



Open Incubation toward 2020

Digital Garage, Inc.

3Q of FYE March 31, 2019 Financial Report

2019.2.8

 **Digital Garage**

Financial Results Highlights



FY19.3 1-3Q results surpassed forecasts. No change in full-year forecast (IFRS) for profit before income taxes of 9.0B JPY

- Sales marked 50.8B JPY YoY grew by 16%, ordinary profit marked 4.8B JPY YoY grew by 16%, and profit before income taxes achieved 5.6B JPY YoY decreased by 2%.
- Ordinary profit reached a record high, and extraordinary loss of 1.4B JPY was recorded as loss on valuation of a listed equity etc., but profit before tax remained almost unchanged in YoY.
- FT: Profit before income taxes marked 2.2B JPY, up 23% YoY, continuing high growth. MT: Profit before income taxes decreased 43% YoY. IT: Profit before income taxes marked 1.9B JPY, up 6% YoY.

Profit before income taxes by segments

KPI

| | FY18.3 1-3Q | FY19.3 1-3Q | YoY | |
|------------|-------------|--------------------|-------------|--|
| FT | 1.8 (B JPY) | <u>2.2</u> (B JPY) | <u>+23%</u> | Profit before income taxes up 23% YoY, reached a record high. Both EC/non-EC were strong. Transaction volume <u>1.5T JPY (YoY up by 36%)</u> Number of transaction <u>290 million (YoY up by 33%)</u> |
| MT | 1.5 (B JPY) | <u>0.8</u> (B JPY) | <u>-43%</u> | Profit before income taxes decreased 43% YoY, due to a decrease in large-scale game projects last year and upfront investment. Advertisement volume <u>24.2B JPY (YoY up by 18%)</u> By type of business <u>Financial: YoY up by 21%, Cosmetic/HR: YoY up by 1%</u> <u>Game: YoY down by 31%, Real estate (NEW)</u> |
| IT | 1.8 (B JPY) | <u>1.9</u> (B JPY) | <u>+6%</u> | Profit before income taxes up 6% YoY. Exit of both Japanese and overseas investment progressed. Portfolio expanded. Investment <u>4.6B JPY (Japan 34%, Asia 21%, US 43%, EUR 2%)</u> Book value <u>16.2B JPY</u> |
| LTI | 1.8 (B JPY) | <u>2.1</u> (B JPY) | <u>+18%</u> | Profit before income taxes up 18% YoY. Investment profit on equity method of Kakaku.com, Inc. trended steadily. Investment profit on equity method of Kakaku.com <u>2B JPY (YoY up by 5%)</u> Monthly traffic for all sites of Kakaku.com <u>258 million (YoY up by 11%)</u> |

< Major highlights of 4 segments and strategic R&D >

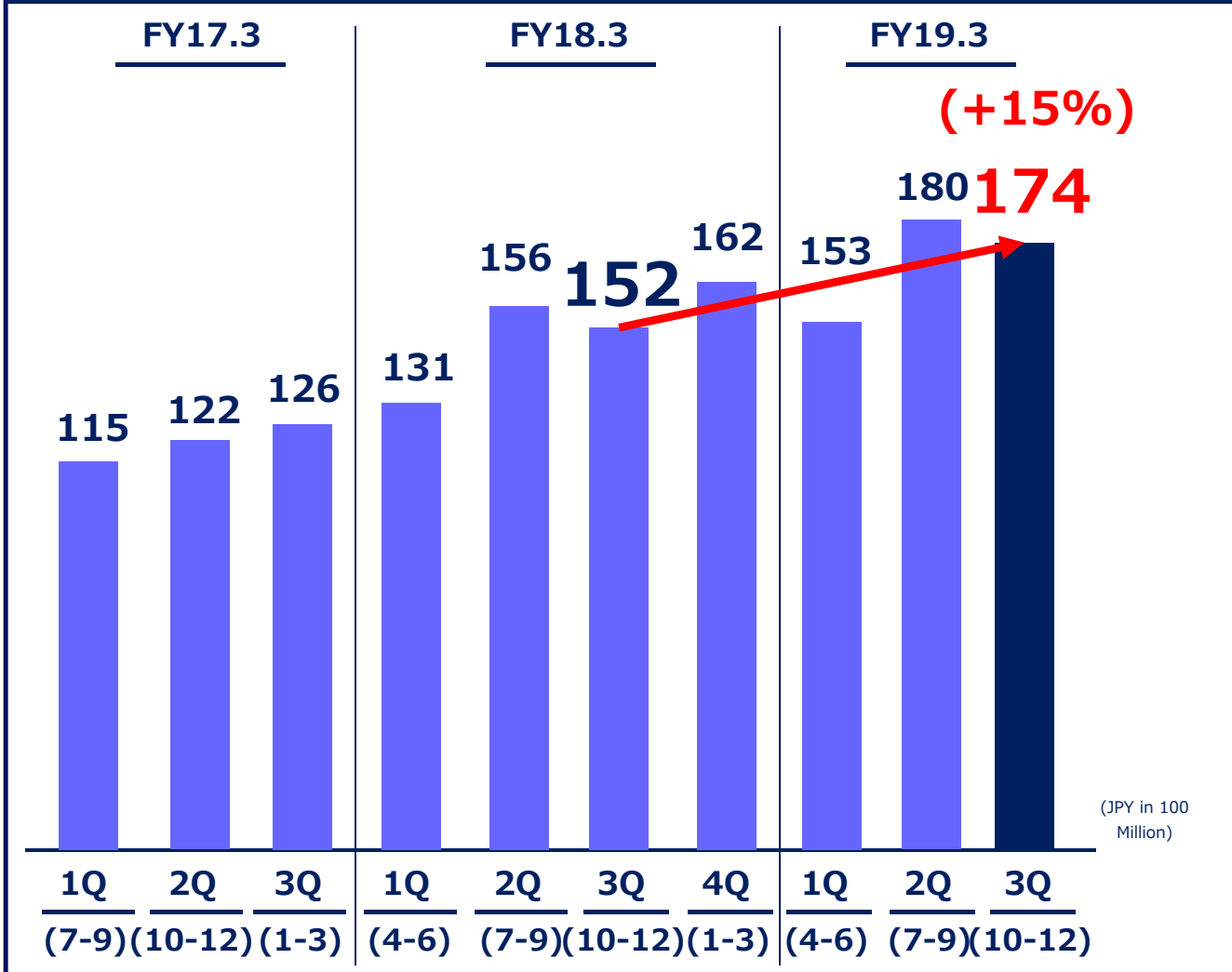
| | | |
|--------|--------------------|---|
| FT | EC payment | <ul style="list-style-type: none"> Continued high growth exceeding EC market. Substantial increase in profits. Transaction volume in public financing sector expanded. Successful vertical start-up of <u>post-settlement business by a JV with Nissen Co., Ltd.</u>, contributing to profit growth. Established a JV with <u>TOSHIBA TEC CORPORATION</u>, which has the largest share of the POS market in Japan and overseas, to provide multi-payment services. |
| | Non-EC / Alliances | |
| MT | Digital marketing | <ul style="list-style-type: none"> Reinforce real estate business area following finance, cosmetic/HR, smartphone/app. In the midst of a turning point in the Internet advertising industry, we <u>began designing a cross-segment growth strategy</u>, including a solid FT segment. <u>Strengthen the data science business</u> using proprietary data across the DG Group. Collaborate with media consortium on demonstration tests in various forms, with BI. Garage, Inc. at the core. |
| | Data science | |
| IT | Investment (DGI) | <ul style="list-style-type: none"> Promoting <u>< Global Incubation Stream ></u> linking the United States, Japan, Asia, and Europe <u>Resi-Tech</u> : Established a cross-industry accelerator originating in Japan that specializes in the housing and lifestyle fields in collaboration with seven major real estate and construction companies in November. Started the program in April 2019. <u>BioHealth</u> : Formed a consortium with 22 companies, including major pharmaceutical and medical-related companies, and launched an accelerator specializing in the biohealth field. The first Demo Day was held. |
| | Incubation (ONL) | |
| LTI | Kakaku.com, Inc. | <ul style="list-style-type: none"> Cumulative net income for the 3Q increased 10% YoY to 12.0B JPY. <u>Steady growth in "Tabelog" and "New Media"</u>. Crypto Garage, Inc. <u>received official authorization to conduct the first finance project under the "Regulatory Sandbox"* by Cabinet Office in Japan.</u> Launching test the issuance of JPY tokens and the delivery versus payment settlement service between the token and crypto assets. |
| | New business | |
| DG LAB | | <ul style="list-style-type: none"> Promote research and development and demonstration tests focused on five priority areas. In the blockchain field, we <u>established Crypto Garage Inc., a JV with Tokyo Tanshi Co., Ltd.</u>, and is working to generate medium-to long-term sustainable business profits in the LTI segment. <u>KDDI's participation as a DG Lab's core partner.</u> Aiming to create business in the 5G era. |

* The Act is to develop an environment in which businesses are able to conduct demonstration tests and pilot projects for new technologies and business models that are not envisaged under existing regulations with a limited number of participants and within the predetermined implementation periods. (ref. METI)

Financial Results by Quarters: Consolidated Sales



Consolidated sales



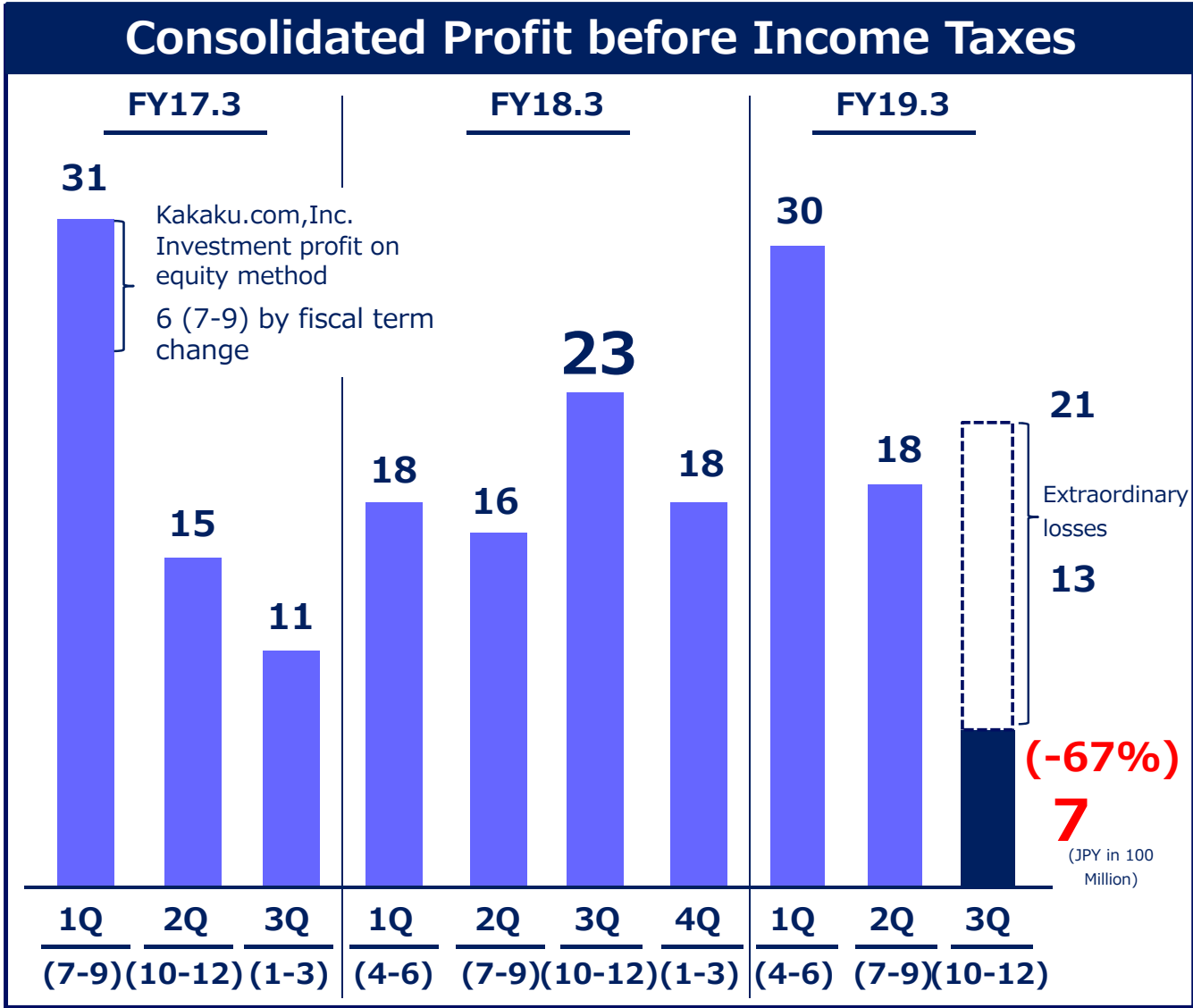
■ 3Q sales marked 17.4 B JPY, up 15% compared to 3Q FY18.3

■ All segments increased in sales, especially MT and FT drove the consolidated sales

(FY17.3 was nine-month period due to change in fiscal year-end)



Financial Results by Quarters: Consolidated Profit before Income Taxes



■ 3Q profit before income taxes marked 0.7 B JPY, decreased 67% compared to 3Q FY18.3

■ Special factors for 3Q 1.3 B JPY

- ✓ Loss on valuation of investment securities 0.7 B JPY
- ✓ Impairment of goodwill 0.6 B JPY

(FY17.3 was nine-month period due to change in fiscal year-end)

Group Financial Performance Review



FY19.3 3Q (Cumulative) Consolidated P/L Summary



Sales grew by 16% YoY, ordinary profit grew by 16% YoY, profit before income taxes marked 5.6B JPY YoY decreased by 2%

~ Extraordinary loss of 1.4B JPY was recorded due to valuation loss on a listed equity etc, but profit before tax remained almost unchanged ~

| JPY in Millions | FY18.3 | FY19.3 | YoY | | FY19.3 Full Year Forecast IFRS |
|---|---------------|---------------|--------------|---------------|--|
| | 1Q-3Q | 1Q-3Q | % | Amount | |
| | J-GAAP | J-GAAP | | | |
| Net sales | 43,921 | 50,805 | +15.7 | +6,883 | Revenue 33,500 |
| Operating profit | 2,192 | 2,403 | +9.6 | +210 | |
| Non-operating income | 2,318 | 2,785 | +20.2 | +467 | |
| Share of profit of entities accounted for using equity method | 1,914 | 2,191 | +14.5 | +277 | |
| Non-operating expenses | 323 | 343 | +6.3 | +20 | |
| Ordinary profit | 4,187 | 4,845 | +15.7 | +657 | |
| Extraordinary income | 1,675 | 2,256 | +34.7 | +580 | |
| Gain on sales of shares of subsidiaries and associates | 798 | 2,061 | 2.6 x | +1,263 | |
| Extraordinary losses | 44 | 1,401 | - | +1,357 | |
| Impairment loss | - | 665 | - | +665 | |
| Loss on valuation of investment securities | 10 | 697 | - | +687 | |
| Profit before income taxes | 5,818 | 5,699 | -2.1 | -119 | Profit before tax 9,000 |
| Income taxes | 1,740 | 2,123 | +22.0 | +382 | |
| Profit attributable to owners of parent | 4,052 | 3,605 | -11.1 | -447 | Profit attributable to owners of parent 6,200 |

FY19.3 3Q (Cumulative) Consolidated Segment P/L Summary



All segments increased in sales. Profit before income taxes remained strong in FT, up 23% YoY

~ MT increased in sales, however profit dropped due to decrease of large game deal in FY18.3, strategic personnel reinforcement, and development investment etc ~

| JPY in Millions | FY18.3 | FY19.3 | YoY | | FY19.3 Full Year Forecast | |
|-----------------------------------|---------------|---------------|--------------|---------------|---------------------------------|---------------|
| | 1Q-3Q | 1Q-3Q | % | Amount | | |
| | J-GAAP | J-GAAP | | | IFRS | |
| Net sales | 43,921 | 50,805 | +15.7 | +6,883 | Revenue | 33,500 |
| FT Financial Technology | 15,619 | 17,300 | +10.8 | +1,680 | | 6,500 |
| MT Marketing Technology | 25,379 | 28,226 | +11.2 | +2,847 | | 14,500 |
| IT Incubation Technology | 2,355 | 3,545 | +50.5 | +1,189 | | 3,100 |
| LTI Long Term Incubation | 567 | 1,733 | 3.1 x | +1,166 | | 6,500 |
| Profit before income taxes | 5,818 | 5,699 | -2.1 | -119 | Profit before tax | 9,000 |
| FT Financial Technology | 1,857 | 2,292 | +23.4 | +435 | | 3,200 |
| MT Marketing Technology | 1,501 | 853 | -43.1 | -647 | | 2,250 |
| IT Incubation Technology | 1,821 | 1,930 | +6.0 | +109 | | 1,350 |
| LTI Long Term Incubation | 1,835 | 2,172 | +18.4 | +336 | | 3,450 |



FY19.3 3Q Consolidated B/S Summary



context company

| JPY in Million | FY18.3 | FY19.3 3Q | Difference | Reason for change / Remarks |
|---|---------|-----------|------------|--|
| Current assets | 75,176 | 92,210 | +17,034 | |
| Cash and deposits | 32,922 | 41,926 | +9,004 | Raising funds by issuing CB, Share buy-back, Loan repayments etc |
| Money held in trust | 5,307 | 4,329 | -978 | Relating to FT business |
| Notes and accounts receivable-trade | 7,741 | 8,234 | +493 | Consolidation of DG Communications, Co., Ltd. |
| Operational investment securities | 12,364 | 15,192 | +2,828 | New investment, Mark-to-market, etc |
| Accounts receivable-other | 16,889 | 22,616 | +5,727 | Relating to FT business |
| Fixed assets | 33,419 | 39,156 | +5,736 | |
| Investment securities | 16,552 | 21,400 | +4,848 | New investment, Increased investment profit on equity method |
| Goodwill | 7,822 | 6,667 | -1,154 | Impairment and amortization |
| Total assets | 108,596 | 131,423 | +22,827 | |
| Current liabilities | 49,294 | 55,313 | +6,019 | |
| Notes and accounts payable-trade | 5,018 | 6,567 | +1,549 | Consolidation of DG Communications, Co., Ltd. |
| Short-term loans payable | 4,137 | 6,222 | +2,085 | Demand for operating capital (FT) |
| Deposits received | 36,499 | 38,387 | +1,888 | Relating to FT business |
| Fixed liabilities | 20,284 | 38,890 | +18,606 | |
| Convertible bond-type bonds with share acquisition rights | - | 25,233 | +25,233 | CB issuance |
| Long-term loans payable | 18,890 | 11,773 | -7,116 | Proceeds from issuance of convertible bonds were partially used for debt repayment |
| Deferred tax liabilities | 601 | 515 | -85 | |
| Total liabilities | 69,578 | 94,204 | +24,625 | |
| Net assets | 39,017 | 37,218 | -1,798 | |
| Shareholders' equity | 36,363 | 33,887 | -2,476 | |
| Capital stock | 7,464 | 7,494 | +29 | |
| Capital surplus | 3,104 | 3,127 | +22 | |
| Retained earnings | 25,819 | 28,291 | +2,472 | Increased net profit |
| Treasury shares | -26 | -5,026 | -4,999 | Share buy-back |
| Accumulated other comprehensive income | 1,440 | 1,519 | +78 | |
| Valuation difference on available-for-sale securities | 339 | 286 | -53 | |
| Total liabilities and net assets | 108,596 | 131,423 | +22,827 | |

Segment Performance Review



I Financial Technology Segment

| | | Net Sales | Income Before Income Taxes |
|---------------|--------------------|--------------------|-------------------------------|
| FY18.3 | 1Q-3Q | 15,619 M JPY | 1,857 M JPY |
| FY19.3 | 1Q-3Q | 17,300 M JPY | 2,292 M JPY |
| FY19.3 | Plan (IFRS) | 6,500 M JPY | 3,200 M JPY |

▶ **econtext ASIA Ltd.**

Payment corporation to expand e-commerce platforms globally



▶ **econtext, Inc.**

Integrates online and offline business as the convenience store payment pioneer



▶ **VeriTrans Inc.**

Provides leading e-commerce payment solutions



▶ **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

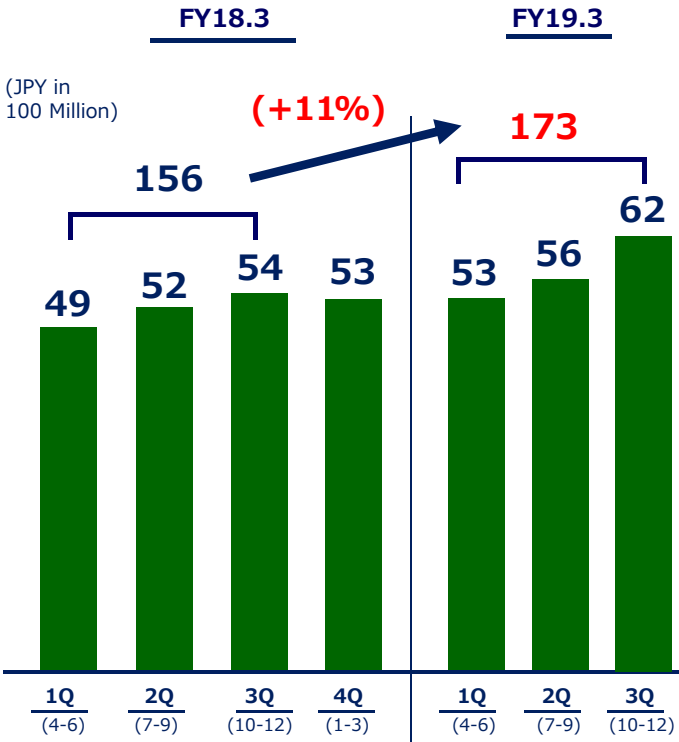


FT Segment Highlights

Net sales in 1-3Q rose 11% YoY, operating profit marked 2.2B JPY, +19% YoY

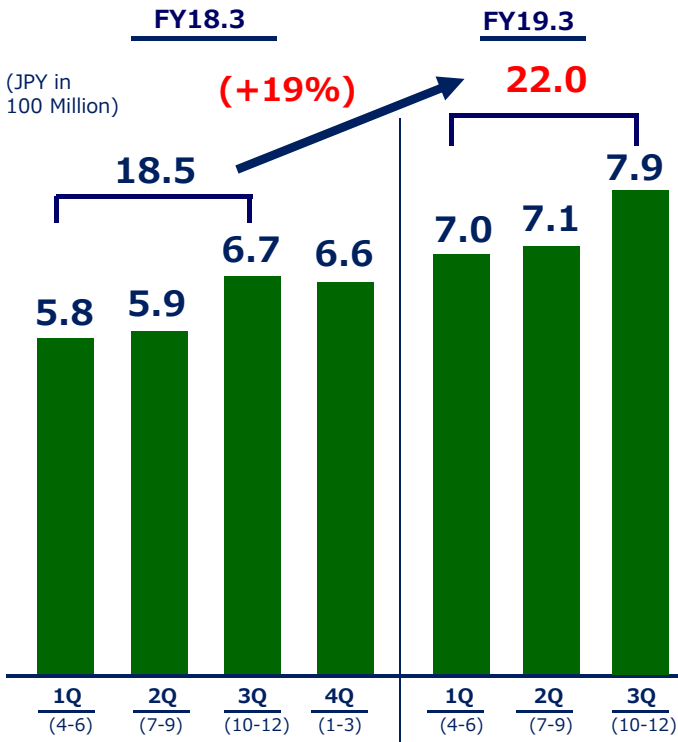
~ Operating margin which shows profitability increased to 44.7%, improved by 1.5 points YoY ~

Net Sales



- In addition to the payment collection service, data processing payment with high profitability has increased

Operating Profit



- Higher gross profit due to improved profitability contributed to record-high profits

Operating Margin

| | FY18.3 1-3Q | FY19.3 1-3Q | YoY |
|---|----------------|----------------|----------------|
| Net sales | 156.1 | 173.0 | + 11% |
| Gross profit (A) | 42.8 | 49.2 | + 15% |
| Op. profit (B) | 18.5 | 22.0 | + 19% |
| Operating margin (B) ----- (A) | 43.2% | 44.7% | +1.5 points |

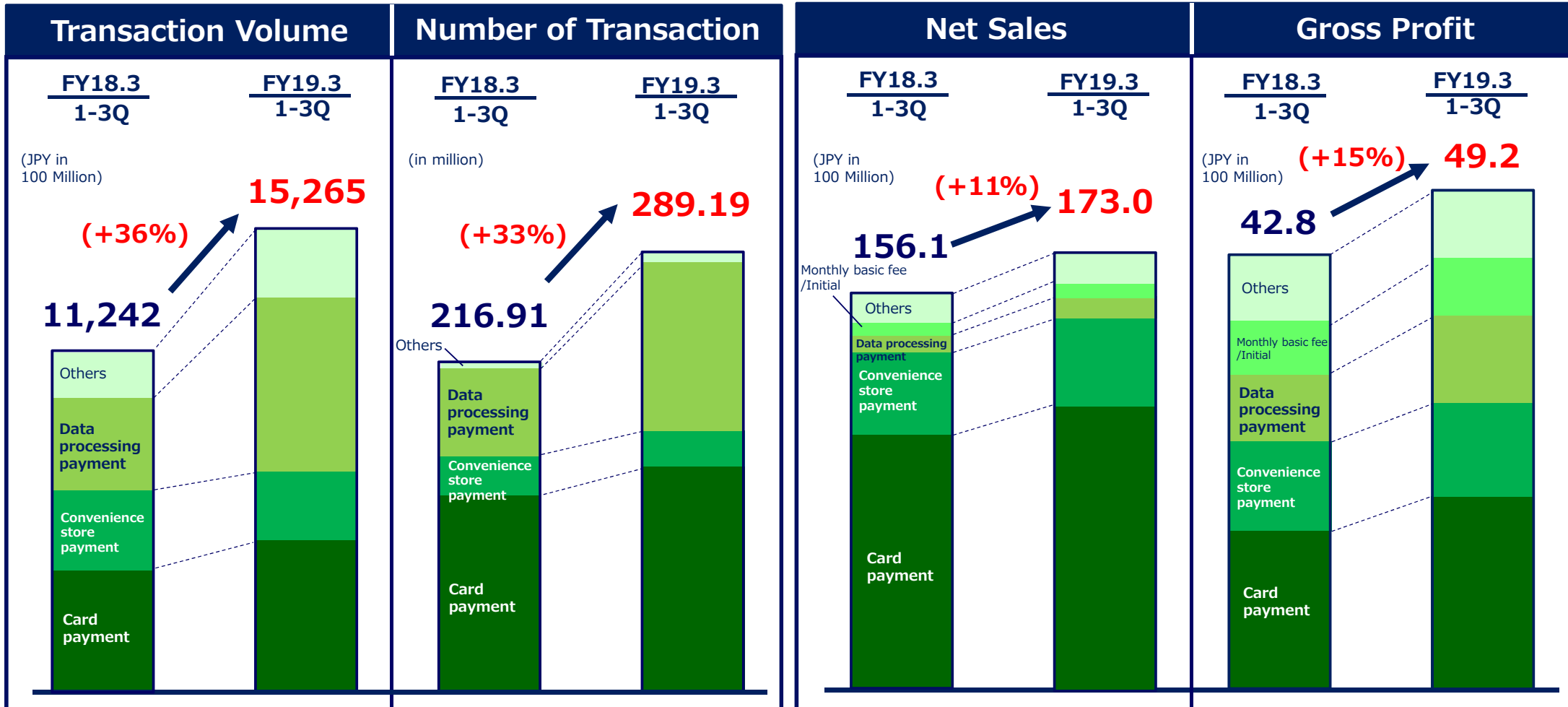
- Operating margin improved as increased marginal profit

FT Segment Highlights



Transaction volume in 1-3Q marked 1.5T JPY, +36% YoY, number of transaction increased to 290 million, +33% YoY

~ Gross profit increased 15% YoY to 4.92B JPY due to the contribution of high-margin data processing payment contributed gross profit ~



II Marketing Technology Segment

| | | Net Sales | Income Before Income Taxes |
|---------------|--------------------|---------------------|-------------------------------|
| FY18.3 | 1Q-3Q | 25,379 M JPY | 1,501 M JPY |
| FY19.3 | 1Q-3Q | 28,226 M JPY | 853 M JPY |
| FY19.3 | Plan (IFRS) | 14,500 M JPY | 2,250 M JPY |

▶ **Marketing Technology Company**

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



▶ **DG Communications Co., Ltd.**

Providing 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



▶ **NaviPlus Co., Ltd.**

Offers website support tools including personalized recommendation engines



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

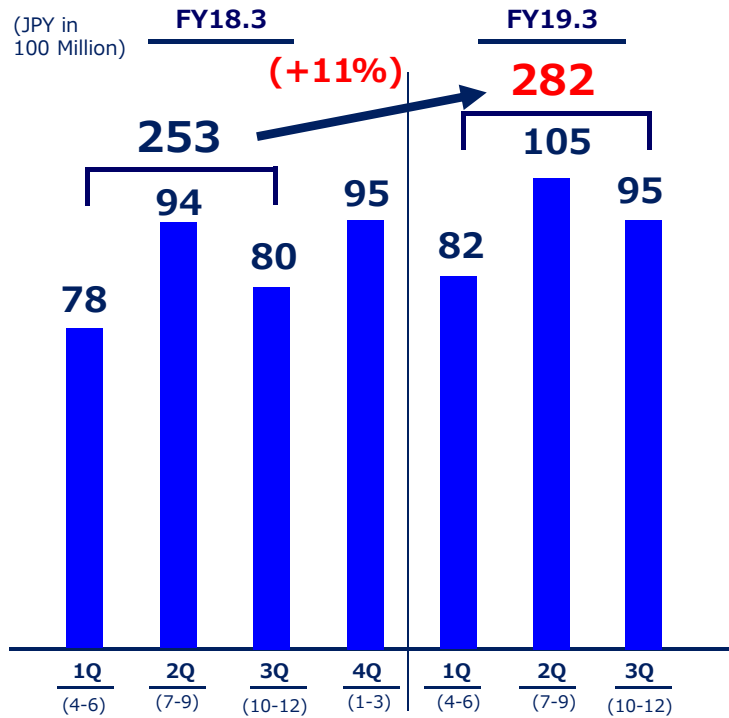
Established on June 25th, 2018 and its predecessor is Business Design Company



MT Segment Highlights

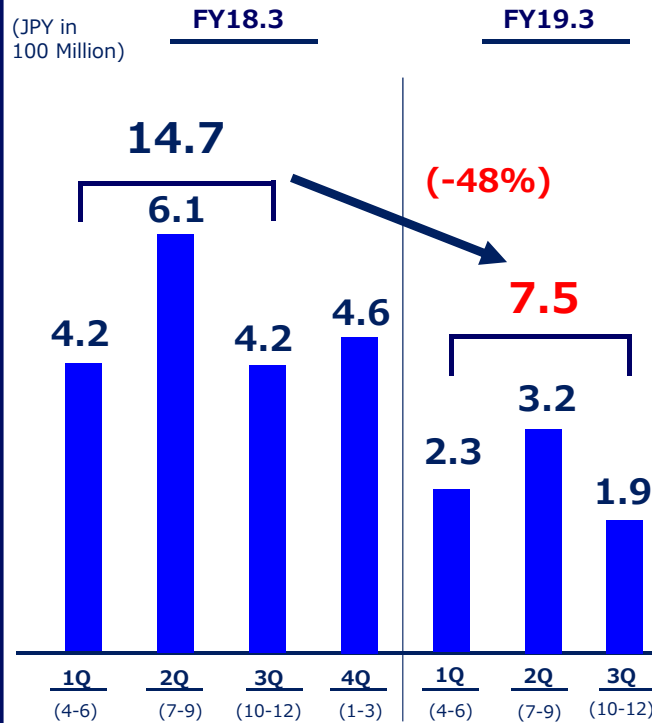
Net sales in 1-3Q increased 11% YoY, operating profit in 1-3Q decreased -48% YoY
 ~ Sales to the financial sector remained solid ~

Net Sales



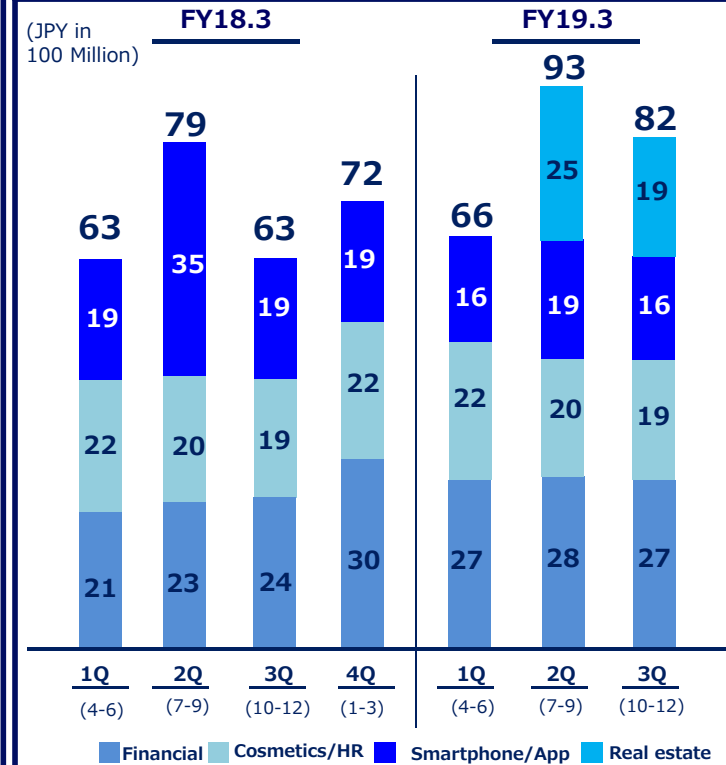
■ Net sales increased 11% YoY due to the consolidation of DG Communications Co., Ltd.

Operating Profit



■ Profit decreased 48% YoY mainly due to decrease of large deal of games in FY18.3 and upfront investment in personnel expansion, floor space expansion, and new projects.

Advertising Sales



■ Sales to the financial sector increased 21% YoY
 ■ Sales to the real estate sector have contributed since 2Q.

MT Segment – Analysis of Profit before Income Taxes Decrease



Profit before income taxes (JPY in 1 Million)

| <u>FY18.3</u> | <u>FY19.3</u> | <u>YoY</u> | |
|---------------|---------------|------------|--------|
| 1-3Q | 1-3Q | % | Amount |
| 1,501 | 853 | -43.1 | -647 |

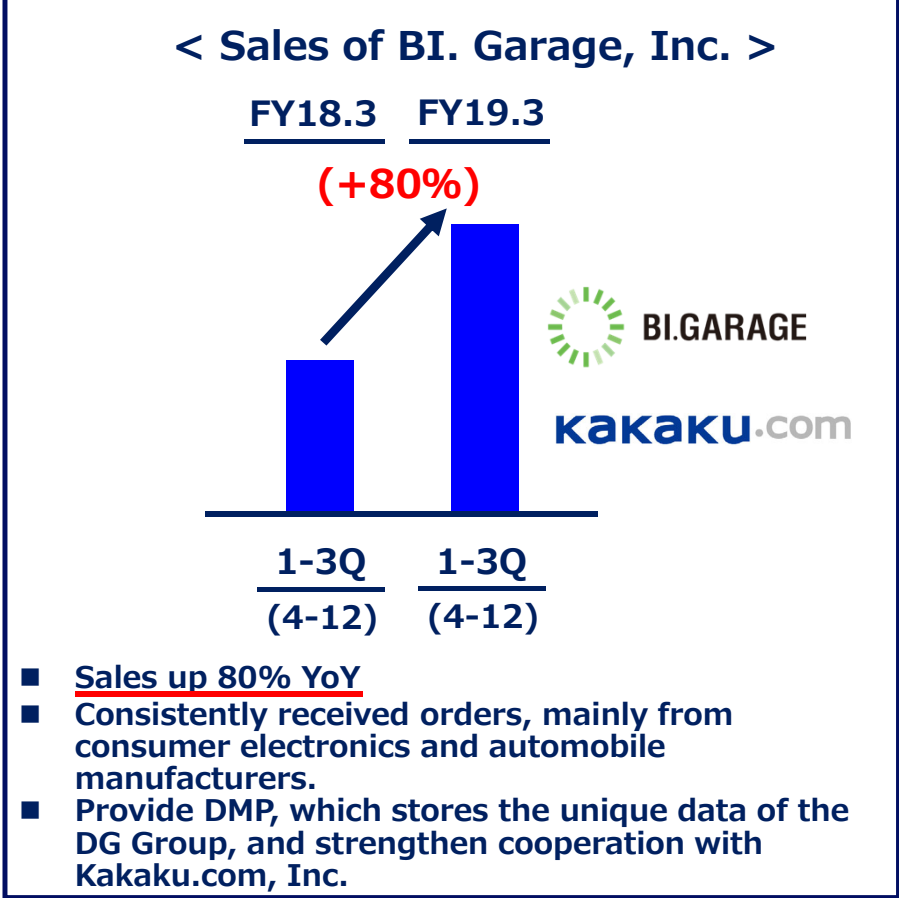
- Decrease in gross profit in the game application field** -350 M JPY
 - ➔ Impact of the decrease of large deal for games in FY18.3
 - Personnel expenses increase/ Floor space expansion** -350 M JPY
 - ➔ 1. Expansion of the Tokyo office floor space to optimize operations
 - 2. Establishment of a Sapporo Nearshoring Base
 - 3. Personnel reinforcement related to the above-mentioned matters
 - Upfront investment for new project** -200 M JPY
 - ➔ 1. Operation of Japan Premium Media Consortium
 - 2. Development of next-generation payment application linked to FT
 - Gross profit increase due to sales increase etc** +250 M JPY
-
- Total of decrease in MT segment income** **-650 M JPY**

MT Segment Highlights

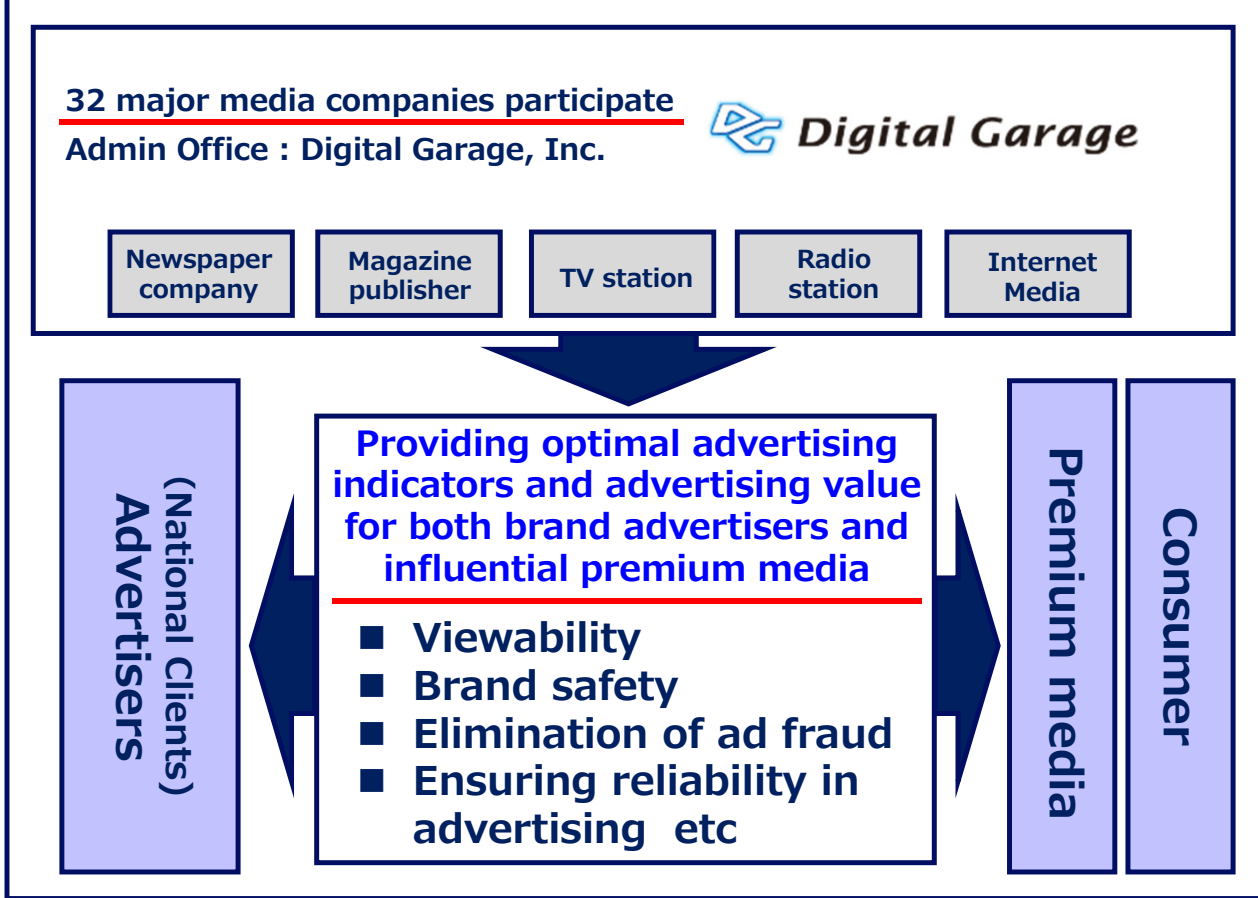
Sales in the data science business increased 80% YoY as a strategic business, and strengthened cooperation with Kakaku.com, Inc.

~ Collaboration with Media Consortium on various demonstration experiments ~

Data Science Business Expansion



Japan Premium Media Consortium Initiatives



III Incubation Technology Segment

| | | Net Sales | Income Before Income Taxes |
|---------------|--------------------|--------------------|-------------------------------|
| FY18.3 | 1Q-3Q | 2,355 M JPY | 1,821 M JPY |
| FY19.3 | 1Q-3Q | 3,545 M JPY | 1,930 M JPY |
| FY19.3 | Plan (IFRS) | 3,100 M JPY | 1,350 M JPY |

▶ **DG Incubation, Inc.**

Invests in and incubates cutting-edge internet startups



▶ **Open Network Lab, Inc.**

Provides support to internet-business entrepreneurs with global visions



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

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



▶ **Digital Garage US, Inc.**

The US-based global strategy headquarters



▶ **DG Technologies, Inc.**

Drives strategic technology development with DG Lab

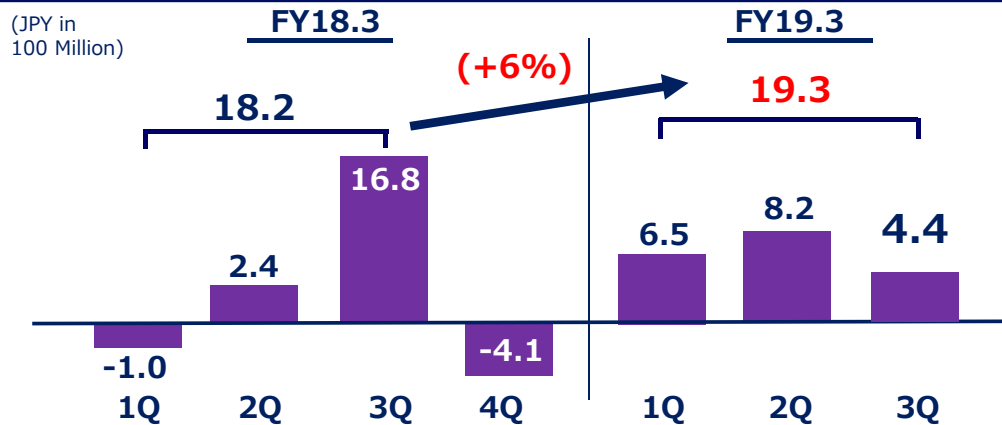


Some businesses in DGHQ segment have transferred to IT segment, therefore figures on FY18.3 updated with the current category.

IT Segment Highlights

Steady progress in sales of securities holdings, profit before income taxes in 1-3Q up 6% in YoY
 ~ Expand investment in leading start-ups in Japan and overseas ~

Profit Before Income Taxes



Book Value

| | # of companies | Book Value |
|---------------|----------------|-------------------|
| Equity | 171 | 14.3 B JPY |
| Domestic | 61 | 2.8 B JPY |
| Overseas | 110 | 11.5 B JPY |
| Fund | 15 | 1.9 B JPY |
| Total | 186 | 16.2 B JPY |

Note)DG Incubation's investment balance Mark-to-market as of quarter end for listed stocks. Equity includes convertible note. Book value totals may not match details because of rounding down fractions

Major Portfolio

Blockstream [U.S. /Canada]



Develops sidechain technologies, parallel blockchains that are interoperable.



WHILL [Japan]

Transform antiquated power wheelchair into an intelligent personal electric vehicle, focusing on an approachable and aesthetically pleasing powered vehicle.



Droom [India]

A leading online marketplace for new and second-hand automobiles in India.



Repro [Japan]

Operates mobile app analytics and marketing SDK "Repro."

MX Technologies [U.S.]



Offers a PFM (personal financial management) tool for financial institutions in the US.

Monstar Lab [Japan]



Operates Sekai Lab, a global outsourcing platform that allows engineers from around the world to request development.



Cloudian [U.S.]

Build and operate a cloud storage system that stores large volumes of data used in IoT, AI, big data analysis, etc. economically and safely.



Panair [Japan]

Provides "Panair Cloud", an automated electricity retail platform that uses cloud computing and artificial intelligence.

IV Long-term Incubation Segment

| | | Net Sales | Income Before Income Taxes |
|---------------|--------------------|--------------------|-------------------------------|
| FY18.3 | 1Q-3Q | 567 M JPY | 1,835 M JPY |
| FY19.3 | 1Q-3Q | 1,733 M JPY | 2,172 M JPY |
| FY19.3 | Plan (IFRS) | 6,500 M JPY | 3,450 M JPY |

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

Operates purchase support service, Kakaku.com and restaurant review and restaurant service, tabelog, etc.



▶ **Crypto Garage, Inc.**

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



▶ **ACADEMIE DU VIN**

Operates wine schools and wholesaling wine.



▶ **DK Media, Inc.** (50% stake/equity method)

Internet media business utilizing fashion magazines by Kodansha



MI segment has been changed to LTI segment from FY18.3, by aiming to generate sustainable business profit in mid-long term.

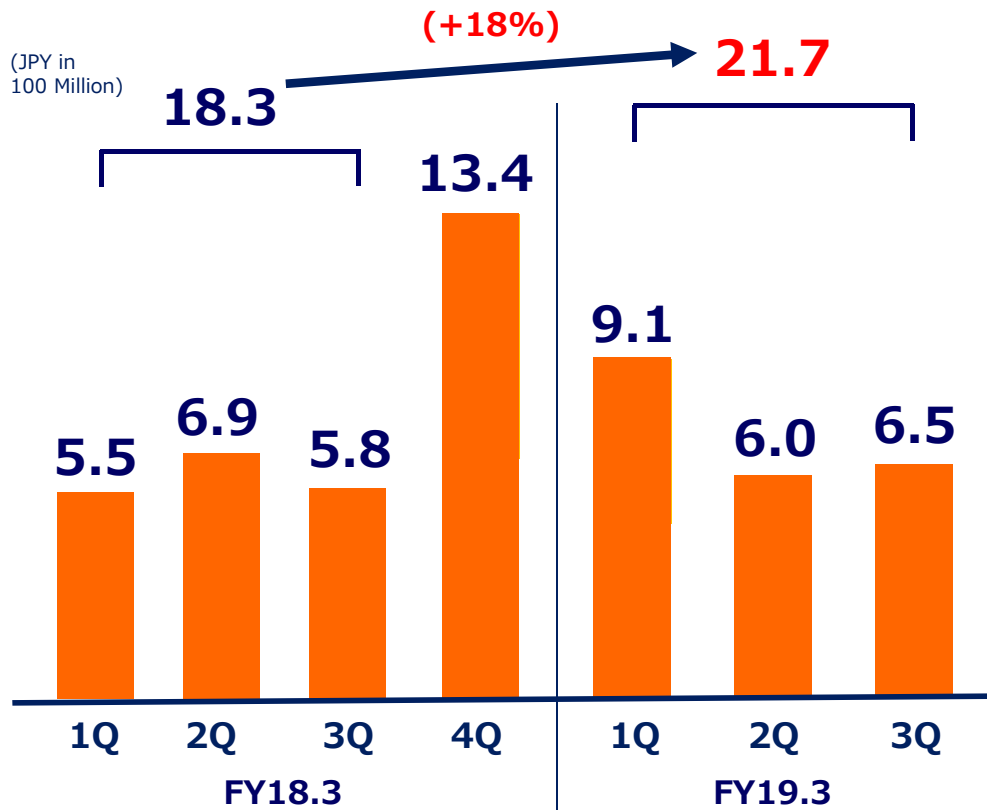
❖ LTI Segment Highlights



Profit before income taxes in 1-3Q marked 2.1B JPY, +18% YoY. Investment profit on equity method of Kakaku remains robust

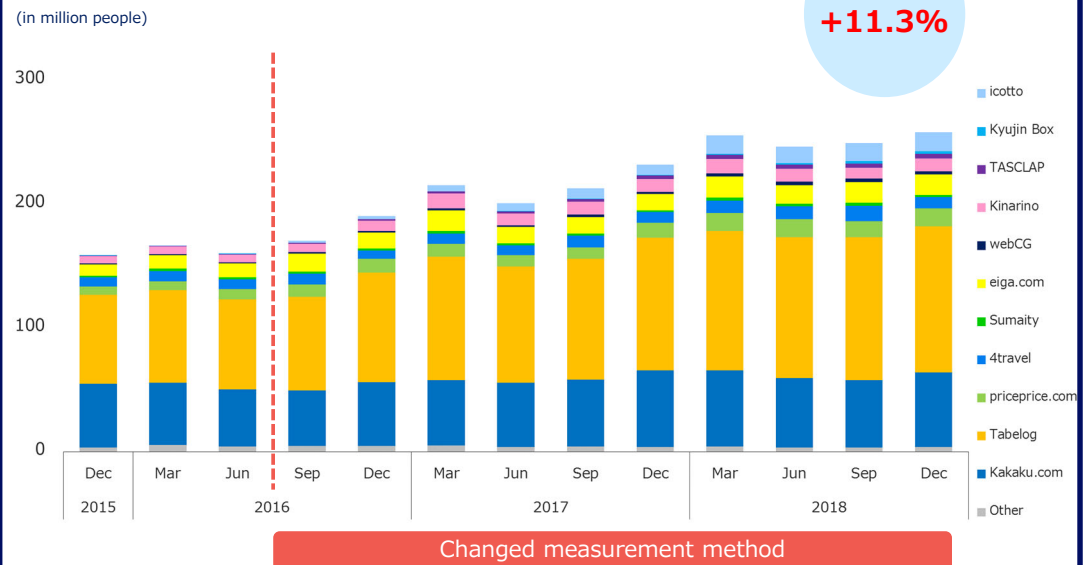
~ "Tabelog" and "New Media" performed well ~

Profit Before Income Taxes



Business Progress of Kakaku.com, Inc.

[Total Accumulated Traffic for Kakaku.com Group]
 Monthly traffic for all sites of Kakaku.com has increased to 258.00 million, up 11.3% yoy (December 2018)



Regarding changes in traffic measurement method
 Due to the mobile webpage speed, Kakaku.com, Inc. has been experiencing some overlap when measuring monthly user numbers but as of September 2018 Kakaku.com, Inc. has switched to a method which allows them to exclude overlapping users. The graph from September 2016 to September 2018 was recreated using the new method.

Ref. Kakaku.com, Inc. Results Briefing for 3Q FY2019/3

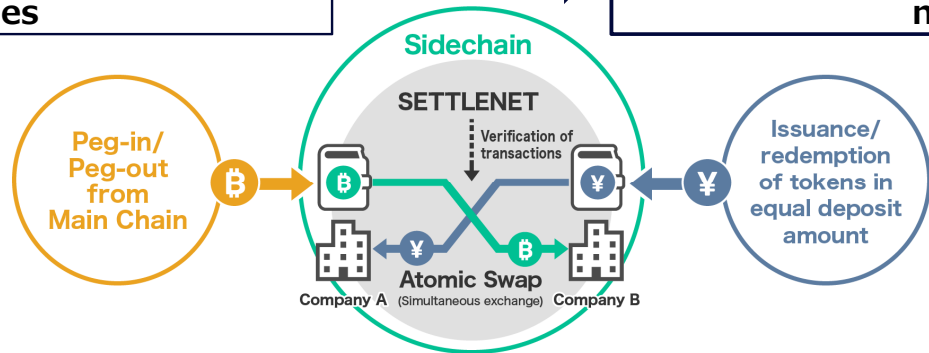
**Crypto Garage, Inc., a JV with DG, Tokyo Tanshi Co., Ltd. and Blockstream,
Testing the issuance of JPY tokens and the delivery versus payment settlement service between the
token and crypto assets**

Challenges in crypto exchanges market

- Takes at least 10 minutes to fix the remittance
- High counterparty risk
- Low confidentiality of trade between the trading parties
- Low visibility of trading for the regulatory authorities

Launched a proof-of-concept project to overcome the challenges

- Sidechain enables speedy remittances
- Support the delivery versus payment settlement of JPY Token and crypto assets (Bitcoin)
- Can conceal a counterparty because of no need to recognize a payer
- Transaction content can be verified as necessary



[Reference]

■ Tech Crunch/ Digital Garage teams up with Blockstream to develop blockchain financial services in Japan

<https://techcrunch.com/2019/01/21/digital-garage-teams-up-with-blockstream-to-develop-blockchain-financial-services-in-japan/>

■ Impress Corporation (written in Japanese)

<https://crypto.watch.impress.co.jp/docs/news/1165850.html?fbclid=IwAR3eEYsJba5zAt4KYq1hoiyZmyc92YVvxLm59IDLjqYUjKN3OblyH2TctM>

Appendix



Financial Results: Consolidated profit and loss



| JPY in Millions | FY14.6 (Full Year Act) | FY15.6 (Full Year Act) | FY16.6 (Full Year Act) | FY17.3 (Full Year Act) 9 month | FY18.3 (Full Year Act) |
|---|---------------------------|---------------------------|---------------------------|--------------------------------------|---------------------------|
| Net sales | 33,751 | 38,087 | 43,763 | 36,451 | 60,168 |
| Operating profit | 2,608 | 4,809 | 4,201 | 723 | 2,310 |
| Non-operating income | 2,307 | 3,736 | 3,031 | 3,246 | 3,305 |
| Share of profit of entities accounted for using equity method | 1,741 | 2,080 | 2,406 | 2,528 | 2,768 |
| Foreign exchange gain | 143 | 1,090 | - | 171 | - |
| Non-operating expenses | 472 | 936 | 1,040 | 292 | 597 |
| Foreign exchange loss | - | - | 689 | - | 160 |
| Ordinary profit | 4,442 | 7,610 | 6,193 | 3,678 | 5,017 |
| Extraordinary income | 630 | 2,463 | 1,392 | 2,265 | 2,669 |
| Gain on sales of investments in securities | 220 | 68 | - | 1,829 | 1,032 |
| Gain on sales of shares of sub. and associates | - | - | 521 | 386 | 1,471 |
| Gain on change in equity | 374 | 2,363 | 157 | 47 | 33 |
| Gain on transfer of business | 26 | 23 | 706 | - | - |
| Extraordinary loss | 38 | 824 | 10 | 124 | 67 |
| Impairment loss | 0 | 657 | - | 104 | 25 |
| Profit before income taxes | 5,035 | 9,248 | 7,574 | 5,819 | 7,619 |
| Income taxes | 1,887 | 3,855 | 2,385 | 1,525 | 2,133 |
| Profit attributable to owners of parent | 2,847 | 5,081 | 5,165 | 4,289 | 5,460 |

Note: Kakaku.com, Inc. is affiliated company for using the equity method, and started to apply IFRS from FY18.3. The figures on FY17.3 has been applied retrospectively.

Financial Results: Consolidated profit and loss by segments



| JPY in Millions | | <u>FY14.6</u> (Full Year Act) | <u>FY15.6</u> (Full Year Act) | <u>FY16.6</u> (Full Year Act) | <u>FY17.3</u> (Full Year Act) 9 month | <u>FY18.3</u> (Full Year Act) |
|-----------------------------------|-----------------------|----------------------------------|----------------------------------|----------------------------------|---|----------------------------------|
| Net sales | | 33,751 | 38,087 | 43,763 | 36,451 | 60,168 |
| FT | Financial Technology | 13,454 | 14,568 | 16,392 | 14,140 | 20,956 |
| MT | Marketing Technology | 14,822 | 16,064 | 21,028 | 20,494 | 34,938 |
| IT | Incubation Technology | 5,475 | 7,454 | 6,343 | 1,775 | 3,123 |
| LTI* | Long Term Incubation | - | - | - | 41 | 1,150 |
| Profit before income taxes | | 5,035 | 9,248 | 7,574 | 5,819 | 7,619 |
| FT | Financial Technology | 1,496 | 1,335 | 1,758 | 1,478 | 2,539 |
| MT | Marketing Technology | 874 | 1,061 | 1,396 | 1,074 | 1,959 |
| IT | Incubation Technology | 1,595 | 2,804 | 3,105 | 766 | 1,405 |
| LTI* | Long Term Incubation | 1,776 | 4,477 | 3,052 | 2,899 | 3,176 |

Note: Income before income taxes per segment is based on figures prior to elimination or group deduction, etc

*MI segment has been changed to LTI segment from FY18.3, by aiming to generate sustainable business profit in mid-long term.

Some businesses in IT segment have transferred to LTI, therefore figures on FY17.3 updated with the current category.



Press Releases



context company

| Date | | Title |
|------------|--|---|
| 2019.1.29 | | Digital Garage Group's Face-to-face Payment Business Exceeds Annual Transaction Amount of 100 Billion Yen |
| 2019.1.28 | | DG Lab Provides AR Technology for a SOUND RPG Event Collaborated with an Eminent Musician in Japan |
| 2019.1.21 | | Crypto Garage, The First Blockchain and Finance Project Authorized by Regulatory Sandbox in Japan |
| 2019.1.21 | | Crypto Garage Launches SETTLENET Product to Boost Application Development for Blockchain Based Financial Institutions |
| 2018.12.19 | | ECONTEXT Launches the QR Code-Based National Tax Collection Service at Convenience Stores to the National Tax Agency |
| 2018.11.16 | | VeriTrans and Toshiba Tec Establish TD Payment, A JV Offering Multiple Payment Solutions for POS Systems |
| 2018.11.8 | | Digital Garage Launches "Open Network Lab Resi-Tech," a Global Accelerator Program Targeting Real Estate-Related Startups |
| 2018.11.6 | | ECONTEXT Registered as Electronic Payment Service Provider |
| 2018.11.1 | | econtext Provides a Comprehensive Service for New Online Application System of Hiroshima Prefectural Board of Education |
| 2018.10.10 | | DG Lab to Host THE NEW CONTEXT CONFERENCE 2018 SAN FRANCISCO |
| 2018.10.5 | | Digital Garage Exhibits at Japan Healthcare Venture Summit 2018 Hosted by the Ministry of Health, Labour and Welfare |
| 2018.10.2 | | econtext Launches Convenience Store Payment Services for Civil Fee Payments in Osaka Prefecture |
| 2018.9.13 | | VeriTrans Collaborates on a PCI P2PE Solution that lets Phone and Mail-order Businesses Retain no Credit Card Information |
| 2018.9.4 | | VeriTrans Provides Credit Card Payments for a PoC of Ringo Pass, JR-East's New Public Transportation Smartphone App |
| 2018.8.30 | | Announcement Regarding Result and Completion of Repurchase of Shares through Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) |
| 2018.8.29 | | Announcement Regarding Determination of Terms of Issue of Zero Coupon Convertible Bonds due 2023 |
| 2018.8.29 | | Announcement Regarding the Issuance of Zero Coupon Convertible Bonds due 2023 |
| 2018.8.29 | | Announcement Regarding Repurchase of Shares |



Press Releases



context company

| Date | | Title |
|-----------|---|--|
| 2018.8.29 |  Digital Garage | Announcement Regarding Repurchase of Sharesthrough Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) |
| 2018.8.27 |  veritrans | VeriTrans and Nissen to Establish a JV in the Postpaid Shopping Business |
| 2018.8.2 |  Digital Garage | Digital Garage & KDDI Entered into a Basic Agreement on Strategic Alliance |
| 2018.8.1 |  Digital Garage | Digital Garage and Welby Form a Capital and Business Alliance to Build a Person-Centered Health and Medical Data Platform |
| 2018.7.20 |  Digital Garage | Digital Garage and Tokyo Tanshi to Establish a JV for Blockchain Financial Service R&D and Business in the Fintech Field |
| 2018.6.15 |  Digital Garage | Digital Garage and iRidge's Fintech Subsidiary Collaborate in the Regional Digital Currency Field |
| 2018.5.23 |  Digital Garage | Digital Garage Launches "Open Network Lab BioHealth", an Accelerator Program Specialized in Biotechnology and Healthcare |
| 2018.5.17 |  Digital Garage | Digital Garage Launches One-Stop Marketing and Fulfillment Solution for Online Shopping Suppliers Aiming to Expand Overseas in Thailand and Taiwan |
| 2018.4.27 |  DG LAB | DG Lab to Host THE NEW CONTEXT CONFERENCE 2018 TOKYO on the Theme of "Governance of Regulations and Innovations" |
| 2018.4.20 |  Digital Garage | Digital Garage and The Hokkaido Shimbun Press Launch "Open Network Lab HOKKAIDO", an Accelerator Program |



Digital Garage

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