



DECENTRALIZED SMART ECOSYSTEMS



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

Digital Garage, Inc.

1Q of FYE March 31, 2022 Financial Report



Digital Garage

2021.8.13

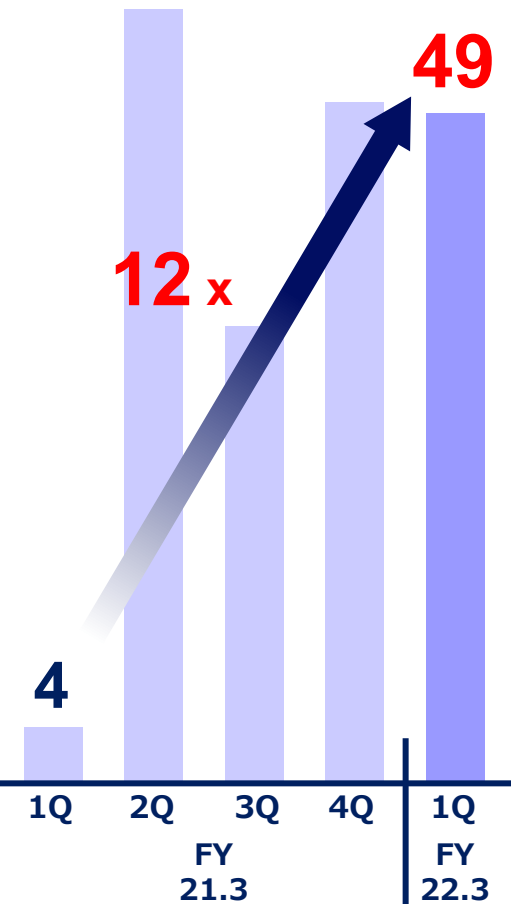


Profit before tax (IFRS) for FY 22.3 1Q increased 12x YoY to 4.9 B JPY

~ FT: Strong EC payments and domestic QR code settlements boosted sales and profits.
IT: Steady growth in fair value of investees ~

Profit before tax (Graph)

(JPY in 100 Millions)



Profit before tax

FY 22.3 1Q (YoY)

Consolidated

4.9 B JPY 12.0 x

Profit Before Tax by Segments

FT	1.1 B JPY	+9 %
MT	0.2 B JPY	+25 %
IT	3.6 B JPY	50.8 x
LTI	0.6 B JPY	5.0 x

Overview and KPI by Segments

✓ In addition to an increase in transaction volume due to the expansion of the EC market, domestic QR code payments increased favorably. Delivery and digital contents continued to grow, and domestic travel-related payments recovered, despite a partial reaction to special demand for COVID-19, such as CASH POST

Transaction volume	868.5 B JPY (YoY +26%)
of which, face-to-face settlement	55.1 B JPY (YoY +89%)
Number of Transaction	166 Million (YoY +15%)

✓ Mainstay Digital ad transaction volume was strong, mainly in FinTech-related, and in particular, promotions for credit card and carrier payments increased. Business restructuring and cost optimization such as office consolidation also succeeded in the previous fiscal year

Digital Ad volume	7.7 B JPY (YoY +28%)
of which, Financial volume	4.7 B JPY (YoY +50%)

✓ Successful strategic investment in advanced FinTech/DX companies. Growth in fair value across Japan, the U.S. and Asia, particularly in the U.S. Sold mainly Coinbase listed on the Nasdaq Stock Market

Investment / Sold	3.0 B JPY / 2.8 B JPY
Fair valuation	50.8 B JPY (from E of Mar.2021 +8%)

✓ Kakaku.com recovered, despite the lingering impact of the COVID-19 in the restaurant industry. Crypto Garage, Inc. completed registration as a Crypto Asset Exchange Service Provider to offer new services for institutional crypto markets on June 29

Investment profit on equity method of Kakaku.com	0.6 B JPY (YoY 2 x)
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FY22.3 1Q Consolidated P/L Summary (IFRS)



Consolidated revenues FY 22.3 1Q (IFRS) increased 56% YoY to 10.8 B JPY,
profit before tax increased 12x YoY to 4.9 B JPY

~ MT saw a decrease in contract development from the previous fiscal year, while FT sales were strong.
Revenue in operational investment securities grew, resulting in an increase in both revenues and profits ~

JPY in Millions	FY20.3				FY21.3				FY22.3	YoY	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	12,320	9,447	11,767	10,843	+56.1%	+3,899
Revenue in recurring business	6,138	6,718	6,576	7,256	6,148	6,301	6,138	6,357	6,004	-2.3%	-144
Revenue in operational investment securities	459	3,332	968	-739	302	4,968	2,226	3,535	3,893	12.9 x	+3,591
Other income	817	422	301	877	193	207	214	1,335	326	+69.4%	+134
Finance income	1	16	28	48	1	0	17	40	18	15.7 x	+17
Share of profit of investments accounted for using equity method	803	891	1,205	821	300	843	853	499	600	2.0 x	+300
Expenses	5,999	6,271	6,016	8,643	6,539	6,689	6,123	6,811	5,969	-8.7%	-570
Cost of sales	2,740	2,976	2,853	3,467	2,764	2,829	2,459	2,645	2,531	-8.4%	-233
Selling, general and administrative expenses	2,951	3,138	3,121	4,813	3,453	3,588	3,400	4,095	3,304	-4.3%	-150
Other expenses	78	86	74	254	69	109	69	370	72	+3.9%	+3
Finance costs	230	71	-32	109	252	163	195	-299	62	-75.6%	-191
Profit before tax	2,218	5,108	3,062	-381	405	5,632	3,324	4,956	4,874	12.0 x	+4,469
Profit attributable to owners of parent	1,624	3,647	2,253	-105	224	3,779	2,290	3,493	3,343	14.9 x	+3,119

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

FY22.3 1Q Segment P/L Summary (IFRS)



Achieved an increase in profit in all segments;
FT: Strong Payment Services; IT: Significant profit growth due to increase in fair value of investees
 ~ MT turned to an increase in profit due to business restructuring and cost reductions
 such as office consolidation in the previous fiscal year ~

JPY in Millions	FY20.3				FY21.3				FY22.3	YoY	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	%	Amount
Revenue	8,217	11,379	9,078	8,262	6,944	12,320	9,447	11,767	10,843	+56.1%	+3,899
Financial Technology	2,083	2,204	2,184	2,138	2,340	2,409	2,525	2,392	2,516	+7.5%	+176
Marketing Technology	3,376	3,984	3,705	4,311	3,335	3,257	2,958	3,499	3,217	-3.5%	-118
Incubation Technology	507	3,462	1,405	-506	389	5,269	2,225	3,599	4,015	10.3 x	+3,626
Long-term Incubation	2,232	1,696	1,744	2,257	801	1,305	1,646	2,179	1,034	+29.0%	+233
Others/Adjustments and Eliminations	19	33	39	63	79	81	94	97	61	-23.3%	-18
Profit before tax	2,218	5,108	3,062	-381	405	5,632	3,324	4,956	4,874	12.0 x	+4,469
Financial Technology	1,061	1,112	1,129	746	1,018	1,083	1,141	875	1,108	+8.8%	+89
Marketing Technology	327	676	512	336	178	78	202	276	223	+25.3%	+45
Incubation Technology	146	3,138	1,114	-835	72	4,916	1,861	3,415	3,636	50.8 x	+3,564
Long-term Incubation	1,493	932	890	1,385	120	485	843	1,205	599	5.0 x	+479
Others/Adjustments and Eliminations	-810	-751	-584	-2,013	-983	-931	-724	-815	-692	-	+291

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

FY22.3 1Q Consolidated B/S Summary (IFRS)



JPY in Millions	End of FY21.3	End of FY22.3 1Q	Difference	Reason for change / Remarks
Current assets	113,548	107,766	-5,783	
Cash and cash equivalents	37,989	35,924	-2,065	Dividend payment, etc.
Trade and other receivables	26,574	19,243	-7,331	FT business-related items
Operational investment securities	47,170	50,819	+3,650	Increase in fair value of investee companies
Non-current assets	64,753	63,748	-1,005	
Property, plant and equipment	19,478	19,156	-321	Decrease by depreciation
Intangible assets	4,000	4,060	+60	
Investments accounted for using equity method	22,446	22,146	-301	Decrease by dividends of equity methods affiliates
Other financial assets	7,878	7,484	-394	Sale of listed shares and decrease due to mark-to-market valuation of listed shares
Total assets	178,301	171,513	-6,788	
Current liabilities	56,865	52,819	-4,046	
Borrowings	9,768	13,778	+4,010	Transferred to long-term loans payable within one year
Trade and other payables	39,911	33,695	-6,216	
Non-current liabilities	58,355	53,811	-4,545	
Bonds and borrowings	35,850	31,185	-4,665	
Other financial liabilities	12,168	11,906	-262	
Deferred tax liabilities	8,515	8,903	+388	
Total liabilities	115,220	106,630	-8,590	
Total equity	63,082	64,884	+1,802	
Total equity attributable to owners of parent	62,134	63,969	+1,835	
Share capital	7,637	7,654	+17	
Capital surplus	4,566	4,589	+23	
Treasury shares	-4,915	-4,915	+0	
Other components of equity	2,062	1,851	-211	Decrease due to mark-to-market valuation of listed shares
Retained earnings	52,785	54,791	+2,006	Dividend payment and increased profit
Non-controlling interests	947	914	-33	
Total liabilities and equity	178,301	171,513	-6,788	

Segment Performance Review





I Financial Technology Segment

	Revenue	Profit before tax
FY 21.3 1Q	2,340 M JPY	1,018 M JPY
FY 22.3 1Q	2,516 M JPY	1,108 M JPY

- ▶ **DG Financial Technology, Inc.***
Japan's leading payment service provider



(formerly VeriTrans, Inc.  / econtext, Inc. )
*changed name in April 2021

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



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



- ▶ **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



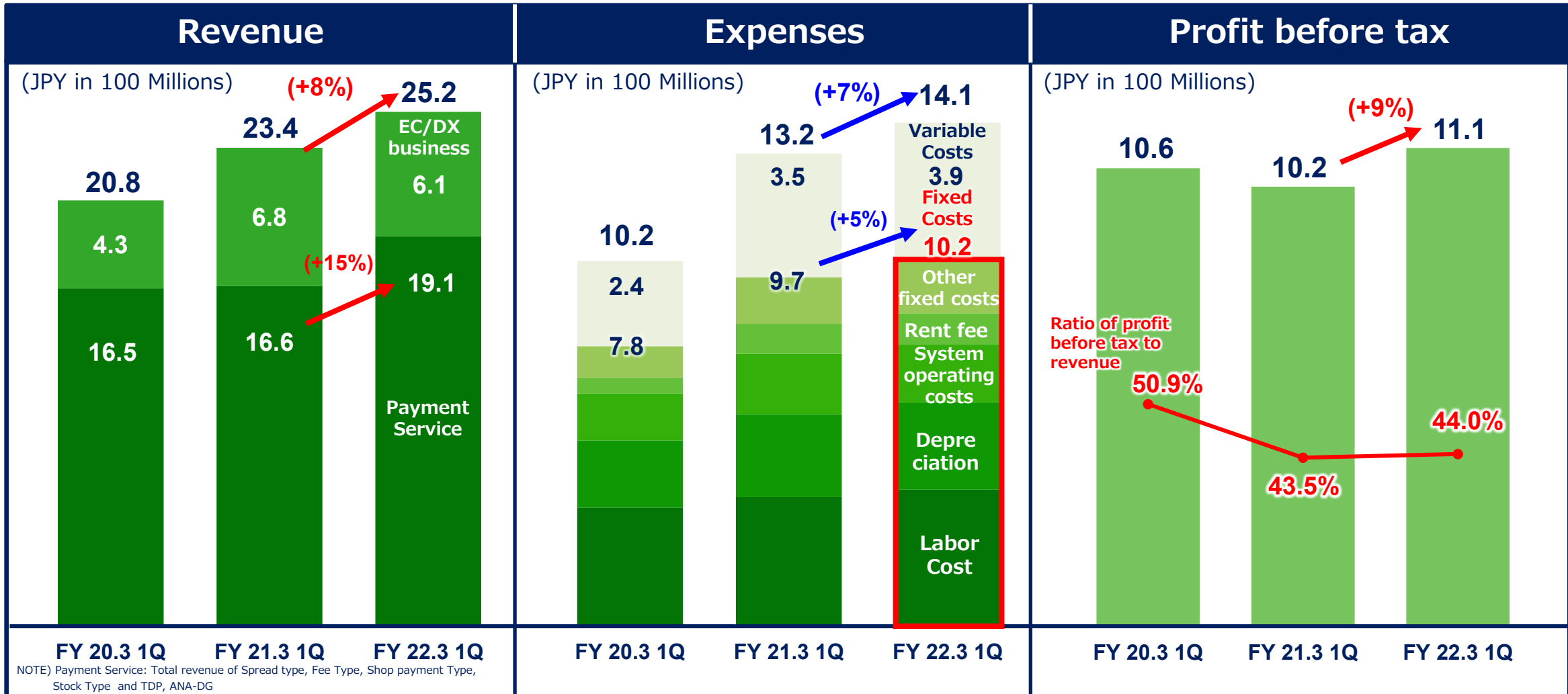
NOTE) Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.

FT Segment – Highlights (P/L)



Revenues in the mainstay Payment Service were strong, up 15% YoY, and revenues were up 8% YoY to 2.5 B JPY

~ Streamlining through consolidation of DGFT to curb rising fixed costs, Profit before tax rose 9% to 1.1 B JPY ~

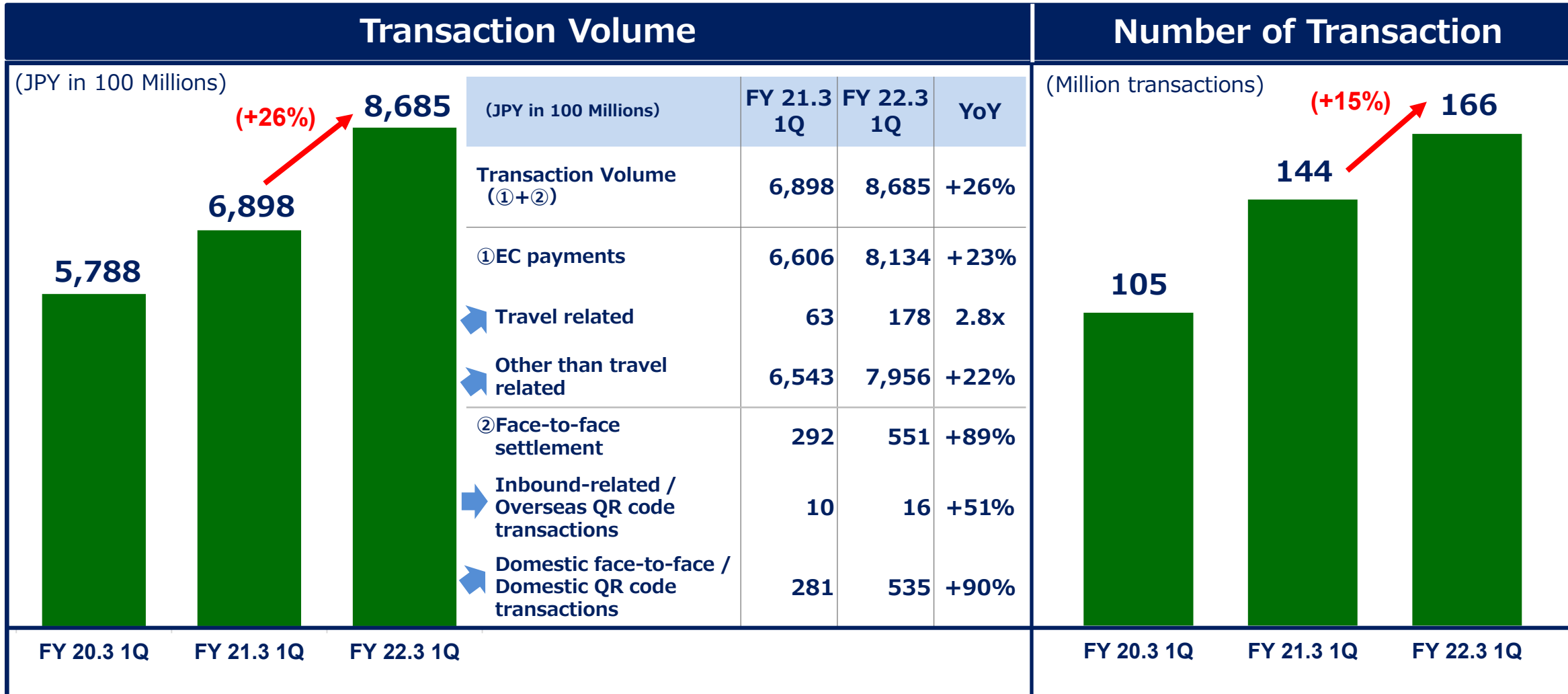


FT Segment – Highlights (KPI)










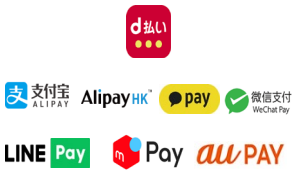
Transaction volume increased 26% YoY to 0.9 T JPY, and the number of transactions increased 15% YoY to 166 million, continuing high growth

~ EC payments rose 23% due to a recovery in travel-related transactions, while face-to-face settlement rose 89% due to strong domestic QR code transaction ~





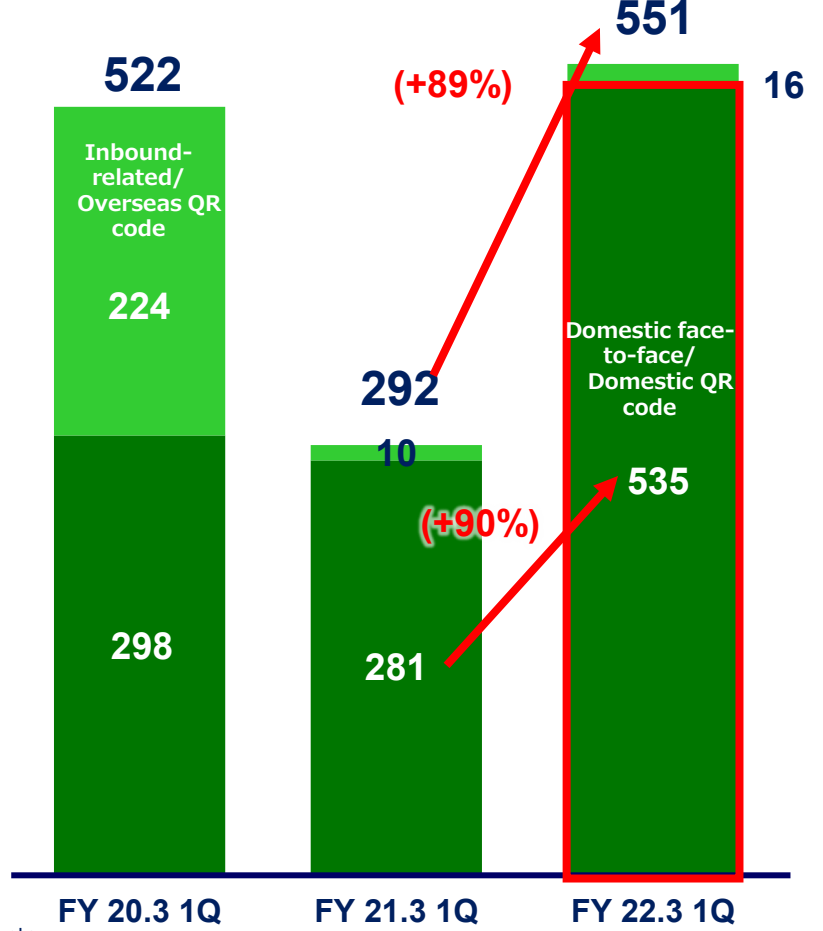
Payment Methods that Match All Store Sizes

 <p>DGFT DG Financial Technology</p>  <p>POS Register</p>	<p>Direct</p> <hr/>  <p>TDP TD Payment Corporation</p>	<ul style="list-style-type: none"> JV with Toshiba Tec Corporation, the top share company in Japan providing multi-payment solution. Introduced at major drugstores and supermarkets, etc. 	<p>Large Scale</p>
 <p>Tablet POS</p>  <p>Multi-Payment Terminal mPOS</p>	<p>OEM</p>	<ul style="list-style-type: none"> Providing multi-payment solutions (overseas QR code payments such as Alipay, WeChat Pay and domestic QR code payments including carrier-related payments and so on) for tablet POS such as Recruit Holdings Co., Ltd. Introduction of our payments to a total of 240,000 terminals for medium and large-scale customers 	<p>Medium Scale</p>
 <p>QR Code Scanning Panel Cloud Pay</p>	 <p>Cloud Pay</p> 	<ul style="list-style-type: none"> Cloud Pay (Develop consortium-type multi-QR solutions that integrate various MPM-type payments into one QR code) is focusing on small stores. Since July 2021, 6 airports, including Haneda Airport, have been offering cashless payment of customs duties and other forms of use are becoming increasingly diverse 	<p>Small Scale</p>

Transaction Volume of Face-to-face Settlement

In inbound-related / Overseas QR code transactions, although the impact of COVID-19 remains, Domestic face-to-face / Domestic QR code payments grew significantly, up 90% YoY

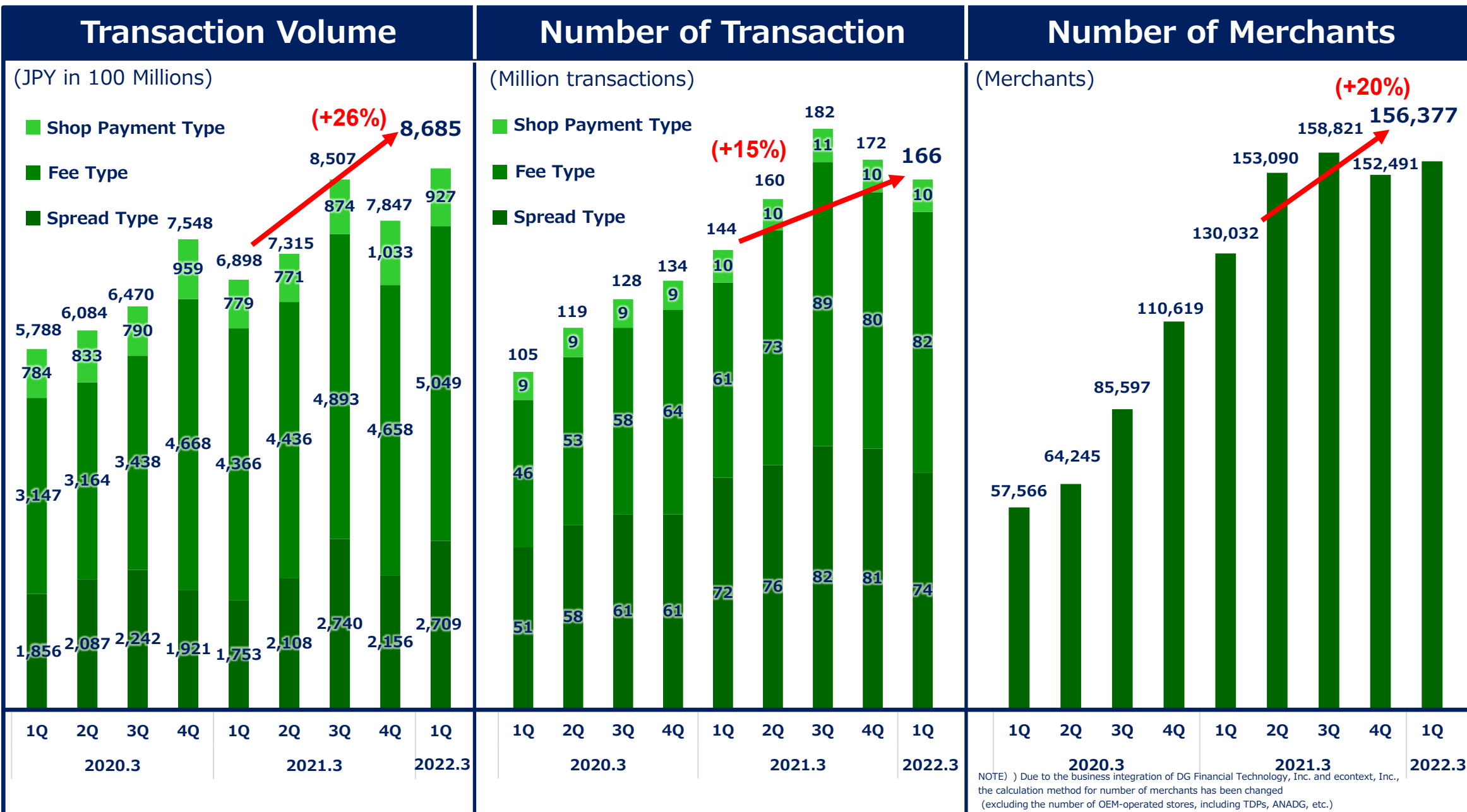
(JPY in 100 Millions)



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



FT Segment – Transaction Volume / Number of Transaction / Number of Merchants



(NOTE)) Due to the business integration of DG Financial Technology, Inc. and econtext, Inc., the calculation method for number of merchants has been changed (excluding the number of OEM-operated stores, including TDPs, ANADG, etc.)



II Marketing Technology Segment

	Revenue	Profit before tax
FY 21.3 1Q	3,335 M JPY	178 M JPY
FY 22.3 1Q	3,217 M JPY	223 M JPY

▶ Marketing Technology Company

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



▶ 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 services incorporating contextual ads, data science, etc. Also expands media consortium business



▶ CyberBuzz, Inc. (20% stake/equity method)

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



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



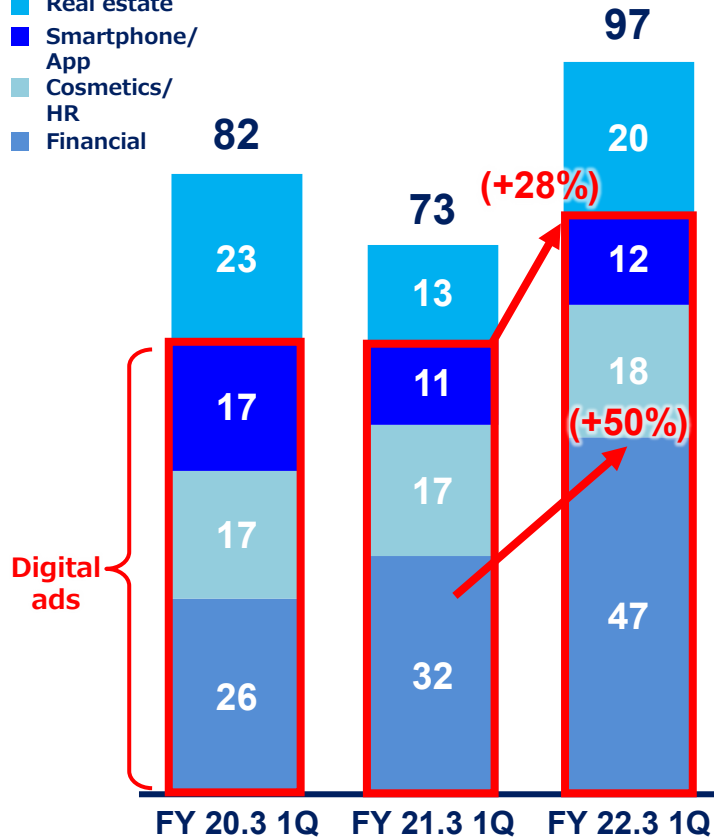
Mainstay Digital ads advertisement volume was strong, mainly in fintech related credit cards, etc.

~ Business restructuring and cost optimization such as office consolidation in the previous fiscal year proved successful, resulting in a turnaround in profits ~

Advertisement Volume

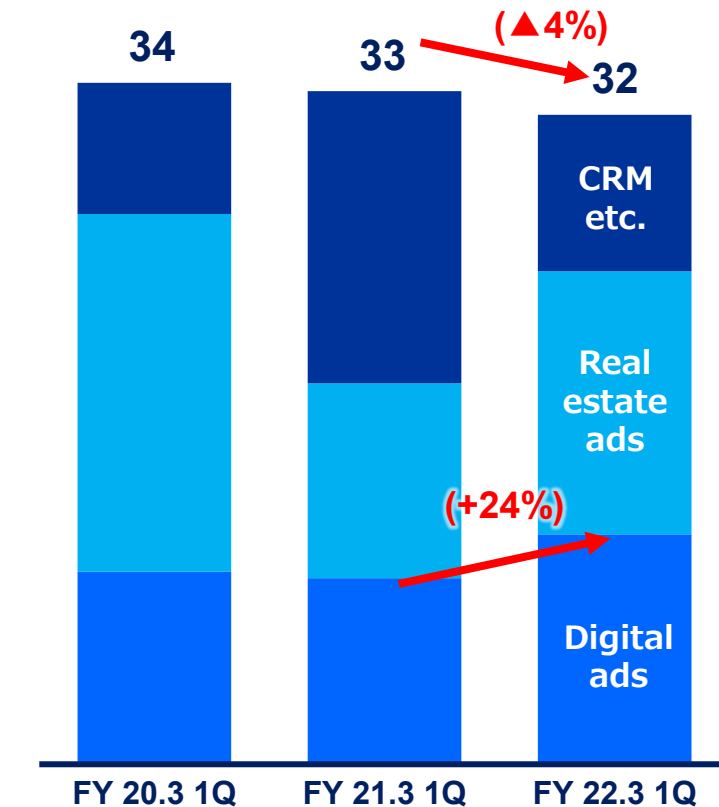
(JPY in 100 Millions)

- Real estate
- Smartphone/ App
- Cosmetics/ HR
- Financial



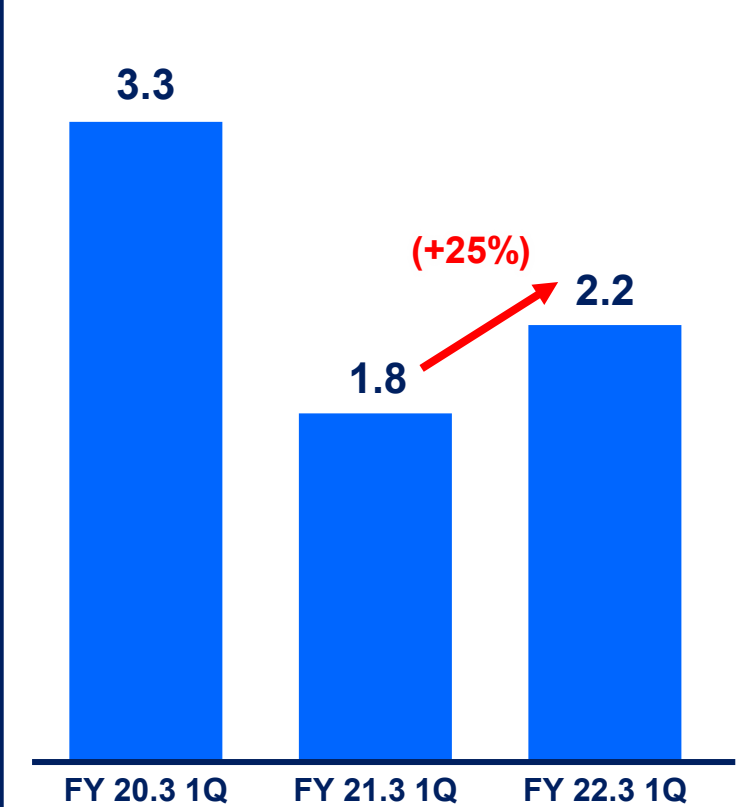
Revenue

(JPY in 100 Millions)



Profit before tax

(JPY in 100 Millions)

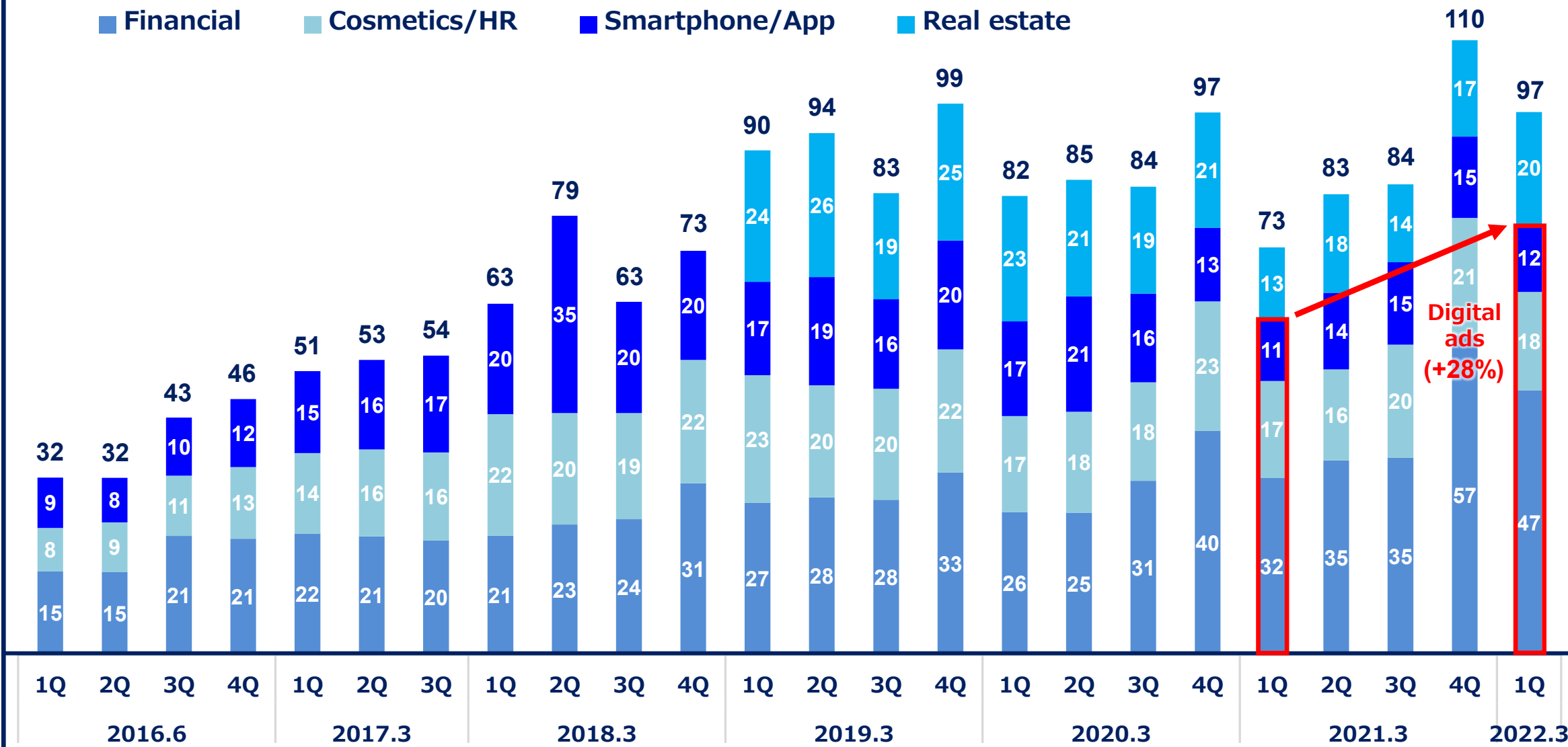




Transition of Quarterly Advertisement Volume

(JPY in 100 Millions)

■ Financial ■ Cosmetics/HR ■ Smartphone/App ■ Real estate



NOTE) FY 17.3 was the 9-month period, due to a change of the fiscal year end. Made DG Communications Co., Ltd. a consolidated subsidiary from FY 19.3



III Incubation Technology Segment

	Revenue	Profit before tax
FY 21.3 1Q	389 M JPY	72 M JPY
FY 22.3 1Q	4,015 M JPY	3,636 M JPY

▶ DG Ventures Inc.

Invests in and incubates cutting-edge internet startups

Number of invested companies : 224

Fair value end of Jun. 2021 : 42.4 B JPY



▶ Open Network Lab, Inc.

Seed Accelerator Program in progress in the 23rd term

Number of support companies (accumulation) : Over 150

Funding ratio : 58.2%



▶ DG Incubation, Inc.

Supports startups that challenge the world through incubation and fund management

Hamagin DG Innovation Fund : 3 B JPY

Open Network Lab & ESG I Investment Limited Partnership : Onboarding



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

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

DG Lab Fund I : 6.8 B JPY

DG Lab Fund II : 12.5 B JPY



▶ Digital Garage US, Inc.

The US-based global strategy headquarters



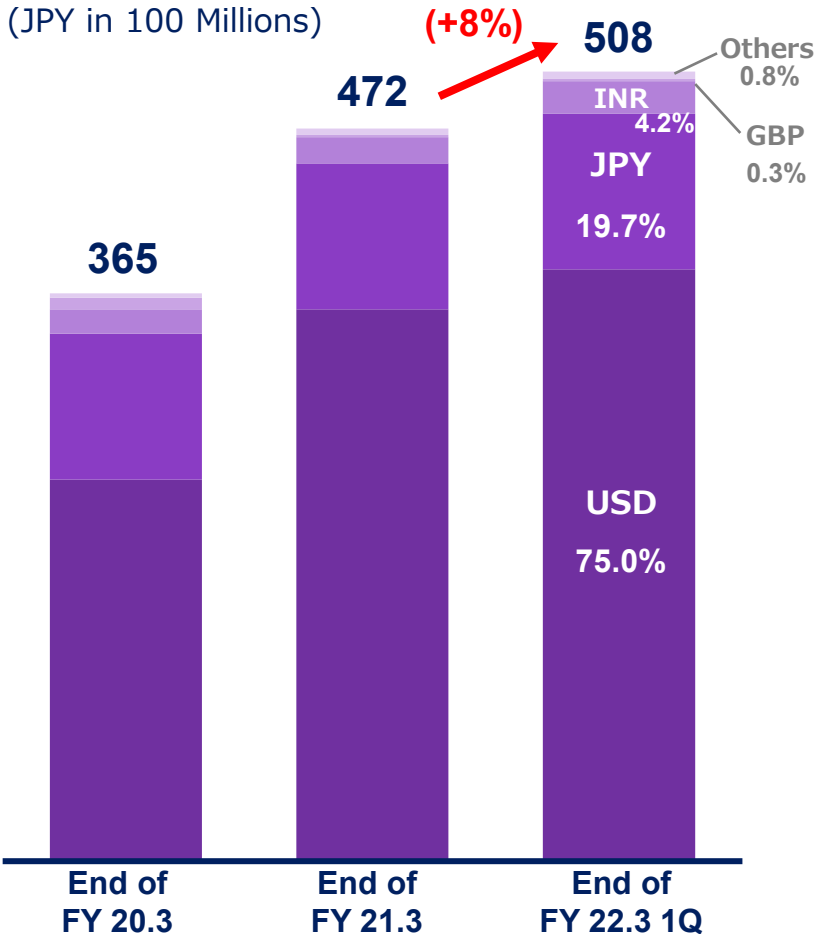
NOTE) Revenue here shows revenue from external customers. Profit before tax is before elimination of intersegment transaction.

IT Segment – Highlights

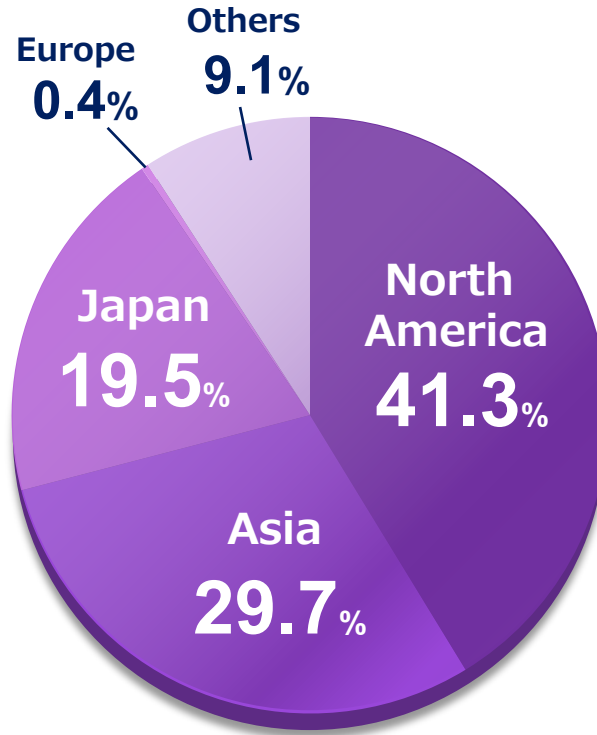


Carefully selected and invested in promising projects in North America, Asia, and Japan.
Fair value increased 8% to 50.8 B JPY from the end of the previous fiscal year
 ~ 2.2 B JPY Gain on sales including Coinbase, listed on Nasdaq ~

Operational Investment Securities (Ratio by Currencies)

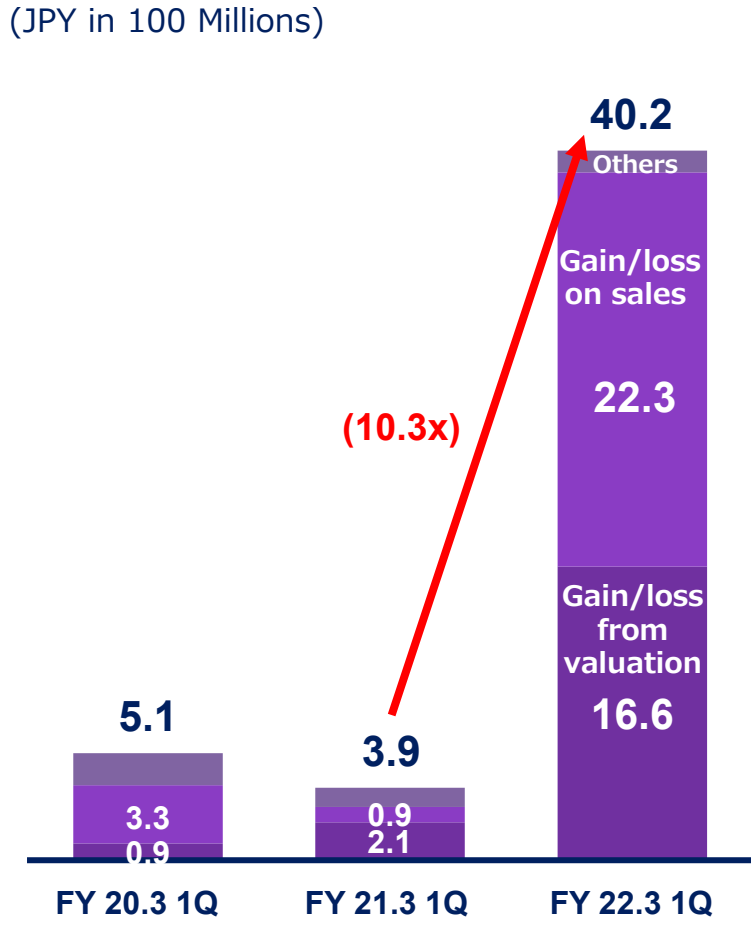


Portfolio by Regions



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

Revenue





Growth in promising investments for FinTech/DX in the era of COVID-19 in Japan, Asia, and North America. Listing and Exiting portfolio companies progress steadily

Japan

Implemented investments in IPO reserve groups of leading domestic companies

Idein
[Japan] 2.2% Stake  **Idein Inc.**

Realizes faster in-depth learning inference on inexpensive general-purpose devices, develops edge AI platforms using such technologies, and provides services to developers and business companies that develop, introduce, and utilize AI/IoT systems

Monokabu
[Japan] 7.8% Stake 

Manages one of the largest sneaker- and high-end fashion-specialized CtoC marketplaces in Japan. Provides the app "Monokabu" using *itayose* trading method for sneakers and apparels

AGE technologies
[Japan] 13.4% Stake  **AGE technologies**

A startup, participated in the 18th Open Network Lab Seed Accelerator Program, that aims to solve "inheritance procedure" issue with DX. Offers a service "Sozoku.com" that enables to go through the inheritance procedures 100% online

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

Asia

Investing in prominent companies in Vietnam, India, Indonesia, etc. Forming SPACs may be expected

Droom Technology
[India] 3.2% Stake 

Operates Droom, India's largest automotive buying and selling online marketplace

Expedient Healthcare Marketing
[India] 11.3% Stake 

Offers an online health check service with no need to go out, such as online appointment, at-home blood collecting, and online receiving of health check results

NoBroker Technologies Solutions
[India] 1.8% Stake  **NOBROKER.COM**TM


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

Tokopedia
[Indonesia] 0.3% Stake 

Indonesia's largest online marketplace

North America

Invest in Unicorns and potential-Unicorns, mainly in DX/FinTech

MX Technologies
[US] 3.2% Stake 

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

ThredUp  **THREDUP**TM
[US] 0.6% Stake 

The world's largest fashion resale platform, inspiring a new generation to think secondhand first

indie Semiconductor  **indie**^{SEMICONDUCTOR}
[US] 1.4% Stake 

Provides automotive semiconductors and software platforms

Coinbase  **coinbase**
[US] Exited after listing 

The largest cryptocurrency exchange in the US. Provides various services to more than 100 countries

Blockstream
[US] 8.4% Stake  **Blockstream**

Developed Sidechain, a technology for using Blockchain, Bitcoin's core technology, in various applications



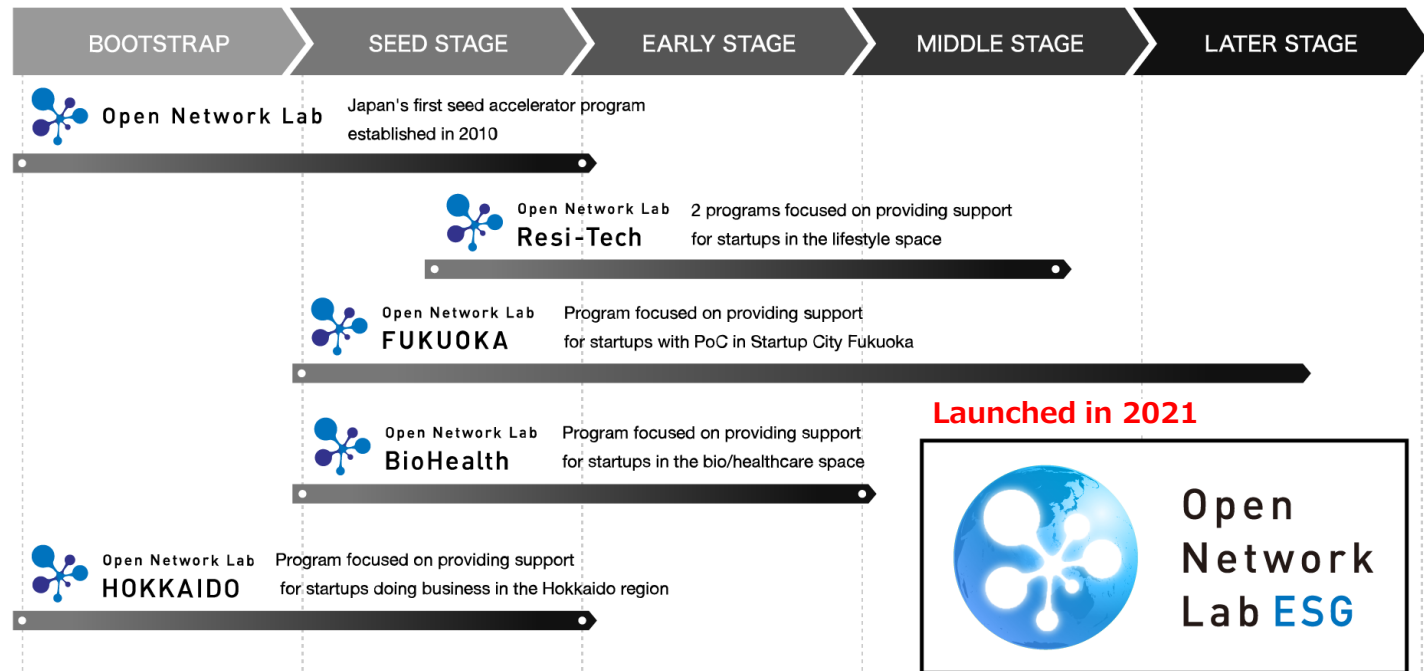
Established Open Network Lab & ESG I “Earthshot Fund” for Onlab participants and startups in the ESG field

~ Reinforce follow investments utilizing the fund and promote ESG investments ~

<Outline of this fund>

Fund name	Earthshot Fund (Name: “Open Network Lab & ESG I Investment Limited Partnership”)
Operator	DG Incubation, Inc.
Operation period	10 years
Application closed (expected)	End of December 2021
Investees	This fund will invest in promising startups in Japan and abroad—focusing on Onlab participants (including those that have applied and selected) and companies related to the ESG field—and provide follow investments to investees with high potential for growth.

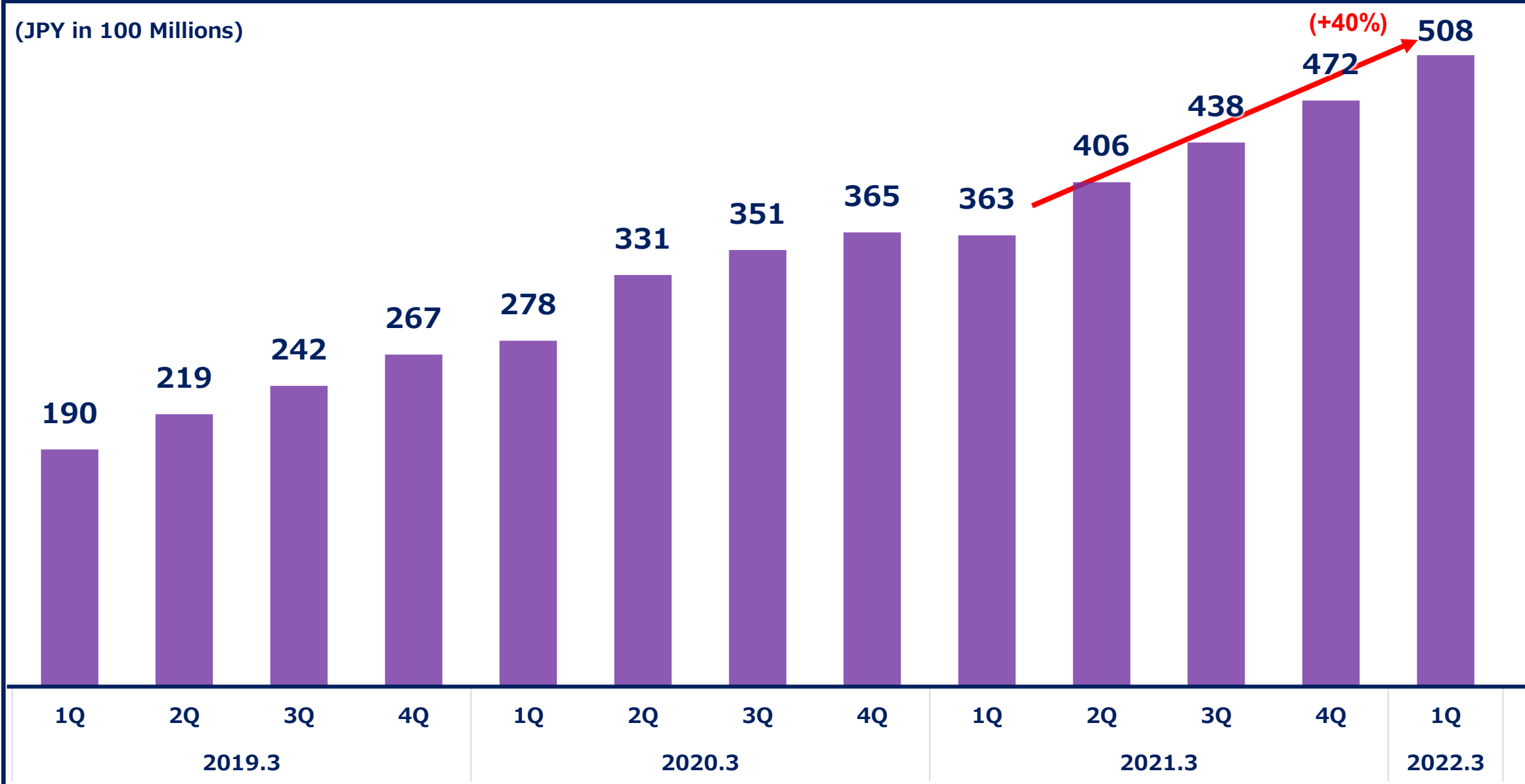
- ✓ Take advantage of Onlab’s investment, support resources and expertise for seed and early-stage startups, as well as its startup network in the ESG field, to carry out investment activities





Balance of Operating Investment Securities

(JPY in 100 Millions)





IV Long-Term Incubation Segment

	Revenue	Profit before tax
FY 21.3 1Q	801 M JPY	120 M JPY
FY 22.3 1Q	1,034 M JPY	599 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.

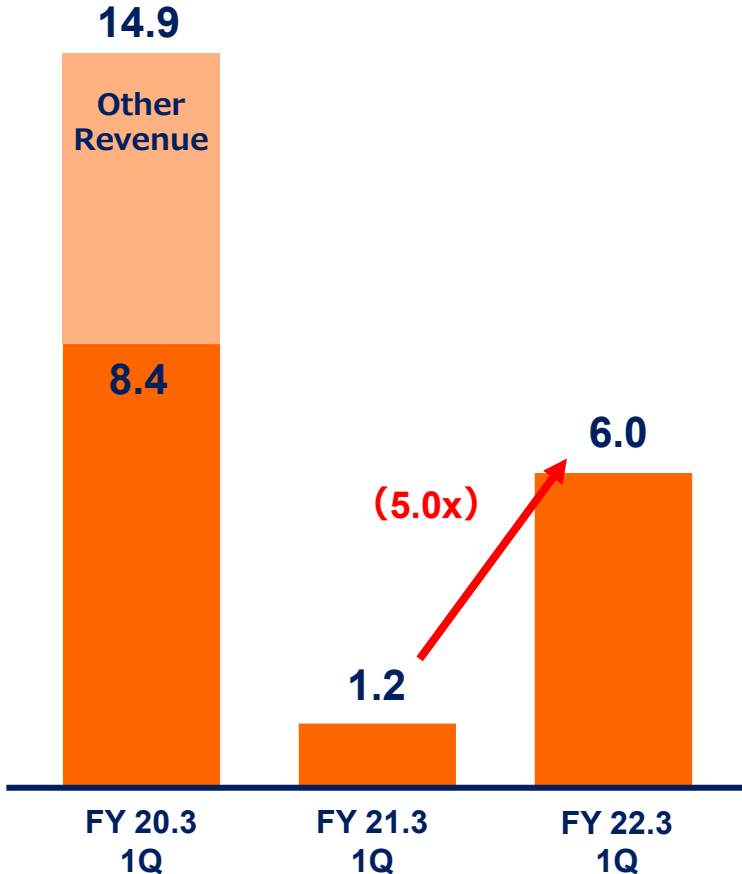


LTI segment's core business, Kakaku.com, recovered from COVID-19 impact. Steady progress in strategic businesses under development

~ Kakaku.com's profits were affected by COVID-19, mainly due to the impact of restaurant and travel-related businesses, but EC and job information websites remained firm. Businesses in Crypto asset are making progress toward operation ~

Profit Before Tax

(JPY in 100 Millions)

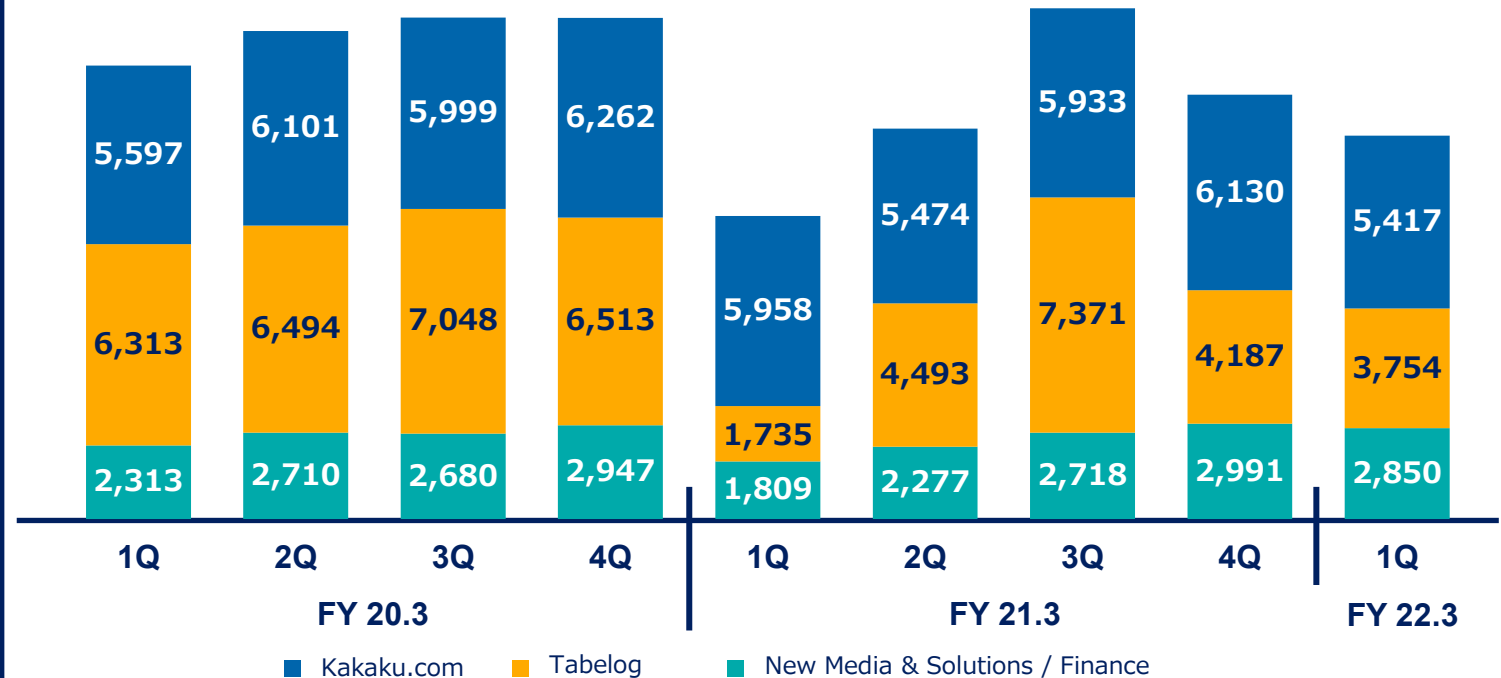


Business Progress of Kakaku.com, Inc.

【Quarterly Consolidated Revenue for Kakaku.com Group】 Consolidated revenue YoY +26.5%

(JPY Million)

Ref. kakaku.com, Inc. Results Briefing for FY 22.3 1Q





Crypto Garage

Full-fledged use by domestic and overseas high-quality crypto asset operators will start to build next-generation global financial infrastructures, full-scale operation expected on 3Q

Completed registration as a Crypto Asset Exchange Service Provider to offer new services for institutional crypto markets

Crypto Garage's Business Model

- DvP payment services for inter-corporate transactions
- Demand for exchange coverage is expected to increase in line with the expansion of the scale of distribution



Crypto Asset Exchange Service Provider Registration

Jurisdiction	Kanto Local Finance Bureau
Registration number	Kanto Local Finance Bureau Chief 00029
Date of registration	June 29, 2021
Crypt asset exchange service provider name	Crypto Garage, Inc.
Crypt assets handled	L-BTC

- Number of participants in Bitcoin Side Chain (Liquid Network) operated by Blockstream, an investee of Digital Garage, goes up to 59 companies
- Bitcoin Mining by Blockstream leads as its core business

- The first crypto asset exchange service provider in Japan to handle L-BTC, Bitcoin on the "Liquid Network", a sidechain-based settlement network
- Plans to launch settlement solutions and brokerage services between Japanese crypto asset exchange operators and overseas OTC operators with the aim of providing trade execution and reducing settlement risk

Appendix





Category 1	Category 2	Definition	Description	Profit Structure
Spread Type	PSP* Business *Payment Service Provider	✓ Payment such as credit card payment, which are fees that are based on <u>the payment amount</u>	EC payments, face-to-face settlements, etc. Representative contract: stands in between merchants and credit card companies as a collection agency	Payment amount × take rate ※ Take rate depends on the types of payments and merchants' products.
Fee Type		✓ Payment in which fees are paid according <u>to the number of transaction, mainly data processing etc.</u>	EC payments, face-to-face settlements, etc. Direct contract: Provides software and transaction management systems for auto payment processing.	Number of transaction × unit price
Shop Payment Type		✓ Payment settlement by convenience store terminal	Payment for EC purchases, online tickets, etc. at convenience stores ※Provides to domestic PSP competitors and merchants	Number of transaction × unit price
Stock Type		✓ Fixed income generated by fixed monthly amount such as monthly basic fee, OEM offer fee, and operation fee for payment system	Fixed monthly fee for the service by merchants, regardless of the payment method	Active merchants × fixed monthly amount
EC/DX Business		EC/DX Business	✓ Revenues from fraud detection service, refund remittance service, payment peripheral businesses such as EC optimization services, and shares of profits of (three) investments accounted for using equity method	Revenues from investments accounted for using equity method and businesses other than payment services
	✓ Revenue of NaviPlus Co., Ltd. ✓ Revenue of fraud detection system, etc.			
				✓ CASH POST, post-settlement payments, equity-method investment profits (SCORE), etc.

Financial Results: Consolidated PL (IFRS)



JPY in Millions	FY18.3 Result	FY19.3 Result	FY20.3 Result	FY21.3 Result
■ Continuing operations				
Revenue	25,503	35,687	36,936	40,478
Revenue in recurring business	18,141	22,713	26,687	24,945
Revenue in operational investment securities	1,007	6,090	4,020	11,031
Other income	2,111	1,933	2,416	1,949
Finance income	764	117	93	59
Share of profit of investments accounted for using equity method	3,481	4,835	3,720	2,495
Expenses	17,127	22,264	26,929	26,161
Cost of sales	7,187	10,401	12,036	10,697
Selling, general and administrative expenses	9,095	11,296	14,022	14,537
Other expenses	542	332	492	617
Finance costs	303	235	379	311
Profit before tax	8,376	13,424	10,008	14,317
Income tax expense	1,857	4,088	2,677	4,798
Profit from continuing operations	6,518	9,336	7,331	9,518
■ 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	9,518
Owners of parent	6,412	9,771	7,420	9,786
Non-controlling interests	-75	19	-89	-267



Financial Results: Consolidated PL by Segments (IFRS)



JPY in Millions	FY18.3 Result	FY19.3 Result	FY20.3 Result	FY21.3 Result
Revenue	25,503	35,687	36,936	40,478
Financial Technology	5,929	7,447	8,609	9,666
Marketing Technology	9,939	12,922	15,375	13,049
Incubation Technology	2,553	8,022	4,868	11,482
Long-term Incubation	6,301	7,133	7,929	5,931
Others/Adjustments and Eliminations	781	164	155	351
Profit before tax	8,376	13,424	10,008	14,317
Financial Technology	2,809	3,349	4,049	4,118
Marketing Technology	1,856	1,215	1,853	735
Incubation Technology	1,321	6,889	3,563	10,264
Long-term Incubation	3,621	4,378	4,701	2,653
Others/Adjustments and Eliminations	-1,231	-2,408	-4,158	-3,452

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



Digital Garage

Please note that the business forecasts and strategies covered in today's presentation are based on our current evaluation and future results may vary significantly depending on unforeseeable events or circumstances. This announcement is solely for the purpose of the investors relationship and is not for making any solicitation for investment in any securities. This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any securities of our consolidated subsidiaries have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements.



DECENTRALIZED SMART ECOSYSTEMS



Pongaea

we are one

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

Digital Garage, Inc.

**1Q of FYE March 31, 2022 Financial Report
~ Supplementary Explanatory Material ~**



Digital Garage

2021.8.13

Transition of Quarterly Revenue and Profit Before Tax

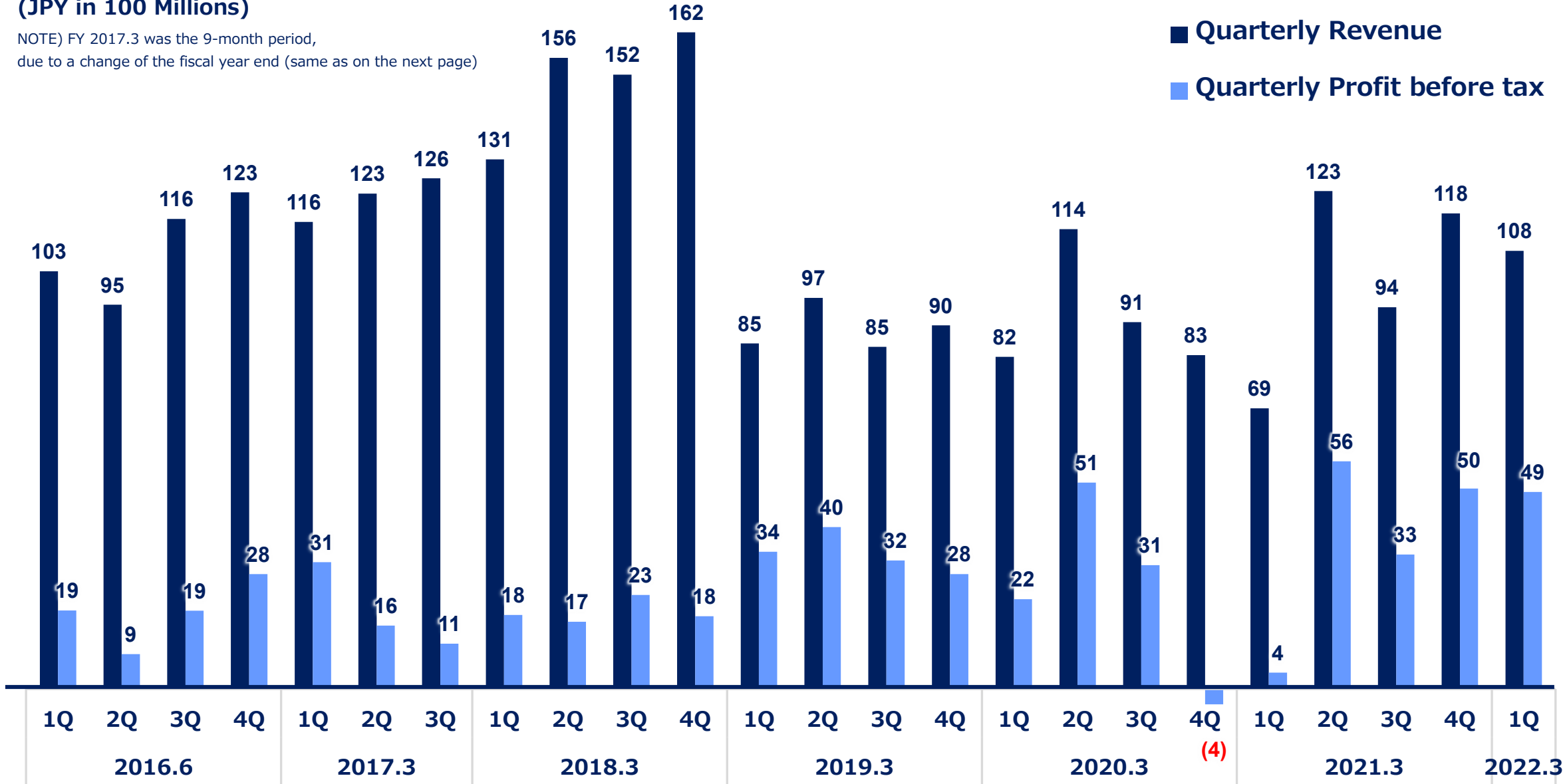


← JGAAP → ← IFRS →

(JPY in 100 Millions)

NOTE) FY 2017.3 was the 9-month period, due to a change of the fiscal year end (same as on the next page)

■ Quarterly Revenue
■ Quarterly Profit before tax



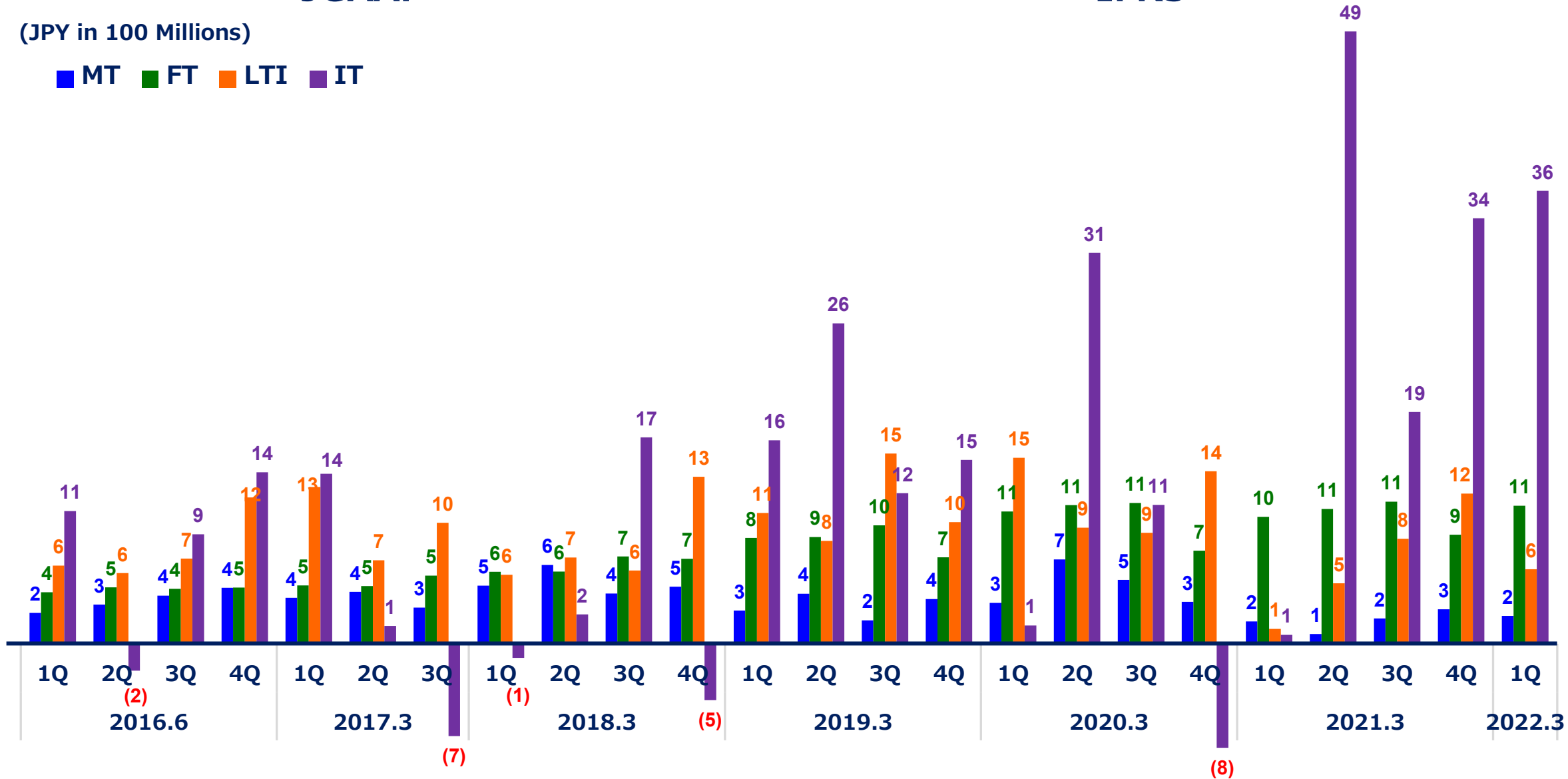
Transition of Quarterly Profit Before Tax by Segments



← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ MT ■ FT ■ LTI ■ IT

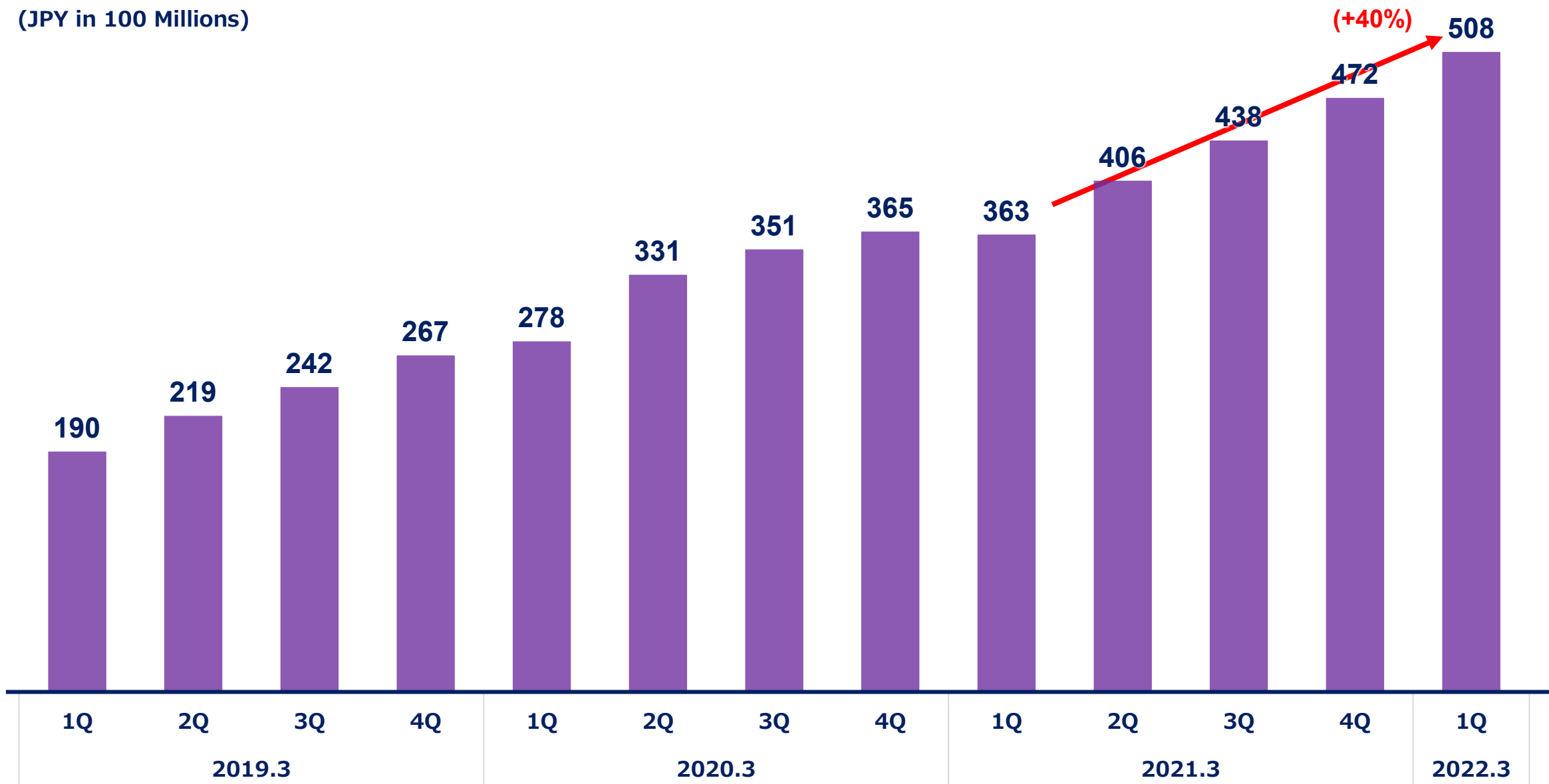




Transition of Quarterly Balance of Operating Investment Securities



(JPY in 100 Millions)



FT Segment





FT Segment – Revenue of PSP Business

- In the Payment Service Provider (PSP), payments received by consumers through credit card companies and convenience stores, etc. are delivered to EC operators, etc., which are PSP's clients
- The net amount of fees received from clients less fees paid to Credit Card companies, etc. is recorded as revenue



JGAAP	Sales = Fees received from clients	Cost of sales = Fees paid to Credit Card Company etc.	Gross profit = Fees received from clients – Fees paid to Credit Card Company etc.
IFRS	Revenue = Fees received from clients – Fees paid to Credit Card Company etc.		JGAAP Gross Profit ≡ IFRS Revenue

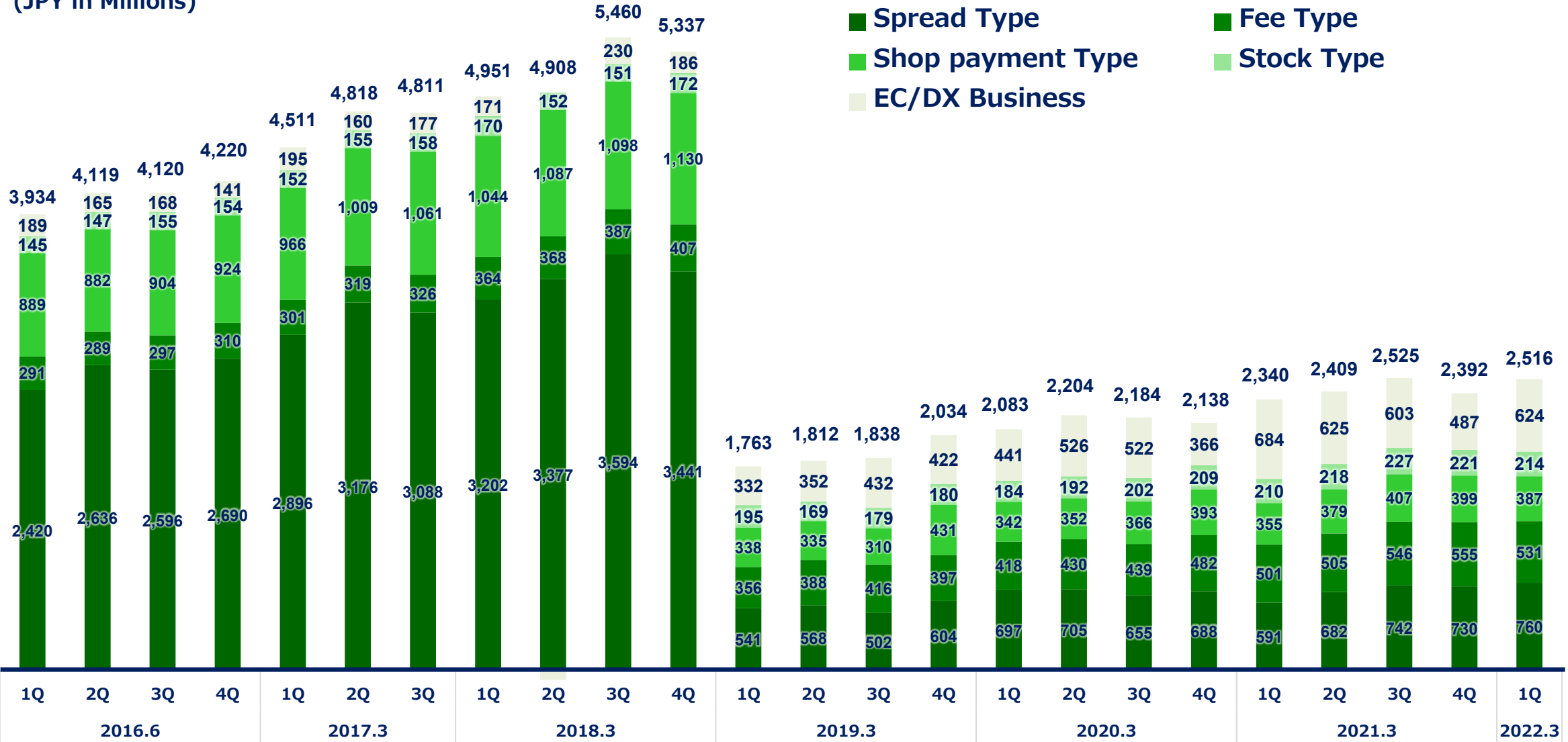


FT Segment - Transition of Quarterly Revenue (Category 1)



← JGAAP → ← IFRS →

(JPY in Millions)

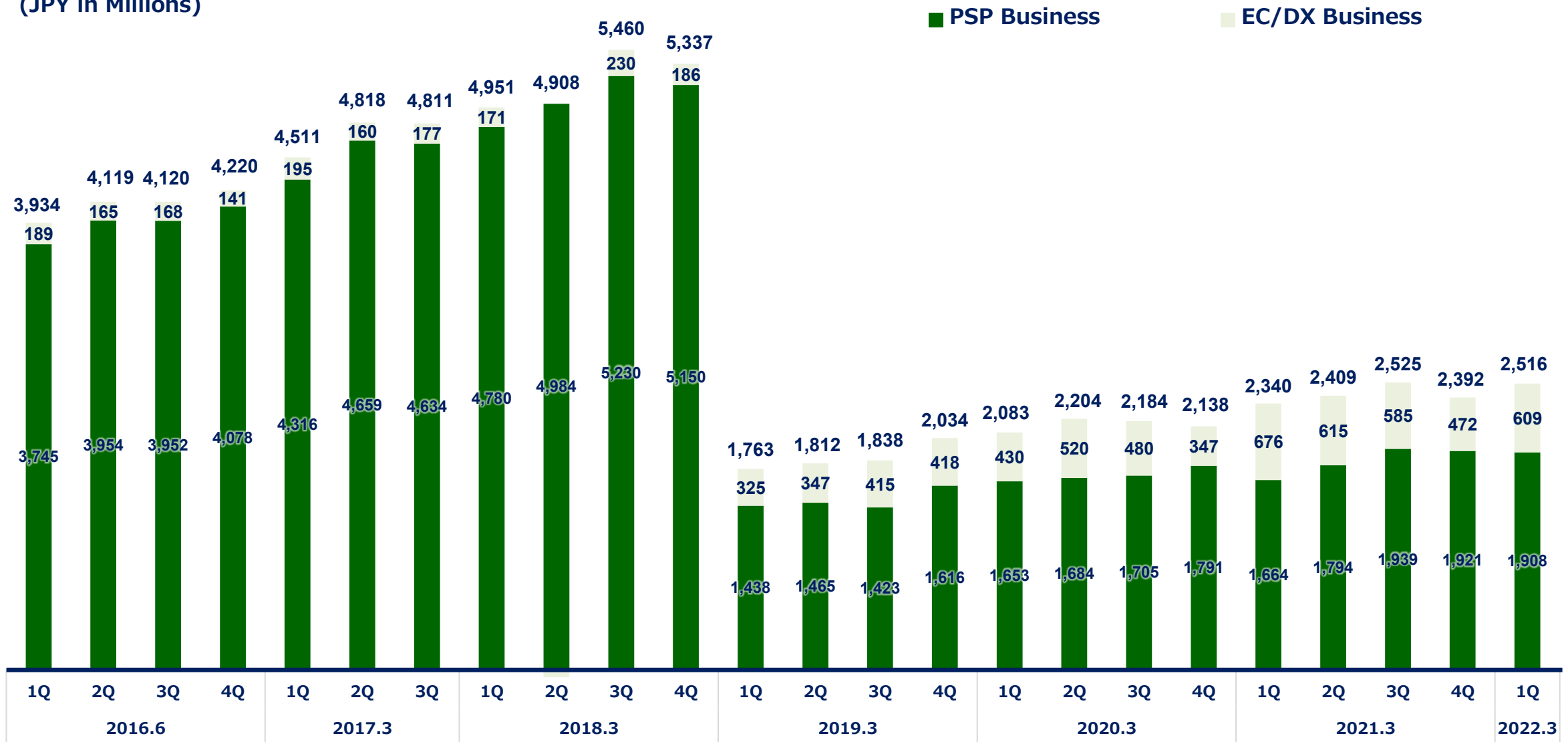


FT Segment - Transition of Quarterly Revenue (Category 2)



← JGAAP → ← IFRS →

(JPY in Millions)

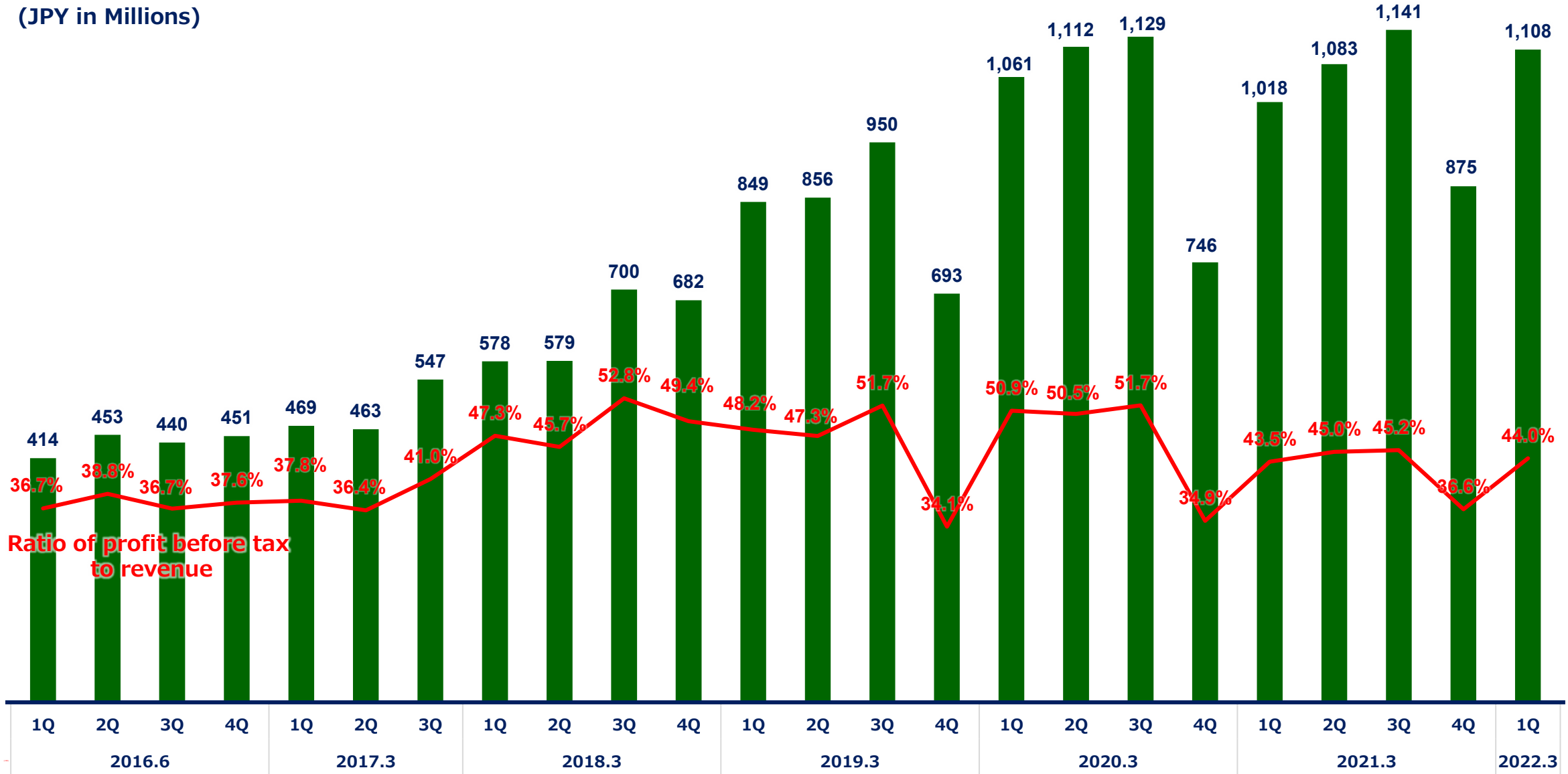


FT Segment - Transition of Quarterly Profit Before Tax and Ratio of Profit Before Tax to Revenue



← JGAAP → ← IFRS →

(JPY in Millions)



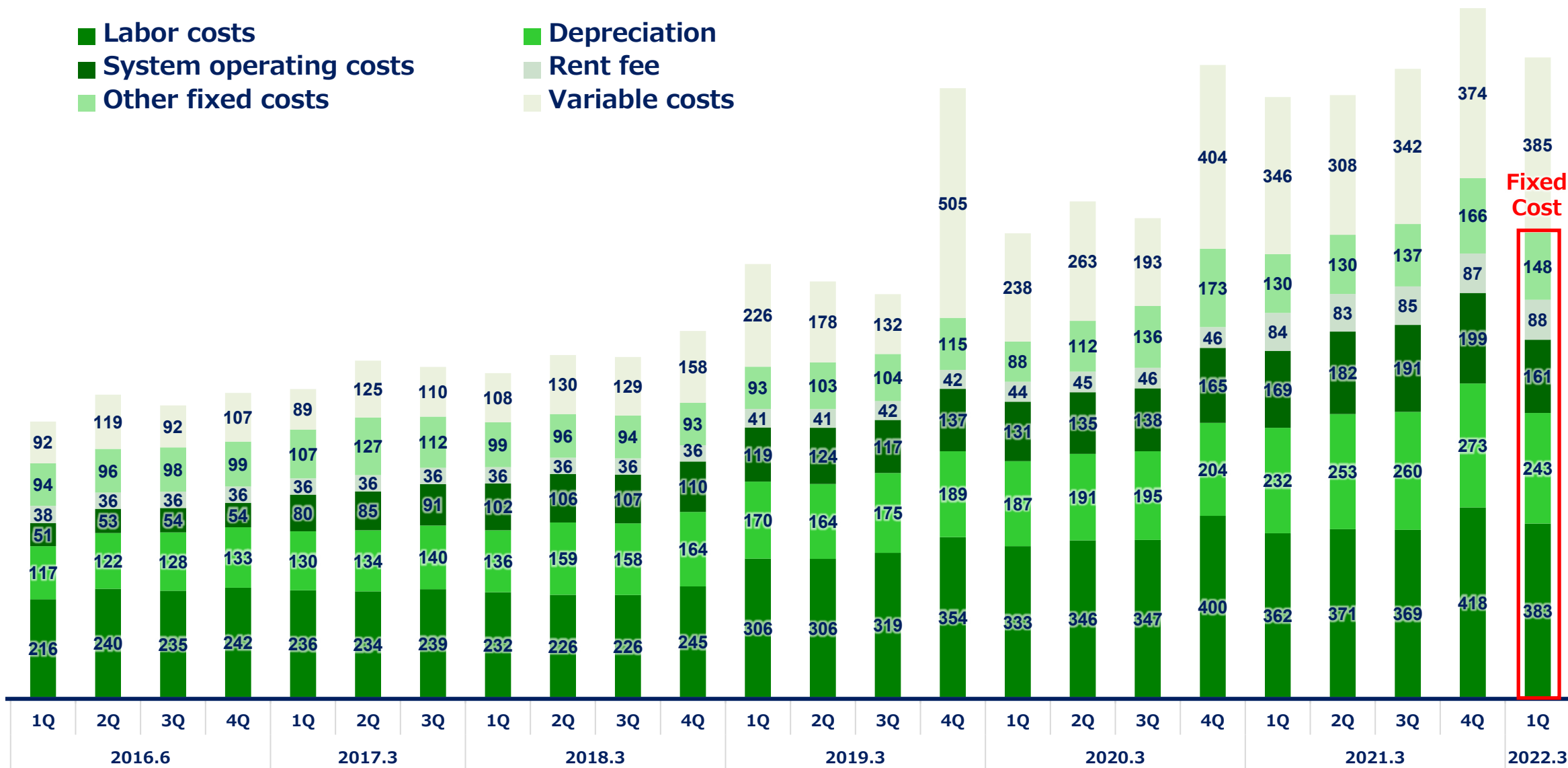
NOTE) Figures from FY 2016.6 to FY 2018.3 are calculated by subtracting the cost directly from sales, and taking sales as revenues

FT Segment - Transition of Quarterly Costs



(JPY in Millions)

- Labor costs
- System operating costs
- Other fixed costs
- Depreciation
- Rent fee
- Variable costs



Fixed Cost



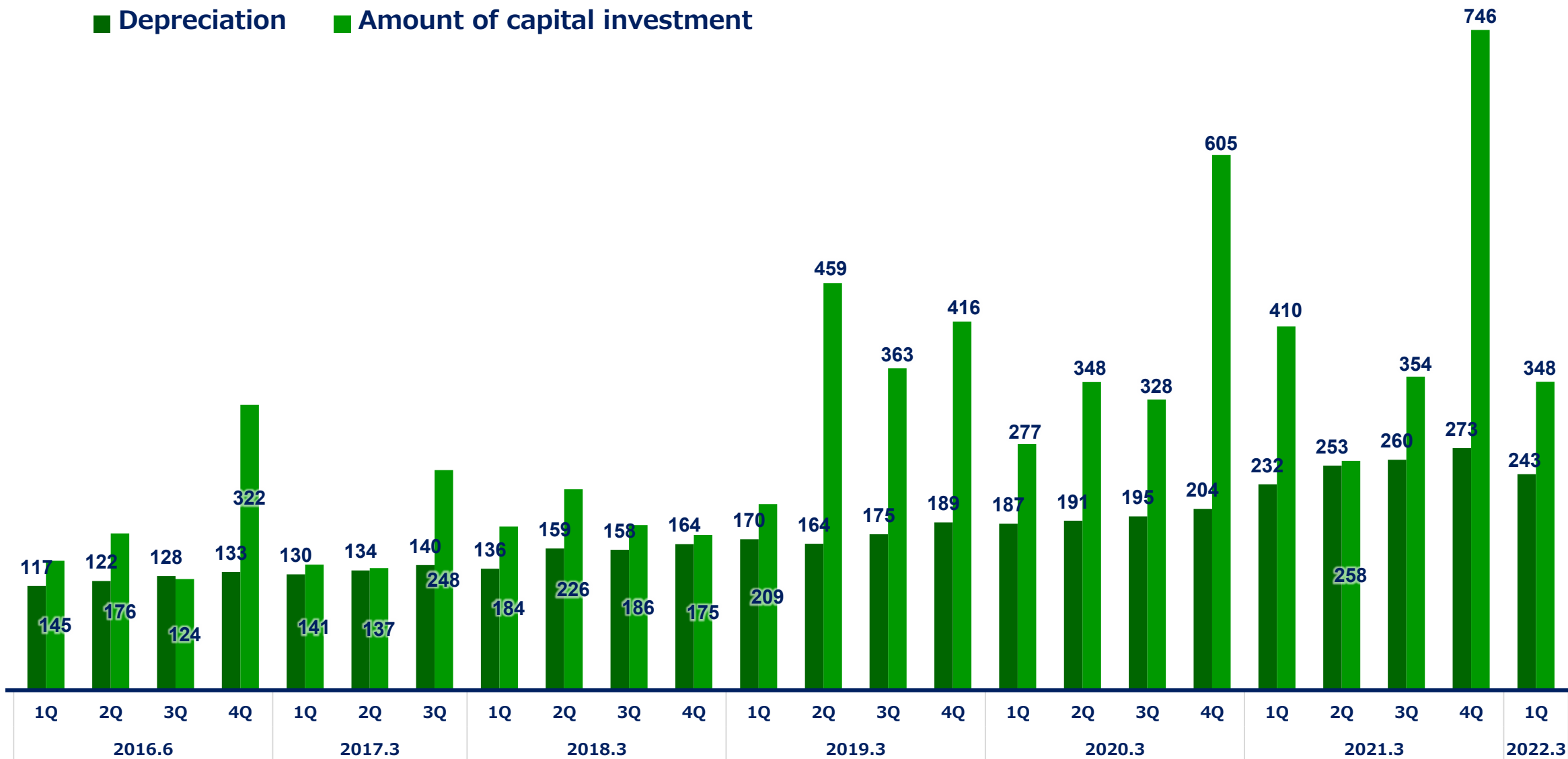


FT Segment - Transition of Quarterly Amount of Capital Investment and Depreciation



(JPY in Millions)

■ Depreciation ■ Amount of capital investment



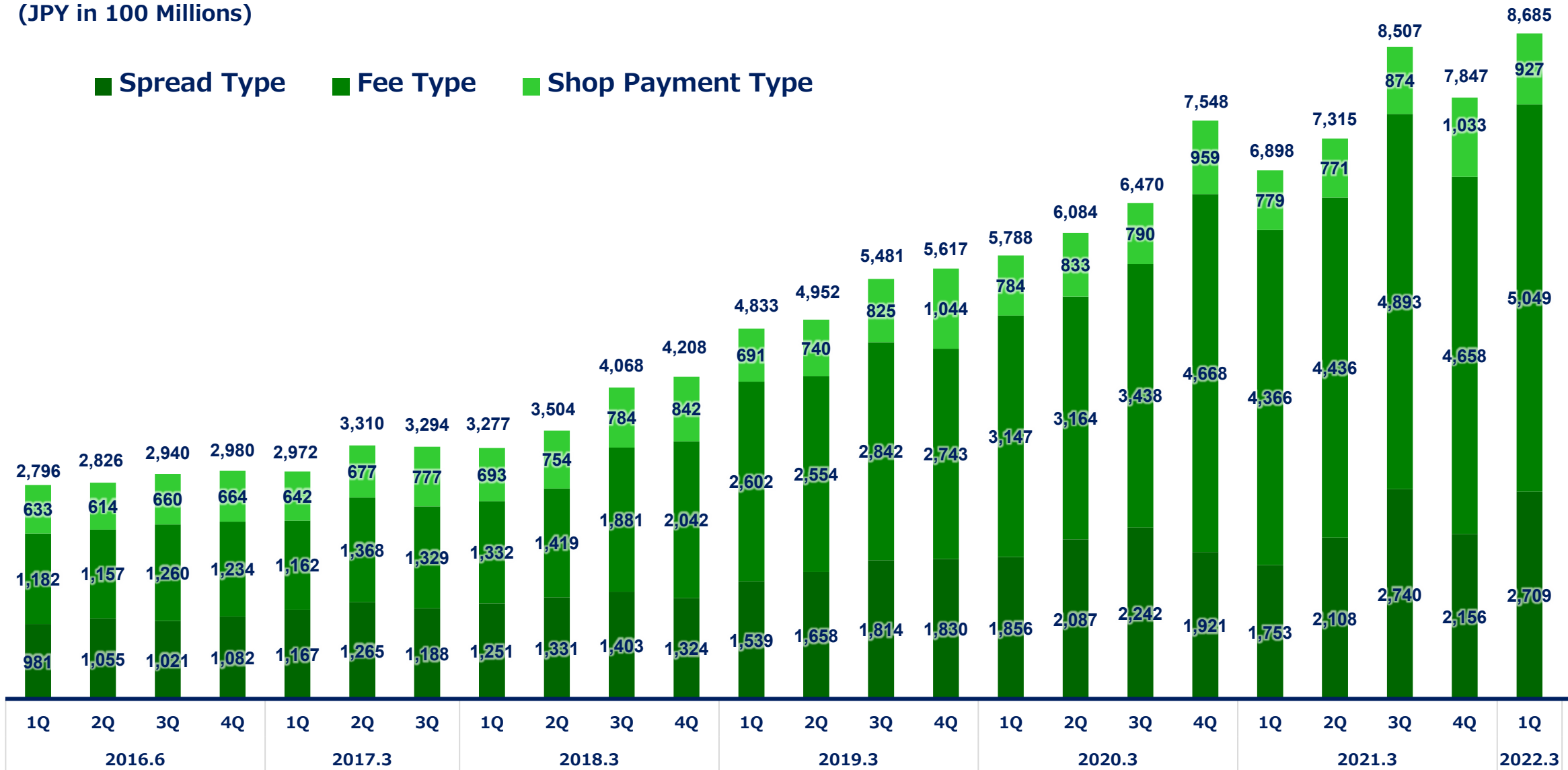


FT Segment - Transition of Quarterly Transaction Volume



(JPY in 100 Millions)

■ Spread Type ■ Fee Type ■ Shop Payment Type

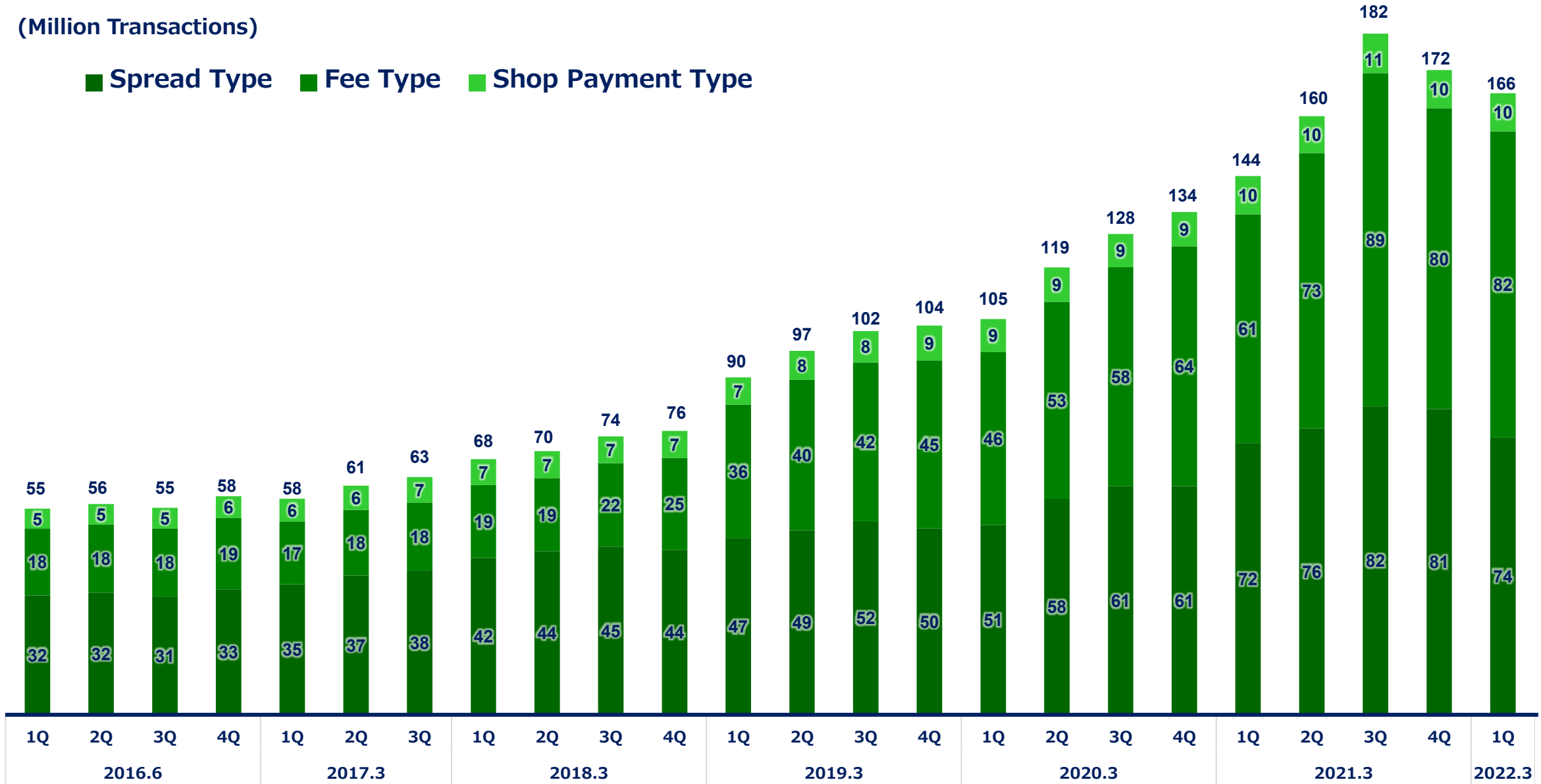


FT Segment - Transition of Quarterly Number of Transaction



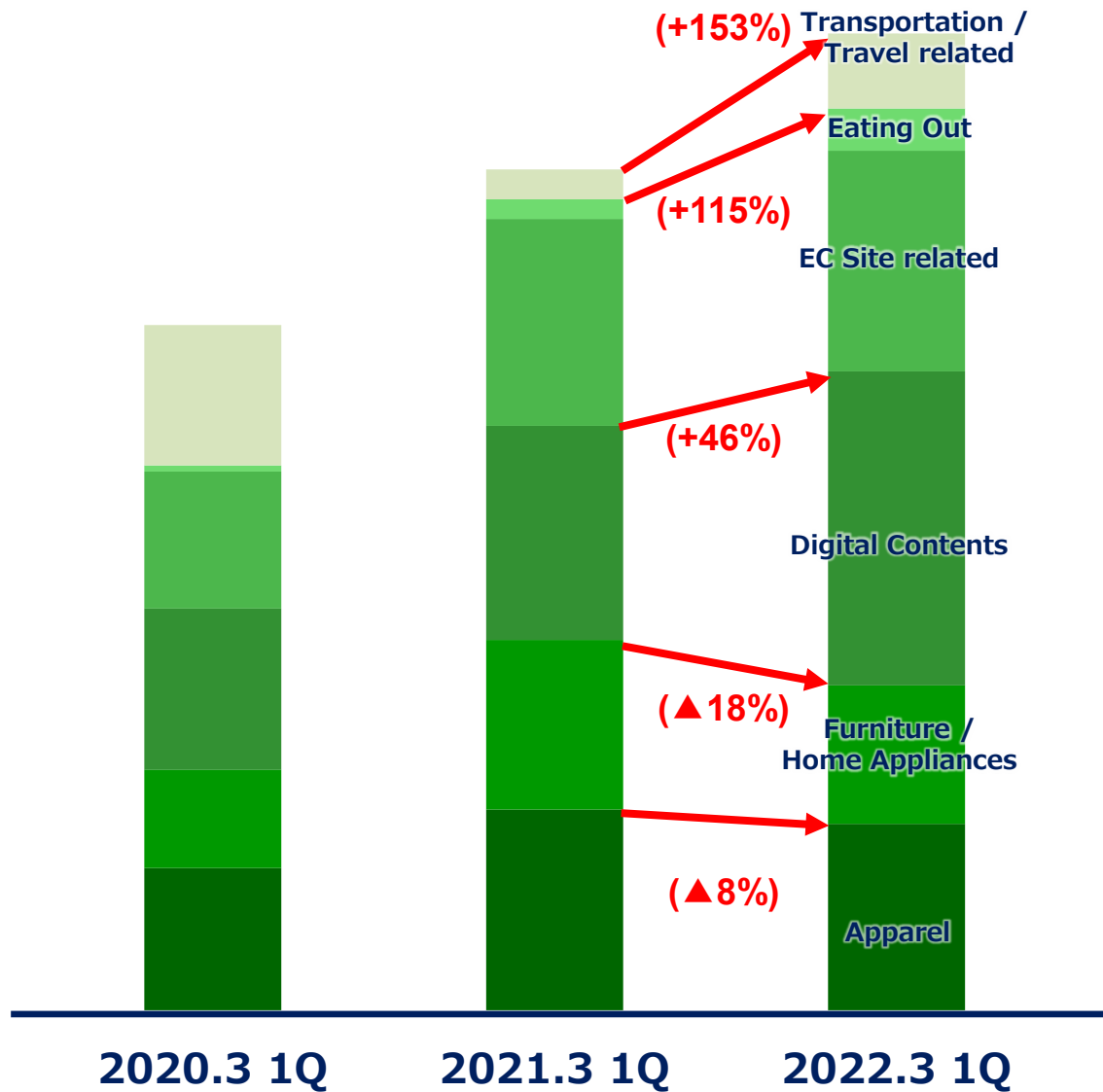
(Million Transactions)

■ Spread Type ■ Fee Type ■ Shop Payment Type





Increase / Decrease of Transaction Volume by Major Industry



Industry	YoY
Transaction Volume	+26%
Transportation / Travel related	+153%
Eating Out	+115%
Digital Contents	+46%
Other Industries	+29%
EC Site related	+7%
Apparel	▲8%
Furniture / Home Appliances	▲18%

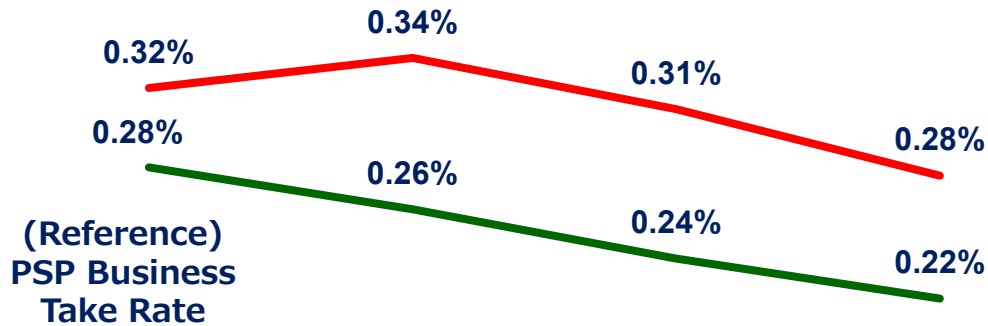
NOTE) Created from FT Segment's major business partners.
Total of EC payment and face-to-face payment

FT Segment - Transition of Take Rate and Unit Price



Take Rate (Spread Type)

Spread Type
Take Rate



2019.3

2020.3

2021.3

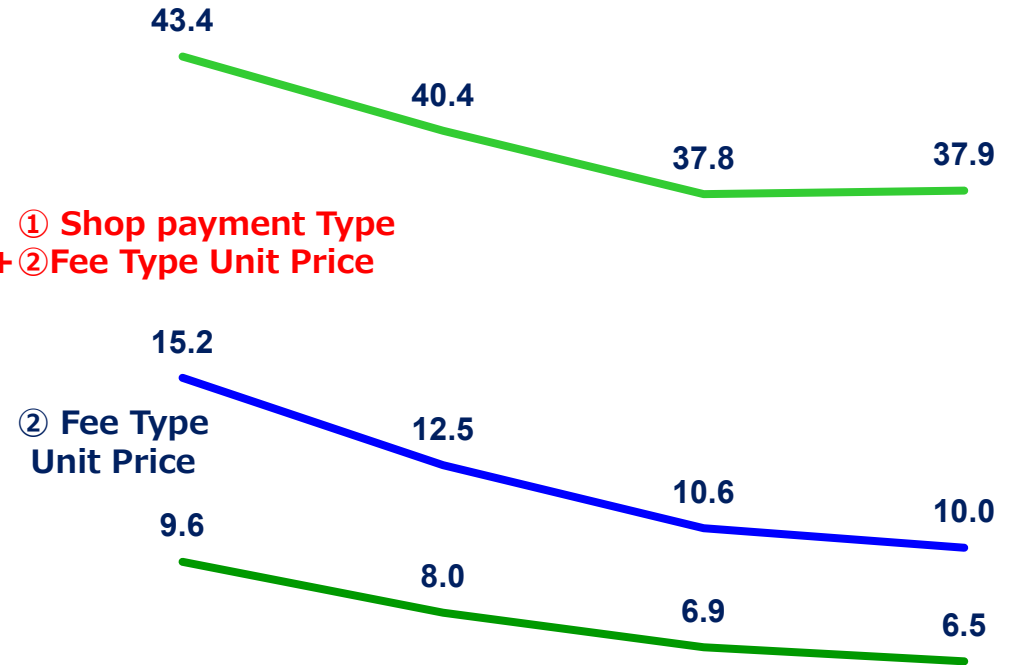
2022.3
1Q

Unit Price (Fee Type+Shop Payment Type)

(JPY)

① Shop payment
Type Unit Price

① Shop payment Type
+ ② Fee Type Unit Price



2019.3

2020.3

2021.3

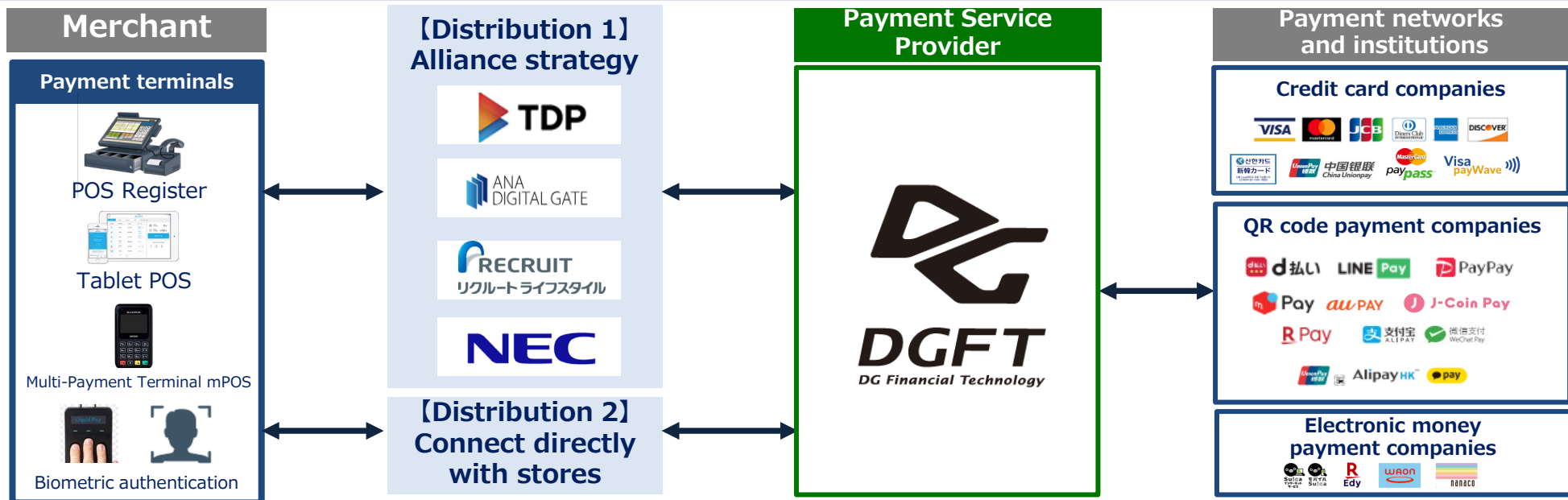
2022.3
1Q



Business Model of EC Payment



Business Model of Face-to-face Settlement



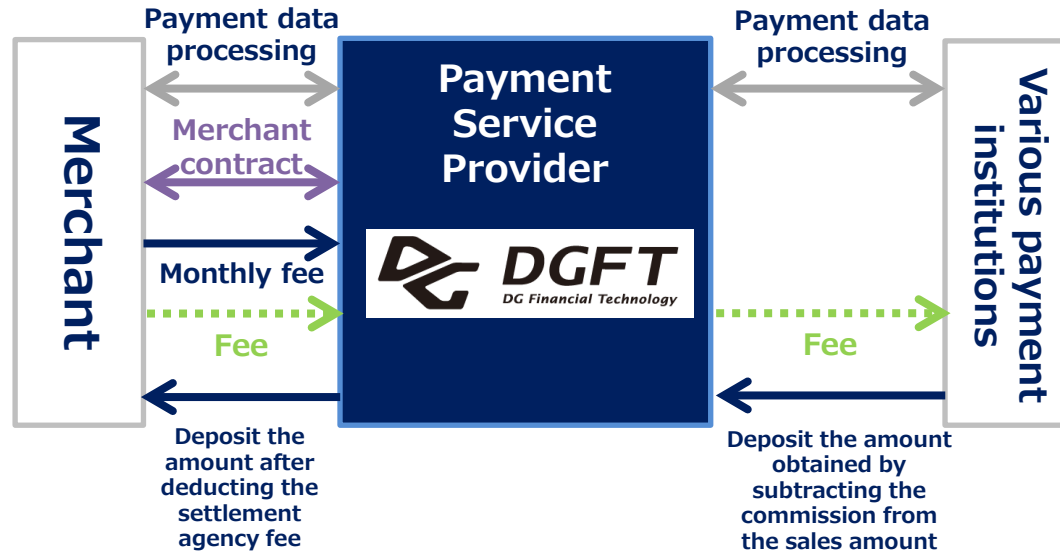
FT Segment - About Two Types of Contracts



Storage Agency Type (Representative Contract) ⇒ Adopted by many EC companies

Our company acts as a lump sum for contract procedures with various payment institutions and payment of sales amount.

- Collective agency for contract procedures with payment providers such as card companies and financial institutions
- Monthly sales are also paid in a lump sum from our company
- Efficient operations such as payment management and confirmation



Classification

Spread Type

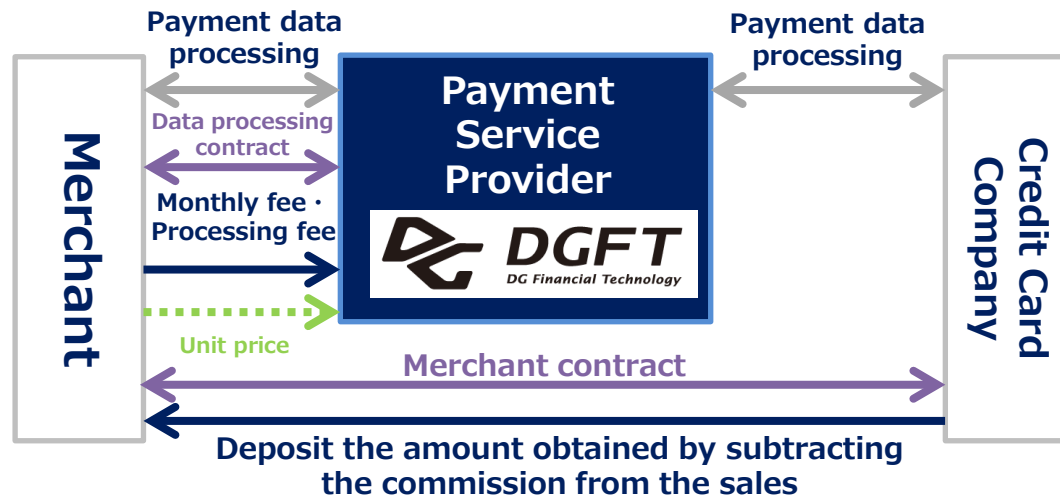
Fee Type

Stock Type

Payment Data Processing Type (Direct Contract) ⇒ Adopted by major companies with large sales, mainly for card payments

Automate credit card payment processing by introducing a payment system provided by PSP based on the member store contract with the card company concluded at the member store

- Provides a payment system to automate card payment processing
- Providing software and transaction management tools required for payment
- Support for software installation



Classification

Fee Type

Stock Type



Service Lineup

Type	Payment Service	Service Name	Overview
Non-Face-to-face	EC/Online payment	<ul style="list-style-type: none"> • VeriTrans4G • OmniPAY • SumaPAY • Ceremony PAY 	Online Payment solutions for various industries. (goods, digital contents such as games and videos, entertainment, public transportation, travel, public sector, and so on). ※Offers early payment option
	Post-settlement payment	<ul style="list-style-type: none"> • Veritrans Post-Payment • SCORE Payment Service 	Post-settlement payment service that consumers make a payment at convenience stores or post offices after receiving the purchase. Effectively used for online/EC product sales and services.
	Remittance solution	<ul style="list-style-type: none"> • CASH POST 	Payment remittance solution for BtoC use that enables bank transfer and receiving cash at convenience stores in the shortest time, with mail address only. Effective for EC product return, refunds for events and transportations, cashbacks, expense reports, and more.
	Telephone order service	<ul style="list-style-type: none"> • IVR Payment Solution 	Risk-limited credit card payment solution for telephone, fax, and other orders. Useful for TV/catalog orders and payments for travel agencies and insurance companies.
	Pre-order and mobile order services	—	Offers pre-order payment service that consumers complete purchase before arriving at stores. Achieves an efficient purchase with no waiting time by ordering and paying on smartphone apps.
Face-to-face	POS payment service	<ul style="list-style-type: none"> • QR-code payment solution for POS • TD Payment 	Multi-payment solution for store POS system. Support merchants' efficient store management by providing the payment service which manages various payments (credit card, electronic money, domestic/national QR code payments, etc.) collectively
	Tablet POS/ dedicated terminals	<ul style="list-style-type: none"> • mPOS 	Multi-payment service that uses a specialized card reader device and apps on phones or tablets. Works for many payment services like credit cards and domestic/overseas QR code payments. Appropriate for pay-at-the-table situations, home-visits, and events due to its portable size.
	Multi-QR code payment	<ul style="list-style-type: none"> • Cloud Pay 	Multi-QR code payment service that requires single QR code only for the use of multiple domestic/overseas payments.
	Automatic fare adjustment machine	—	Bring various payment services, such as credit card payment, into store automatic fare adjustment machines. Used at restaurants, hotels, theaters, fitness clubs, golf parks, and others.
	Biometric authentication payment	—	Provide biometric authentication payment services with partners that use iris and face verification, fingerprints, and other physical characteristics for identification of the payer.



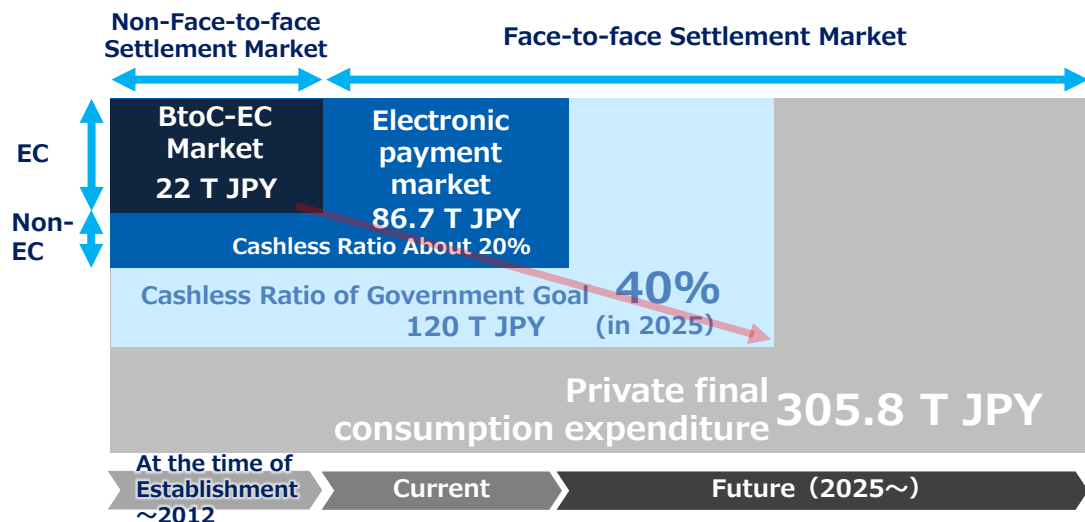
Category 1	Category 2	Definition	Description	Profit Structure
Spread Type	PSP* *Payment Service Provider	✓ Payment such as credit card payment, which are fees that are based on <u>the payment amount</u>	EC payments, face-to-face settlements, etc. Representative contract: stands in between merchants and credit card companies as a collection agency	Payment amount × take rate ※ Take rate depends on the types of payments and merchants' products.
Fee Type		✓ Payment in which fees are paid according to <u>the number of transaction</u> , mainly data processing etc.	EC payments, face-to-face settlements, etc. Direct contract: Provides software and transaction management systems for auto payment processing.	Number of transaction × unit price
Shop Payment Type		✓ Payment settlement by convenience store terminal	Payment for EC purchases, online tickets, etc. at convenience stores ※Provides to domestic PSP competitors and merchants	Number of transaction × unit price
Stock Type		✓ Fixed income generated by fixed monthly amount such as monthly basic fee, OEM offer fee, and operation fee for payment system	Fixed monthly fee for the service by merchants, regardless of the payment method	Active merchants × fixed monthly amount
EC/DX Business		EC/DX Business	✓ Revenues from fraud detection service, refund remittance service, payment peripheral businesses such as EC optimization services, and shares of profits of (three) investments accounted for using equity method	Revenues from investments accounted for using equity method and businesses other than payment services
	✓ CASH POST, post-settlement payments, equity-method investment profits (SCORE), etc.			

FT Segment - Target Market Size

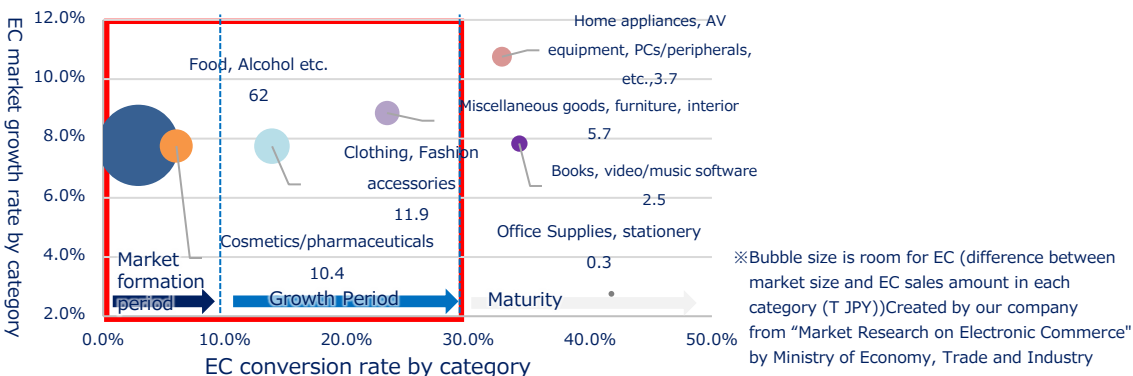


Target Market Size

- Transaction volume for the 21.3 fiscal year increased to 2.1 T JPY in conjunction with the growth of the EC market. FT segment holds 14% of BtoC-EC market
- The ratio of electronic payments in the face-to-face settlement market increased due to the promotion of cashless transactions. In 2025, about 120 T JPY, or 40% of private final consumption expenditure, is expected to be cashless.
- Face-to-face settlements in the FT segment for FY 21.3 exceeded 170 B JPY
- The size of BtoB-EC market is 353 T JPY

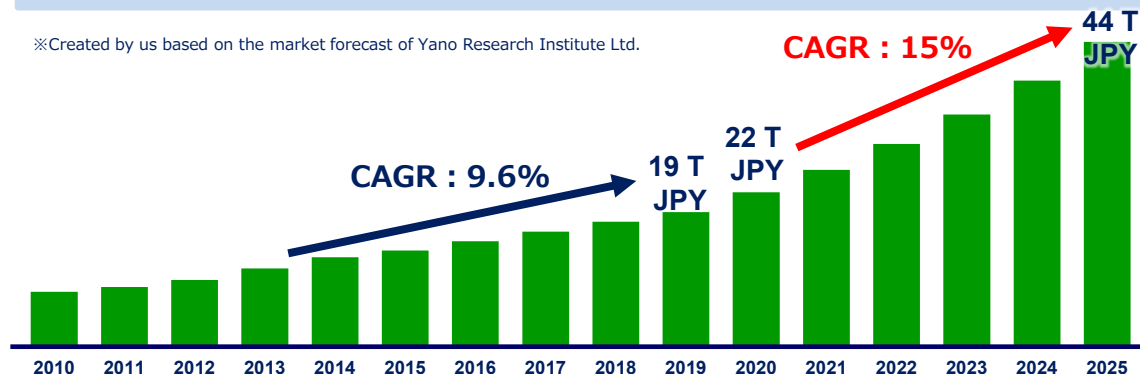


EC Conversion Rate and Market Growth Rate by Category in the Product Sales Field



EC (Online Payment) Service Market Size

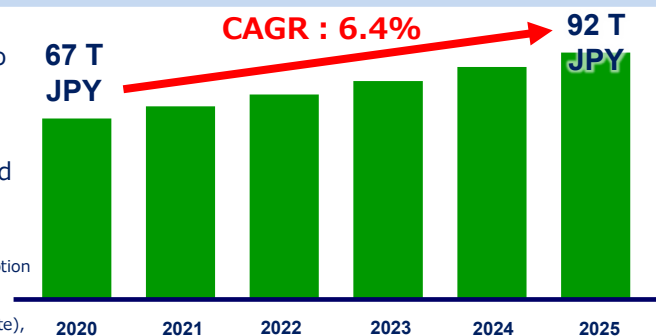
※Created by us based on the market forecast of Yano Research Institute Ltd.



Real (Offline Payment) Market Size

- Market-Growth Forecast: CAGR6.4%
- Credit card payments are expected to account for about 82% in 2025
- Growth is also expected in leading regional supermarkets, large mass retailers, and small and medium-sized stores due to the penetration of domestic QR code payments, etc.

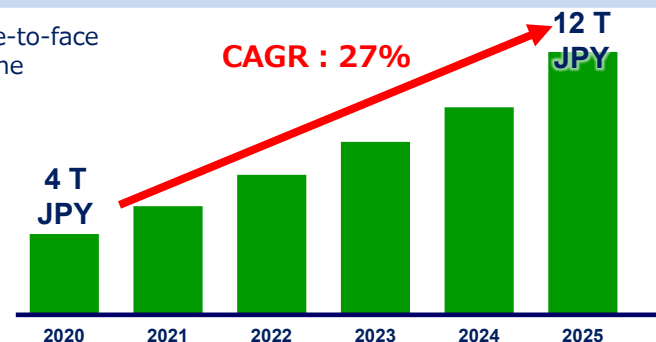
※Calculated by back calculation from private final consumption forecast (Ministry of Economy, Trade and Industry), EC payment service forecast value (MIC Research Institute), cashless ratio (Ministry of Economy, Trade and Industry)



QR Code Payment Market Size

- Providing the largest 27 types of face-to-face settlements methods in Japan amid the expansion of the cashless market
- Market-growth forecast: CAGR27%

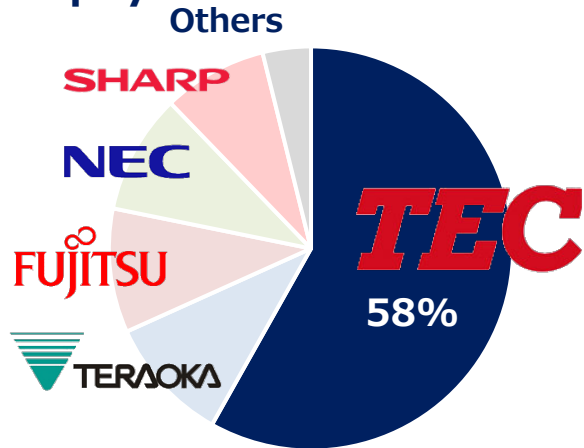
※Created by us based on the market forecast of Yano Research Institute Ltd.





TD Payment Corporation

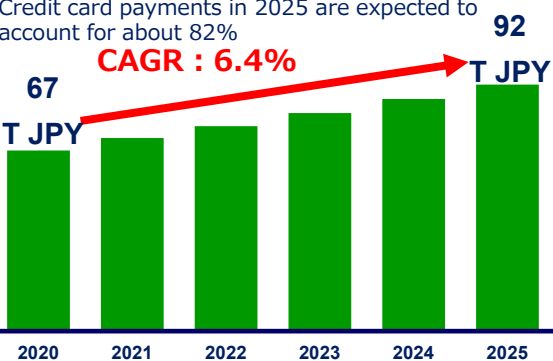
- ✓ Established “TD Payment” with Toshiba Tec Corporation, a top share company in Japan providing POS systems
- ✓ Expands large scale merchants through payment solutions linked to POS systems



- ✓ Toshiba Tec Corporation has **greater than 50% of the market share of POS in Japan**
- ✓ Promotes expanding DGFT payment infrastructure toward merchants of Toshiba Tec’s POS systems (**About 10% at present**)
- ✓ Number of transaction through Toshiba Tec’s POS systems goes accordingly with its highest domestic share
- ✓ The number of credit card payments is expected to exceed 18 billion* in 2025, and each strategy is being promoted to acquire a share of 10% or more

Real (offline payment) market size

Credit card payments in 2025 are expected to account for about 82%



*Calculated from the expected credit card transaction value with an average transaction value of approximately JPY 4,100

Alliance with Recruit Lifestyle

- ✓ Made an alliance with Recruit Lifestyle, a top share company in Japan providing tablet POS systems
- ✓ Expands shares of medium-scale companies by providing low-cost and easy multi-QR code payment service



Tablet POS

*Number of AirREGI accounts in March 2021. Sited from the Recruit website



Providing Multi-QR Code Payment Service

- ✓ DG Group Launched the multi-QR code payment solution “Cloud Pay” in May 2019



- Achieved 390,000 merchants (in Mar. 2021) and grew to be a leading player in QR code payment networks

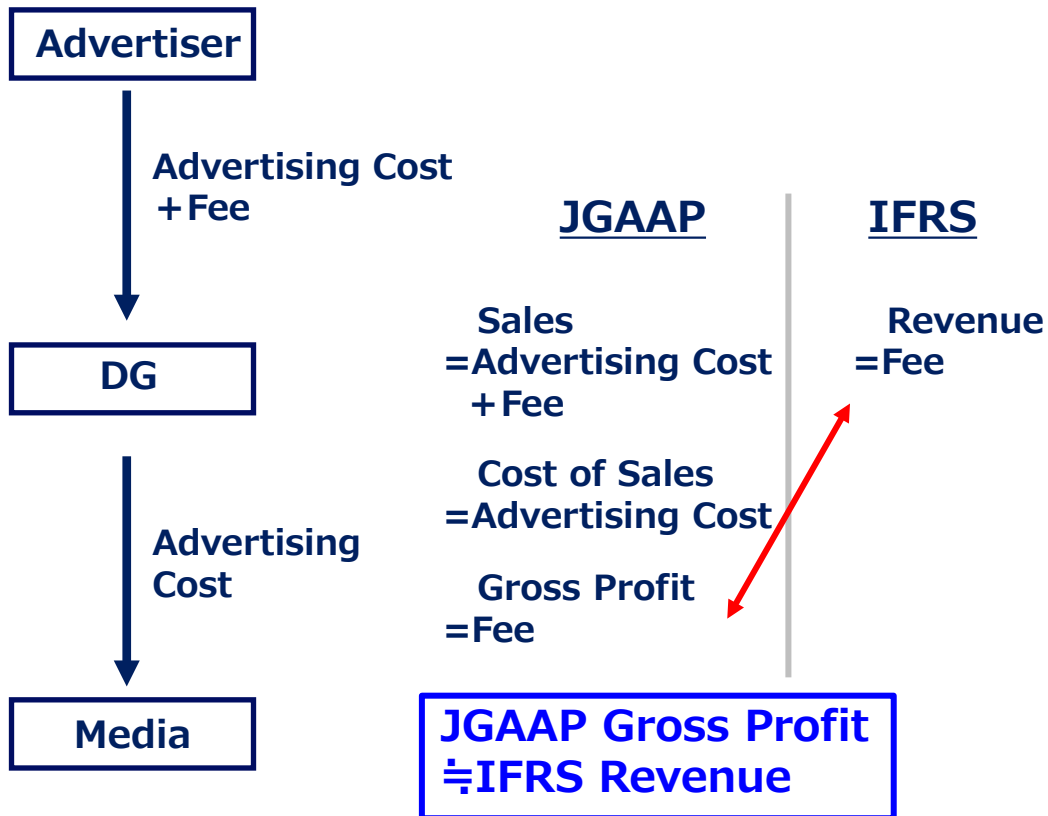
MT Segment





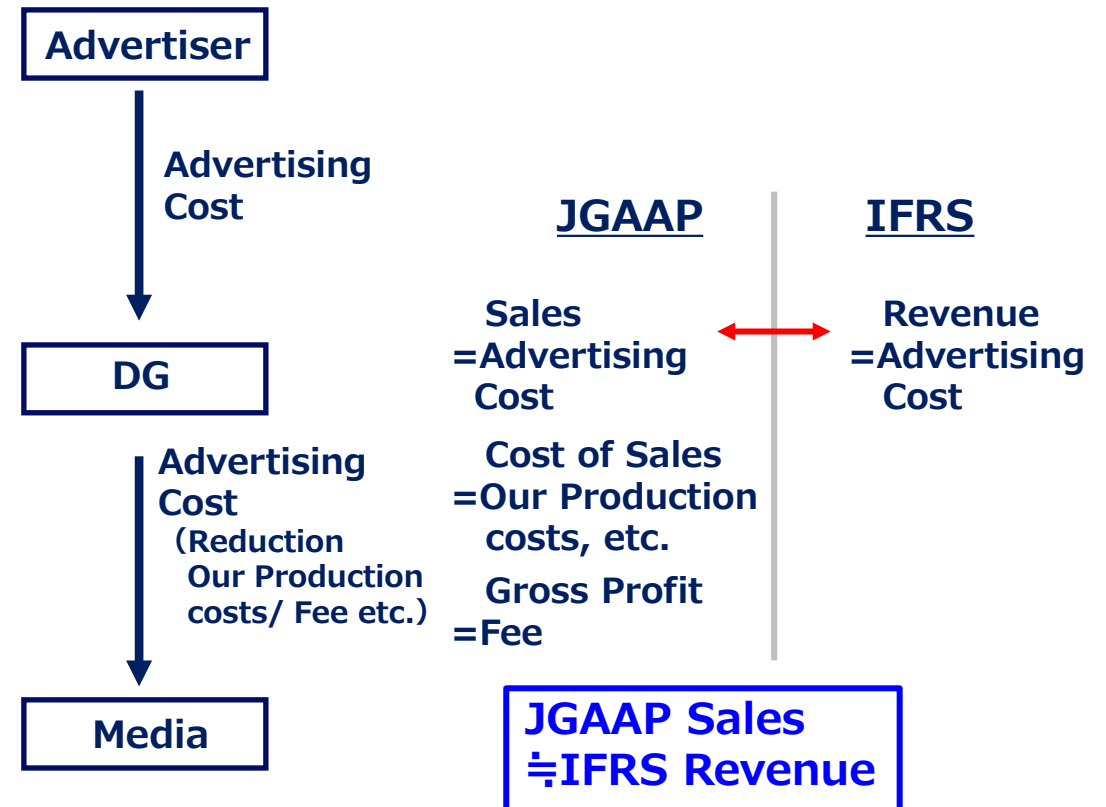
Revenue of Digital Ads

- The advertising business through Web marketing mainly plans and plans Internet advertising strategies for customers (advertisers), arranges the management of advertising, and measures and analyzes its effectiveness



Revenue of Real Estate Ads

- In the Real Estate Advertising Business, centered on real estate, in response to requests from clients for the production of real estate advertising and other products, the Company produces advertising in accordance with the specifications desired by clients

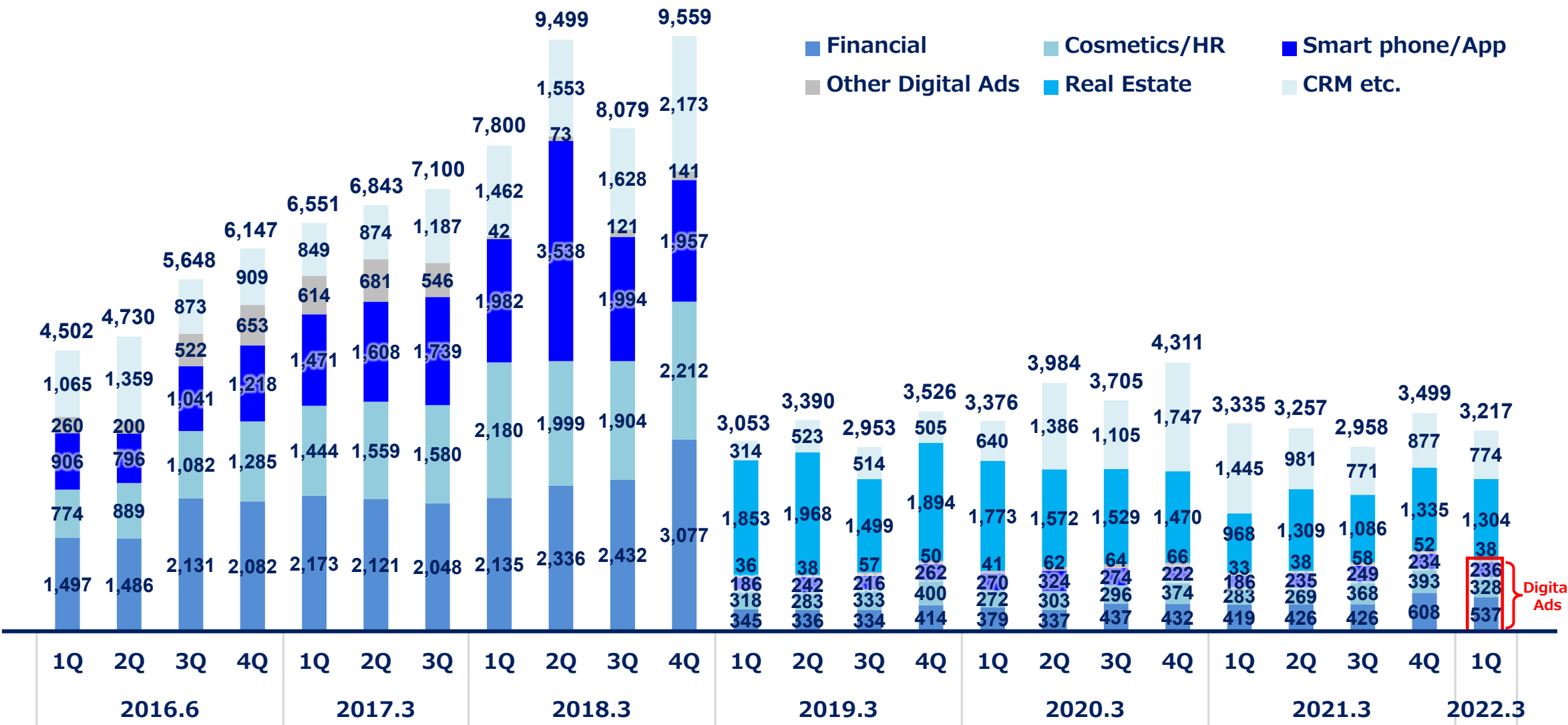


MT Segment - Transition of Quarterly Revenue



← JGAAP → ← IFRS →

(JPY in Millions)



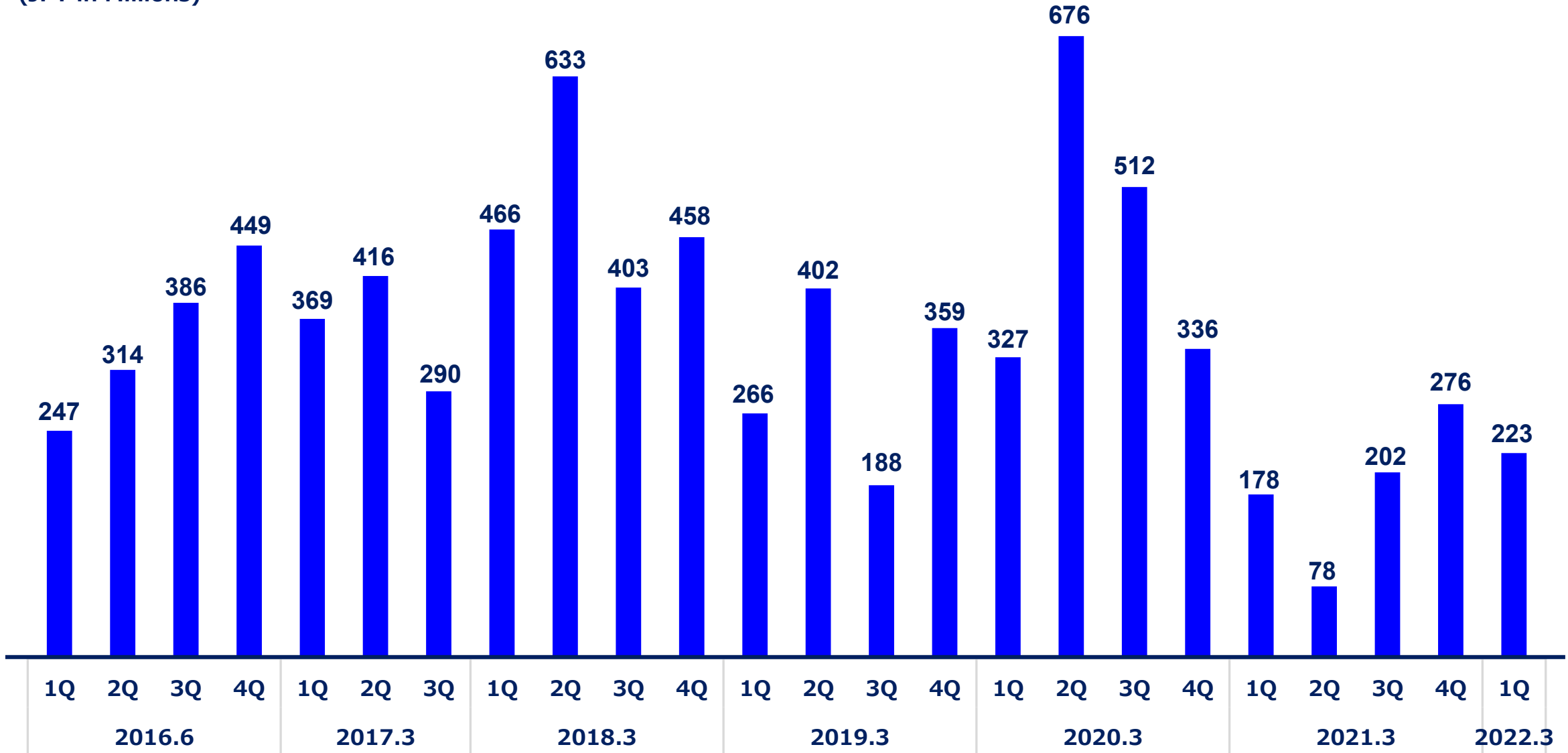
NOTE) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3. Calculation category for the past and current results has been revised in FY 2022.3

MT Segment - Transition of Quarterly Profit Before Tax



← JGAAP → ← IFRS →

(JPY in Millions)



NOTE) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3

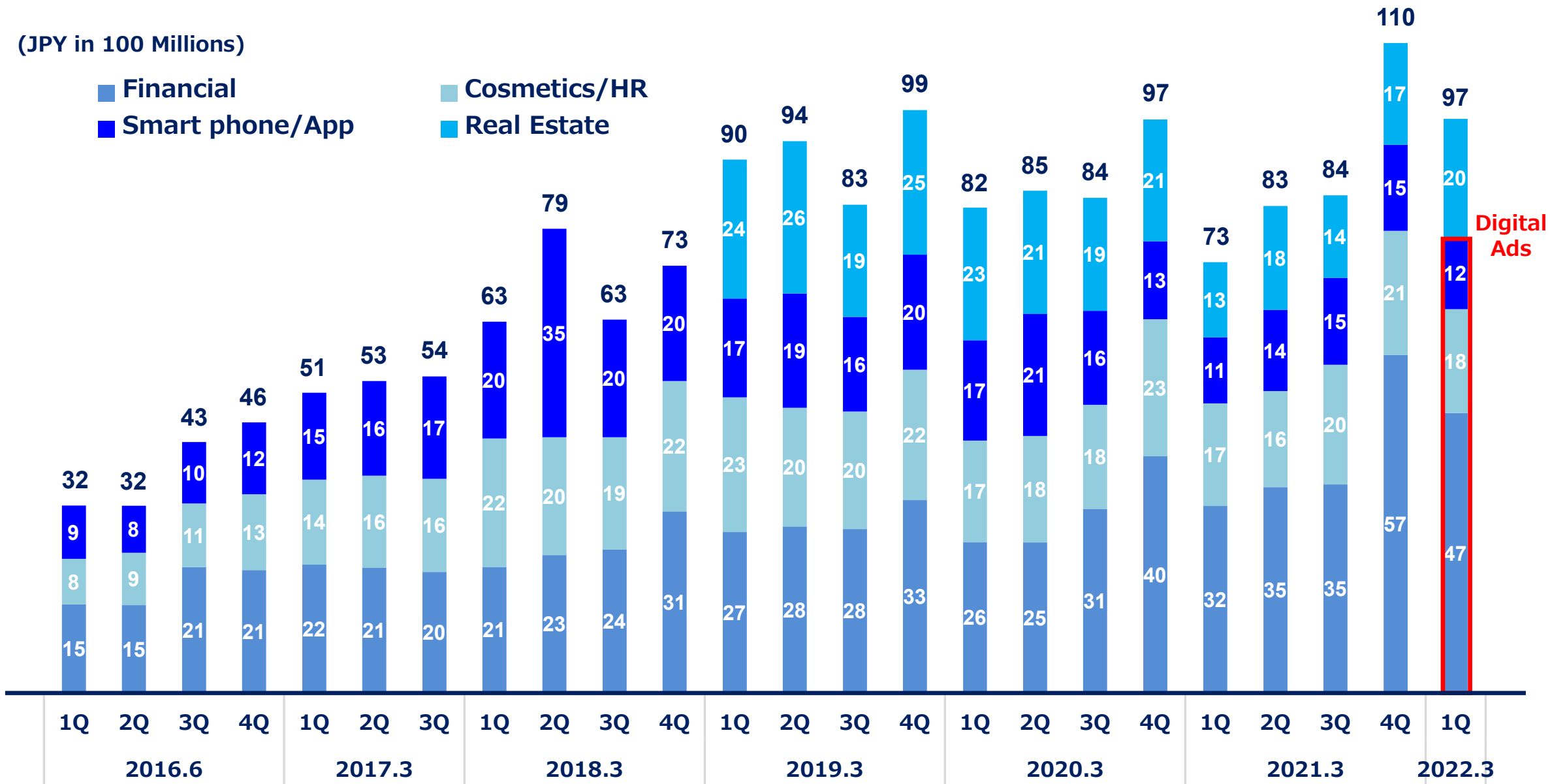


MT Segment - Transition of Quarterly Advertisement Volume



(JPY in 100 Millions)

- Financial
- Smart phone/App
- Cosmetics/HR
- Real Estate



Digital Ads

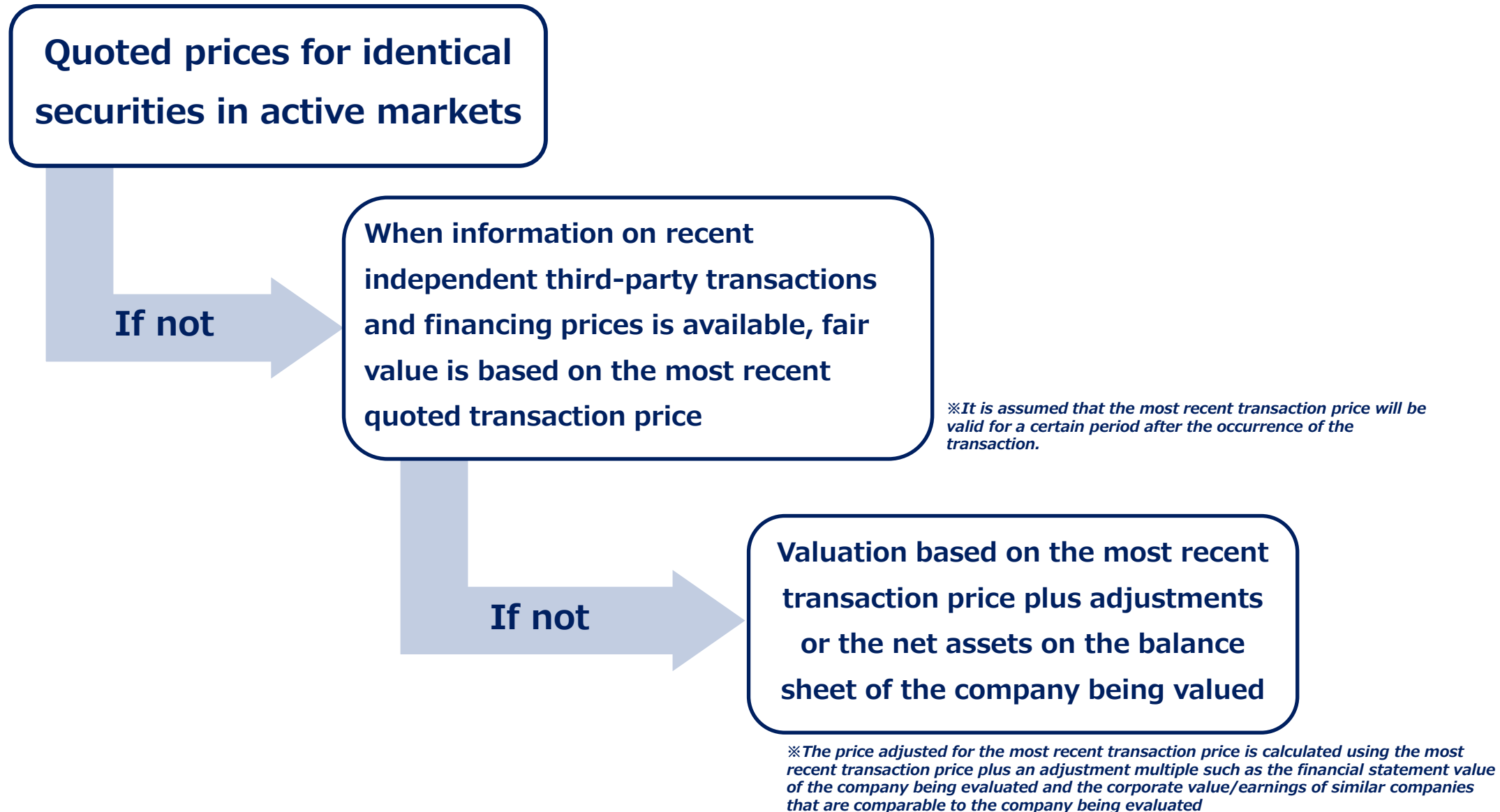
NOTE) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3

IT Segment





【Calculation method for fair value of operational investment securities】



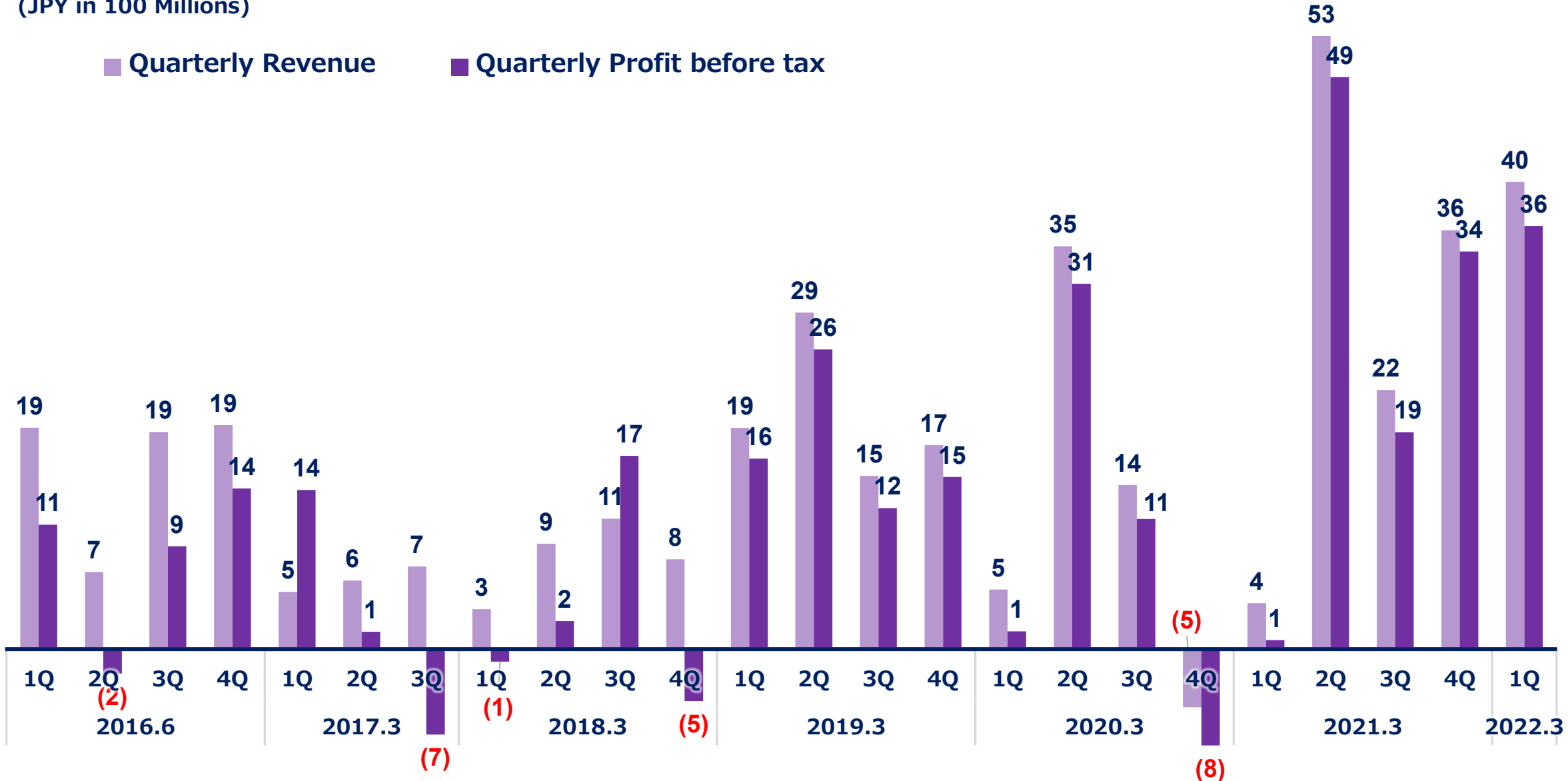
IT Segment - Transition of Quarterly Revenue and Profit Before Tax



← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ Quarterly Revenue ■ Quarterly Profit before tax



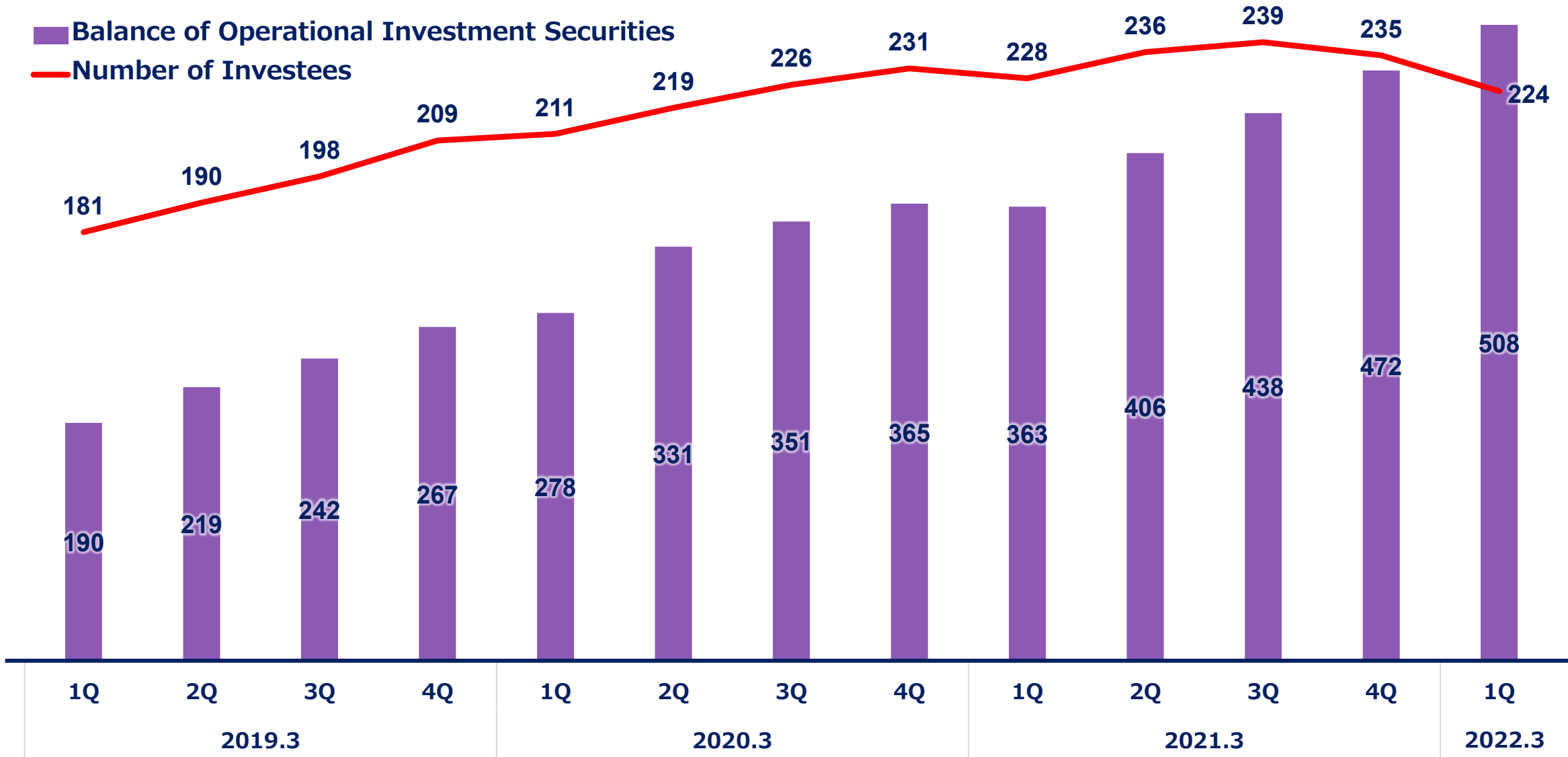
IT Segment - Transition of Quarterly Operational Investment Securities and Number of Investees



(JPY in 100 Millions)

(Number of Investees)

Balance of Operational Investment Securities
Number of Investees



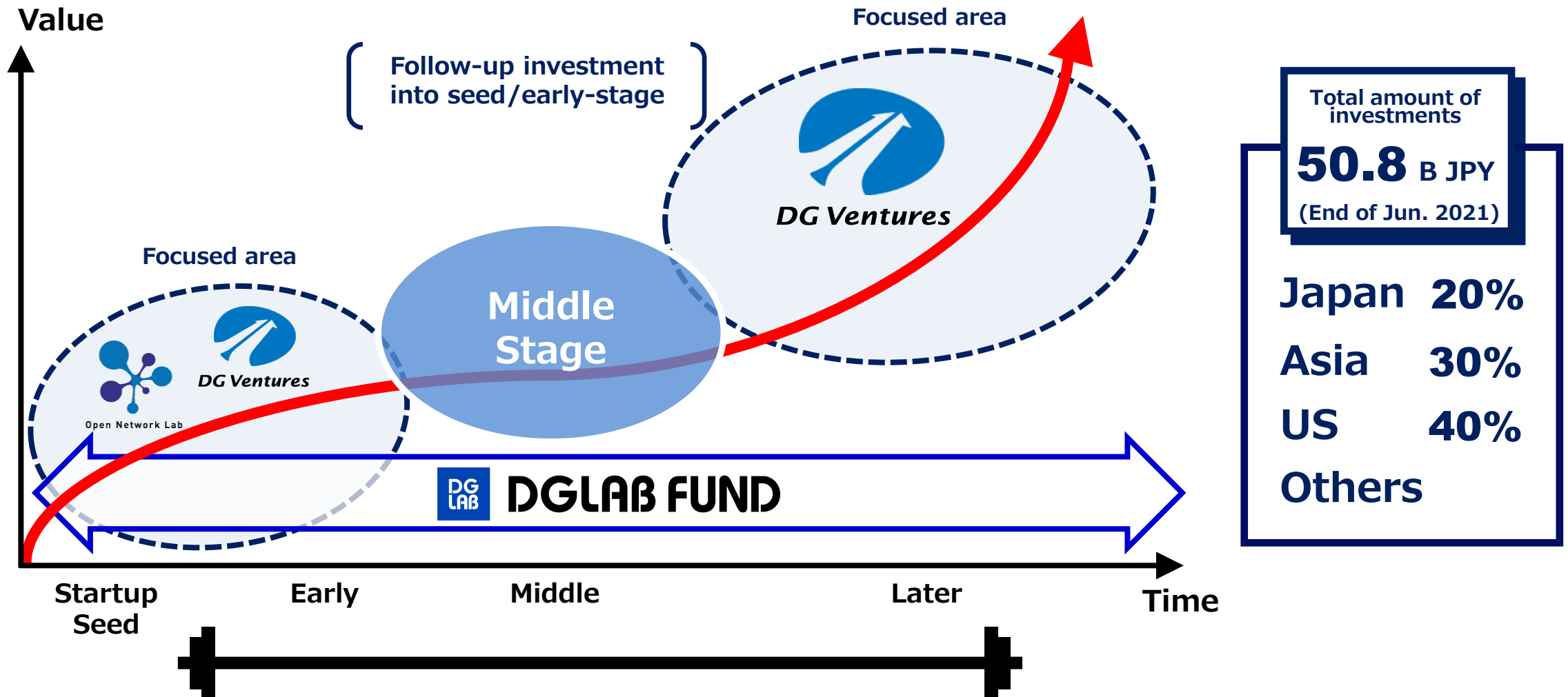
IT Segment - Operational Investment Securities' List of Top 10



Investee	Overview	Region	Equity Ratio	Fair Value (JPY in 100 Millions)
Sen Do Technology	Operates Sendo, a marketplace for C2C and B2C in Vietnam, and provides electronic wallet services	Vietnam	12.7%	74
MX Technologies	Offers a PFM (personal financial management) tool for financial institutions in the US	US	3.2%	67
Playco Global	Provider of a mobile application intended to offer a HTML5 game development platform	US	2.0%	23
Indie Semiconductor	Provides automotive semiconductors and software platforms	US	1.3%	21
Droom Technology	Operates Droom, India's largest automotive buying and selling online marketplace	India	3.2%	20
ThredUp	The world's largest fashion resale platform, inspiring a new generation to think secondhand first. Specializing in women's and children's clothing	US	0.6%	19
BlockStream	Developed Sidechain, a technology for using Blockchain, Bitcoin's core technology, in various applications	US	8.4%	10
Grubmarket	Grocery B2B and B2C e-commerce	US	1.9%	8
Repro	Provides quantitative and qualitative analysis tools on SDK for app service providers	Japan	5.9%	8
PeaTix	Planning/operation of Peatix, an online ticketing service	US	9.0%	8



Based on a key strategy (Barbell strategy) in line with corporate growth and a global portfolio (Japan, Asia, and the U.S.)



LTI Segment



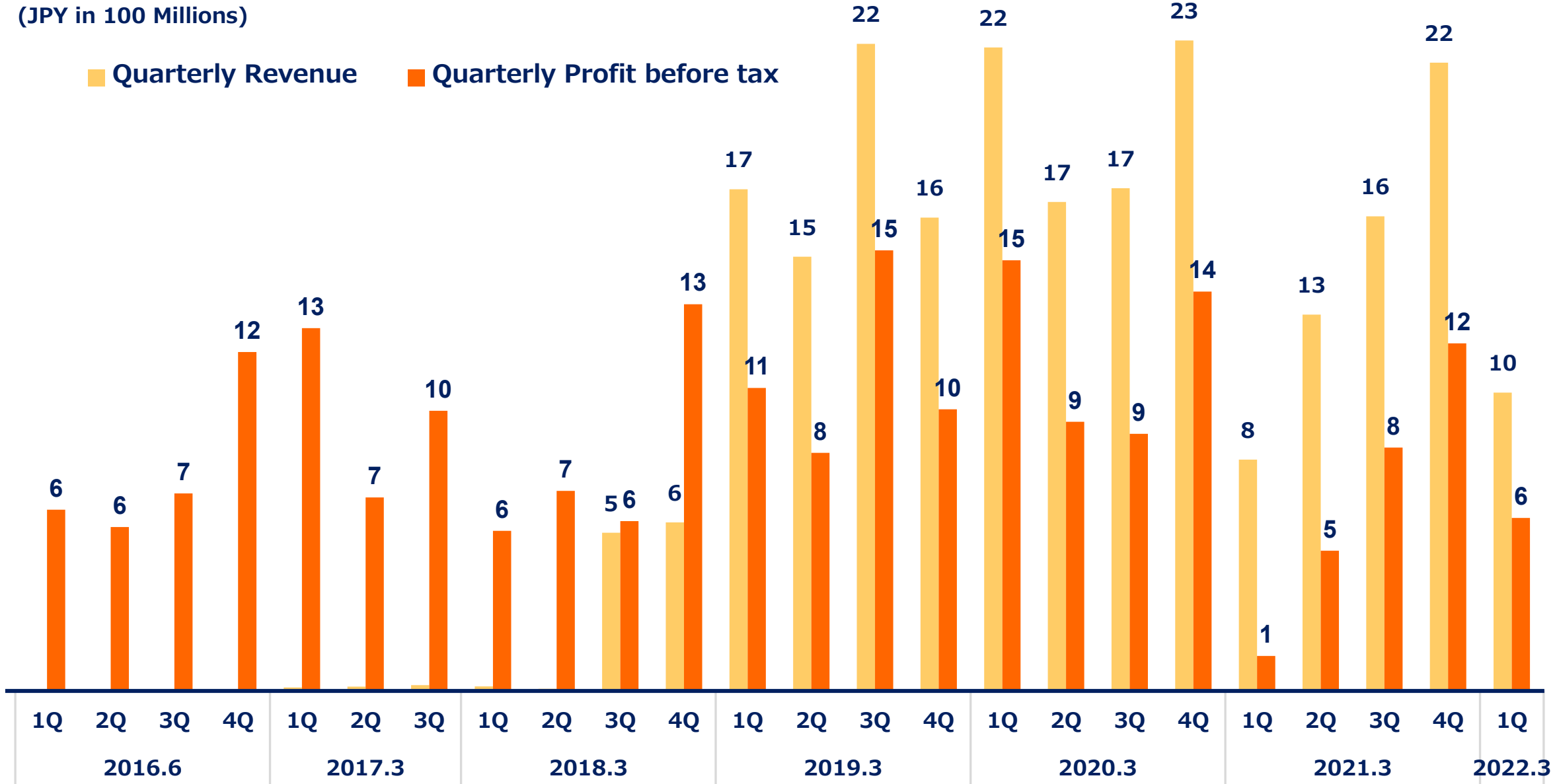
❖ LTI Segment - Transition of Quarterly Revenue and Profit Before Tax



← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ Quarterly Revenue ■ Quarterly Profit before tax



Policy on Shareholder Returns



❖ Transition of Business Cash Flow Before Income Taxes

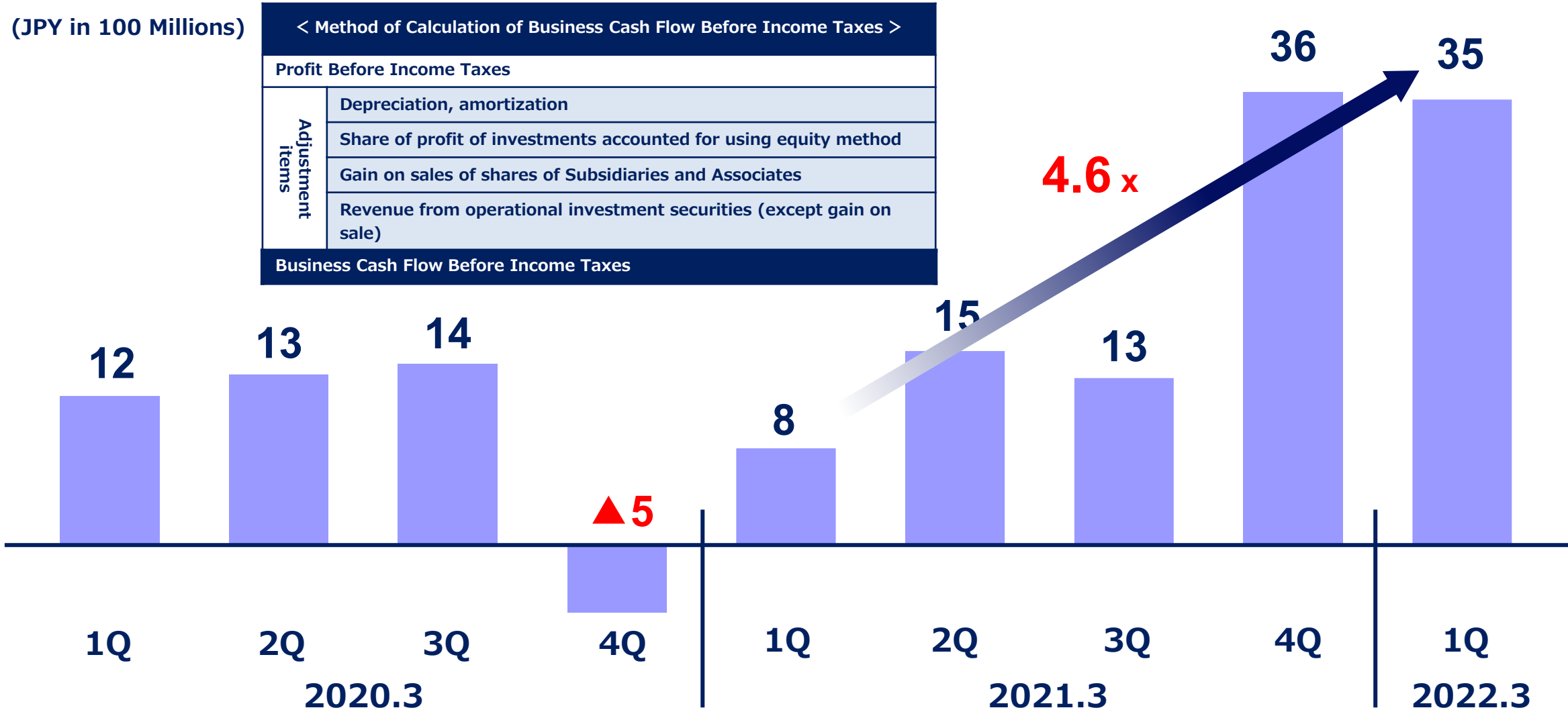


Define the cash flow based on the actual cash in/out flows from our business as
“Business Cash Flow Before Income Taxes”

~ Adjusting gains or losses of fair value from IT segment and non-cash profits such as equity in earnings of affiliates ~

(JPY in 100 Millions)

< Method of Calculation of Business Cash Flow Before Income Taxes >	
Profit Before Income Taxes	
Adjustment items	Depreciation, amortization
	Share of profit of investments accounted for using equity method
	Gain on sales of shares of Subsidiaries and Associates
	Revenue from operational investment securities (except gain on sale)
Business Cash Flow Before Income Taxes	





Return to shareholders through cash flow-conscious management, setting 20% dividend payout ratio to the business cash flow before income taxes as a target in the mid-term plan

Policy on Shareholder Returns

Aim to balance “promoting investments for business growth” that contributes to the improvement of corporate value and “securing the soundness of financial condition”, and work to “further better our performance on shareholder returns”

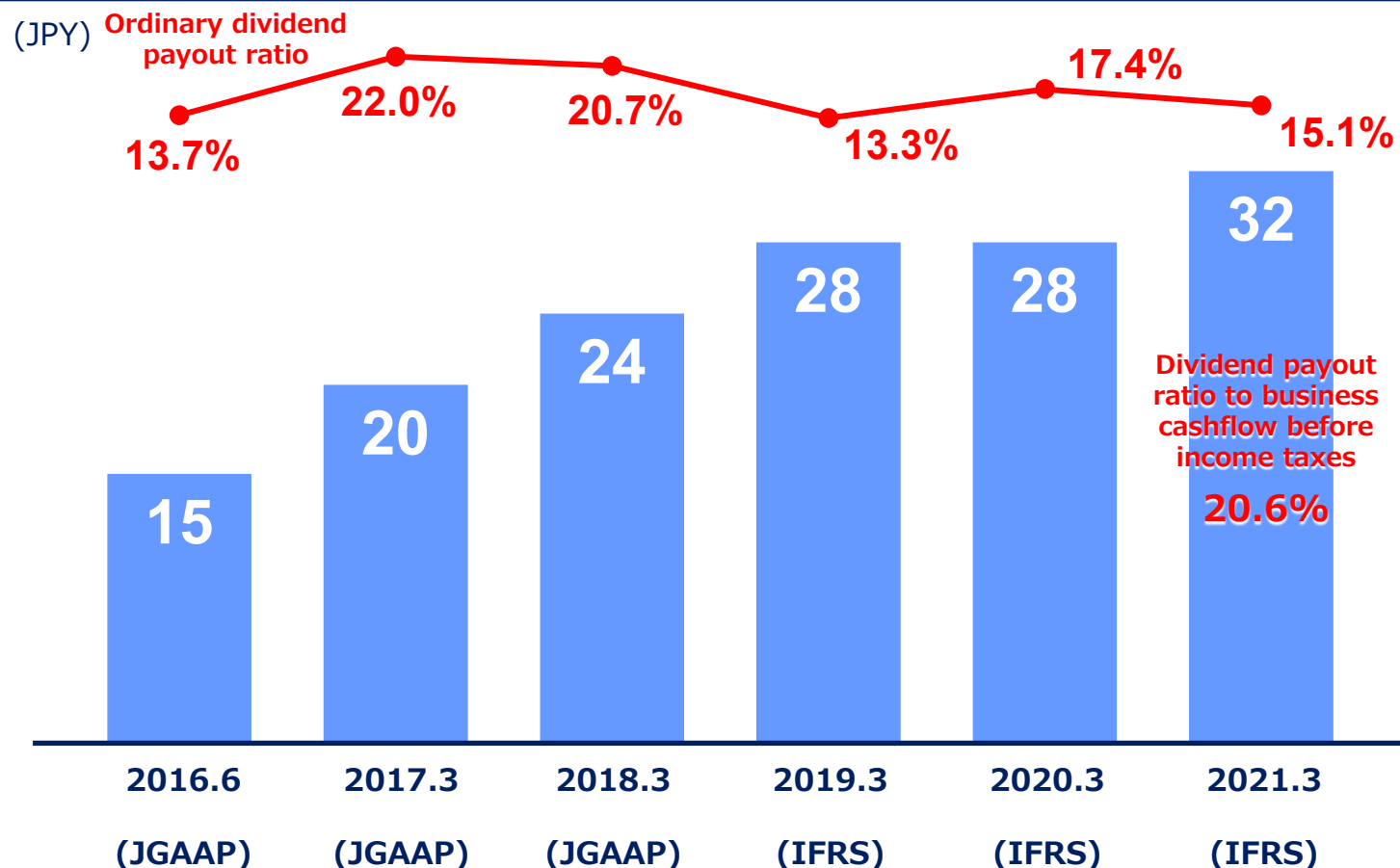
Dividend

- Return to shareholders through cash flow-conscious management by measuring the cash generation output of our group businesses
- Introduce “20% dividend payout ratio to the business cash flow before income taxes” as the new policy on shareholder returns

Buyback

- Define as a measure to improve capital efficiency
- Execute in an agile manner accordingly with the stock price level while taking business performance and financial condition into consideration

Transition of Ordinary dividend and Ordinary dividend payout ratio



Year-on-Year Results

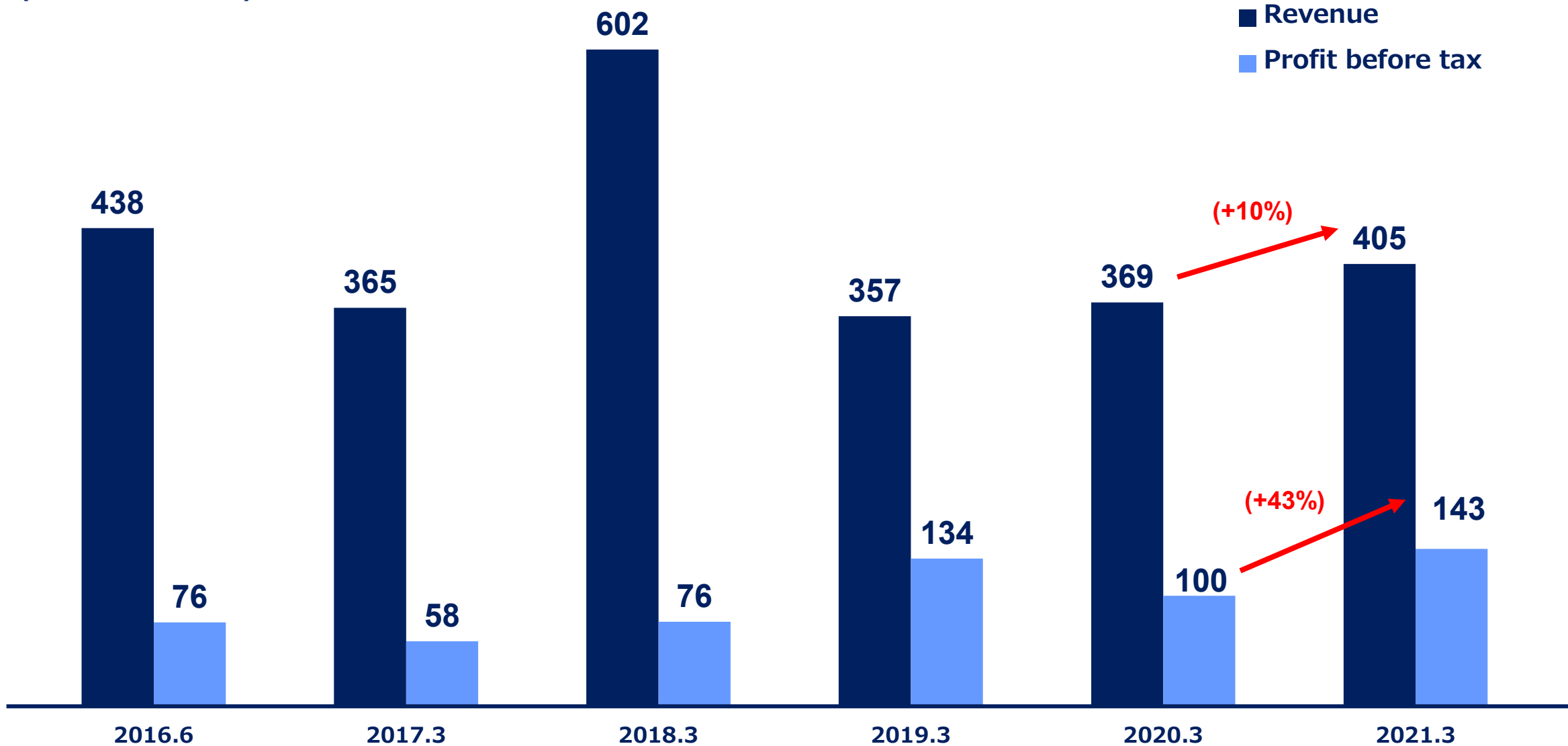


Transition of Consolidated Revenue and Profit Before Tax



← JGAAP → ← IFRS →

(JPY in 100 Millions)



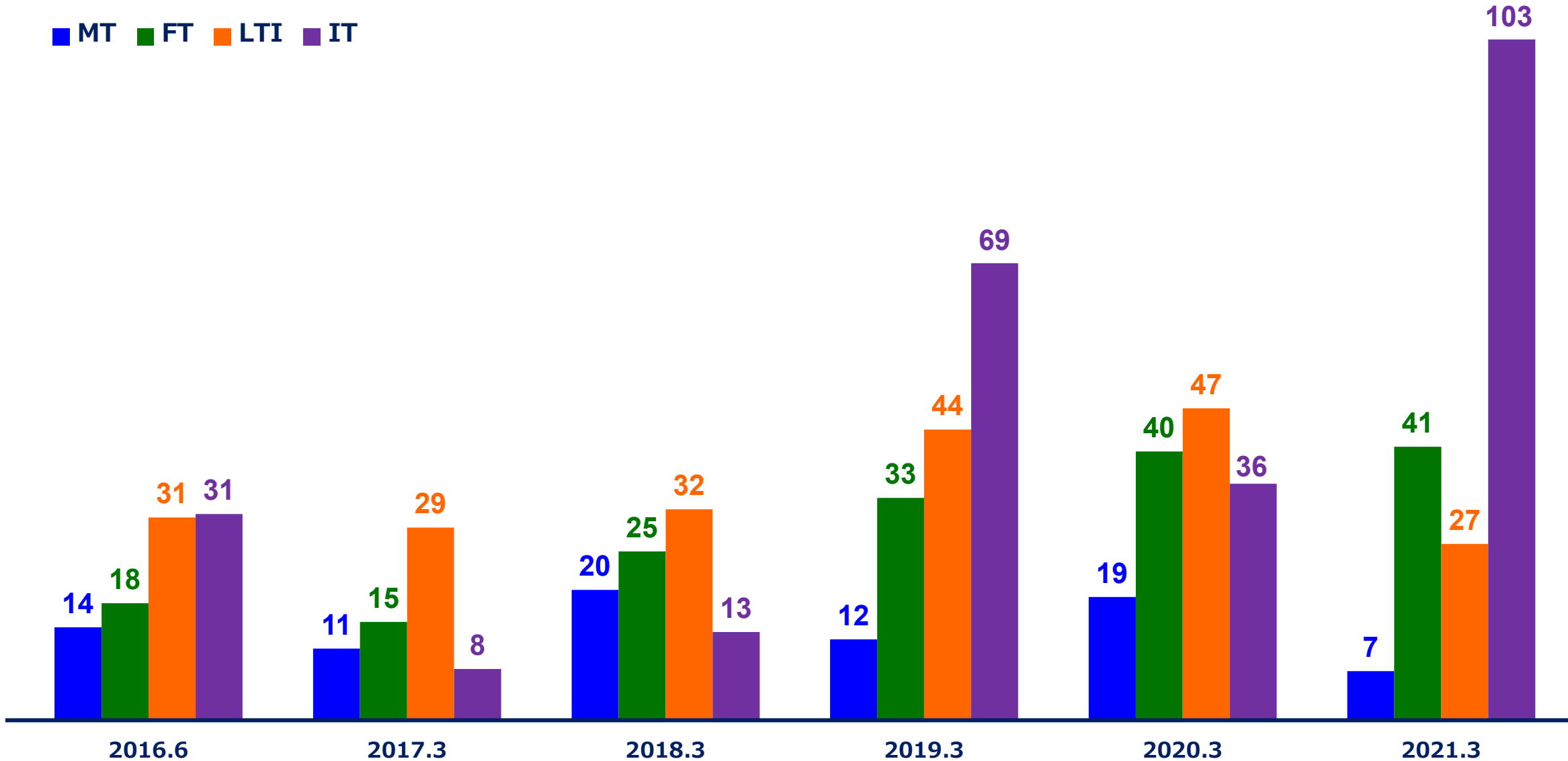
Transition of Profit Before Tax by Segments



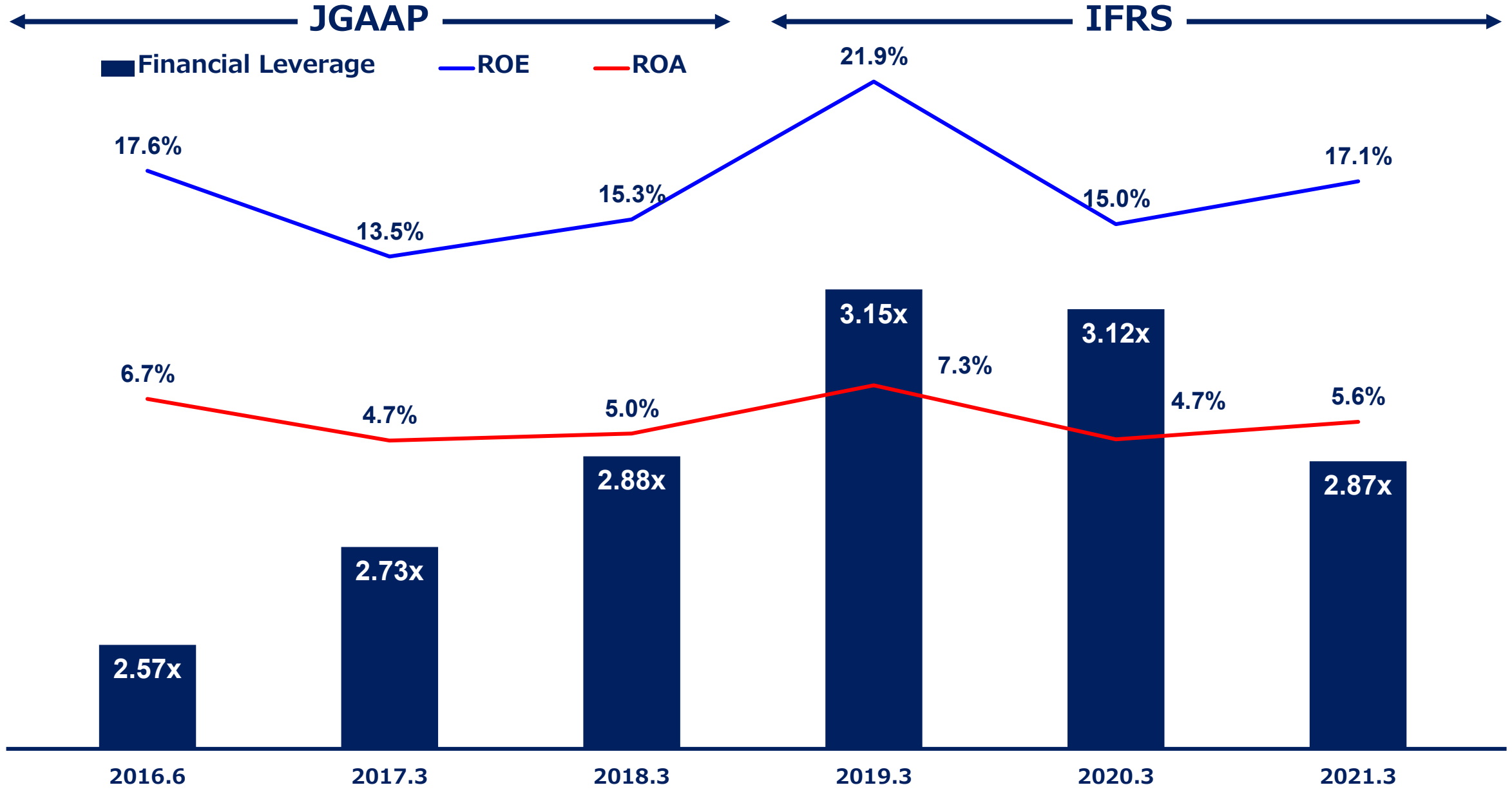
← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ MT ■ FT ■ LTI ■ IT



❖ ROE, ROA, Financial Leverage Transition



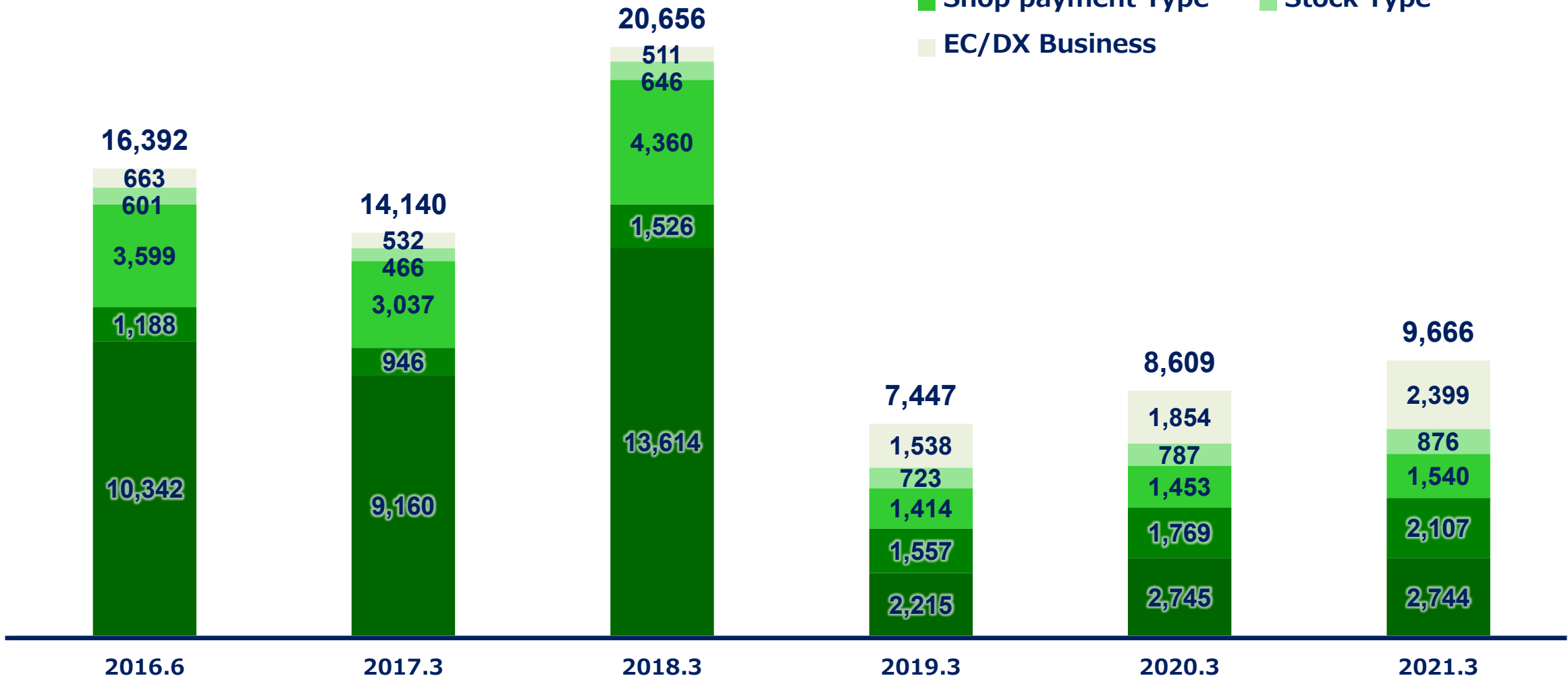
FT Segment - Transition of Revenue (Category 1)



← JGAAP → ← IFRS →

(JPY in Millions)

- Spread Type
- Shop payment Type
- EC/DX Business
- Fee Type
- Stock Type



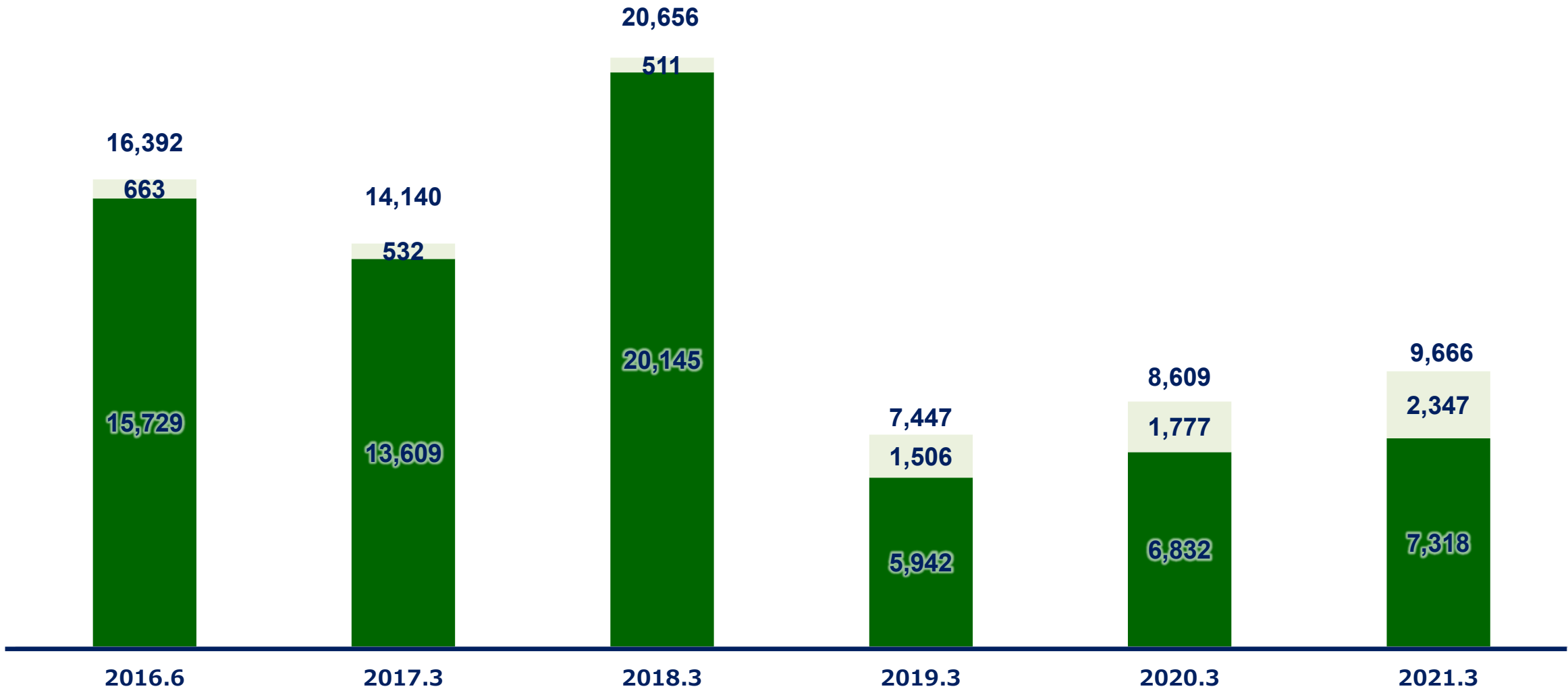
FT Segment - Transition of Revenue (Category 2)



← JGAAP → ← IFRS →

(JPY in Millions)

■ PSP Business ■ EC/DX Business



FT Segment - Transition of Profit Before Tax and Ratio of Profit Before Tax to Revenue

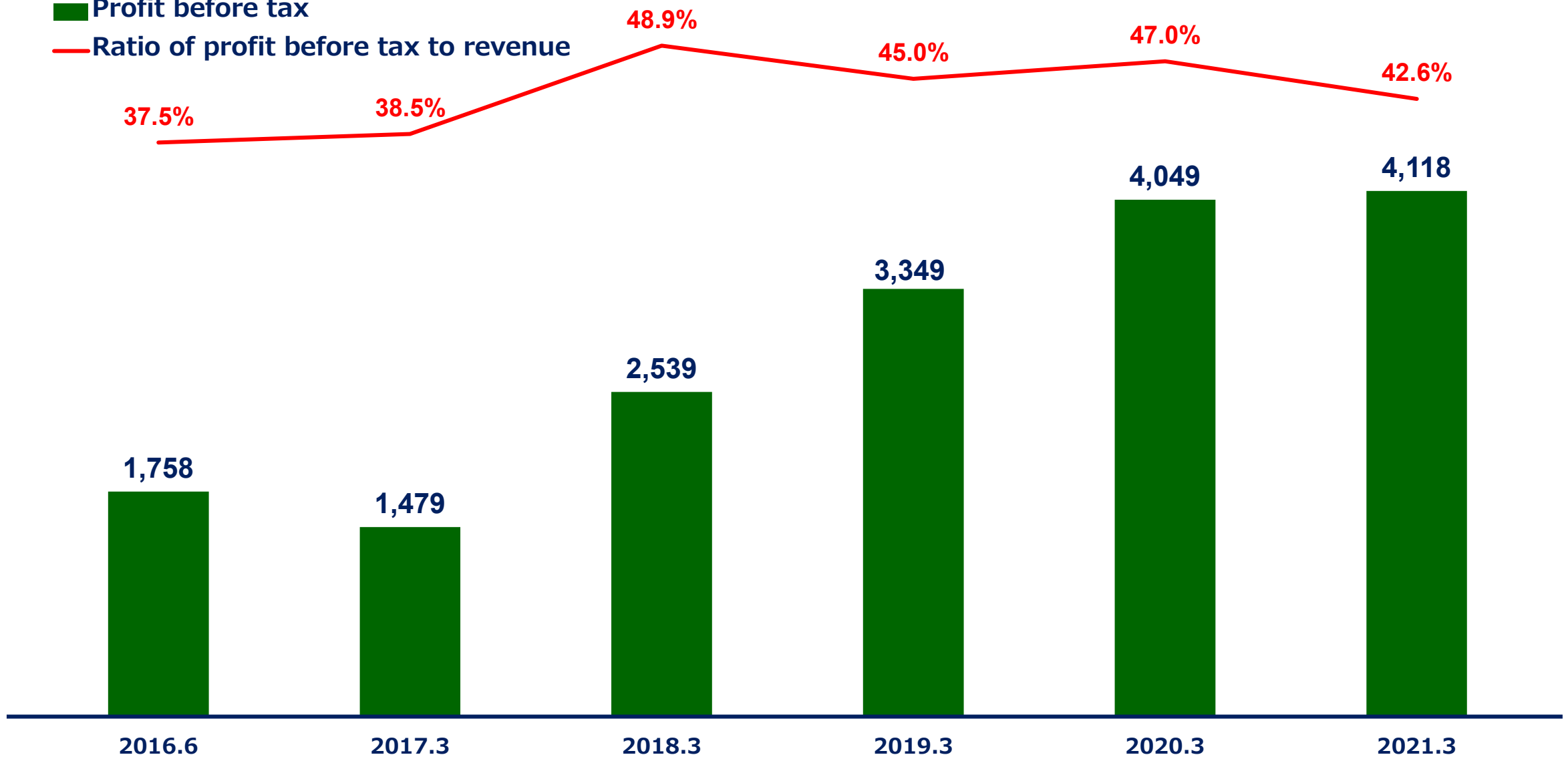


← JGAAP → ← IFRS →

(JPY in Millions)

■ Profit before tax

— Ratio of profit before tax to revenue



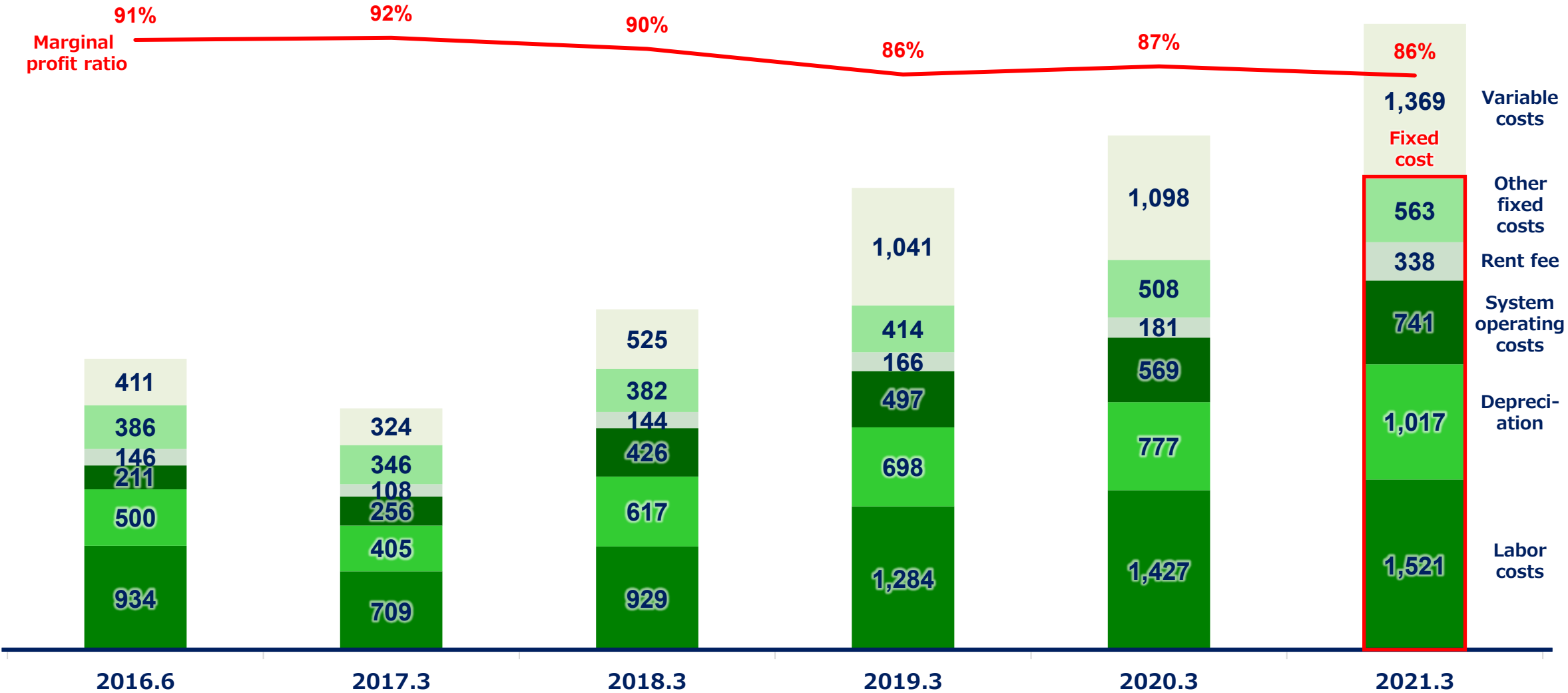
NOTE) Figures from FY 2016.6 to FY 2018.3 are calculated by subtracting the cost directly from sales, and taking sales as revenues

FT Segment - Transition of Costs and Marginal Profit Ratio



← JGAAP → ← IFRS →

(JPY in Millions)

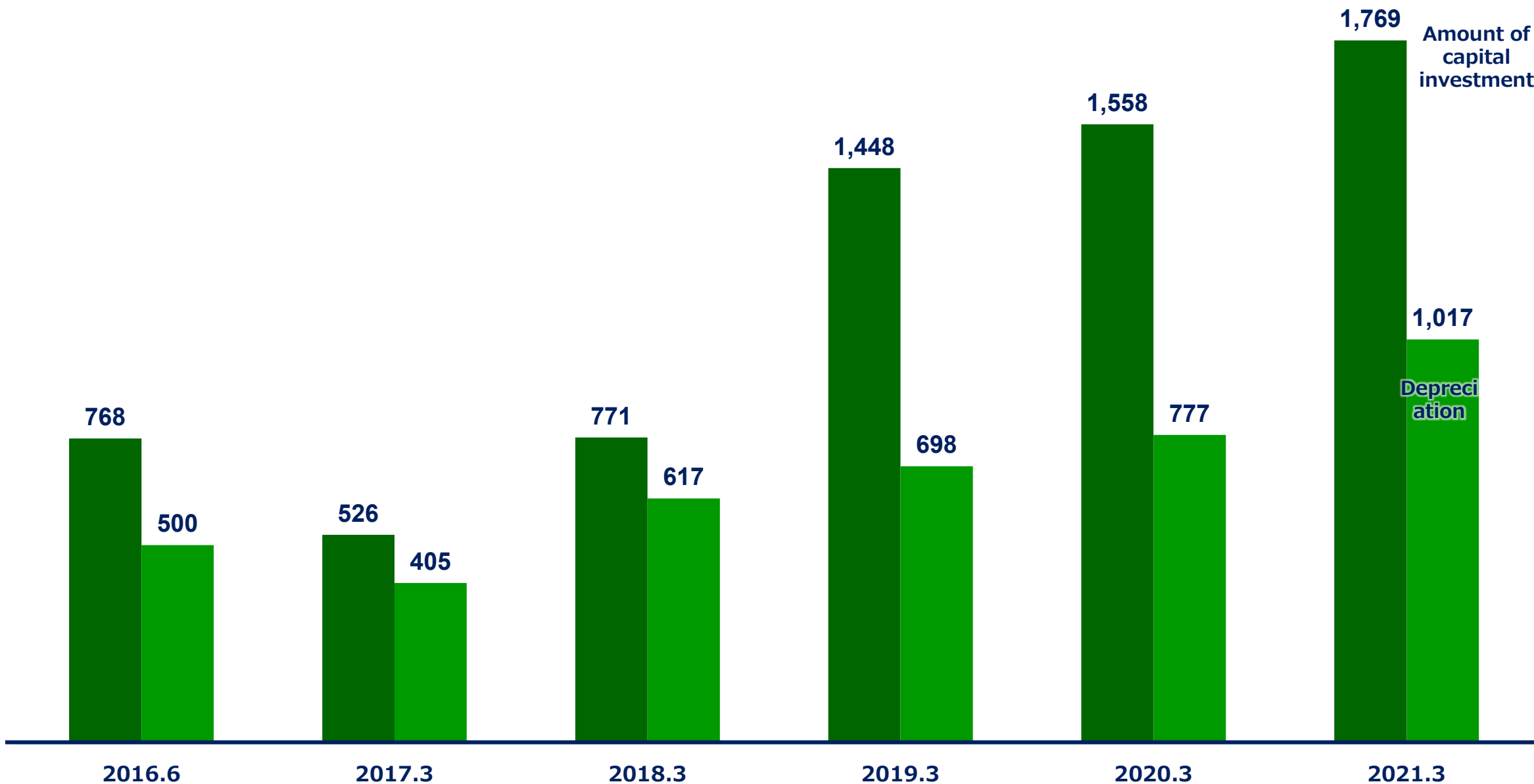


NOTE) From FY 2016.6 to FY 2018.3, the marginal profit ratio is calculated by deducting the cost directly from sales

FT Segment - Transition of Amount of Capital Investment and Depreciations

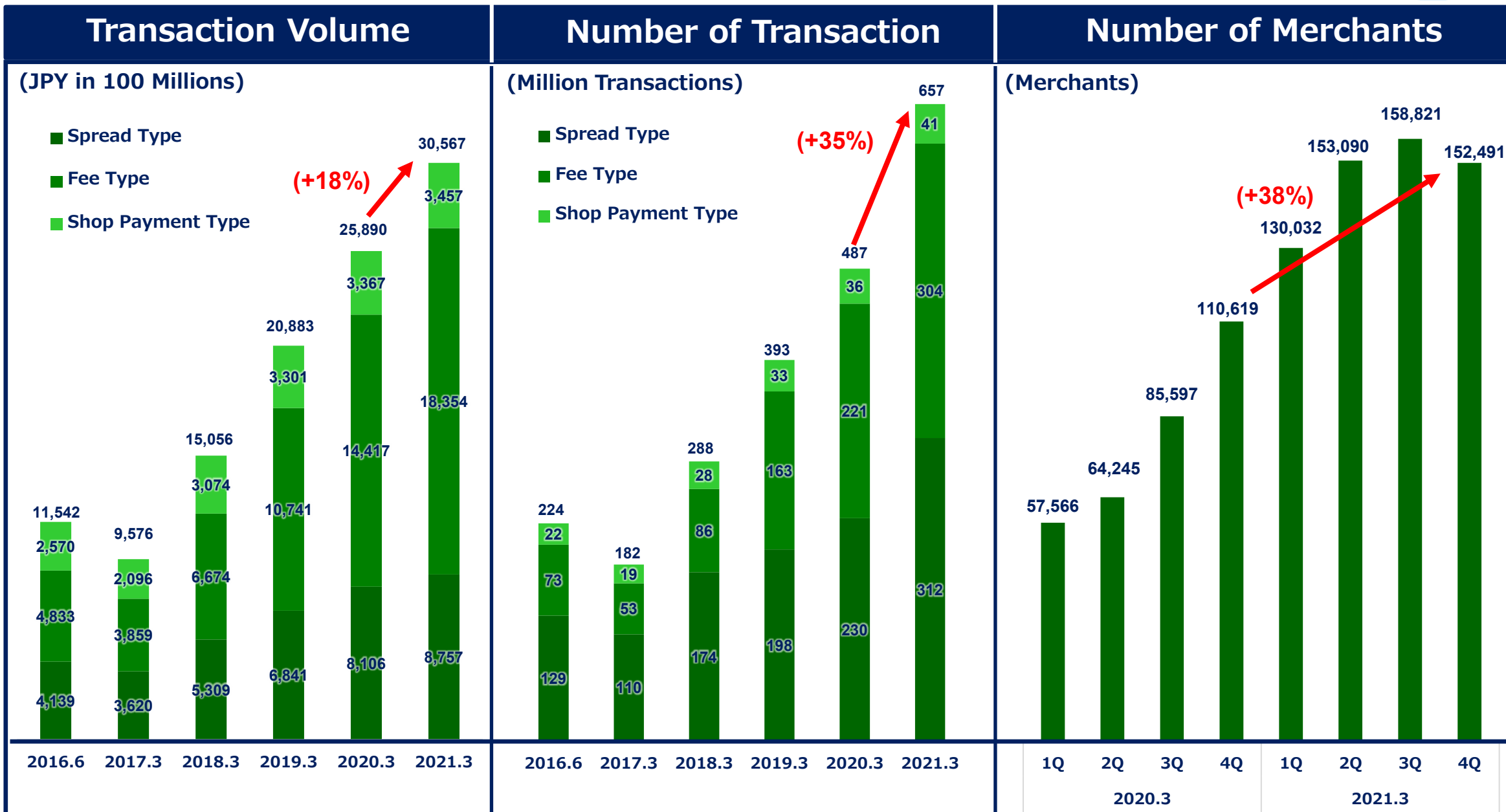


(JPY in Millions)





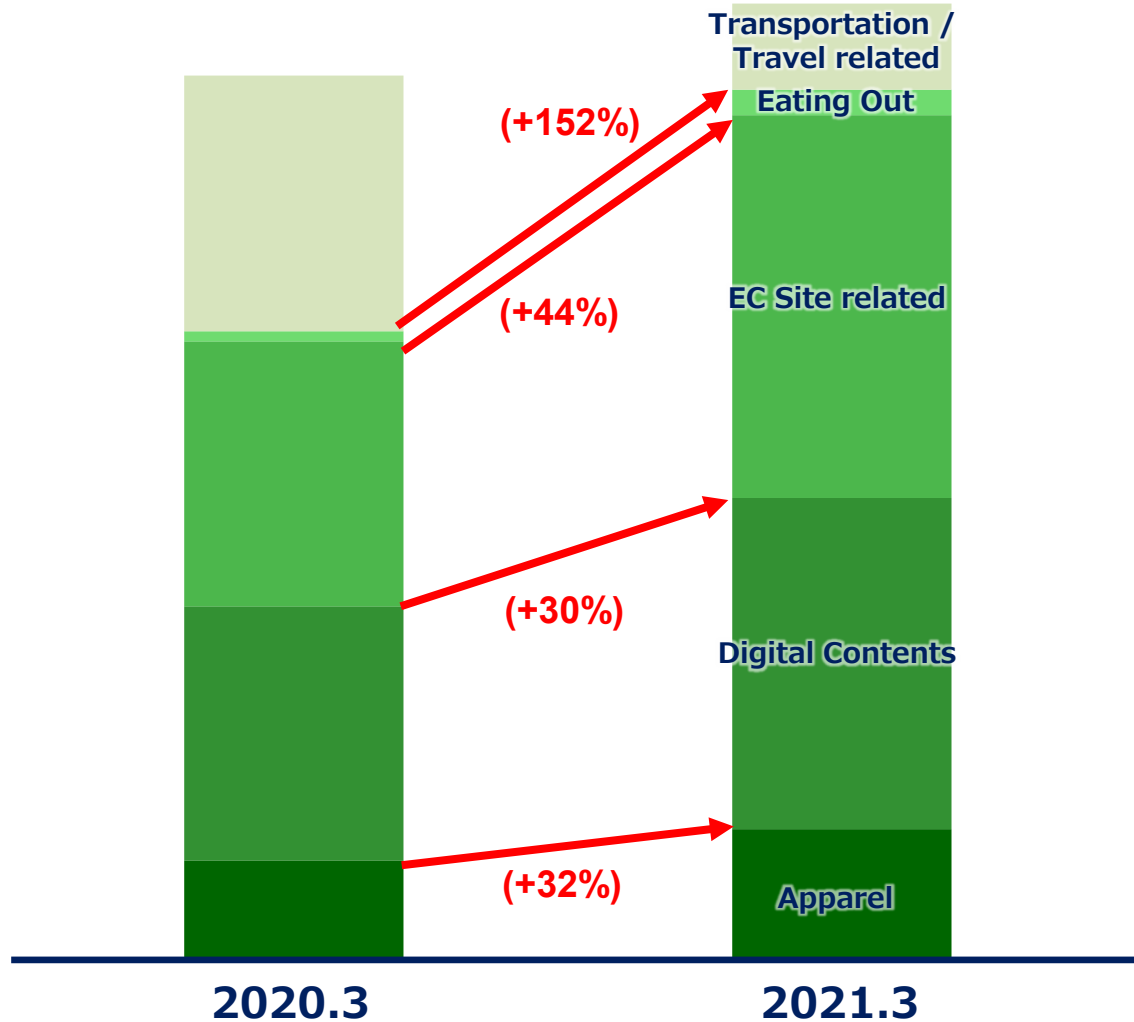
FT Segment - Transaction Volume / Number of Transaction / Number of Merchants



(NOTE) Due to the business integration of DG Financial Technology, Inc. and econtext, Inc., the calculation method for number of merchants has been changed (excluding the number of OEM-operated stores, including TDPs, ANADG, etc.)



Increase / Decrease of Transaction Volume by Major Industry



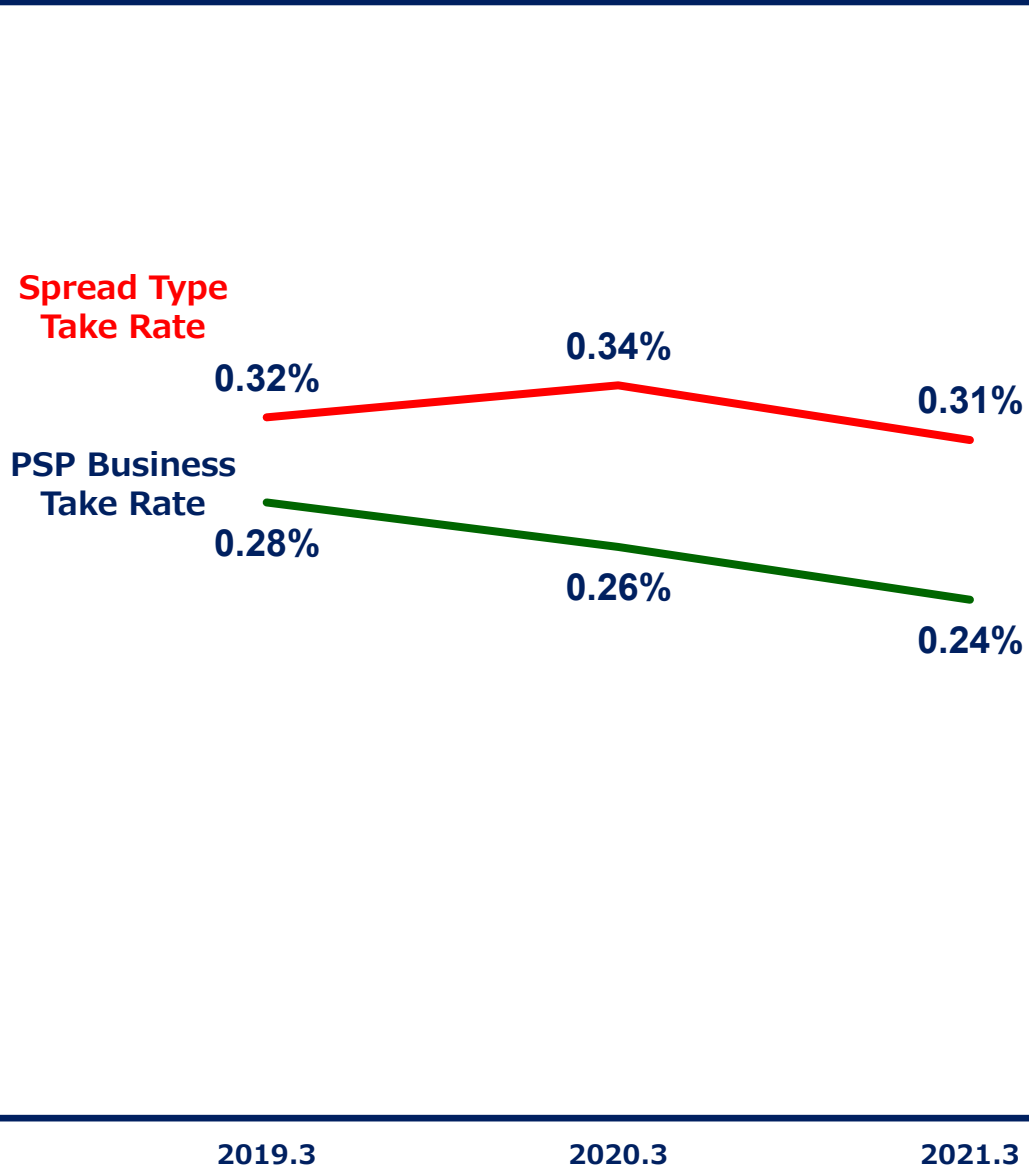
Industry	YoY
Transaction Volume	+18%
Eating Out	+152%
EC Site related	+44%
Apparel	+32%
Digital Contents	+30%
Other Industries	+21%
Transportation / Travel related	▲66%

NOTE) Created from FT Segment's major business partners.
Total of EC payment and face-to-face payment

FT Segment - Transition of Take Rate and Unit Price



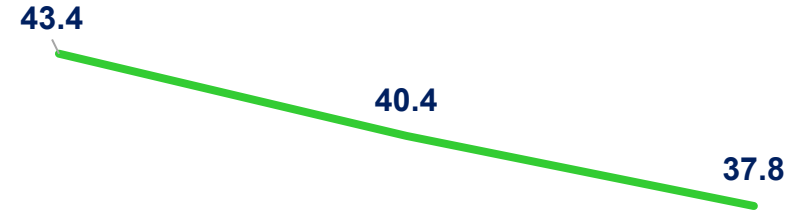
Take Rate (Spread Type)



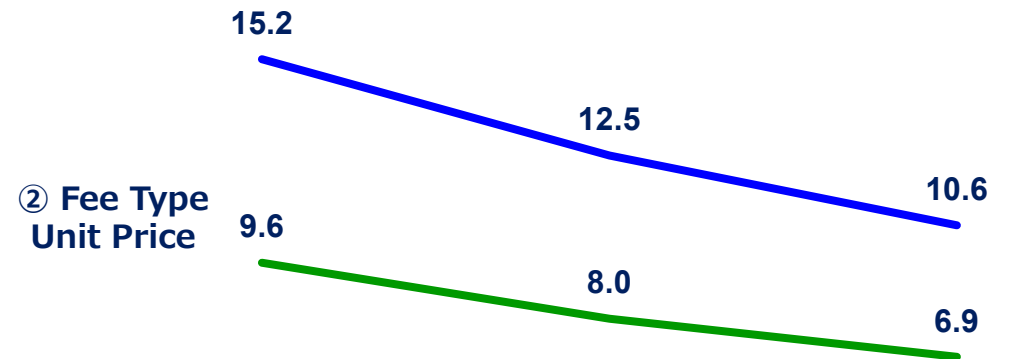
Unit Price (Fee Type+Shop Payment Type)

(JPY)

① Shop payment Type Unit Price



① Shop payment Type + ② Fee Type Unit Price



② Fee Type Unit Price



2019.3

2020.3

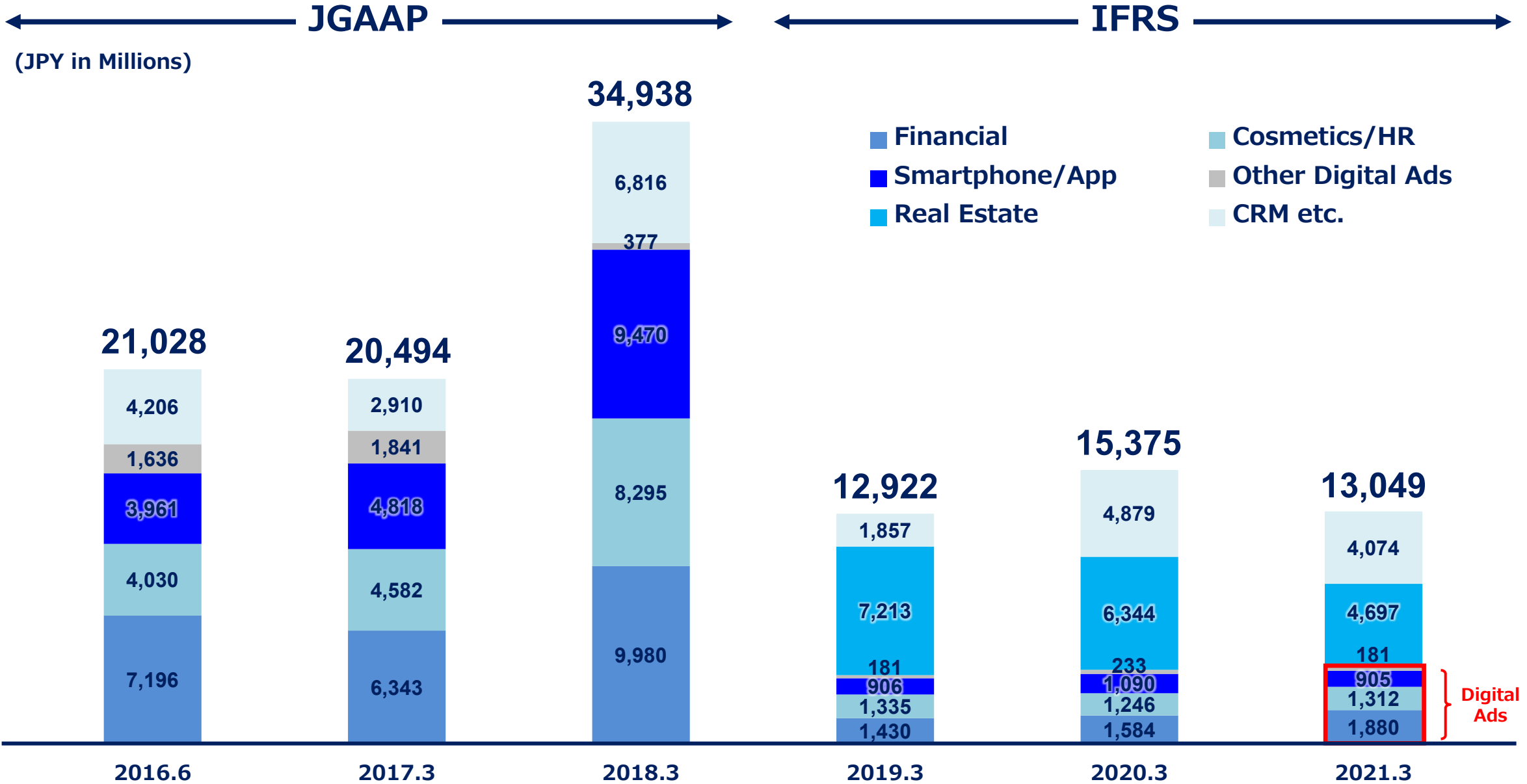
2021.3

2019.3

2020.3

2021.3

MT Segment - Transition of Revenue



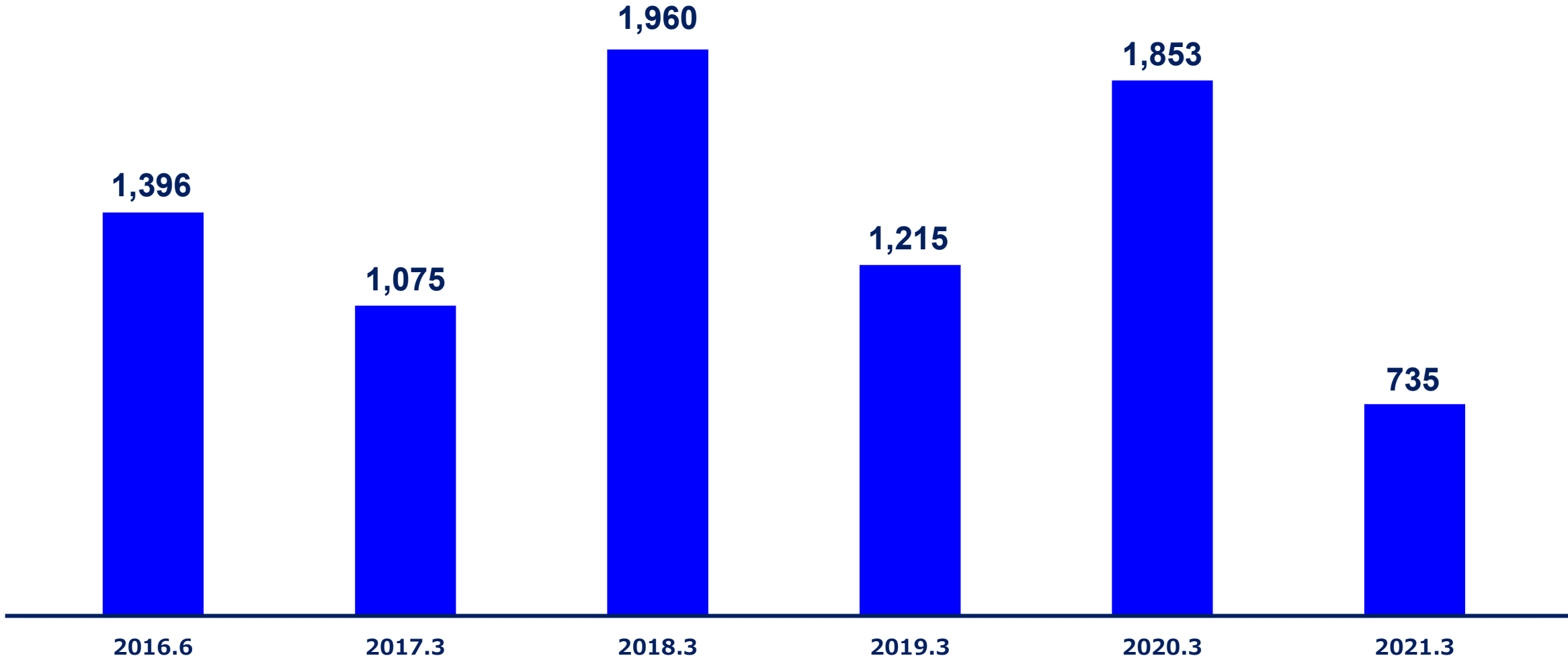
NOTE) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3. Calculation category for the past and current results has been revised in FY 2022.3

❖ MT Segment - Transition of Profit Before Tax



← JGAAP → ← IFRS →

(JPY in Millions)

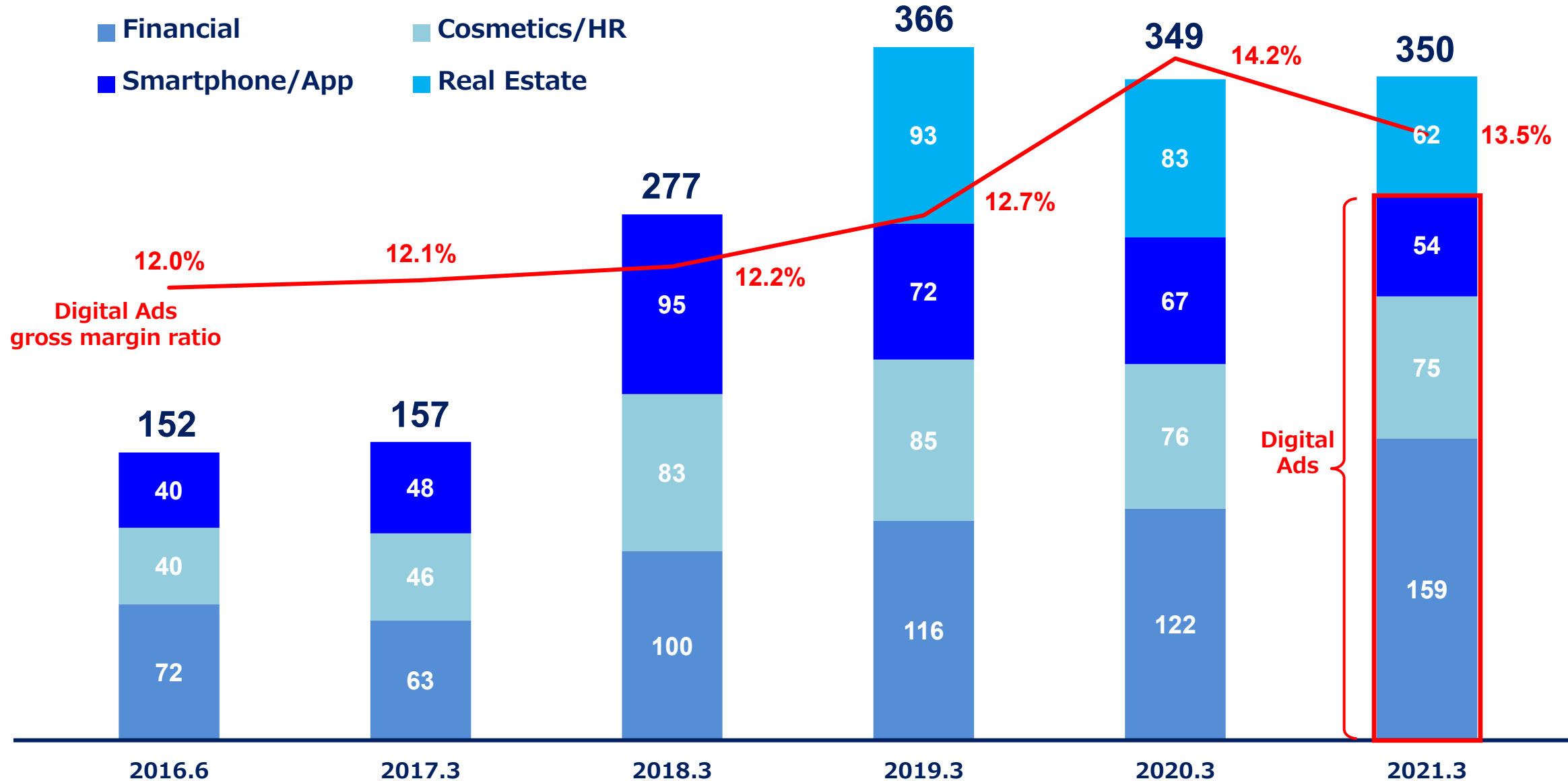


NOTE)) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3

MT Segment - Transition of Advertisement Volume



(JPY in 100 Millions)



NOTE)) Made DG Communications Co., Ltd. a consolidated subsidiary from FY 2019.3

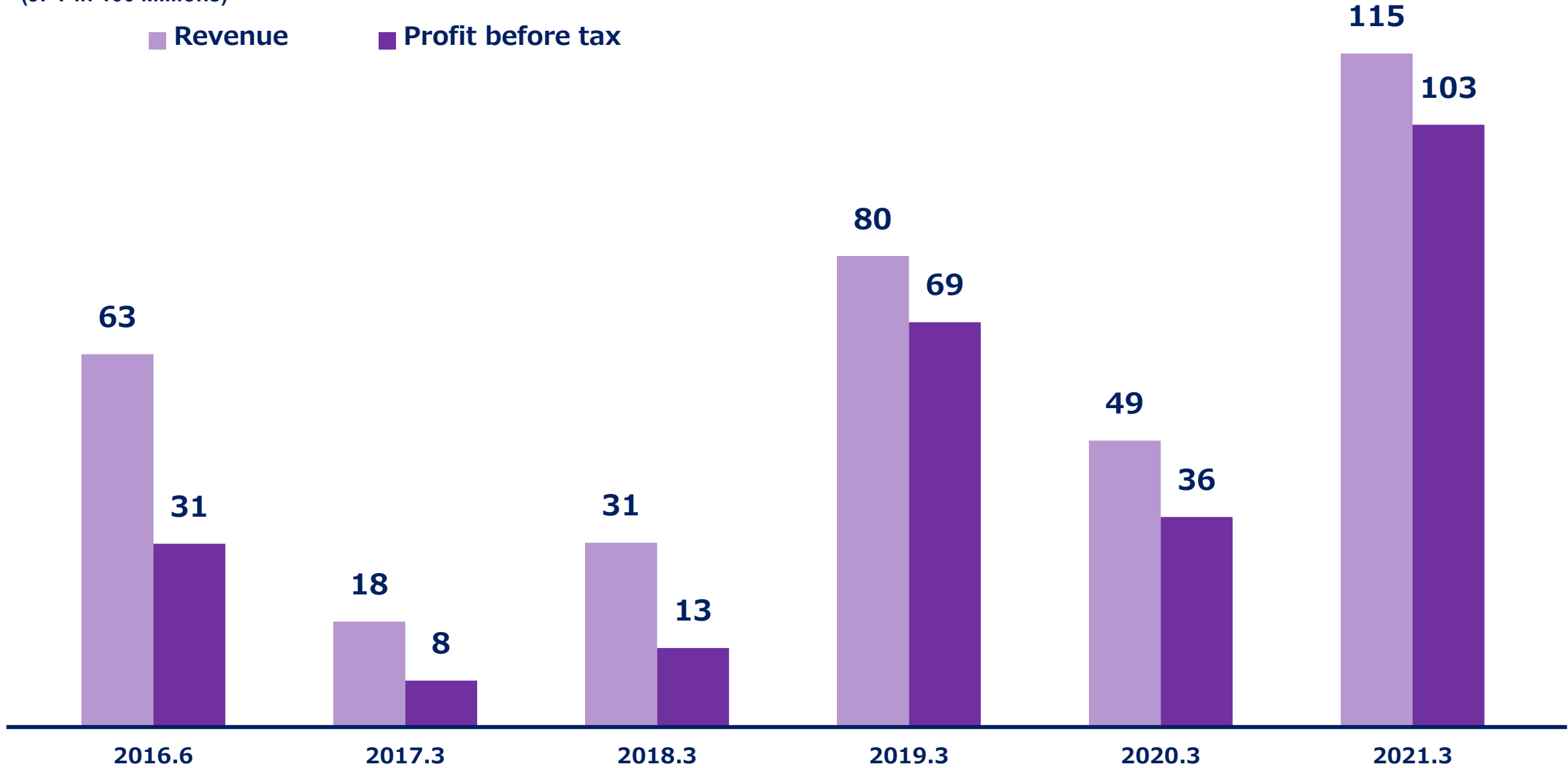
IT Segment - Transition of Revenue and Profit Before Tax

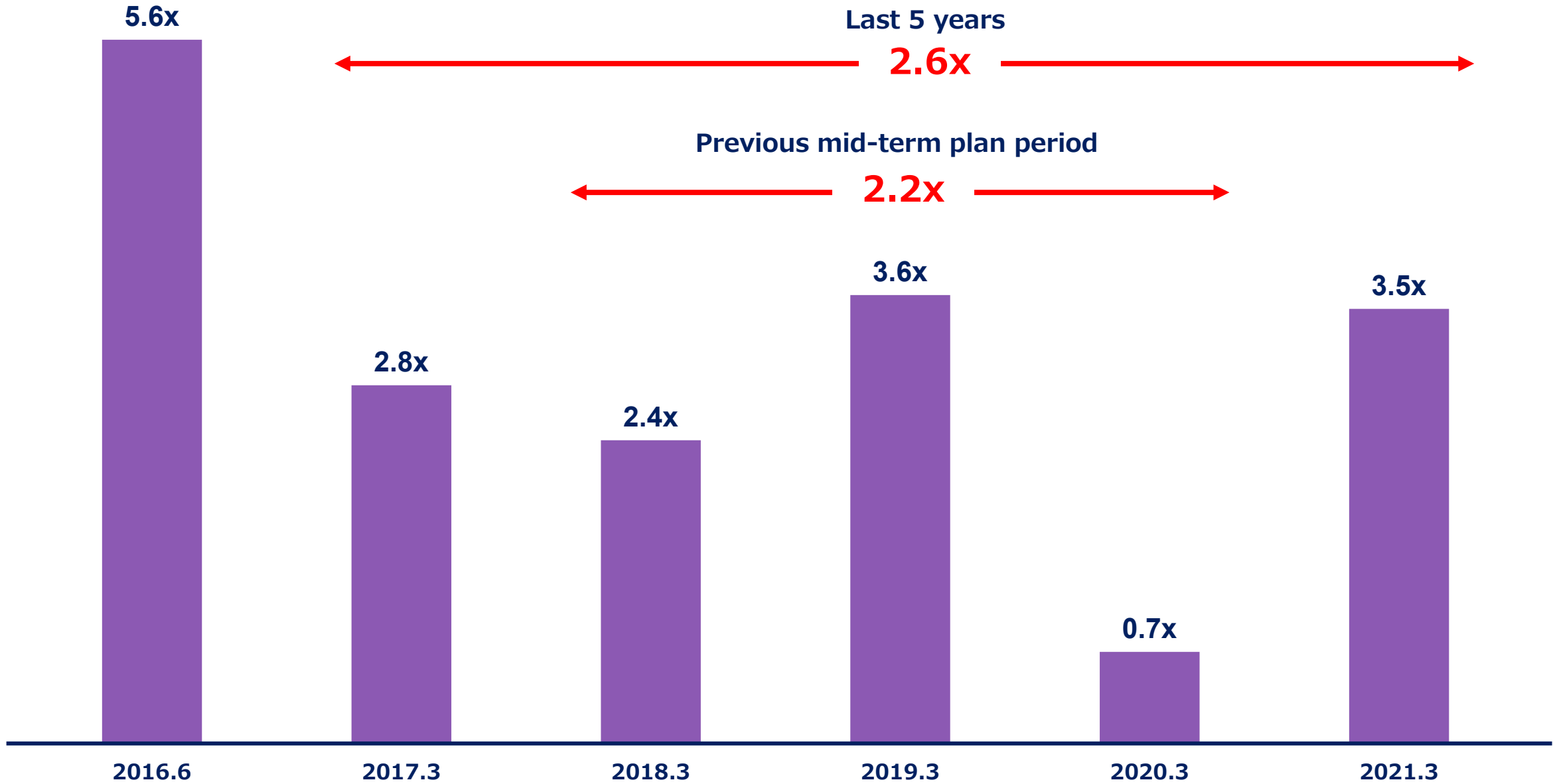


← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ Revenue ■ Profit before tax





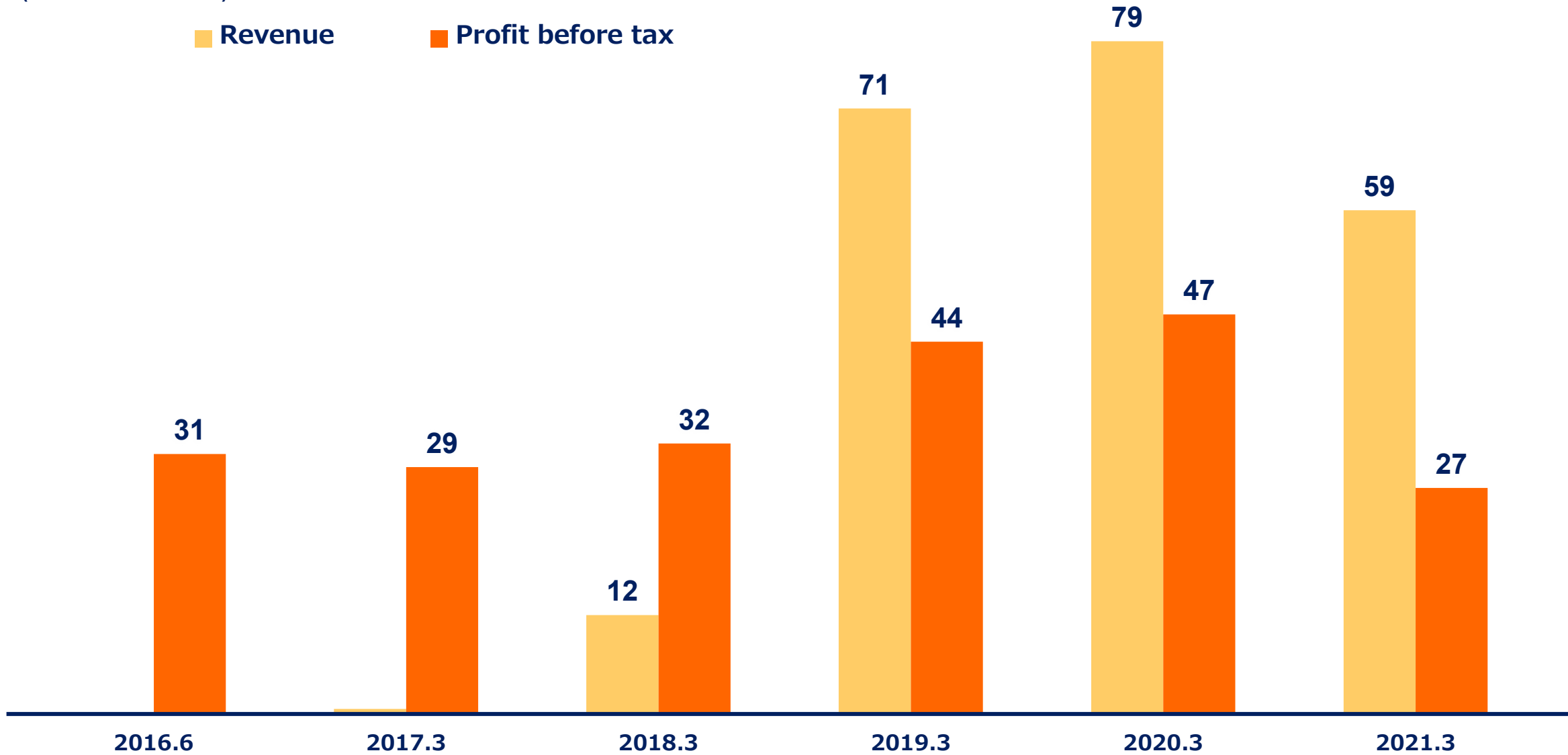
❖ LTI Segment - Transition of Revenue and Profit Before Tax



← JGAAP → ← IFRS →

(JPY in 100 Millions)

■ Revenue ■ Profit before tax





Digital Garage

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