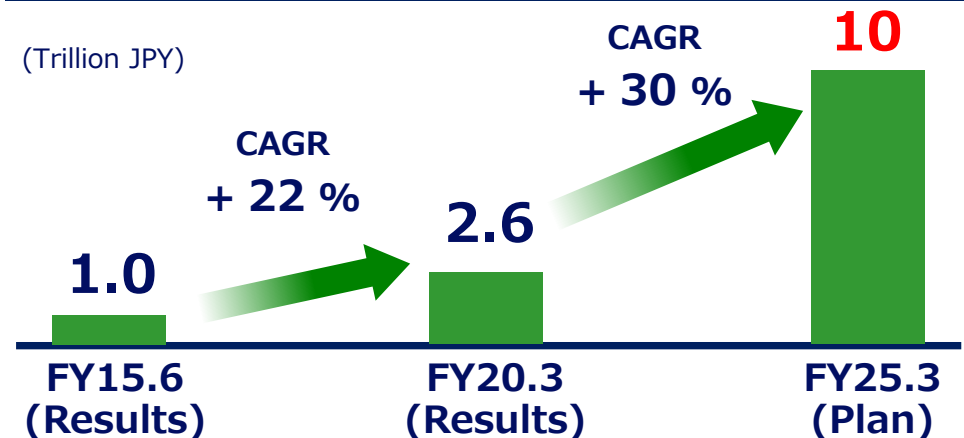
- Cashless**  
 87 T JPY ('20)  
 ⇒ 113 T JPY ('25)  
 CAGR +5 %
- Cashless ratio**  
 approx. 30% ('20)  
 ⇒ approx. 40% ('25)

- Contributing to society as a government-specified operator of "Critical infrastructure"
- As a social infrastructure, responsible for e-commerce, store checkout counters, utility charges, and all payment systems

## FT face-to-face settlement



## FT transaction volume



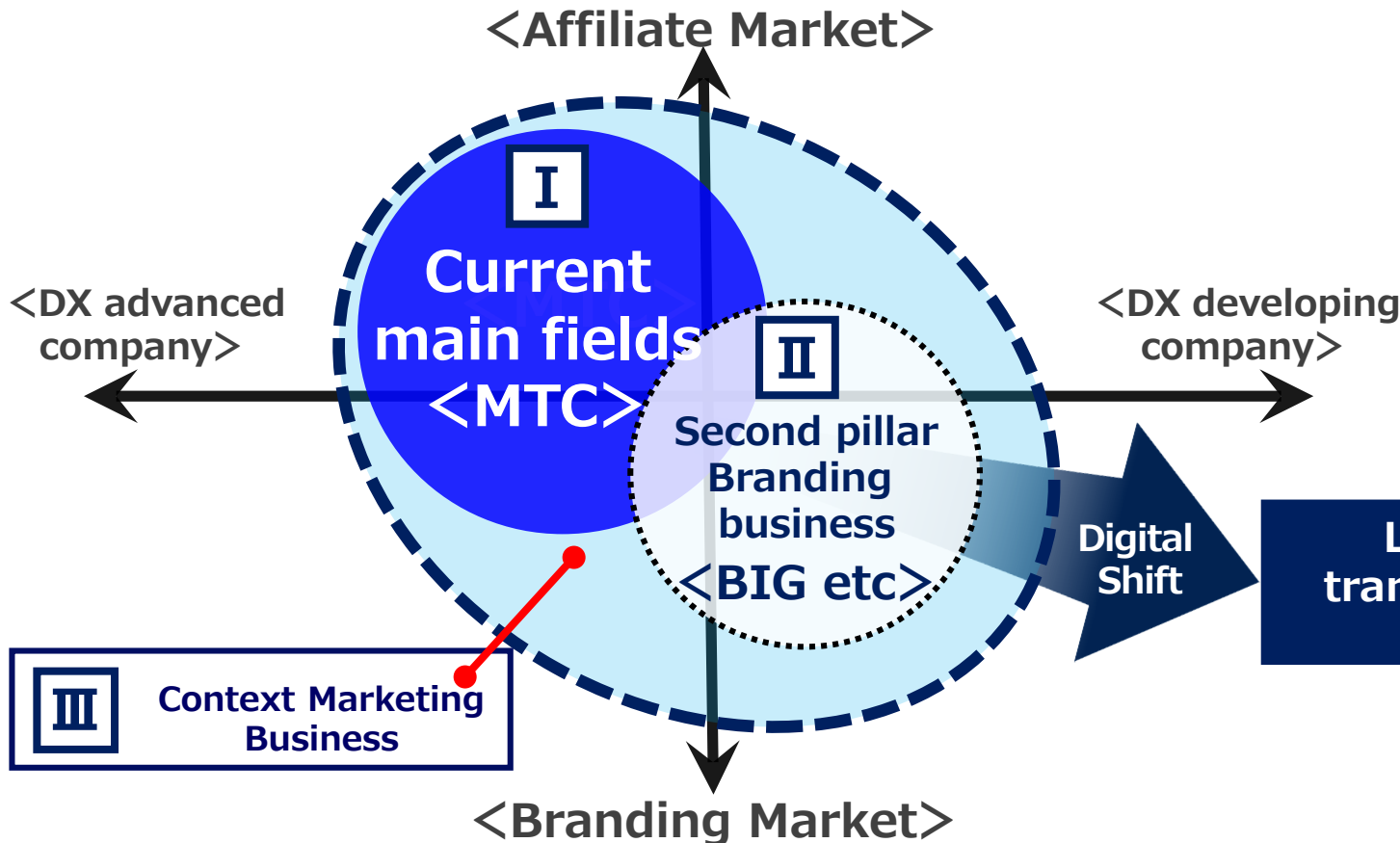
# MT Segment





**GOAL** In addition to the mainstay “**I** MTC”, establishing quickly “**II** Branding business” and “**III** Context Marketing Business” then aim to be a leading company in a fully networked society

**MT Business Matrix**



Plan: MT growth  
**CAGR : 20%**  
 2020.3 ~ 2025.3

Resonance with FT  
Cashless × Contactless × Regulation  
 Landslide transformation of DX  
 FT  
 D/B  
**CAGR : 20%**



## GOAL Establish "Digital Marketing Eco System" in New Normal era

### I Growing existing business: Digital marketing

<Supporting further growth of DX advanced companies>

- ✓ Provides full funnel marketing, from advertising to purchasing, leveraging the customer base of approx. 1,000 companies
  - ➔ Supporting advanced DX companies for further digital strength
- ✓ Developing payment purchasing data marketing in addition to advertising and CRM in the financial field, where collaborating with FT
  - ➔ Group-wide support for the national cashless policy
- ✓ Develop smart contract business for the DX era, including electronic solutions for real estate contracts
  - ➔ Deregulation that captures the major flow of contactless services

### II Second pillar: Next-Generation Brand Advertising

<Digitalization support for DX developing companies and mass media>

- ✓ Targeting advertising by SNS using group media data
  - ➔ First business in BI. Garage group-wide collaboration
- ✓ Next-generation PMP solutions that simultaneously enhance advertising value and achieve brand safety
  - ➔ New business with the Quality Media Consortium
- ✓ Establishment of matching technology using cross data in the post-cookie era
  - ➔ Next generation business: Prominent CP x Advertisers x Technology

### III

Context Marketing Business: Establishing a new ecosystem that links consumers, advertisers, and media



# IT/LTI Segment







**GOAL** Establishment of "Global strategy portfolio" by capture changes in New Normal era

## The Next Generation DX Context in Japan

✓ Cashless

×

✓ Contactless

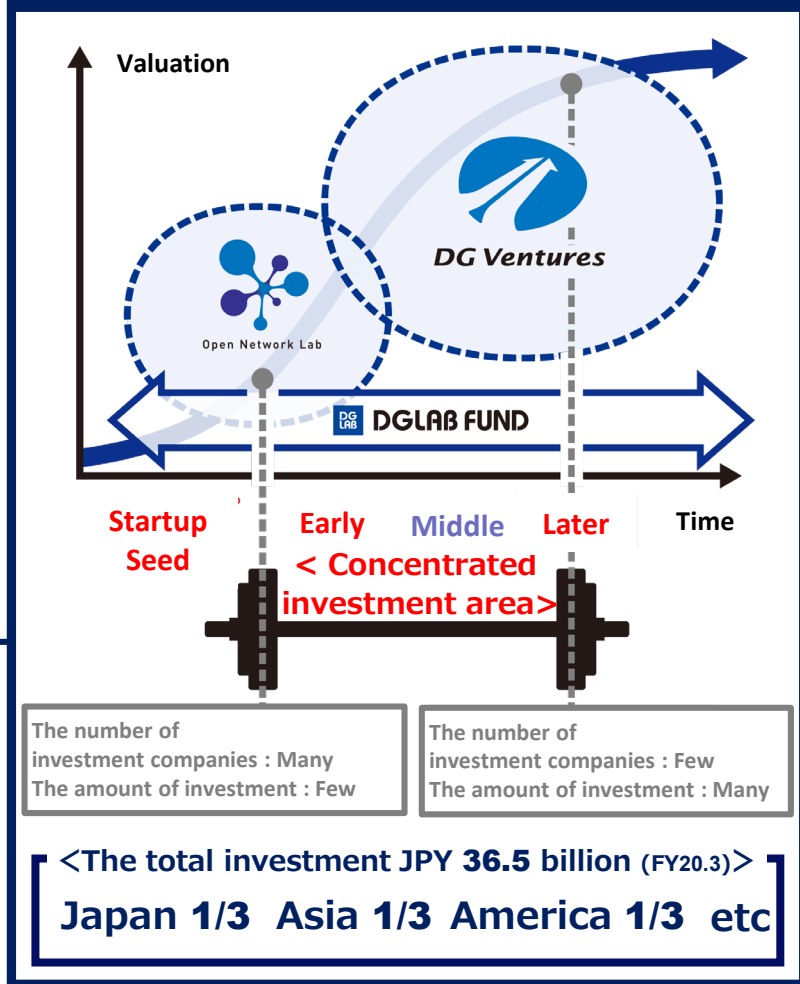
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✓ New Regulation

### <DG group cooperation>

- Recurring (FT・MT)
- LTI (Kakaku.com, Inc., crypto assets)
- DG Lab
- Open Network Lab

### <Discovering Leapfrogging Businesses>



## The Next Generation DX Context over the world



### Global Incubation Stream

- Global Incubation Stream partner
- Joint investment with the partner fund
- Overseas expansion of Japanese startup companies



## GOAL

In addition to Kakaku.com, Inc., capture changes in New Normal era and create strategic businesses in Japan and overseas



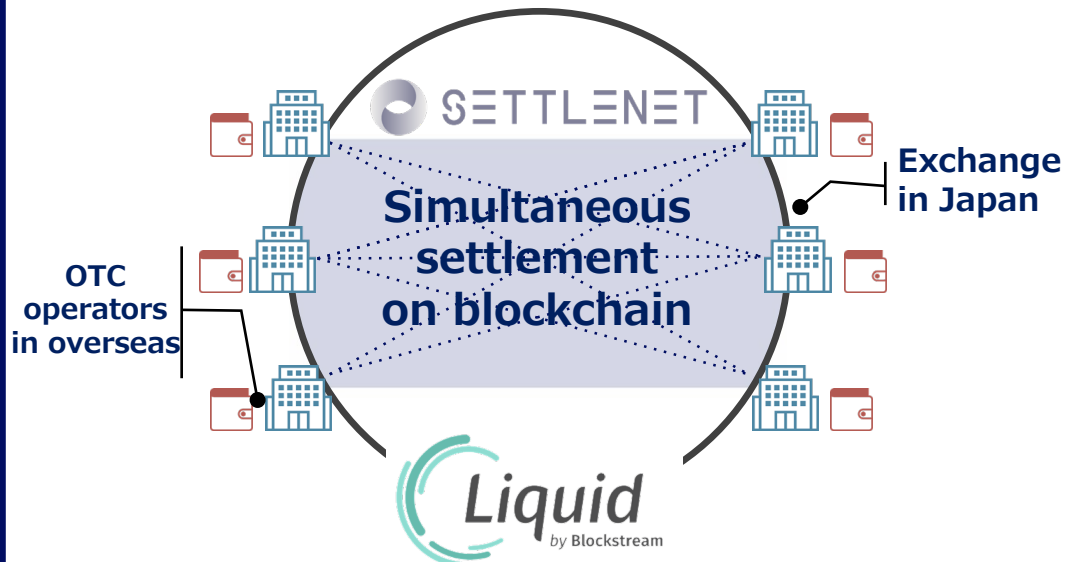
CRYPTO GARAGE

## Blockchain (crypto assets)

I

Full-scale development of advanced financial services utilizing crypto assets and blockchain technology

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.



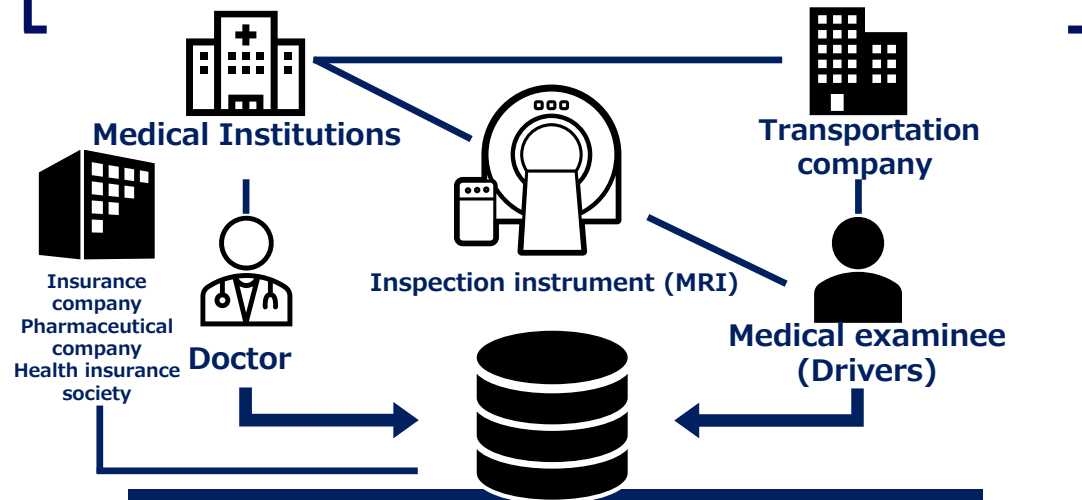
BRAINSCAN TECHNOLOGIES

## Bio Health (medical)

II

Started a new business based on the MRI business for drivers using big data of brain x AI

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



**Platform of Health Care Data**  
(Electronic medical chart,  
Health examination results, Life log)

**DG Lab**





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

**OPEN INNOVATION PLATFORM**

R&D and experiments in strategical 5 focus areas (Blockchain, AI, XR, Security, Bio Health)

<Sponsor>

<Core Sponsor>

## DGLAB FUND

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

< DG Daiwa Ventures Inc. >

1st Fund	Fund size 6.8 billion Invested in 31 companies
2nd Fund	Fund size 15 billion (expected) Commenced the investment operations

1st Fund and 2nd Fund: 17 companies (The present time)

## R&D/Next-Generation Business Themes

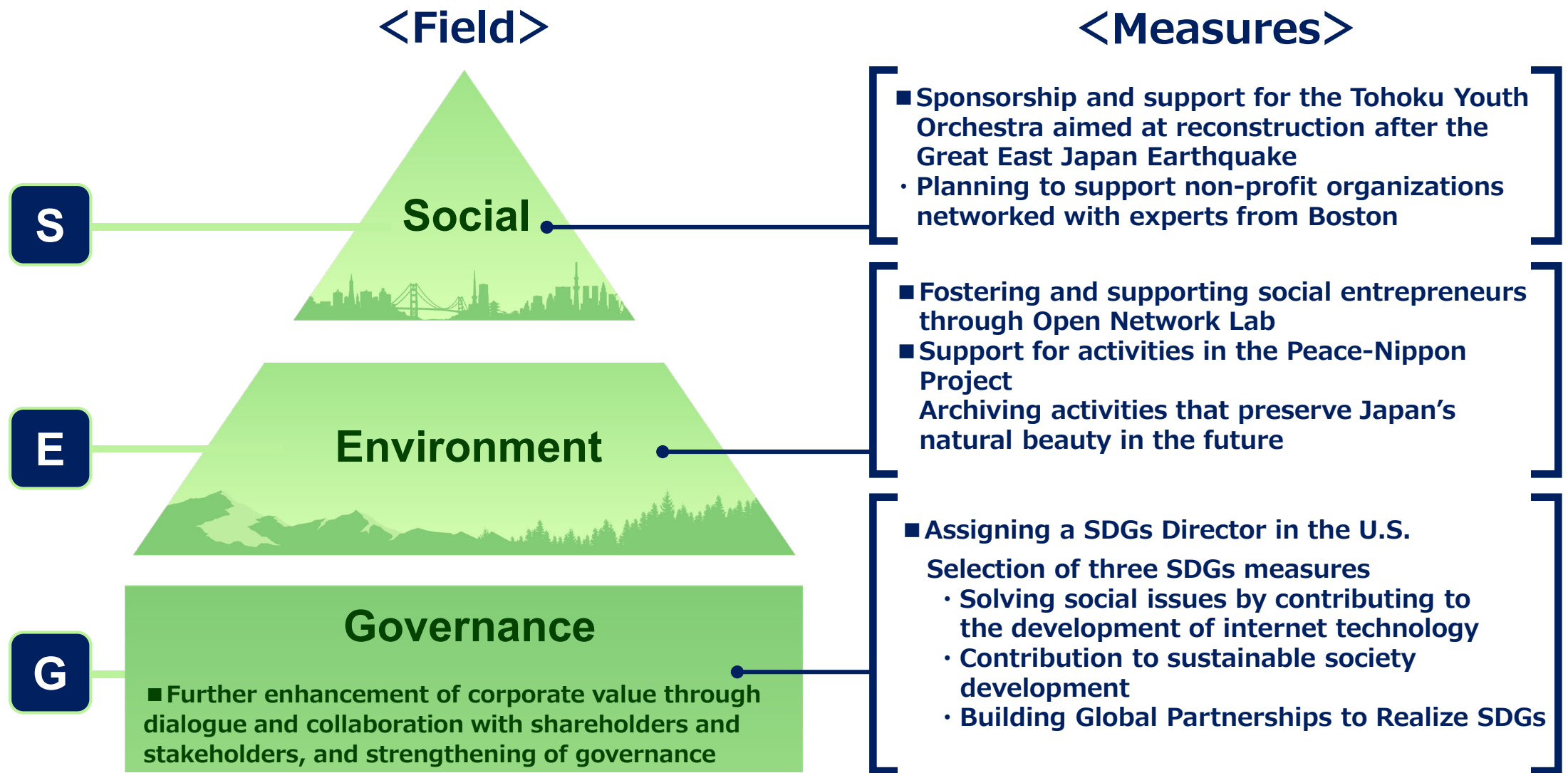
<2nd Phase>	<3rd Phase>
<ul style="list-style-type: none"> <li><b>AI</b> Data utilization business to start from the individual in consideration for privacy.</li> </ul>	<ul style="list-style-type: none"> <li><b>Blockchain</b> Technology development to make a processing speed fast and with respect to Smart Contract</li> </ul>
<ul style="list-style-type: none"> <li><b>Blockchain</b> Settlement system of crypto assets for corporations. The settlement business by the Blockchain utilization for retail.</li> </ul>	<ul style="list-style-type: none"> <li><b>xR/Data</b> Construct advertisement platform which utilize the data that targeted outdoor signage</li> </ul>
<ul style="list-style-type: none"> <li><b>Bio Health</b> Utilization of MRI image data and Health examination results</li> </ul>	<ul style="list-style-type: none"> <li><b>Bio Health</b> Digital medicine circulating platform (DTx)</li> </ul>

# ESG in DG Group





**ESG resonance with “Designing our New Normal Context”**





**NEW**

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

Global

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 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.



Director and Co-Founder  
Joichi Ito

### 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 a SDGs Director in the U.S.

Corporate Officer Debbie Altomonte



## ✓ Fostering and supporting social entrepreneurs

Japan

**E**

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.

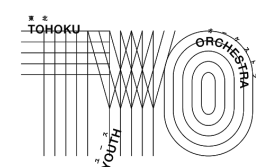


## ✓ Sponsorship and support for the Tohoku Youth Orchestra

Japan

**S**

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.



# Appendix







- Due to the application of IFRS, gains and losses on fair value not associated with cash flows could account for a higher proportion of profit before tax than in the past. That means the profit may not reflect effective cash flows.
- As a new shareholder return, set dividend payout ratio based on cash flow, not net income.

**Previous Target**

**Dividend payout ratio to net income 20%**

**Main differences between Net Income and Business cash flow before income taxes**

- ± Gain or losses on fair value valuation in IT
- Investment profit on equity method
- + Depreciation/Software amortization
- + Income taxes

**New Target**

**Dividend payout ratio to Business cash flow before income taxes 20%**



Define effective cash flows from our business as “Business cash flow before income taxes”

## <Method of calculation of Business cash flow before income taxes>

Cash flows from operating activities

<b>Adjustment items</b>	<b>Changes in working capital</b>
	<b>The amount with deduction gains and losses on fair value valuation from increase in investment securities for sale</b>
	<b>Income taxes</b>
	<b>Repayments of lease obligations</b>

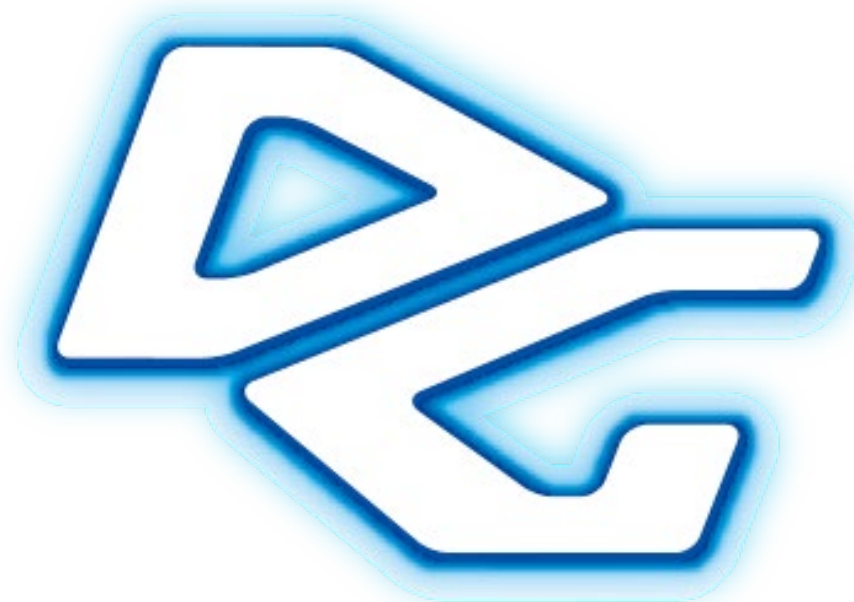
**Business cash flow before income taxes**



Date		Title
2020.3.26	<b>econtext</b>	ECONTEXT Offers the "CASH POST" BtoC Wire Transfer Service to Help Schools Refunding Lunch Fees
2020.3.17	<b>veritrans</b>	VeriTrans Releases "Payment Service for Contact Center conducting Telework"
2020.3.13	<b>veritrans</b>	VeriTrans Provides Facial Recognition Payment Service for SEVEN-ELEVEN JAPAN's Cashless Payment Proof of Concept
2020.2.27	<b>Digital Garage</b>	Notice regarding Commemorative Dividend for 25th Anniversary and Revision of the Dividend Forecast
2020.2.27	<b>Digital Garage</b>	Digital Garage Group Provides OMO Solution Based on Point Membership Infrastructure for JR Kyushu's "JR Kyupo App"
2020.2.13	<b>veritrans</b>	Start of Data Linkage Between "VeriTrans Atobarai" Post-settlement Payment Service and "VeriTrans 4G" Comprehensive Payment Solution
2020.1.22	<b>econtext</b>	ECONTEXT Supports "ATM Uketori" for the CASH POST Wire Transfer Service through the Collaboration with Seven Payment Service
2019.12.27	<b>Digital Garage</b>	Digital Garage Group's "Cloud Pay", a Multi-QR Code Payment Solution, Supports KDDI's au PAY
2019.12.23	<b>veritrans</b>	VeriTrans Provides Credit Card Payment Services for GO2GO, IDOM's Car Sharing Service
2019.12.16	<b>veritrans</b>	VeriTrans - Comprehensive Payment Solution VeriTrans4G Supports "PayPay"
2019.10.24	<b>Digital Garage</b>	Digital Garage Group's "Cloud Pay", a Multi-QR Code Payment Solution, Supports Alipay, AlipayHK, and Kakaopay
2019.10.23	<b>Digital Garage</b>	7 Companies Established the Japan Digital Therapeutics Consortium and Launch Activities
2019.10.4	<b>DG LAB</b>	DG Lab to Host THE NEW CONTEXT CONFERENCE 2019 SAN FRANCISCO
2019.9.17	<b>veritrans</b>	VeriTrans Provides Post-Settlement Payment Service "VeriTrans Atobarai" for UNIQUEST's "Small Funeral"
2019.9.12	<b>Digital Garage</b>	Digital Garage and KDDI Conduct a Digital Transformation (DX) Proof of Concept Using AR and VPS Technology
2019.8.30	<b>Digital Garage</b>	Digital Garage and Daiwa Securities Group Establish DG Lab Fund II for Global Startups with Next-generation Technologies



Date		Title
2019.8.16	 <b>CyberBuzz</b>	Digital Garage's Equity Method Affiliate, CyberBuzz is Approved for Listing on the TSE's Mothers Section
2019.8.2	 <b>Digital Garage</b>	Digital Garage Supports Joint PoC Projects by 7 Major Companies and 5 Startups through "Open Network Lab Resi-Tech"
2019.7.25	 <b>Digital Garage</b>	Digital Garage Joins MIT Media Lab's "Space Exploration Initiative"
2019.5.31	 <b>Digital Garage</b>	Digital Garage, Fukuoka D.C., and Fukuoka Growth Next Launch the Smart City Incubation Program, "Open Network Lab FUKUOKA"
2019.5.16	 <b>Digital Garage</b>	Digital Garage Group Launches "Cloud Pay", a Merchant-presented mode Multi-QR Code Payment Solution
2019.5.13	 <b>Digital Garage</b>	Digital Garage and Welby Launch a Proof of Concept Project for PHR Lifestyle Disease Prevention Program in Fukuoka City to Build a Personal Health Record Platform
2019.4.19	 CRYPTO GARAGE	Crypto Garage Developed and Executed the Contract of a P2P Protocol Based Crypto Asset Derivative Settled in Bitcoin
2019.4.12	 DG INCUBATION	DG Incubation Co-leads Investment in Food E-Commerce Service GrubMarket
2019.4.1	 <b>veritrans</b>	VeriTrans Launches Credit Card Payment Services for Patent and Other Fee Payments to the Japan Patent Office



***Digital Garage***

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