


NEW CONTEXT DESIGNER

 Digital Garage

 JPX-NIKKEI 400

This annual report was prepared using information current as of August 31, 2021.

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“Earthshot”

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Cautionary Statement

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

DG's PURPOSE & MISSION

beyond the DG 25th Anniversary



< CORPORATE SLOGAN >

New Context Designer DG

PURPOSE

Designing **“New Context”** for a sustainable society with technology

MISSION & VALUES

Integrating **TECHNOLOGY** × **ESG** × **INCUBATION**
with the FIRST PENGUIN SPIRIT, we continue to create sustainable “business context”

PRINCIPLE



“Think for yourself and question authority”

— Timothy Leary 

Since its founding in 1995, this quote has been a part of the corporate credo of Digital Garage, which has continuously grown alongside the development of the Internet in Japan. Consistently at the forefront of the Internet industry and introducing revolutionary change in social mechanisms, from communication to financial transactions, our employees meet the demands of versatility to think beyond the constraints of convention. Digital Garage is what it is today because each and every person in the company stands by these words.

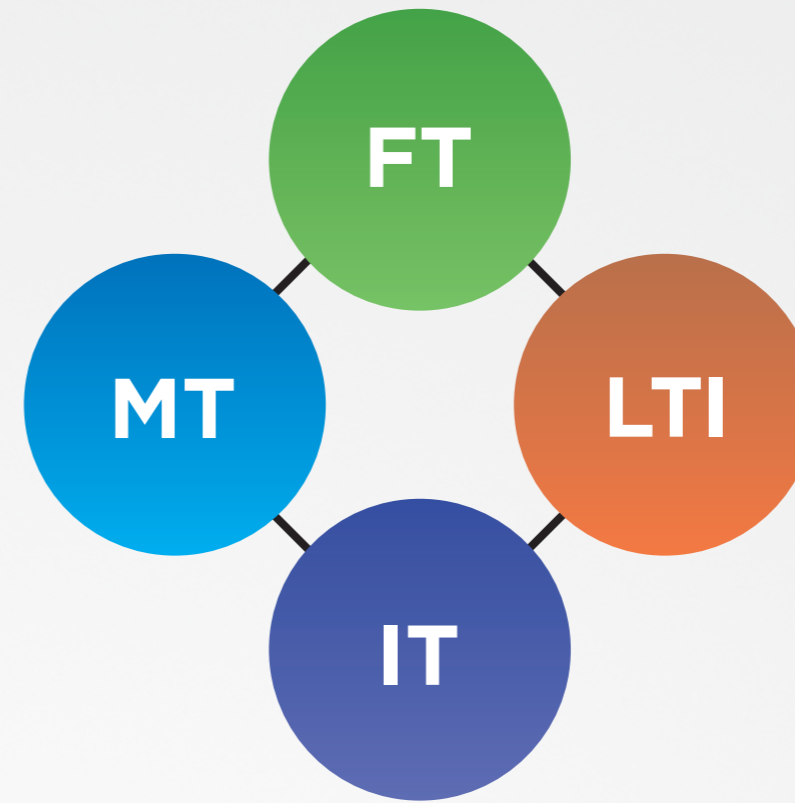
FOUR SEGMENTS

Four segments and business concept

Connecting diverse business areas with contexts, discerning the evolution of technology, and building a system capable of ongoing business growth

Digital Garage provides “new contexts” through the Internet by implementing three core technologies: IT (Information Technology), MT (Marketing Technology), FT (Financial Technology).

These new contexts, projected onto business areas, have given rise to our Financial Technology (FT) Segment, Marketing Technology (MT) Segment, Incubation Technology (IT) Segment, and Long-term Incubation (LTI) Segment.



Business Model

We create innovative internet services with open innovation in four segments. Adding to sustainable growth in marketing (MT) and payment services (FT), which are indispensable for the profitability of internet-related businesses, we will discern the future of technology evolution and create new businesses through DG Lab, an open innovation platform.

POINT.1

Organic growth in the FT, MT, and IT Segments

POINT.2

Acceleration of incubation with DG’s unique cross-segment platform

POINT.3

Continuously bringing incubation results into the DG Group

BUSINESS MODEL

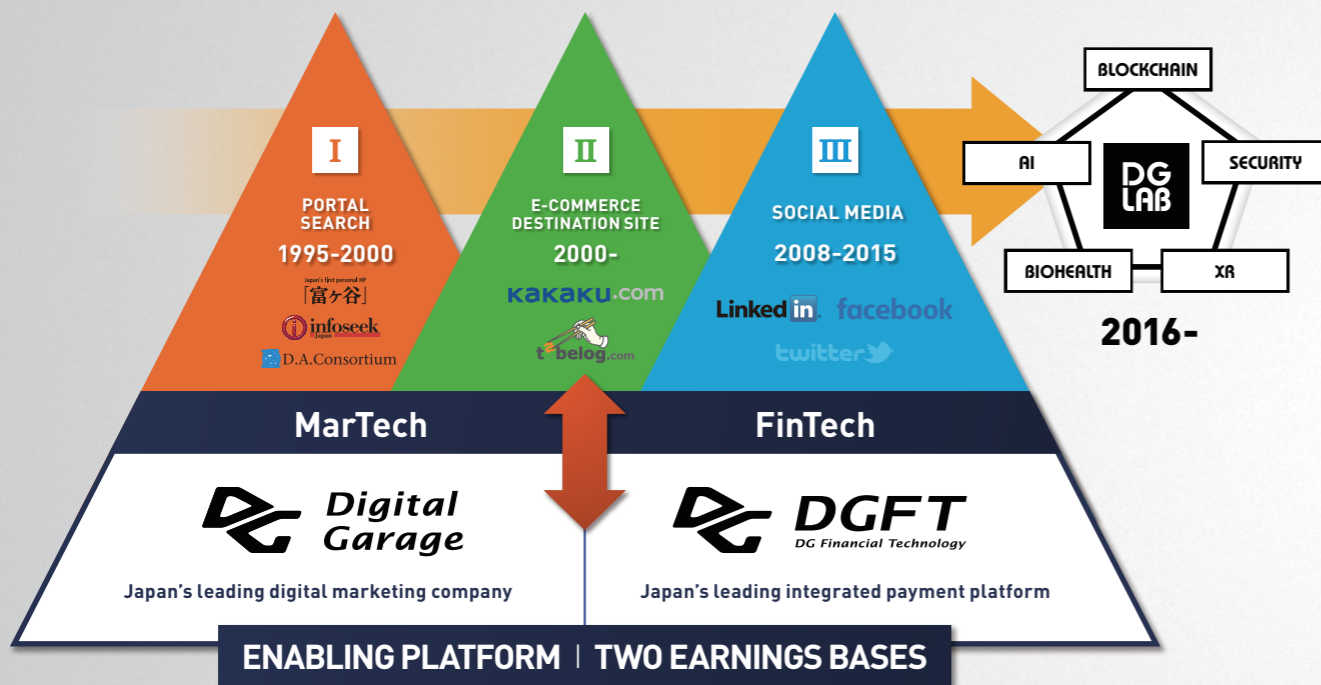
The Digital Garage Group’s three earnings bases

Incubation model applying the enabling platform

The Marketing Technology Segment and Financial Technology Segment are generating stable earnings as two earnings bases (enabling platform).

Digital Garage’s incubation model uses this enabling platform to invest in and nurture companies in Japan and abroad.

Adding DG Lab to this incubation model, we are striving to continue contributing to society by further accelerating incubation, and developing and providing useful services.



ENABLING PLATFORM | TWO EARNINGS BASES

ENABLING PLATFORM | TWO EARNINGS BASES



FIRST PENGUIN SPIRIT

The “First Penguin” is the first penguin that jumps into the ocean in search of food, despite the possibility of encountering dangerous predators.

This is what DG calls the venture spirit of having the courage and unshakeable will to be the first to step forward and take up a challenge.

DG is contributing to Japanese and global society with a creed of having the “First Penguin Spirit.”

Penguins must catch fish in order to survive.

However, there are many predators, such as killer whales and leopard seals, lurking in the treacherous sea where they have to go for food.

In face of the danger, there is the first penguin that takes the plunge into the waters with courage in its search for food.

Digital Garage Group values this “First Penguin Spirit,” which represents courage in the face of risks, and the strong will to plunge headlong in order to achieve the goal. This has been the Group’s credo since its establishment.

This spirit is upheld by each Digital Garage employee in their day-to-day business activities, to become the pioneering “First Penguins” that deliver services that benefit and serve society.

DG HISTORY

I Digital Garage's history 1995-2020

The track record of business incubation is formed by the main part of Japan's internet history. Crawler-based search services/blog search/price comparison with e-commerce (Kakaku.com)/restaurant search site (tabelog.com)/localization support and advertisements for social media (Twitter, Facebook, LinkedIn)/total handled in the convenience store payment platform and credit card payment platform (DGFT) is 3.1 trillion JPY/total OMO* handled in the digital marketing sector is 35.0 billion JPY/acquired the first authorization for "Regulatory Sandbox in Japan" in the FinTech field (Crypto Garage, Inc.).

Then now, "Open Innovation" has been jointly created by group companies and partner companies and is fully operational with DG Lab as the platform. In addition, Japan and overseas investment is accelerating in the DG Lab Fund (a combined scale of 20.0 billion JPY for DG Lab Funds I and II) in the areas of blockchain, AI, xR, BioHealth and security.

While forming the incubation stream, the experience and track record accumulated while constantly being involved in cutting-edge Japan and overseas internet businesses has become a strength of Digital Garage Group, which has been the source for generating high value-added context.



2000 '00 E-COMMERCE DESTINATION SITE

Established an operational base through by developing a settlement service targeting e-commerce sites, and by investing in Kakaku.com, a company developing a price-comparison site

2008



Entered into a business alliance with Twitter, Inc. and provided localization support

2012



Made VeriTrans Inc. into a consolidated subsidiary to become one of Japan's largest payment platforms

2000



Digital Garage was listed on the OTC (now the Tokyo Stock Exchange JASDAQ)

2005



Established DG Incubation to invest in and provide business support to venture companies

2011



Established DGUS, the DG Group's US base of operations, to accelerate US incubation activities

2013



Established the incubation center, DG717, in the heart of San Francisco

2016



Invested in Blockstream, Inc., which develops blockchain technology

2018

Recorded an all-time high for profit for the first time in nine periods, and DG Lab began full-scale initiatives aimed at commercialization

2018



Launched the first transverse consortium program in the industry dedicated to the area of residences and living

2018



Launched the open innovation type accelerator program in the biotechnology and healthcare sectors



2020

Opened a new office in Shibuya PARCO DG Building

2020

28 prominent media companies invested in BI.Garage and built a joint advertising platform with the aim of online media value creation for media companies

2020



Developed "Musubell" for centralized real estate contract management

Hybrid Solution

1995 Microsoft introduced Windows 95
1998 Number of Internet users in Japan surpassed 10 million
2000 Google introduced a Japanese-language search service

Social Media Incubator

2007 Apple introduced the iPhone
2008 Number of fiber-optic service users exceeded number of ADSL users in Japan

Lean Global

2014 Number of smartphone subscribers exceeded number of feature phone subscribers
2017 AI program called "AlphaGo" beat the best professional Go player in the world
2018 GDPR was enacted

IT/MT/FT x Open Innovation

Open Incubation toward 2020

2019 5G network launched

Designing our New Normal Context

1995



Created Japan's first personal homepage "Tomigaya," and established Digital Garage to plan and create internet-based advertising

2000



Established ECONTEXT, INC. to provide payment and other e-commerce solutions

2004



Made DG&Ibex, a company providing advertising and promotion services by fusing real space and cyberspace, into a consolidated subsidiary

2003



Kakaku.com was listed on the Tokyo Stock Exchange Mothers Index

1995 '95-'00 PORTAL SEARCH

Established an internet advertising business with a high-traffic portal site and crawler-based search engine at its core

2011



Established the Open Network Lab to support next-generation startups

2013



BI. Garage, a joint venture with the Dentsu Group, embarked on a big data operations mission

2008 '08 SOCIAL MEDIA

Expanded advertising/marketing businesses for a new era of users utilizing blogs, Twitter, and other forms of social media

2016



Launched an R&D platform by DG, Kakaku.com, and Credit Saison to create new businesses, DG Lab

2016

Established "DG Lab," an R&D platform, with the aim of developing technology that supports next generation businesses

2016



Established ANA Digital Gate, Inc., a joint venture between VeriTrans Inc. and ALL NIPPON AIRWAYS TRADING CO., LTD. developing new payment solutions

2019



Acquired the first authorization for the blockchain sector by the Regulatory Sandbox in Japan in the FinTech field

2019

Profit before tax for the first year under IFRS rose 60% YoY to 13.4 billion JPY, a record high

2019



Established the joint-venture company TD Payment Corporation with VeriTrans Inc. and TOSHIBA TEC CORPORATION to develop multi-payment solutions for POS systems

2019



Commenced provision of merchant-presented mode multi-QR code payment solution "Cloud Pay"



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

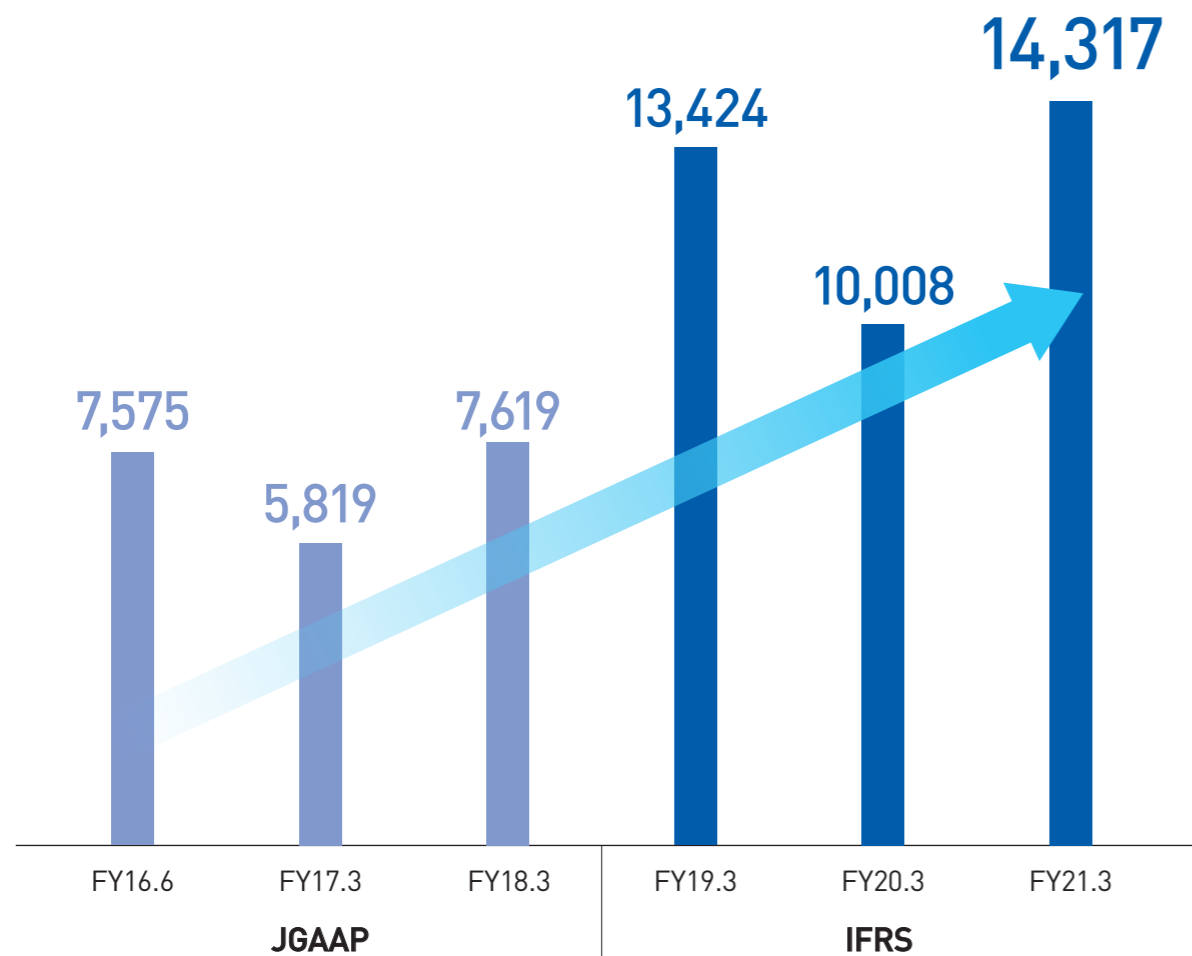
DIGITAL GARAGE GROUP

Record-high profit before tax of 14.3 billion JPY

Profit before tax

DGG DIGITAL GARAGE GROUP

(JPY in Millions)



*FY17.3 has a nine-month irregular account settlement period as a result of the change of closing date.
*IFRS have been voluntarily applied since FY19.3.

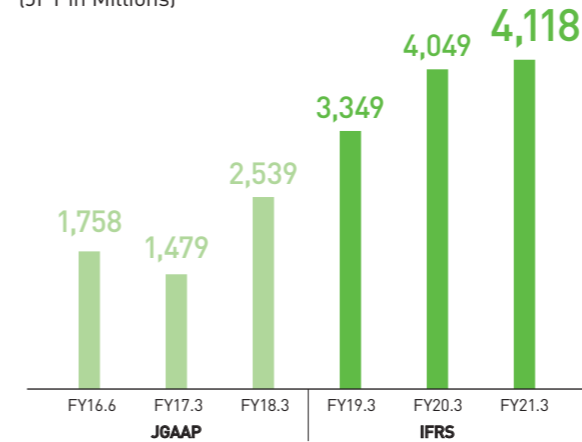
4 SEGMENTS

The Financial Technology Segment recorded record high profits with strong EC payments and in the Incubation Technology Segment there was large increase in the fair value of investees, which substantially drove consolidated profit before tax

Consolidated profit before tax by segment

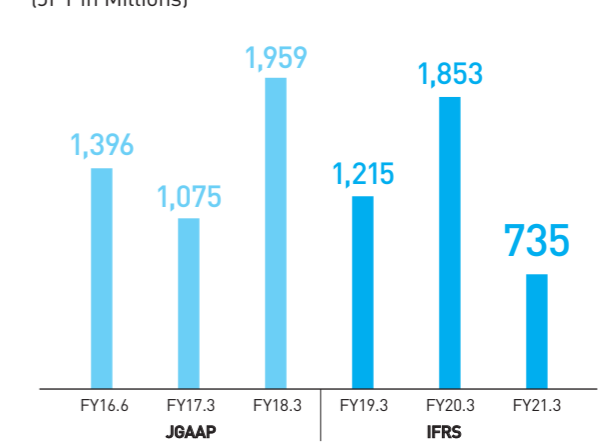
FT FINANCIAL TECHNOLOGY SEGMENT

(JPY in Millions)



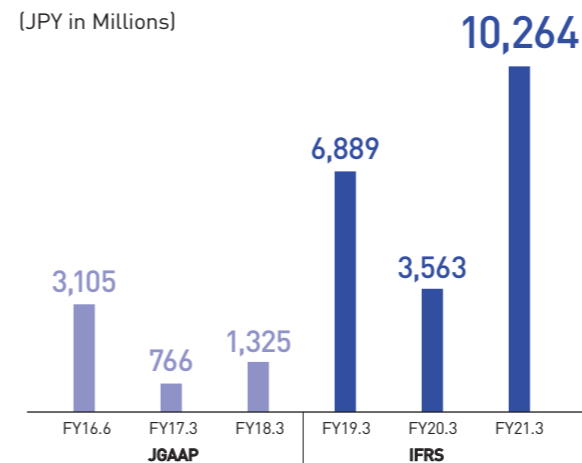
MT MARKETING TECHNOLOGY SEGMENT

(JPY in Millions)



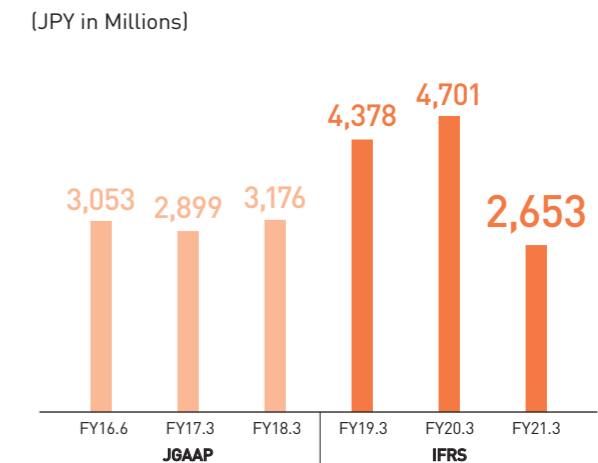
IT INCUBATION TECHNOLOGY SEGMENT

(JPY in Millions)



LTI LONG-TERM INCUBATION SEGMENT

(JPY in Millions)



* The value of segment profit before tax for FY19.3 has been revised retroactively following the segment change (from MT to FT) of Navipius Co., Ltd., which was implemented in FY20.3.

MESSAGE FROM THE CEO

Under the “DG FinTech Shift,” we will shift to management centered on Financial Technology and aim to continually increase corporate value.

Digital Garage, Inc.
Representative Director, President
Executive Officer and Group CEO

Kaoru Hayashi



FY 2021.3 Financial Summary

As for the consolidated business results for FY21.3, revenue was 40,478 million JPY (up 9.6% YoY), profit before tax was 14,317 million JPY (up 43.1% YoY), and profit attributable to owners of parent was 9,786 million JPY (up 31.9% YoY). As a result, profit before tax, our key management indicator, reached a new record high. Despite being affected by the spread of the COVID-19 infection from the beginning of the term, the results reflect the clear promotion of business with the FinTech/DX shift strategy for the Group.

In the core Financial Technology Segment, despite the impact of the spread of the COVID-19 on travel/inbound demand, profits reached record highs as the market size of e-commerce expanded and new domestic payment methods were enhanced, which absorbed the increase in fixed costs. In

the Incubation Technology Segment, the pandemic led to the rapid progress of digital transformation (DX) globally, which significantly increased the fair value of investees' shares and drove profits. However, in the Marketing Technology Segment, although the mainstay digital promotion business performed soundly, demand for promotions in the real estate sales, retail, and other industries plummeted. Business structure optimization costs, such as office consolidation, were also recorded. In the Long-term Incubation Segment, earnings declined due to restraint on consumer spending related to restaurants and entertainment, etc., as well as the suspension of business operations as a result of the spread of the COVID-19.

Shareholder Return

DG views shareholder returns as one of its principal management concerns. Decisions about dividends are based on considerations of factors such as financial condition, business performance outlook and future funding needs.

In the Mid-Term Business Plan, which commenced from FY21.3, the cash generating ability of the DG Group's business is measured and shareholder returns are based on management that is focused on cash flows. Note that the FY21.3 year-end dividend was up 4 JPY per share from the previous period with an ordinary dividend of 32 JPY. The ordinary dividend payout ratio was 15.1%, while the “dividend payout ratio to business cash flow before income taxes,” introduced as a benchmark for shareholder returns, was 20.6% compared with the target of at least 20%.

In 2020, Digital Garage marked the 25th anniversary of its founding. As a company that would create “contexts” useful for the world, since its establishment, DG has built a solid track record of constantly being at the cutting edge

of internet development, and taking on “first-in-Japan” projects. The DG Group will maintain its spirit of the “First Penguin” while accurately grasping the trends in cutting-edge technologies and also utilizing the know-how and global network for incubation built to date to contribute to society.

In addition, we formulated and revised the concept of “Creating useful ‘contexts’ for the world in the Internet age,” which we have consistently used since our establishment, into a new purpose that is more suitable for the ESG era from FY22.3. The corporate slogan is now “New Context Designer DG.” With the corporate purpose of “Designing ‘New Context’ for a sustainable society with technology,” we have set our sights on the next 25 years with a renewed spirit.

I would like to take this opportunity to ask all our stakeholders, including our shareholders, for an even greater level of support and encouragement.

Management integration of core payment service subsidiaries VeriTrans, Inc. and econtext, Inc. and “DG FinTech Shift”

On April 1, 2021, we integrated the business of our core payment service subsidiaries VeriTrans, Inc. and econtext, Inc., which will promote the Group strategy “DG FinTech Shift” as the new consolidated subsidiary DG Financial Technology, Inc. (DGFT). We will leverage our 25-year network of investment and incubation to further accelerate payment support for businesses, and advertising, DX and CRM support for payment merchants and payment providers in marketing. Our strategy is to expand gross transaction volume (GTV) in the FT segment and increase profitability and growth.

During the past 20 years since the early days of the internet, the DG Group's payment business has been providing a safe and secure payment infrastructure while taking on the challenge of various initiatives that have been “Japan's firsts,” and has grown to become a company designated as a critical infrastructure by the government, handling approximately 3 trillion JPY in annual

transaction volume and approximately 700 million transactions per year. In addition to our payment service provider business, we have launched “DG FinTech Shift,” a Group strategy that integrates payment and data, in order to develop next-generation services utilizing various technologies and data owned by the DG Group.

Based on “DG FinTech Shift,” the DG Group will shift from gradual federal management to recurring management centered on FT. We will redefine FT Segment as the core recurring business of the DG Group both in name and reality. By combining the group's abundant businesses and services with DGFT's solid settlement infrastructure backed by stable 24/365 operations, and through the development of a variety of payment and settlement services and the development of next-generation businesses that utilize data, we will contribute to a sustainable society as an essential social infrastructure.

Dividend Trends

	FY15.6 (JGAAP)	FY16.6 (JGAAP)	FY17.3 (JGAAP)	FY18.3 (JGAAP)	FY19.3 (IFRS)	FY20.3 (IFRS)	FY21.3 (IFRS)
Ordinary dividend	5 JPY	15 JPY	20 JPY	24 JPY	28 JPY	28 JPY	32 JPY
Commemorative dividend	20 JPY 20th anniversary	15 JPY In commemoration of our change to the TSE First Section	-	-	-	10 JPY 25th anniversary	-
Total dividend	1.17 billion JPY	1.41 billion JPY	0.94 billion JPY	1.13 billion JPY	1.28 billion JPY	1.75 billion JPY	1.47 billion JPY
Purchase of treasury shares	-	-	-	-	5.0 billion JPY	-	-
Ordinary dividend payout ratio	4.6%	13.7%	22.0%	20.7%	13.3%	17.4%	15.1%
Total return ratio	23.1%	27.3%	22.0%	20.7%	64.3%	23.5%	15.1%
Dividend payout ratio to business cash flow before income taxes	-	-	-	-	-	51.2%	20.6%

FY2021.3 FINANCIAL AND BUSINESS RESULTS

Since adopting IFRS, profit before tax hit record-high 14.3 billion JPY

Working toward achieving Mid-term Plan, we optimized our business portfolio and clarified our strategies (implementation of FinTech Shift)

In FY21.3, revenue was 40,478 million JPY (+9.6% YoY), profit before tax was 14,317 million JPY (+43.1% YoY), and profit attributable to owners of parent was 9,786 million JPY (+31.9% YoY). Despite the impact from COVID-19 pandemic from the beginning of the period, the Group collectively worked to formulate a clear strategy to undertake a shift to FinTech and carry out digital transformation (DX), and achieved record-high revenue and profit.

In the Financial Technology Segment, although the spread of COVID-19 impacted demand for the tourism/inbound market, worked to expand the size of the EC market and enhance new payment methods in Japan, we managed to absorb the increase in fixed costs and achieved growth in revenue and profit.

In the Marketing Technology Segment, we experienced a decline in demand for promotions related to real estate sales, retail, etc., despite robust performance in our mainstay digital promotion business, and we also recorded costs associated with business restructuring and optimization such as office consolidation.

In the Incubation Technology Segment, the pandemic has

rapidly accelerated digital transformation at a global level, and revenue was elevated by the significant increase in the fair value of operational investment securities of investees.

In the Long-term Incubation Segment, we experienced a decline in revenue resulting from the impact of COVID-19 pandemic, including the effect of consumers staying home on restaurants and entertainment-related businesses, and the suspension of operations by business operators.

One of the financial targets in our Mid-term Plan is ROE. We achieved 17.1% ROE, which is higher than our cost of capital of 8%. Furthermore, we measure the cash flow generation capability of the DG Group's business operations, and aim to implement shareholder return through cash-flow-conscious management. Beginning with FY20.3, we adopted a "dividend payout ratio to business cash flow before income taxes" of 20% or more as the indicator for shareholder return, and looking at actual results for FY21.3, the payout ratio was 20.6% and financial soundness was secured. As such, we achieved improvement in capital efficiency and stable shareholder return.

Progress update on Mid-term Plan (current five-year Mid-term Plan (FY21.3-FY25.3) initiated in FY21.3 under slogan of "Designing our New Normal Context")

In FY21.3, the initial year for the Mid-term Plan, the Financial Technology Segment implemented strategic investments to strengthen infrastructure and facilities for the growth of payment transactions, and the Marketing Technology Segment carried out restructuring that included office consolidation and personnel reduction aimed at optimizing the business structure. In the Long-term Incubation Segment, our equity affiliate Kakaku.com Inc. generated decreased revenues due to the impact of COVID-19 pandemic, while Crypto Garage, Inc. recorded business development costs to develop advanced financial services that utilize crypto assets and block chain technology. FY21.3 was a year characterized by efforts focused on strategic investment and business portfolio optimization carried out to achieve the Mid-term Plan against the backdrop of the COVID-19 pandemic. Although the annualized growth rates

were lower than the targets in each segment, the targets for growth set under the Plan remain unchanged. The Incubation Technology Segment, on the other hand, conducted sales of securities, mainly listed stocks, and steadily conducted investment and recovery in Japan and overseas with the aim of achieving an investment hurdle rate (ROI) of 2.5 times.

Under the current Mid-term Plan, we are pushing forward with the Group strategy of "DG FinTech Shift". By utilizing the investment incubation network we have developed over 25 years, we will increase profitability and growth rates by further accelerating our payment support to business operators, our advertising/digital transformation/customer relationship management to member stores and payment business operators in marketing, and by growing the transaction volume (GTV) in our Financial Technology Segment in order to achieve the Mid-term Plan.

(Financial targets in the Mid-term Plan)	Target
Growth Indicators (Profit before tax, CAGR)	
Financial Technology Segment	20% or more
Marketing Technology Segment	20% or more
Long-term Incubation Segment	15% or more
Hurdle Rate for Investment (ROI)	
Incubation Technology Segment	2.5x
Capital Efficiency	
ROE	20% or more
Shareholder Return	
Dividend payout ratio to business cash flow before income taxes	20% or more

Consolidated P/L (IFRS)

JPY in Millions	FY20.3	FY21.3	YoY	
			%	Amount
Revenue	36,936	40,478	+9.6%	+3,542
Revenue in recurring business	26,687	24,945	-6.5%	-1,742
Revenue in operational investment securities	4,020	11,031	2.7x	+7,011
Other income	2,416	1,949	-19.3%	-467
Finance income	93	59	-36.9%	-34
Share of profit of investments accounted for using equity method	3,720	2,495	-32.9%	-1,225
Expenses	26,929	26,161	-2.8%	-767
Cost of sales	12,036	10,697	-11.1%	-1,339
Selling, general and administrative expenses	14,022	14,537	+3.7%	+514
Other expenses	492	617	+25.5%	+125
Finance costs	379	311	-17.9%	-68
Profit before tax	10,008	14,317	+43.1%	+4,309
Profit attributable to owners of parent	7,420	9,786	+31.9%	+2,365

Segment P/L (IFRS)

JPY in Millions	FY20.3	FY21.3	YoY	
			%	Amount
Revenue	36,936	40,478	+9.6%	+3,542
Financial Technology	8,609	9,666	+12.3%	+1,056
Marketing Technology	15,375	13,049	-15.1%	-2,327
Incubation Technology	4,868	11,482	2.4x	+6,614
Long-term Incubation	7,929	5,931	-25.2%	-1,998
Others/Adjustments and Eliminations	155	351	2.3x	+196
Profit before tax	10,008	14,317	+43.1%	+4,309
Financial Technology	4,049	4,118	+1.7%	+69
Marketing Technology	1,853	735	-60.3%	-1,118
Incubation Technology	3,563	10,264	2.9x	+6,701
Long-term Incubation	4,701	2,653	-43.6%	-2,048
Others/Adjustments and Eliminations	-4,158	-3,452	-	+705

Condensed Consolidated B/S (IFRS)

JPY in Millions	End of FY20.3	End of FY21.3	Difference	
Current assets	98,852	113,548	+14,696	[Assets]
Cash and cash equivalents	32,702	37,989	+5,287	Total assets increased by 16.0 billion JPY from the end of FY20.3. This is because of an increase of 10.6 billion JPY in operational investment securities due to a steady rise in fair value of investees, and an increase of 5.3 billion JPY in cash and cash equivalents primarily due to an increase in operating revenue.
Trade and other receivables	26,657	26,574	-83	
Operational investment securities	36,546	47,170	+10,624	
Non-current assets	63,444	64,753	+1,310	
Property, plant and equipment	21,367	19,478	-1,890	
Investments accounted for using equity method	21,475	22,446	+972	
Intangible assets	3,496	4,000	+504	
Other financial assets	6,319	7,878	+1,559	
Total assets	162,296	178,301	+16,006	
Current liabilities	50,838	56,865	+6,027	[Liabilities]
Borrowings	4,927	9,768	+4,840	Total liabilities increased by 5.7 billion JPY from the end of FY20.3. This is because of an increase of 3.0 billion JPY in deferred tax liabilities due to a rise in fair value of financial assets, and an increase of 2.5 billion JPY in bonds and borrowings primarily due to borrowings for reinforcement of infrastructure and equipment in the Financial Technology Segment aiming to achieve the Mid-term Plan.
Trade and other payables	41,203	39,911	-1,292	
Non-current liabilities	58,663	58,355	-308	
Bonds and borrowings	38,247	35,850	-2,397	
Other financial liabilities	13,553	12,168	-1,385	
Deferred tax liabilities	5,426	8,515	+3,089	
Total liabilities	109,501	115,220	+5,719	
Total equity	52,795	63,082	+10,287	[Equity]
Equity attributable to owners of parent	52,033	62,134	+10,101	Total equity increased by 10.3 billion JPY from the end of FY20.3. This is because of an increase of 8.1 billion JPY in retained earnings due to the recording of profit and payment of dividends of 1.7 billion JPY, and an increase of 1.7 billion JPY in fair value of financial assets measured at fair value through other comprehensive income.
Share capital	7,591	7,637	+46	
Capital surplus	4,409	4,566	+157	
Treasury shares	-5,012	-4,915	+96	
Other components of equity	324	2,062	+1,737	
Retained earnings	44,721	52,785	+8,064	
Non-controlling interests	762	947	+185	
Total liabilities and equity	162,296	178,301	+16,006	

Financial strategy topics

The DG Group implements its financial and capital strategies under its basic policy on financing, which is to secure working capital at a level sufficient for business growth financing and maintain and expand business operations while not compromising financial health and stability. While striving to diversify financing methods and improve capital efficiency, the Group borrows from financial institutions, issues convertible bond-type bonds with share acquisition rights, and utilizes interest-bearing debt to develop its business while utilizing some level of asset/equity ratio.

In order to be able to flexibly respond to rapid changes in

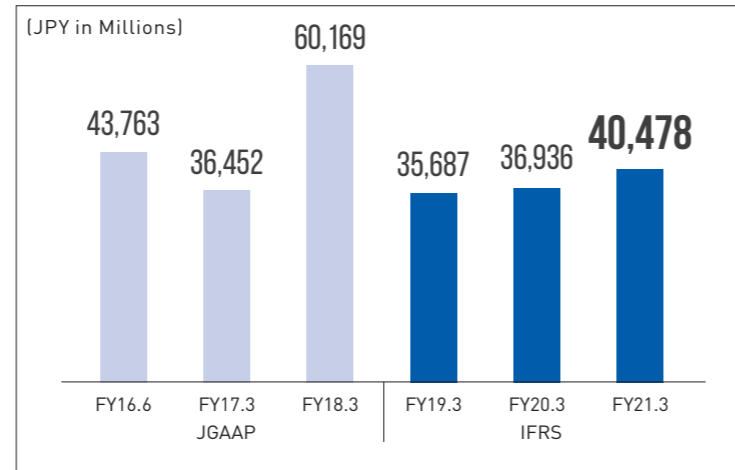
the external environment, the Group, while maintaining a sufficient cash level and had secured lines of credit from multiple financial institutions. However, in FY21.3, DG entered into commitment line agreements of 7.0 billion JPY in total with multiple financial institutions. This has enabled the DG Group to further improve its liquidity, and establish provisions for the Group's working capital and investment funding demands.

Going forward, we aim to improve capital efficiency by implementing financial strategies designed to maximize corporate value while realizing an optimal capital structure that strikes a good asset-liability balance.

Key Performance Indicators

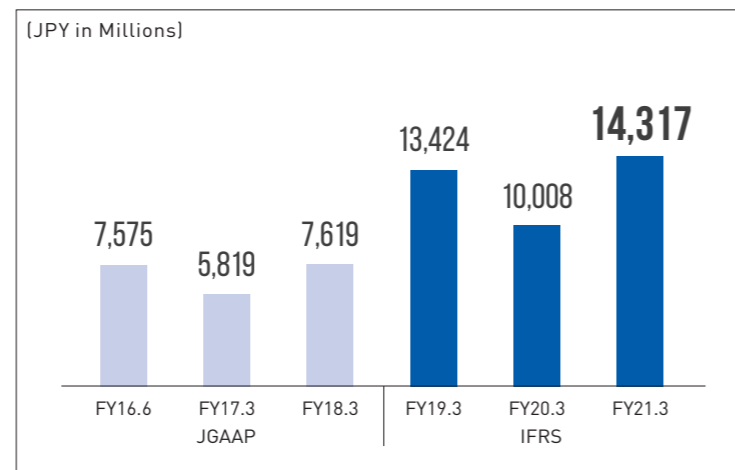
Revenue

Revenue rose 9.6% YoY, to 40.5 billion JPY in FY21.3. In the Marketing Technology Segment, the transaction volume declined as a result of delays and cancellations of promotions related to real estate sales, retail, etc., due to the impact of COVID-19 pandemic, despite a robust transaction volume in our mainstay digital ads. Moreover, in the Long-term Incubation Segment, equity affiliate Kakaku.com, Inc. generated reduced revenues due to the impact of COVID-19 pandemic, particularly in the tabelog.com business. On the other hand, in the Incubation Technology Segment, fair values of operational investment securities rose favorably and in the Financial Technology Segment, revenues increased due to growth in the size of the EC market and robust performance by the mainstay businesses.



Profit before tax

Profit before tax rose 43.1% YoY, to 14.3 billion JPY in FY21.3. In the Financial Technology Segment, although fixed costs increased due to the implementation of strategic investments to strengthen infrastructure and facilities aimed at expanding transaction volumes, increased profit was secured due to strong growth of transaction volumes. In the Marketing Technology Segment, one-time costs were recorded as a result of restructuring efforts such as office consolidation and personnel reduction carried out to optimize the business structure. However, in the Incubation Technology Segment, the growth in investee fair value made it possible to absorb the increase in costs and post record-high profit.



Business cash flow before income taxes

Due to the adoption of IFRS, the changes in fair value valuations not based on cash flows have an increased effect on profits. Therefore, we have defined "business cash flow before income taxes" as profit before tax that has been adjusted in a manner that is in line with the cash inflow and outflow based on actual business operations, and we have set the dividend payout ratio based on cash flow as the shareholder return indicator.

(JPY in Millions)	FY20.3	FY21.3
Business cash flow before income taxes	3,418	7,162
Dividend payout ratio to business cash flow before income taxes	51.2%	20.6%

Calculation method for business cash flow before income taxes

Profit before tax

Adjustment items	
Depreciation	
Share of loss (profit) of investments accounted for using equity method	
Gain on sale of shares of subsidiaries and associates	
Revenue in operational investment securities (excluding gain on sale)	

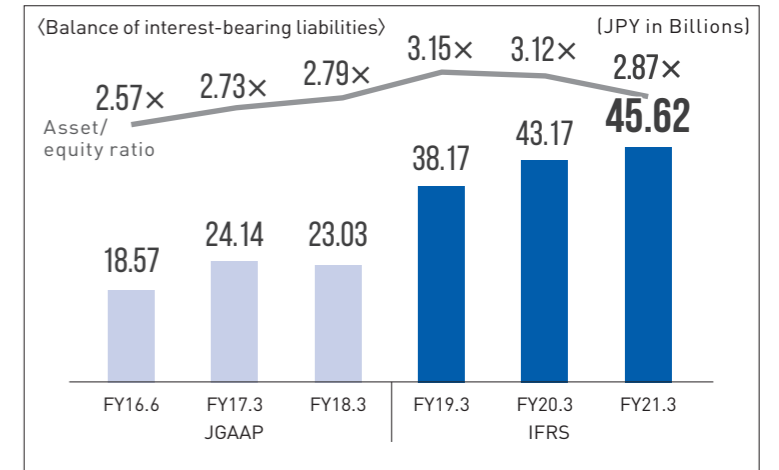
Business cash flow before income taxes

Balance of interest-bearing liabilities, asset/equity ratio

At the end of FY21.3, the balance of interest-bearing liabilities increased by 2.4 billion JPY from the end of FY20.3, to 46.0 billion JPY, and asset/equity ratio was 2.9, down 0.25 points YoY. This is due to the achievement of the record-high profit in FY21.3 and an increase in retained earnings due to the recording of profit, despite borrowings made to reinforce infrastructure and facilities to achieve the Mid-term Plan in the Financial Technology Segment.

The Company strives to realize an optimal capital structure that strikes a good balance between equity and interest-bearing liabilities.

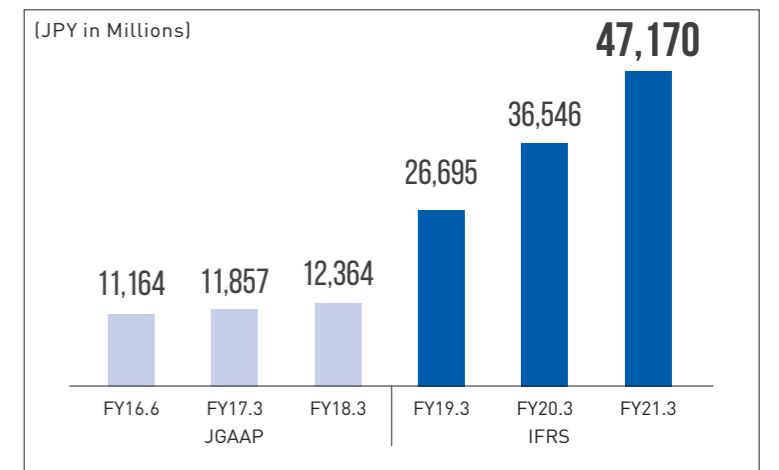
Going forward, by expanding our financing capacity and diversifying the means of financing, we will maintain financial health while conducting the financial and IR strategy utilizing some level of asset/equity ratio.



Balance of operational investment securities

The balance sheet value, or the balance of operational investment securities, which is an indicator that we mainly focus on in the Incubation Technology Segment, was 47.2 billion JPY, an increase of 10.6 billion JPY YoY.

As a result of incubation activities, stocks of three companies that had conducted IPOs in Japan and stocks of overseas listed companies were sold, and 4.5 billion JPY in new investments were made to implement turnover of the portfolio. Furthermore, in the North American area, in particular, ThredUp was listed on NASDAQ and strategic investment was conducted in promising companies in the area of digital transformation and FinTech and the fair value valuations of operational investment securities that we continued to hold grew, resulting in an increase in operational investment securities by 7.4 billion JPY from the end of FY20.3.

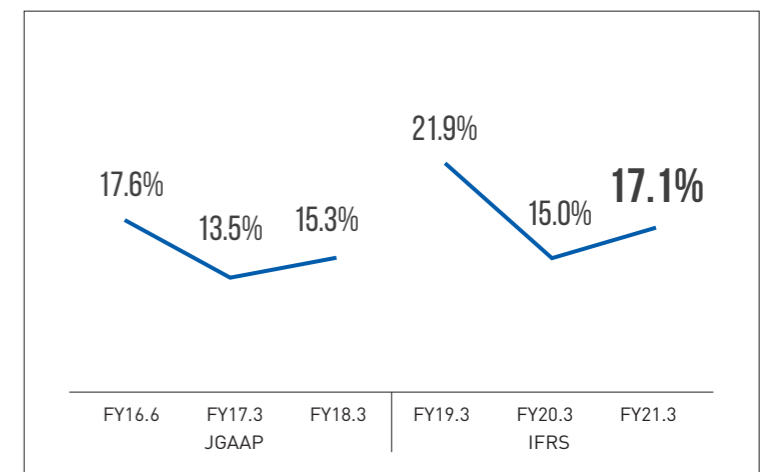


ROE

In FY 21.3, ROE rose 2.1 percentage points YoY, to 17.1%. This was mainly because of a significant increase in profit attributable to owners of parent.

In terms of indicators for profitability and capital efficiency, the DG Group continues set ROE of 20% as its target under the Mid-term Plan, and it also aims for management that is conscious of a cost of shareholder's equity at 8% or more, as calculated by DG.

Going forward, we will continue to make effort into achieving the ROE at 20% level, with the cost of shareholder's equity at 8% or more, through management with the focus on profitability and capital efficiency.

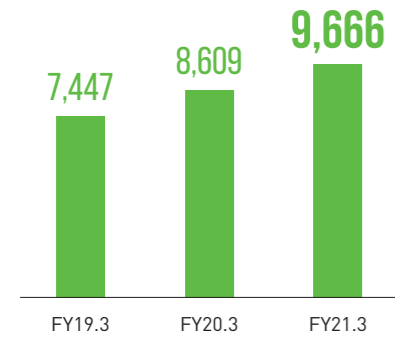


P/L, KPIs and Business Overview by Segment

Financial Technology Segment

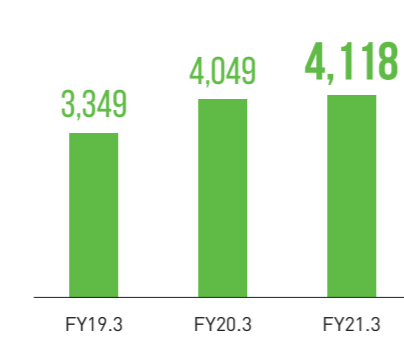
Revenue

[JPY in Millions]



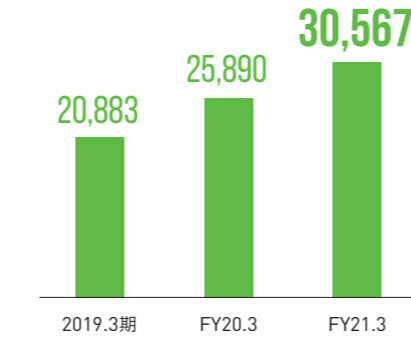
Profit before tax

[JPY in Millions]



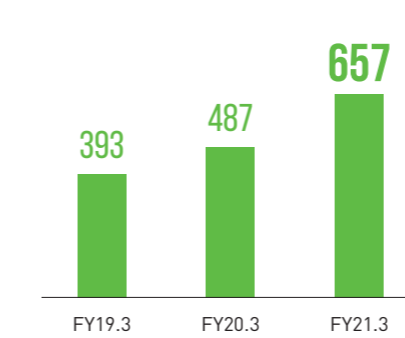
Transaction volume

[JPY in Billions]



Number of transactions

[Million transactions]

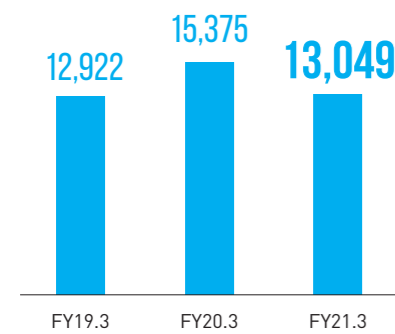


Revenue in the FT Segment for FY21.3 increased 12% YoY and profit before tax increased 2% YoY at 4,118 million JPY, and the increase in fixed costs for system investment, etc. were absorbed to achieve record-high financial results. Transaction volume, which is one of the FT Segment's KPIs, was 3.1 trillion JPY, up 18% YoY, and the number of transactions increased 35% YoY to 0.66 billion JPY with high growth. The transaction volume for tourism and inbound related decreased sharply, falling 75% or approximately 190.0 billion JPY YoY. On the other hand, the EC market grew at a greater speed, with QR code payments in Japan, and the transaction volume of new payments such as online pre-order and mobile order payments for takeaways, deliveries, etc. also grew.

Marketing Technology Segment

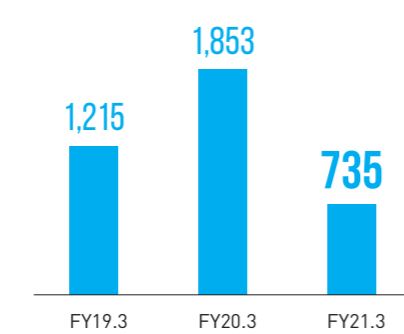
Revenue

[JPY in Millions]



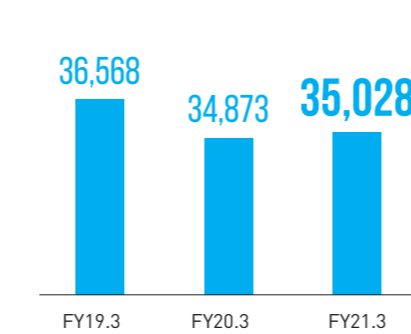
Profit before tax

[JPY in Millions]



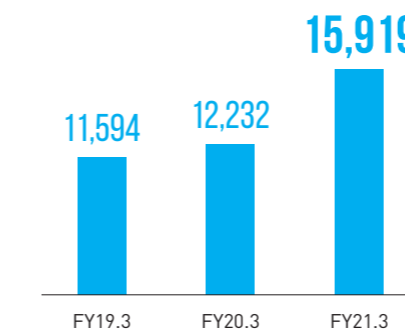
Advertisement volume

[JPY in Millions]



Advertisement volume for digital ads for the finance sector

[JPY in Millions]

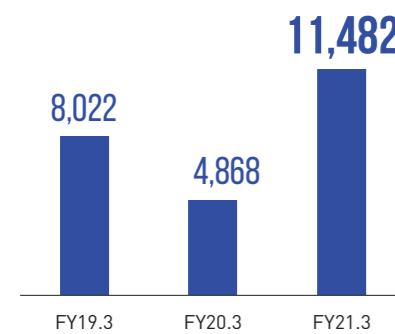


For FY21.3, revenue for the MT Segment was down 15% YoY and profit before tax was 735 million JPY, down 60% YoY. Advertisement volume for our mainstay digital ads was robust, up 9% YoY. In particular, the transaction volume for cashless promotions for the finance sector, such as communication carrier payments, credit cards, etc. were strong, up 30% YoY. On the other hand, advertisement volume overall declined due to the postponement or cancellation of promotions related to real estate sales, retail, etc., due to the impact of COVID-19 pandemic. Moreover, due to costs incurred in relation to business restructuring optimization measures, such as office consolidation, revenue and profit decreased.

Incubation Technology Segment

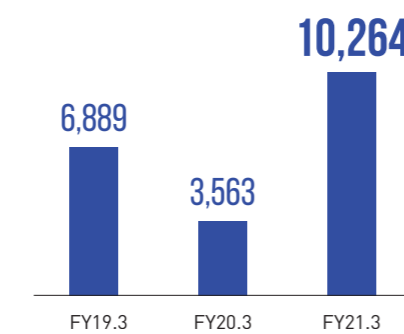
Revenue

[JPY in Millions]



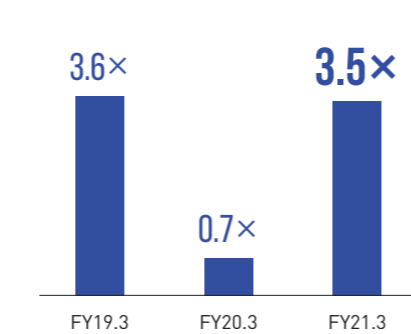
Profit before tax

[JPY in Millions]



ROI

[JPY in Millions]



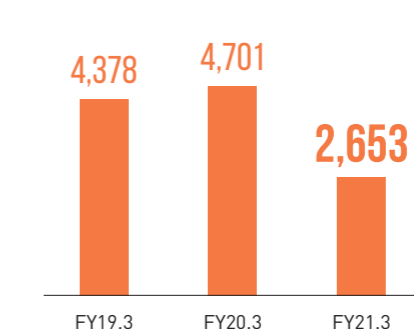
For FY21.3, revenue for the IT Segment was up 136% YoY and profit before tax was 10,264 million JPY, up 188% YoY. As the result of increase in investee fair value by financing investees, sales of stocks of three companies that had conducted IPOs in Japan and stocks of overseas listed companies, etc., revenue in operational investment securities rose 174% YoY to 11,031 million JPY.

Hurdle Rate for Investment (ROI), which was calculated based on actual profits under Japanese accounting principles is 3.5 times, and it was one year in which investment and exit were steadily conducted in Japan and overseas.

Long-term Incubation Segment

Profit before tax

[JPY in Millions]



Profit before tax for the LTI Segment fell 44% YoY, to 2,653 million JPY in FY21.3. Equity affiliate Kakaku.com, Inc. posted a decrease in profit due to the effect of COVID-19 pandemic on restaurant and tourism related sectors. However, performance in the shopping business in the kakaku.com business, the Kyujin Box business in the new media and solutions business, and the finance business remained strong. Going forward, we will create services that show future promise in a diverse range of lifestyle scenes and continue to provide new value.

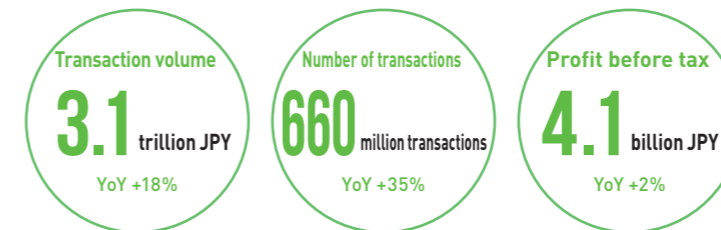
BUSINESS OVERVIEW

FT FINANCIAL TECHNOLOGY SEGMENT

Provides a diversity of comprehensive payment platforms as one of Japan's largest payment system providers supporting social infrastructure

- Launched payment solutions for the new-normal services, which include mobile orders for major fast food operators and online customer and sales services for major department stores
- Promoted expanding DGFT payment infrastructure through alliances with TOSHIBA TEC CORPORATION, the top company in POS systems in Japan and Recruit Lifestyle, which has the top share in mobile POS systems in Japan
- Integrated QR code payment systems for small business through "Cloud Pay" and expanded the number of shops using the system to about 400,000 stores to become a major player in the QR code payment network

KEY FIGURES FY2021.3



Principal Companies (as of April 1, 2021)

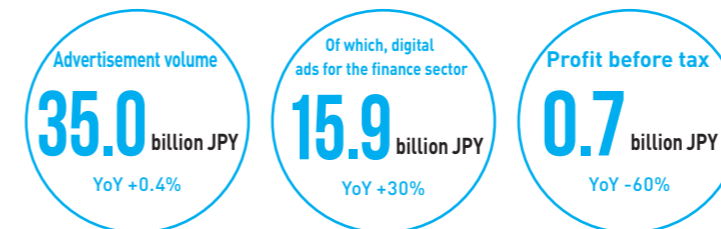


MT MARKETING TECHNOLOGY SEGMENT

Develops comprehensive digital marketing solutions that integrate the digital and the real world and data marketing businesses utilizing various data

- Transaction volume for main-stay digital ads was strong, mainly for credit-card related and other financial services and telecommunications
- Formed a capital and business alliance with a global technology company (1plusX) and started developing a next-generation advertising platform for the post-cookie era
- Launched services in new fields such as "Musubell," a digitization service for the real estate industry, which is undergoing digital transformation, and SAKIZAKI TERUKO, the largest digital signage media in Japan for beauty salons

KEY FIGURES FY2021.3



Principal Companies (as of April 1, 2021)

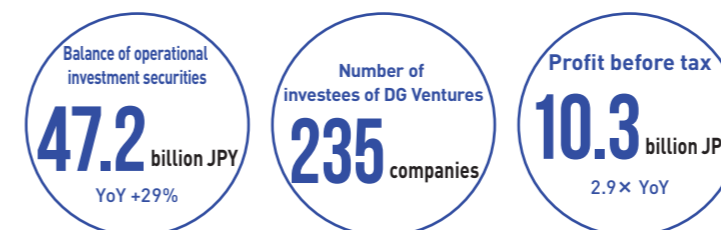


IT INCUBATION TECHNOLOGY SEGMENT

Invests in and incubates startups in Japan and overseas by providing support through collaborations with DG Group businesses

- Strategic investment in promising companies in the area of DX/FinTech led to the significant growth of the fair value of investees
- In the North American area in particular, steadily conducted investment and exit, since investees in which we have been aggressively investing as members of the Silicon Valley inner circle are showing significant growth
- Plans to continue our participation in investment and incubations in Japan, Asia and North America that show promise for next-generation FinTech businesses in the DG Group while also actively developing ESG investment

KEY FIGURES FY2021.3



Principal Companies (as of April 1, 2021)

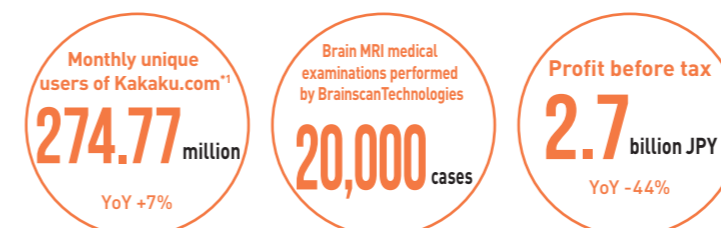


LTI LONG-TERM INCUBATION SEGMENT

Striving to create medium- to long-term, continuous cash inflow by utilizing the knowhow of investment cultivation and business development that the DG Group has been nurturing until today

- Kakaku.com: Profit decreased due to the effect of COVID-19 pandemic on restaurant and travel related sectors, while performance was strong for the Kakaku.com business and the new media and solutions business
- Crypto Garage: made connections with leading crypto asset operators in Japan and overseas, and completed its registration as a crypto asset exchange service provider on June 29, 2021
- BrainscanTechnologies: The number of brain MRI medical examinations increased strongly and profit was achieved for the full year

KEY FIGURES FY2021.3



Principal Companies (as of April 1, 2021)



*1 Unique users measures the number of users visiting the site by counting the number of users on a browser basis. Therefore, users who visit the site on multiple occasions are counted as one user. Double-counting as a side effect of high-speed loading of mobile webpages and mechanical accesses by third parties' web-scraping bots etc. are eliminated from the count to the fullest extent possible.

During the past 20 years since the early days of the internet, we have been providing a safe and secure payment infrastructure while taking on the challenge of various initiatives that have been "Japan's firsts."

We have grown to become a company designated as a critical infrastructure by the government, handling approximately 3 trillion JPY in annual transaction volume and approximately 700 million transactions per year.

FY2021.3
FT Segment Results

Revenue
9.7 billion JPY
(YoY +12%)

Profit before tax
4.1 billion JPY
(YoY +2%)

Transaction volume
3.1 trillion JPY
(YoY +18%)

Number of transactions
Approx. **660** million transactions
(YoY +35%)

Business Model

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

The Financial Technology Segment is responsible for "payment," one of Digital Garage's enabling platforms. As a payment service provider, we collectively provide EC businesses and face-to-face retail stores with ever-increasing number of diverse payment methods, including various electronic money such as Suica, and QR code payment services such as dPAY and PayPay as well as overseas Alipay and WeChat Pay, in addition to credit card payments and convenience store payments. We are also the pioneers in the domestic provision of Apple Pay, Google Pay, and Amazon Pay, which have recently grown in popularity throughout the world.

With cashless payments also being promoted as national policy, various payment methods such as QR code payments have continued to grow. While introducing the wide variety of payment methods demanded by consumers is important for EC businesses and face-to-face retail stores,

individually carrying out system development, managing personal information including payment data, and conducting payment receiving operations is a large challenge due to the complexity of these processes.

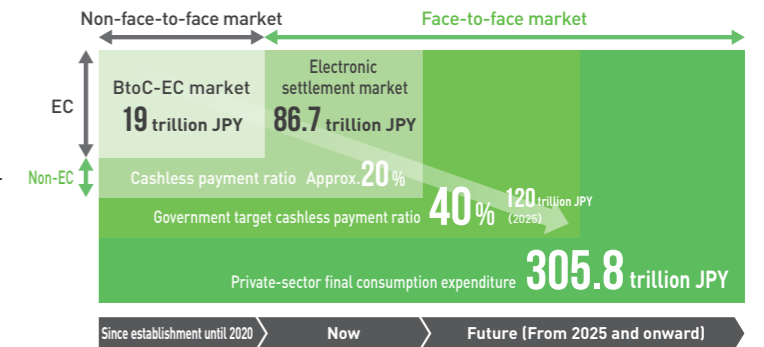
Furthermore, recently it has become commonplace to conduct sales promotions based on payment and purchasing data analysis. The Financial Technology Segment's business is to provide comprehensive payment platforms at once to those types of retail businesses.

The business model for the payment business is to subtract the commissions paid to the credit card companies and convenience store chains from the payment commissions gained in accordance with the amount and the number of transactions by retail businesses, and record it as revenue. Additionally, transaction types are diversifying, as commissions are received for the provision of capabilities such as fraud detection systems and QR code issuing systems.

Market Environment

According to the "FY2020 Industrial Economic Research Commissioned Project (E-Commerce Market Survey) (July 2021)" conducted by the Ministry of Economy, Trade and Industry, the scale of the domestic BtoC-EC market fell 0.4% YoY to 19.2779 trillion JPY due to the large impact of the approximate 60% decline in travel services, which accounts for the largest share of that market, due to the spread of COVID-19.

However, in April 2018, the Cabinet Office set a target² to increase the cashless payment ratio in Japan from 21.3%¹ in 2017 to 40% in 2025. The progress in becoming cashless means the electronic settlement market is forecast to grow.

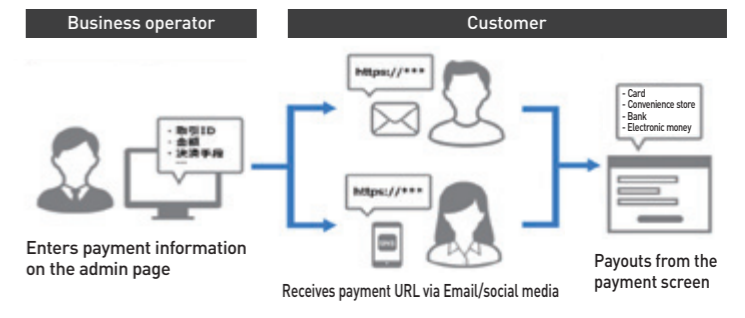


¹ Payments Japan Association. May 2021. Cashless Roadmap 2020.
² Ministry of Economy, Trade and Industry. April 2018. Cashless Vision.

FY2021.3 Topics

CASE.1 Provision of payment services for online customer and sales services

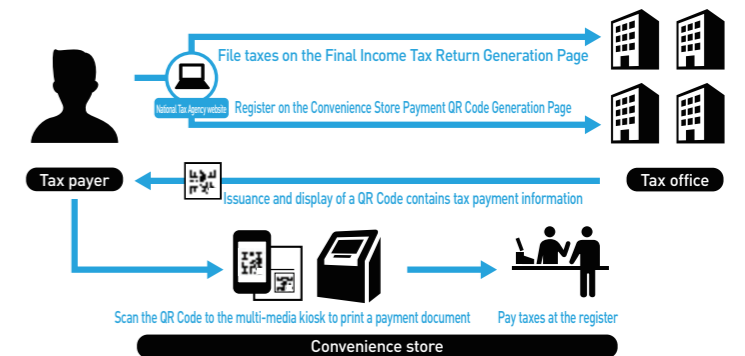
Amid the accelerating shift to online sales for physical stores and omnichannel sales, the FT Segment is promoting and supporting O2O measures and digital transformation at merchants. We provided Email link function-based credit card payment services for the LUMINE Card Web Payment Service, an online customer and sales service offered by LUMINE Shinjuku. Apart from this, we have developed IVR payment solution to complete payments through automotive voice response without going through an operator when paying by credit card for an order placed by telephone. An end-to-end response is possible from servicing customers by merchants to payments.



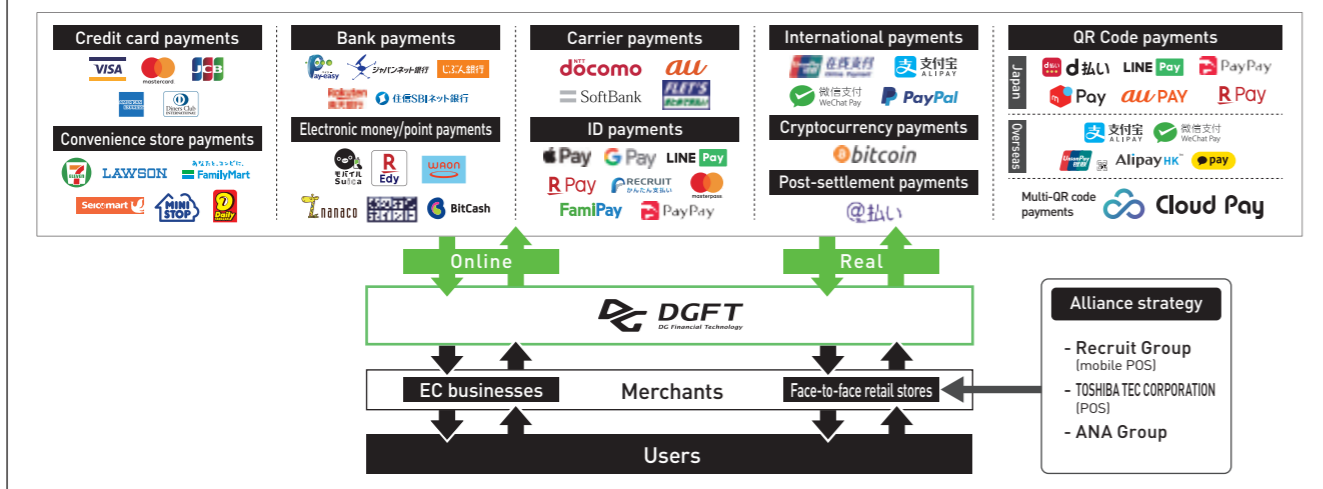
CASE.2 Support for cashless payments of public fees at ministries and government offices

We are providing online payment solutions such as credit card payments and convenience store payments in the support for "electronic payments of public fees" being promoted by ministries and government offices. In addition, we are assisting with support for installation procedures and the development of systems that are hurdles to installation.

Furthermore, we provide the QR code-based national tax collection service at convenience stores to the National Tax Agency. QR Codes can be used (including when filing taxes) for easy payments at convenience stores for most national taxes, such as income tax, corporate tax, and consumption tax. We also provide our credit card payment service for payments of national pension plan premiums that are managed by the Ministry of Health, Labour and Welfare and commissions such as patent fees for the Japan Patent Office.



Business model and stakeholders

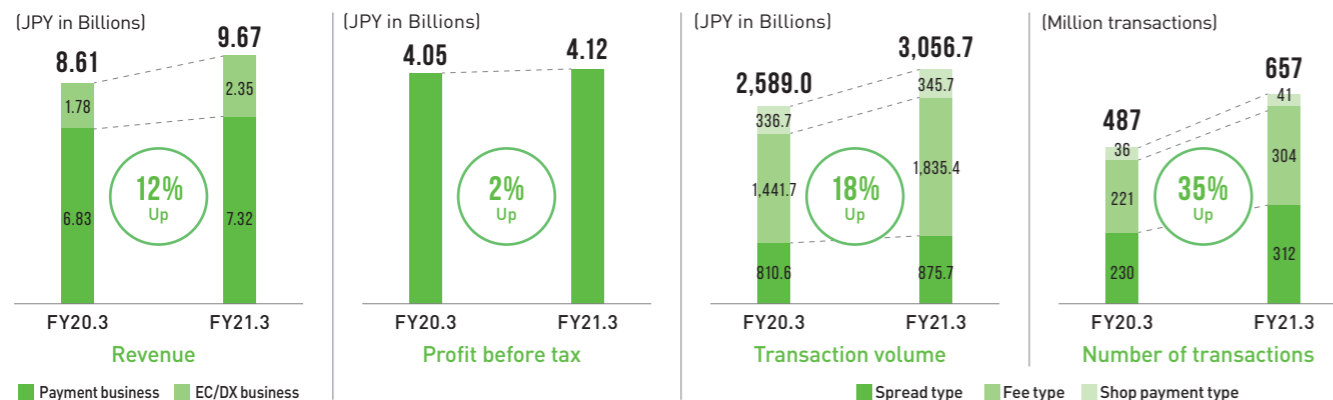


FY2021.3 Business Review

We strategically made upfront investments to achieve the Mid-term Business Plan and achieved a record high profit despite the impact of COVID-19 pandemic.

Travel and inbound related transactions fell sharply by 75% YoY due to the spread of COVID-19. On the other hand, in addition to the increase in the EC market, there were favorable trends with a large increase in the provision of new payment methods, such as online pre-order and mobile order payments and domestic QR code payments through the promotion of cashless payments. Transaction volume increased 18%

YoY to 3.1 trillion JPY, and the number of transactions increased 35% YoY to 660 million. We were able to achieve a record high performance, promoting strategic investment in systems needed for an expansion of the total payment volume to achieve the Mid-term Business Plan, even though there was an increase in fixed costs.



Growth Strategy

In addition to expanding our share in the EC market, one of our main sectors, we will work to further develop the non-EC market as a strategy for non-EC payments/face-to-face payments, which includes new payment methods such as online pre-order and mobile order payments for takeaway and delivery, and others. Regarding face-to-face payments, we are promoting business expansion through system collaboration and business alliances with business partners that have large-scale customers or core systems. We provide multi-payment solutions packaged with TOSHIBA TEC CORPORATION's POS registers for large-scale retail stores. For small and medium-sized retail stores, we provide mPOS and Recruit Group's AirREGI, which use smartphones, tablets and dedicated payment terminals; and QR code payments through "Cloud Pay," a QR code payment system that enables multiple QR and

barcode-based payment at once in a simple manner by just displaying a single QR code in a store. By providing these, we will continue to provide very convenient payment services according to the size of each retail store.

In addition to the PSP business, we have launched "DG FinTech Shift," a group strategy that integrates payment and data, in order to develop next-generation services utilizing various technologies and data owned by the DG group. We will further strengthen collaboration with the MT and IT Segment, support retail businesses by providing marketing and CRM, etc. through the use of payment purchase data, and further accelerate Group collaboration such as in the support of payment service providers with digital promotion, to increase the total transaction volume, growth potential and competitiveness of the FT Segment.

We provide clients with marketing that is rapidly transitioning from mass marketing to digital marketing, and in addition to all kinds of internet advertising, we provide a broad range of marketing solutions including improved engagement such as CRM, data analysis, AI use, and payment coordination

FY2021.3
MT Segment Results

Revenue
13.0 billion JPY
(YoY -15%)

Profit before tax
0.7 billion JPY
(YoY -60%)

Advertisement volume
35.0 billion JPY
(YoY +0.4%)

Business Model

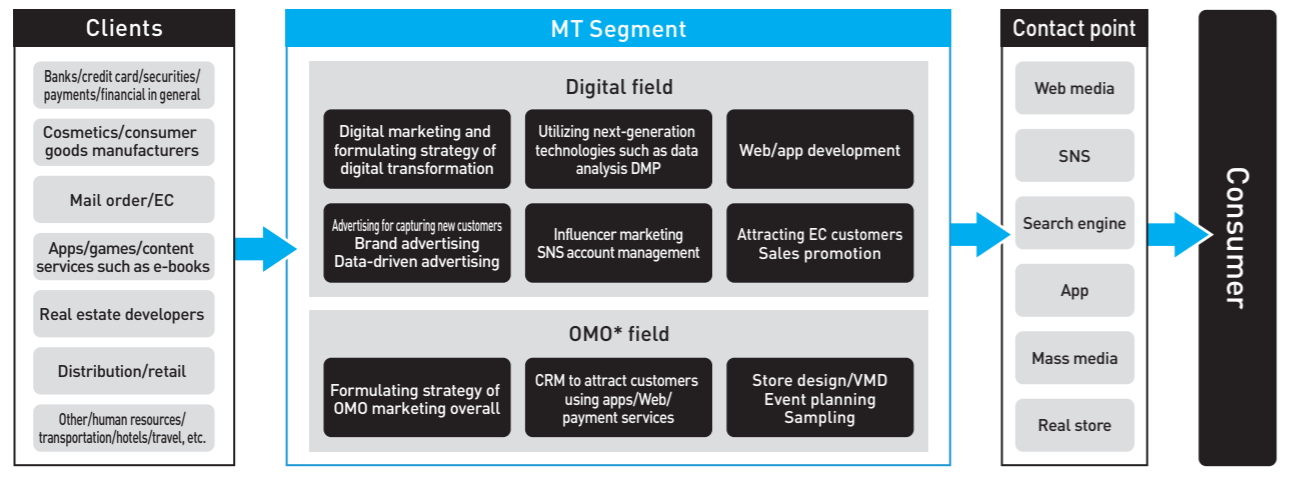
Providing clients in a variety of industries with end-to-end marketing solutions that integrate the digital and real

The Marketing Technology Segment is responsible for "marketing," one of Digital Garage's enabling platforms. Specifically, we provide solutions for our clients' particular needs and challenges in a range of industries including financial and payment service provision that comprise the business ecosystem of the FT Segment, retail businesses of EC site and face-to-face stores, content service provision such as smartphone apps and digital contents on websites, real estate

development, and manufacturing of various products in order to maximize our clients' marketing ROI (cost-effectiveness). We are developing a one-stop service ranging from creative output including advertising agency functions, smartphone app development, and development of a CRM database foundation, to new data analysis technologies that consider the trends for personal information protection.

Structure of the MT Segment

We offer businesses in a variety of industries with end-to-end marketing scenarios and solutions that integrate the digital and the real world.



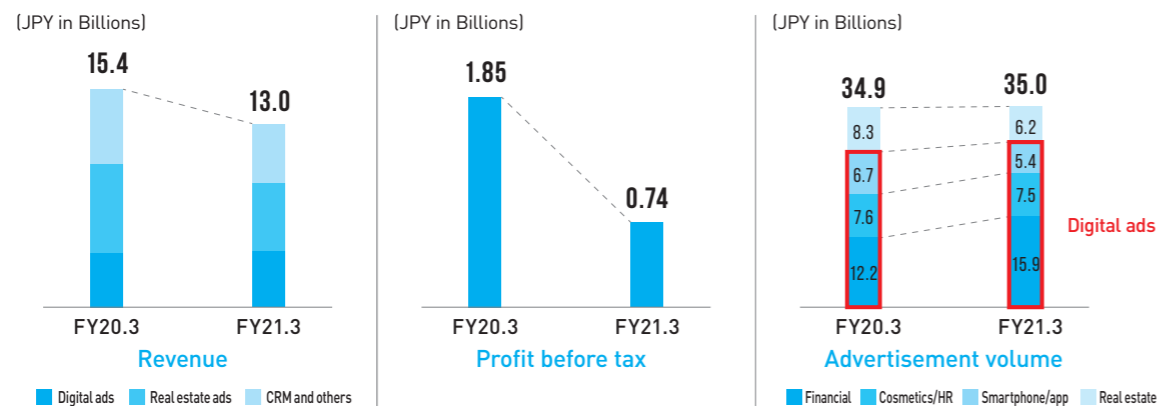
* "Online Merges with Offline"
A marketing philosophy that merges online and offline to remove the border between the two and have the starting point for everything begin online

FY2021.3 Business Review

Digital advertising volume performed well particularly for finance such as telecom carrier payments and credit cards. Profit was recovering, bottoming out in 2Q, despite business structural reform costs and upfront costs for strategic businesses, etc.

The advertisement volume in the mainstay digital ads was firm. In particular, in cashless promotions for credit card and other financial businesses, which are DG's partners in the FT segment, advertisement volume was robust, up 30% YoY to 15.9 billion JPY, realizing the FinTech Shift through Group collaboration. On the other hand, overall advertisement volume declined to 35.0 billion JPY due to the postponement or cancellation of promotions in the real estate and retail

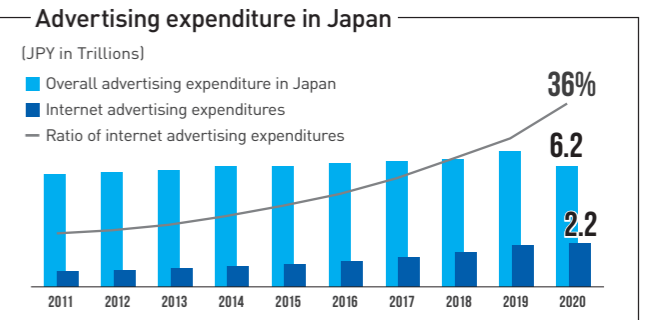
industries, etc. as a result of the spread of the COVID-19. In addition, revenue and profit were both down due to the promotion of business structure optimization measures such as consolidating office sites, and the recording of restructuring costs for DG Communications Co., Ltd., a subsidiary that operates our marketing business in the real estate field. However, we should be able to demonstrate these benefits from FY22.3.



Market Environment

Although overall advertising expenditure in Japan fell 11% YoY to 6.2 trillion JPY in 2020 due to the impact of COVID-19 pandemic, stay-at-home consumption has been active due to the self-restraint on going out and movement and a sudden acceleration in the digital transformation (DX) in society such as delivery, EC and cashless payments. Internet advertising expenditures have preceded the recovery from the impact of COVID-19 pandemic, continuing to grow 6% YoY to 2.2 trillion JPY.

Under such circumstances, in addition to the expansion of existing digital advertising, DG is aiming for further growth by strengthening collaboration in the Financial Technology Segment in the finance field, one of our strengths, and developing new businesses such as DX service.

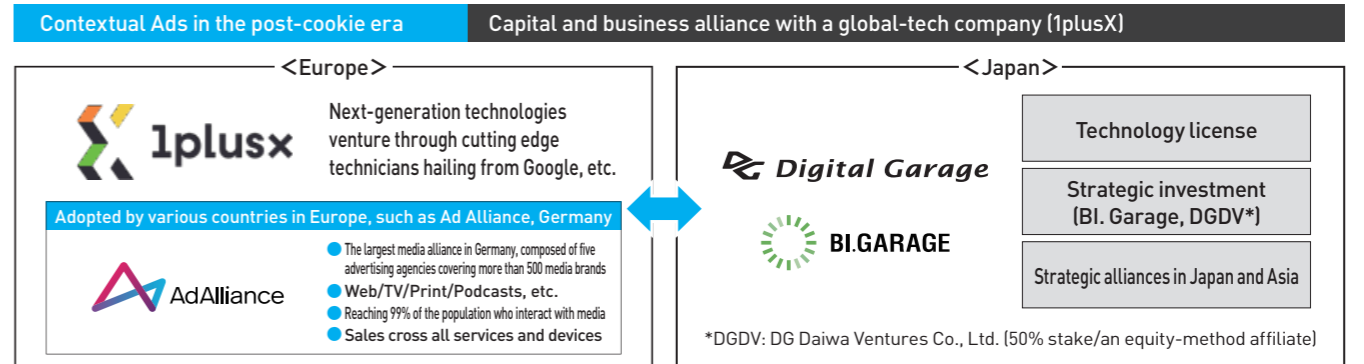


Source: 1. Dentsu Inc., Advertising Expenditures in Japan 2. Dentsu Inc., Global Ad Spend Forecasts

FY2021.3 Topics

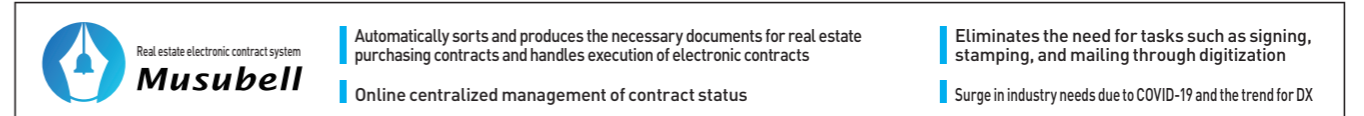
CASE.1 Capital and business alliance with a global-tech company (1plusX) Development of Contextual Ads in the post-cookie era

BI.Garage, which plays an important role in the advertising business in the post-cookie era, has begun developing a next-generation advertising platform together with 1plusX, a leading European data platformer. By utilizing 1plusX's platform that complies with strict privacy regulations in the U.S. and Europe, including GDPR and CCPA, Contextual Ads will finally be launched as a product of the content media consortium, which is comprised of 28 leading media companies in Japan.



CASE.2 Launched real estate DX solution "Musubell," which accesses the real estate legal tech field

"Musubell" is a centralized real estate contract management service announced in July 2020. "Musubell" reduces burdens on both the seller and the customer at the time of a new real estate sales contract, further opening up a new real estate DX field. Since the launch of the service, various companies have been introducing "Musubell," and as a second stage, we plan to partner in areas such as the development of the (second-hand) real estate brokerage field and housing loan services.



Growth Strategy

With payments and marketing currently becoming our two core businesses, DG is advancing strategic integration with the Financial Technology Segment, one of the major payment platforms in the FinTech industry, to achieve a rare business model that realizes monetization in both the payment and marketing businesses. Apart from promotional advertising for businesses, the providers of a wide variety of payment methods carried by the Financial Technology Segment, we also provide cashless payments and digital marketing in the OMO field, using our DG's solution that incorporates CRM, point management and payment, various marketing functions such as coupons, and a QR code payment function.

Also for "Cloud Pay" which enables various QR payments to be processed in a store, the Marketing Technology Segment is responsible for a payment management app service for stores and managing merchants, while the Financial Technology Segment is responsible for payment gateways.

In the future, with the spread of D2C (Direct to Consumer) by manufactures of products and the increase in the proportion of EC in all industries, we will develop the advertising and CRM solutions cultivated over many years and marketing technologies alongside the FT Segment based on the DG Group strategy "DG FinTech Shift."

Proceeding to invest in next-generation technologies in global areas including Japan, the US and Asia, targeting emerging companies at a wide range of growth stages, from seed and early-stage startups through to later-stage businesses

FY2021.3
IT Segment Results

Revenue
11.5 billion JPY
(2.4x YoY)

Profit before tax
10.3 billion JPY
(2.9x YoY)

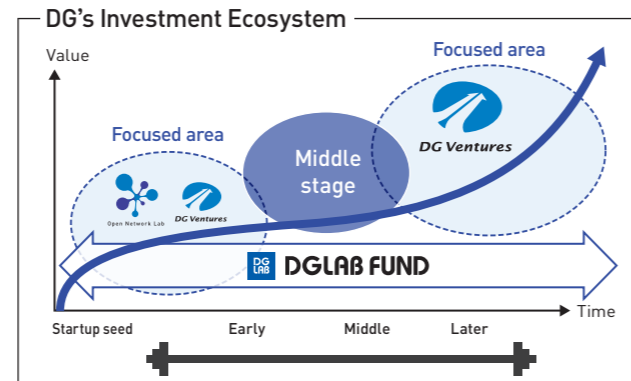
Fair value valuations
47.2 billion JPY
(YoY +29%)

Business Model

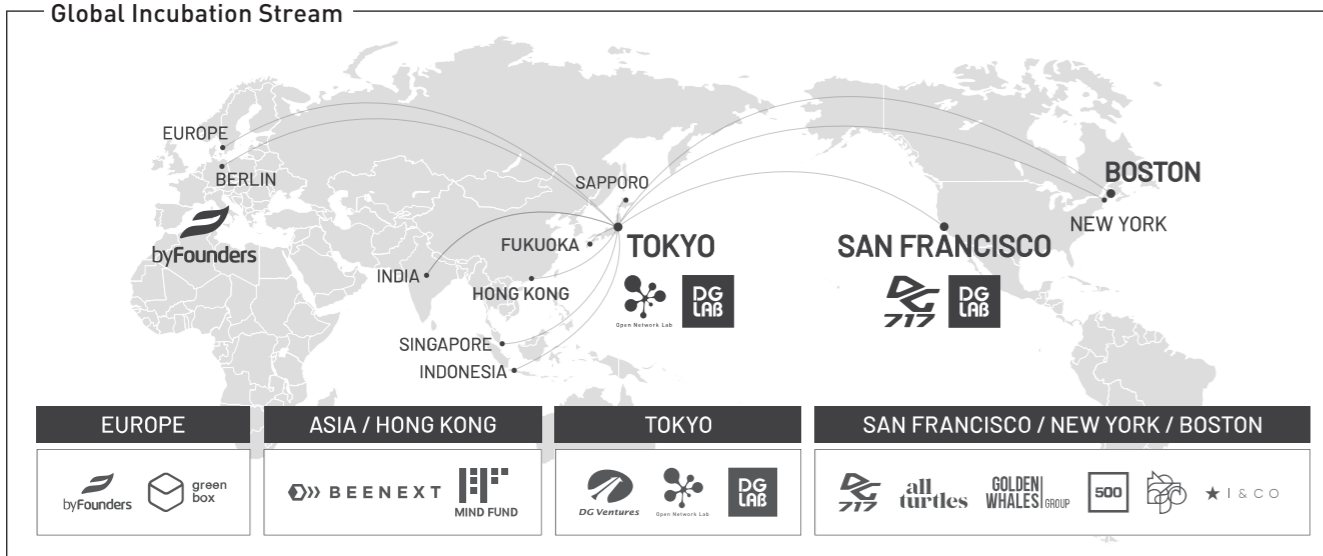
We discover and support promising emerging companies around the world based on the Global Incubation Stream that links leading VC partners in Japan, the US, Europe, and Asia.

By supporting the acceleration of business expansion through collaborations in payment and marketing, fields in which the DG Group operates, and collaborations in new fields of technological development being worked on by DG Lab, we will aim to increase the value of the investee companies. Also, by advancing a cycle in which the funds raised through exits are invested in new startups based on the criteria of achieving ROI of 2.5 times, we are aiming to continuously enhance the fair value.

Fair value valuations, which represent the equity value of those investees, are presented in the balance sheet as the balance of operational investment securities.



Global Incubation Stream

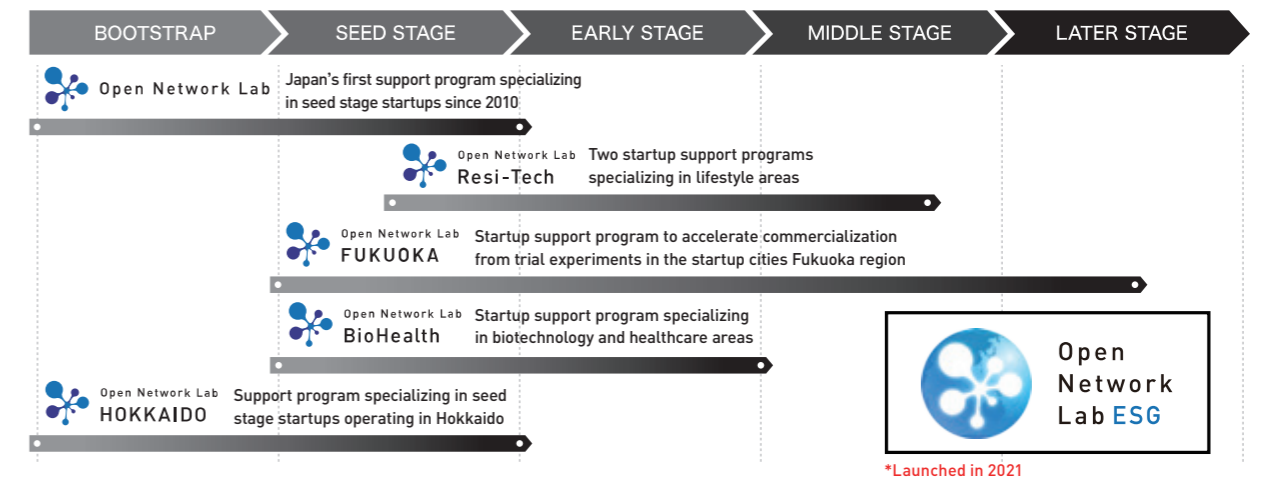


TOPICS Enhance follow-on investment that utilizes funds and promote ESG investment

By adding funds to the investment business to date, we aim to expand the DG Group's investment business in terms of both investment scale and investment fields.

We completed the establishment of DG Lab Fund II with a total amount of 12.5 billion JPY in November 2020. We are enhancing investment in leading domestic and global startups through operation of funds totaling 20.0 billion JPY together with DG Lab Fund I, and supporting the increase in corporate value through collaboration with DG Lab. In addition, in June 2021, we established the "Open Network Lab & ESG I 'Earthshot Fund'" for

startups in the ESG field. This fund is a collaboration with "Open Network Lab," Japan's first seed accelerator program established in 2010. The fund will invest in promising startups in Japan and abroad, focusing on participation in Open Network Lab (application/selection) and companies related to the ESG field, and provide follow-up investments to investees with high potential for growth. After the investment, we will provide full support to enhance the corporate value of the investees' business, etc. by utilizing Open Network Lab's diverse resources and network for supporting investees.



Open Network Lab

Incubating startups looking to succeed on a global stage, as Japan's first seed accelerator program since 2010

Since its establishment as Japan's first seed accelerator program in 2010, Open Network Lab has expanded its open innovation program specializing in regions and areas and held more than 30 programs.

To date turned out more than 130 startups including IPO startups and unicorns such as SmartHR, Inc., developer of cloud personnel labor software, giftee, Inc., online gift service (listed on Mothers in 2019), Fablic, Inc., development of the "Fril app (now Rakuma)" (Acquired by Rakuten in 2016), Fond, Inc., which develops a welfare

benefits service for small and medium-sized companies with an office in the US, and WHILL, Inc., involved in the development of next-generation wheelchairs.

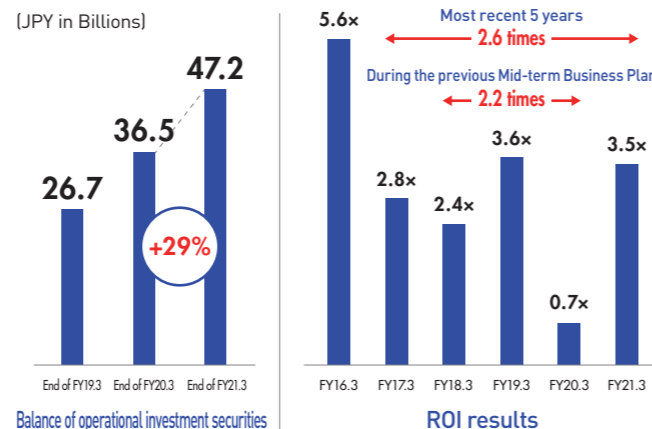
In addition, we commenced Open Network Lab Hokkaido, BioHealth, Resi-Tech, Fukuoka from 2018, also accelerating initiatives being developed specializing in specific fields and regions. We have supported the companies of people with promising business ideas through this program.

FY2021.3 Business Review

Success of strategic investment in leading DX companies. Sale of three stocks through IPOs in Japan and overseas listed shares, etc.

Revenues from operating investment securities increased 2.7 times YoY to 11,031 million JPY as a result of an increase in fair value due to financing of investees and the sale of mainly three stocks through IPOs in Japan and overseas listed shares, etc. In addition, the balance sheet value, in other words value of operational investment securities, which is an important indicator for the IT Segment, was 47.2 billion JPY, an increase of 10.7 billion JPY from the end of the previous fiscal year.

Particularly in the North America area, our strategic investments in leading DX/FinTech companies have been successful, such as ThredUp going public on Nasdaq. Investees, which DG has been actively investing as a member of the Silicon Valley inner circle, have grown significantly while entering a period of investment recovery. In addition, our investment activities in Asia area, especially in India, which we have been focusing on in recent years, are steadily bringing results. We will continue to implement investment incubation mainly in DX/FinTech/social problem solving emerging companies in Japan, Asia and the North America area, and will also actively develop ESG investments.



Results

- Applications from more than 1,000 companies around the world (1/3 of the entries from overseas)
- Supporting more than 130 startups
- Approximately 13% of companies have already exited

Invested companies (extract)



2020 book sales



Open Network Lab graduates (extract)



Aiming to create long-term, continuous cash inflow by collaborating with investees of the Company and the DG Group, and further initiatives such as establishing joint ventures with other collaboration partners

FY2021.3
LTI Segment Results

Revenue
5.9 billion JPY
(YoY -25%)

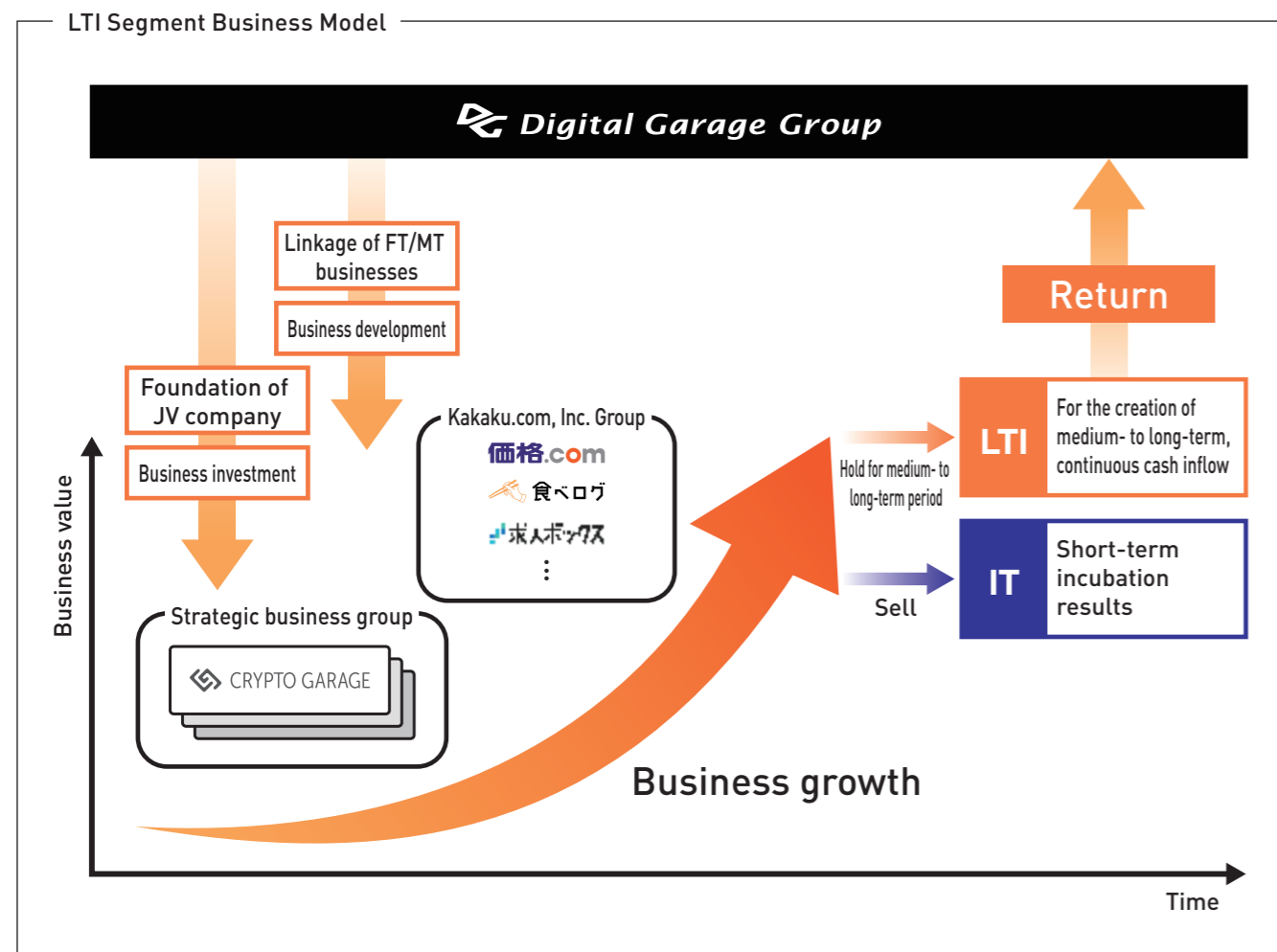
Profit before tax
2.7 billion JPY
(YoY -44%)

Share of profit of Kakaku.com accounted for using equity method
2.4 billion JPY
(YoY -36%)

Business Model

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

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



FY2021.3 Business Review

Profit before tax decreased 44% YoY to 2.7 billion JPY. Profit fell due to a decline in investment profit on equity method for Kakaku.com and the commercialization cost of new business

During FY21.3, revenue was 5,931 million JPY (-25.2% YoY) and profit before tax was 2,653 million JPY (-43.6% YoY). Kakaku.com, Inc., which is an equity-method affiliate, was affected by the spread of COVID-19, mainly for its Tabelog business, but EC and job information websites remained firm.

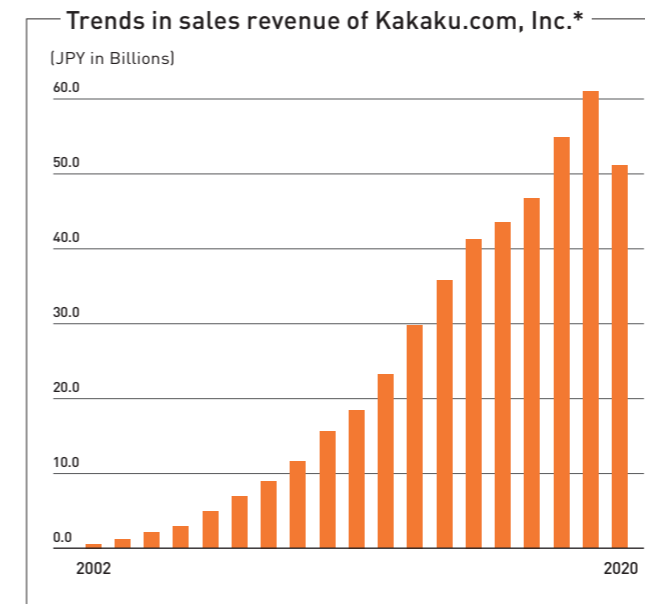
In addition, the number of brain MRI examinations at

BrainscanTechnologies, Inc., which has been involved in brain MRI health screening business for driving operators, increased 2.4 times YoY to approximately 20,000, and achieved full-year profitability. We will continue to grow our business with a view to developing services in collaboration with the AI-related technologies of the DG group.

Kakaku.com

Following the Company's investment in 2002, the business of Kakaku.com, Inc. has steadily grown to a company with sales in the order of 60.0 billion JPY. In addition to Kakaku.com and Tabelog,

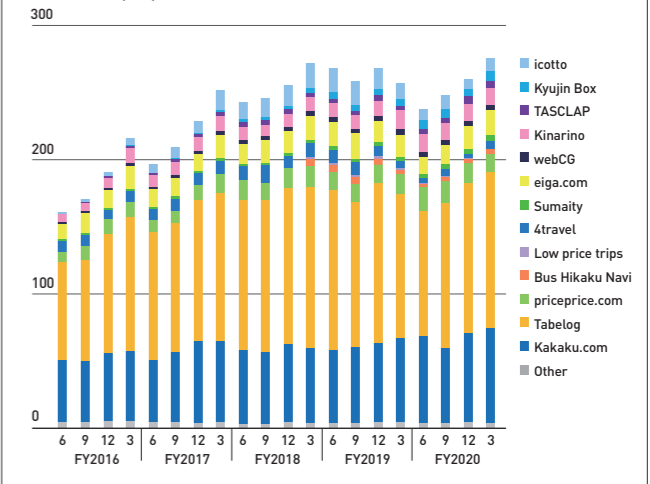
progress is also being made in new media business and the accumulated monthly users for the Kakaku.com Group has grown to 274.47 million in March 2021.



* Under IFRS from FY2017

Kakaku.com, Inc.'s main business progress

[Kakaku.com, Inc. Group Accumulated Traffic] Monthly users for the overall group are increasing year by year, totaling 274.47 million users, a 7.4% YoY increase (Millions of people)



*Extracted from Kakaku.com, Inc.'s Results Briefing for FY2021/3

Initiatives in Crypto Assets Field

Crypto Garage, Inc. was established in September 2018 as a joint venture for the purpose of developing and commercializing blockchain financial services in the FinTech field. "SETTLENET," which was developed by Crypto Garage, Inc., acquired the

certification of the first blockchain FinTech field under the Regulatory Sandbox System in January 2019. We forecast the full-fledged use by prime domestic and overseas crypto asset business operators will commence during FY22.3.

Crypto Garage Business Model

- ✓ DvP payment service for corporate transactions
- ✓ We forecast increased demand for cover transactions on stock exchanges due to expanding scale of the distribution



- Bitcoin sidechain (Liquid Network), which the DG investee Blockstream Corporation Inc. operates, has grown to 59 member companies
- Bitcoin mining business of Blockstream Corporation Inc. is the driver as the leading business

Registration of crypto asset exchange provider

Completed the registration as a crypto asset exchange provider for the development of new services in light of the needs of the crypto assets market

Registration details of crypto asset exchange provider

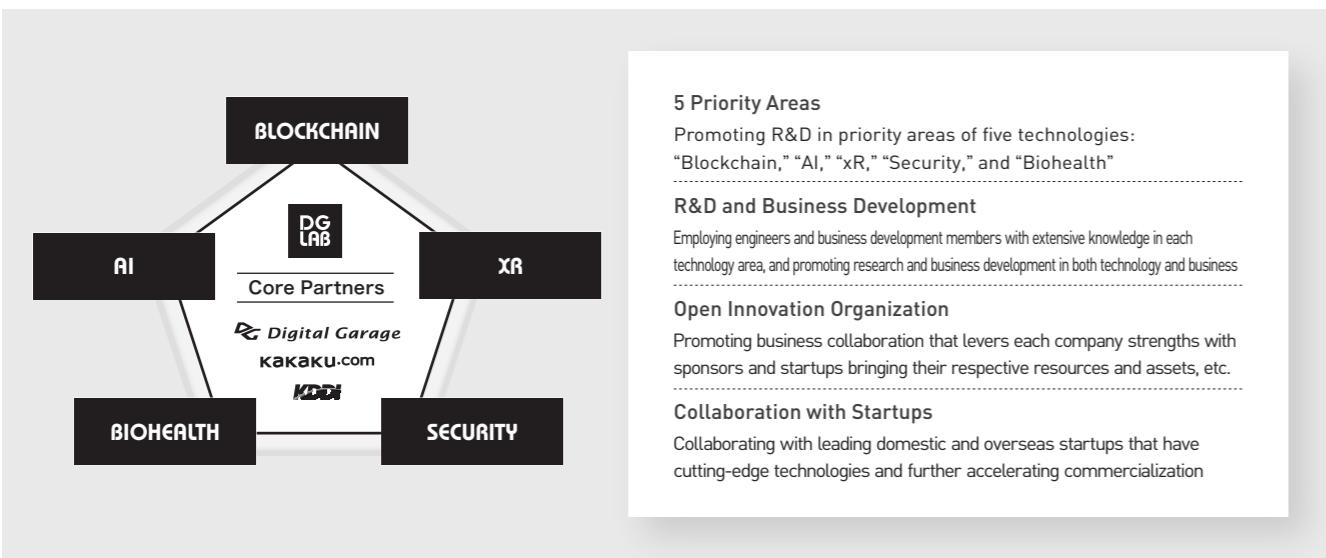
Jurisdiction	Kanto Local Finance Bureau
Registration number	Director-General of the Kanto Local Finance Bureau No. 00029
Registration date	June 29, 2021
Name of crypto asset exchange provider	Crypto Garage, Inc.
Crypto assets handled	L-BTC

- Setting tokens on Japan's first Bitcoin sidechain "Liquid Network" (L-BTC) as the crypto assets handled
- Planning to commence the provision of payment solutions and intermediation for transactions between domestic crypto asset exchange providers and overseas OTC business operators for the purpose of improving the efficiency of the coverage market and mitigating risks

Open Innovation Platform to Create Next-Generation Businesses

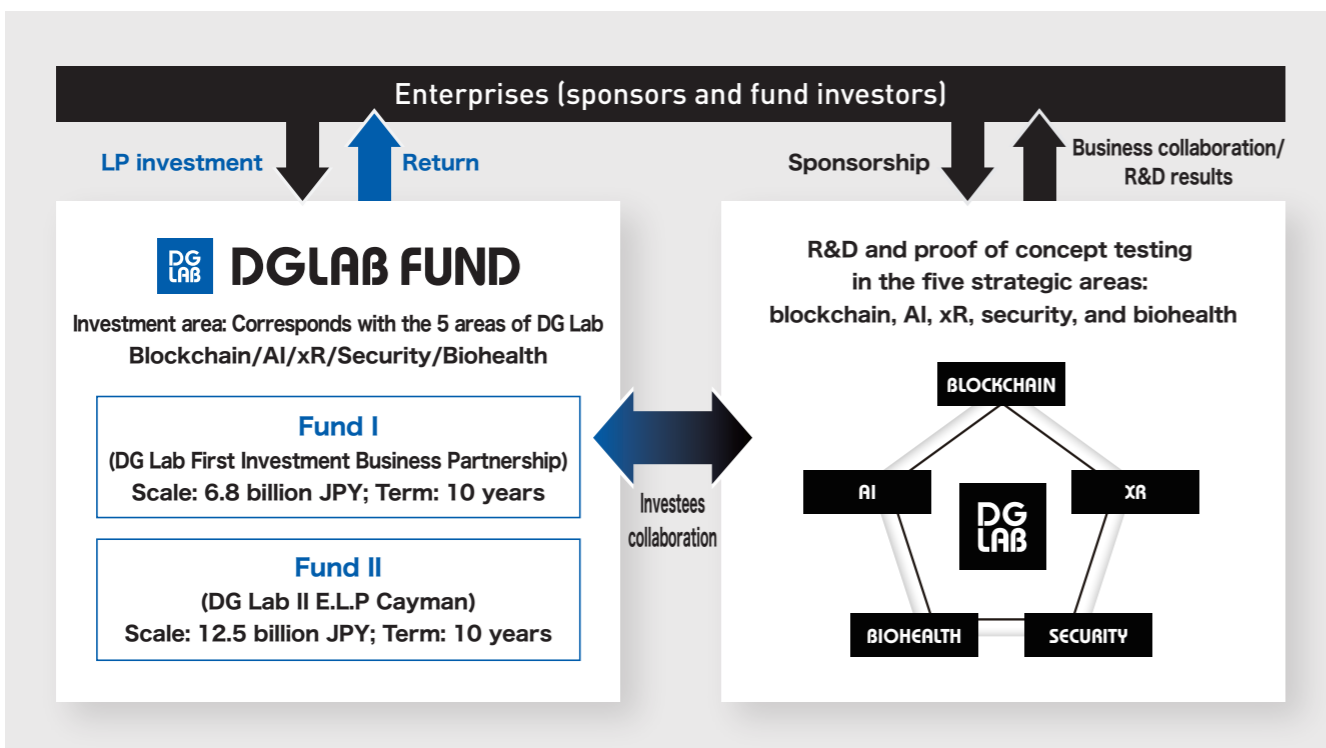
"DG Lab," an R&D organization operated by DG, together with Kakaku.com and KDDI with the aim of creating products and services that will serve as new business pillars utilizing cutting-edge technologies, is accelerating toward business

development in the five top priority research areas. Through collaboration with DG Lab partners, DG Lab Fund investee companies and others, DG Lab will create a series of businesses that play roles in society from a global perspective.



DG Lab Fund

We have been investing in companies conducting R&D in next-generation core technologies in Japan and overseas. We collaborate with DG Lab, cultivate these core technologies as pillars of next-generation businesses and aim to maximize the investment outcomes.

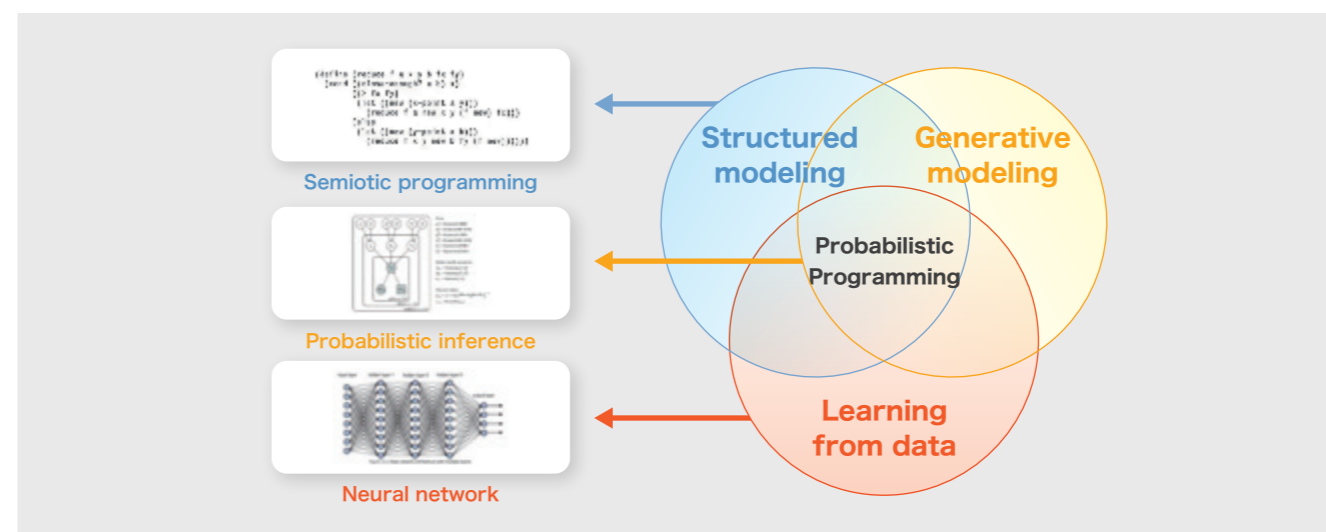


Projects Being Promoted by DG Lab for Commercialization (Partial Extract)

Probabilistic Programming

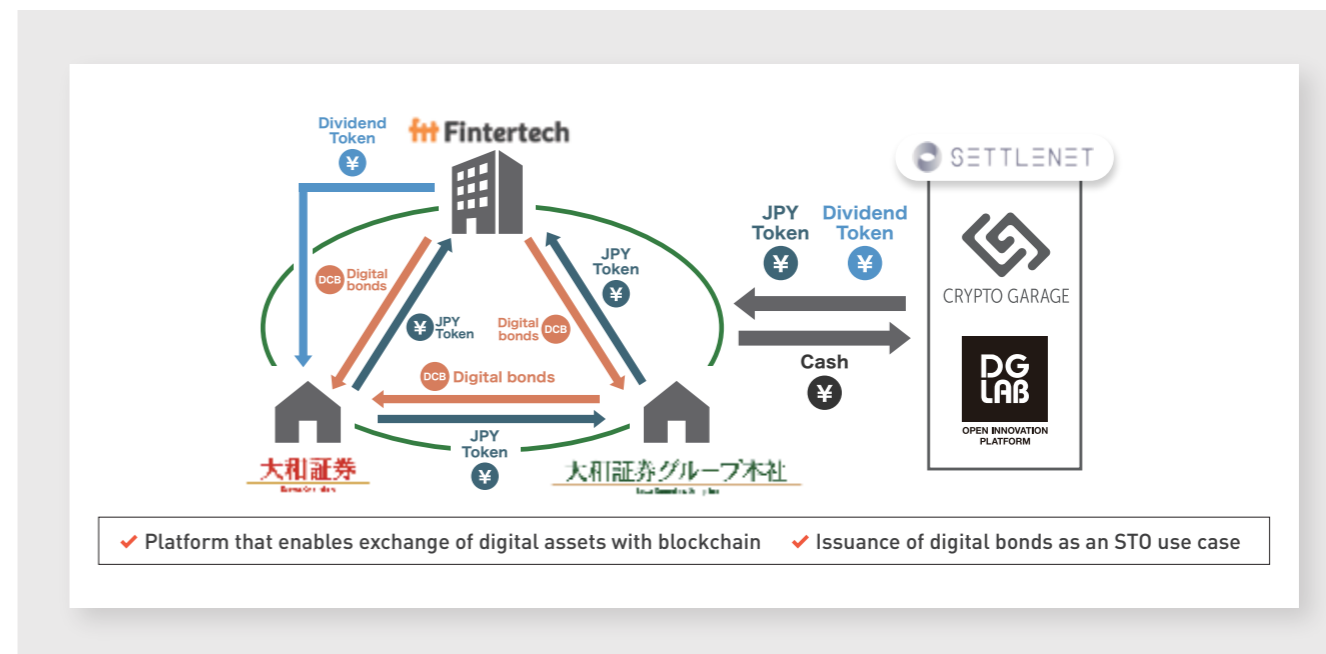
DG Lab is supporting the promotion of the use of Probabilistic Programming ("PP"), a new AI technology development system being promoted by the Massachusetts Institute of Technology (MIT). Unlike conventional AI development, by enabling to incorporate statistical hypothesis into AI, PP realizes the development of AI model that takes account of tacit knowledge/common sense, etc. like human beings do. DG Lab highly

appreciates PP's ability to leverage deep learning and other machine learning technologies to build more advanced AI and has made a donation to the MIT Probabilistic Computing Project that expands use of PP for the purpose to improve prediction accuracy in the fields of FinTech and Internet advertising, and is planning to launch Japan's first PP course at Keio University in collaboration with the MIT Probabilistic Computing Project.



Proof of concept testing for issuance of "digital bonds" utilizing blockchain technology

- Digitally tokenize the bonds and verify the issuance, redemption, payment of dividend and transfer
- Implement the transfer of rights on digital bonds with simultaneous payment of funds



Directors



KAORU HAYASHI

Representative Director
KAORU HAYASHI

Apr 1983 Representative Director, From Garage, Inc.
 Aug 1995 Founded Digital Garage, Inc. Representative Director, Digital Garage, Inc.
 Jun 2003 Chairman and Director, Kakaku.com, Inc. (current)
 Nov 2004 Representative Director, President and Group CEO, Digital Garage, Inc.
 Jun 2009 Representative Director and Chairman, DG Incubation, Inc. (now DG Ventures, Inc.)
 Jul 2016 Director Chairman & CEO, Digital Garage US, Inc. (current)
 Sep 2016 Representative Director, Chairman and CEO, BI Garage, Inc. (current)
 Sep 2016 Representative Director, Chairman and President, Executive Officer and Group CEO, Digital Garage, Inc. (current)
 May 2017 Representative Director, Chairman and President, DG Incubation, Inc. (now DG Ventures, Inc.) (current)
 Aug 2018 Chairman CEO, DG Communications Co., Ltd. (current)
 Jun 2021 Representative Director, Chairman and CEO, DG Financial Technology, Inc. (current)
 Jun 2021 Representative Director, Chairman and President, DG Incubation, Inc. (current)



KEIZO ODORI

Member, Board of Directors
KEIZO ODORI

Apr 2000 Joined Faith, Inc.
 Jun 2005 Director, Faith, Inc.
 Sep 2010 Director, Digital Garage, Inc.
 Sep 2012 Director, in charge of the Payment Segment (now the Financial Technology Segment), Digital Garage, Inc.
 Oct 2013 Representative Director and President, ECONTEXT, INC. (current)
 Sep 2016 Director and Senior Executive Officer, Digital Garage, Inc.
 Jun 2017 Representative Director and President, DK Gate, Inc. (current)
 Jan 2019 Director, TD Payment Corporation (current)
 Feb 2019 Director, CyberBuzz, Inc. (current)
 Apr 2020 Director, Senior Managing Executive Officer, and in charge of overall domestic business, Digital Garage, Inc. (in charge of the Marketing Technology Segment and the Long-term Incubation Segment)
 Jun 2020 Director, Crypto Garage, Inc. (current)
 Apr 2021 Director, Senior Managing Executive Officer, in charge of group business strategy and execution, and Co-Head of Group CEO Division, Digital Garage, Inc.
 Jun 2021 Representative Director, President, and Co-CEO, DG Financial Technology, Inc. (current)
 Jun 2021 Director, Vice President Executive Officer and Group COO, in charge of the Long-term Incubation Segment, and Co-Head of Group CEO Division, Digital Garage, Inc. (current)



MAKOTO SODA

Member, Board of Directors
MAKOTO SODA

Jun 1994 Joined Dresdner Kleinwort Benson Securities, Ltd.
 Jun 1997 Joined Daiwa Institute of Research Ltd.
 Apr 2000 Joined Monex Securities Inc.
 Mar 2007 Joined Digital Garage, Inc. Executive Officer, in charge of the Corporate Strategy Division
 Sep 2009 Director, Head of the Group CEO Office, Digital Garage, Inc.
 Jan 2012 Director, in charge of the Corporate Strategy Division, Digital Garage, Inc.
 Sep 2016 Director, Senior Executive Officer, in charge of the Corporate Strategy Division and the Media Incubation Technology Segment, Digital Garage, Inc.
 Apr 2019 Director, Senior Executive Officer, and in charge of the Corporate Strategy Division and the Long-term Incubation Segment, Digital Garage, Inc.
 Jun 2019 Director, Senior Executive Officer, in charge of the Corporate Strategy Division, Digital Garage, Inc.
 Apr 2020 Director, Senior Managing Executive Officer, in charge of the Corporate Strategy Division, Digital Garage, Inc. (current)
 Jun 2021 Member, Board of Directors, D2 Garage, Inc. (current)
 Jun 2021 Director, DG Incubation, Inc. (current)
 Jun 2021 Director, ACADEMIE DU VIN (current)



MASAHITO OKUMA

Member, Board of Directors
MASAHITO OKUMA

Apr 1999 Joined Mitsubishi Corporation
 Mar 2011 Joined FAST RETAILING CO., LTD.
 Nov 2016 Joined Digital Garage, Inc.
 Apr 2017 Corporate Officer and COO of DG Lab, Digital Garage, Inc.
 Dec 2017 Director COO, Digital Garage US, Inc. (current)
 Apr 2018 Senior Corporate Officer and COO of DG Lab, Digital Garage, Inc.
 Jun 2018 Director, Senior Executive Officer, COO of DG Lab, Head of Group CEO Division, Digital Garage, Inc.
 Apr 2019 President and CEO, Crypto Garage, Inc. (current)
 Jun 2019 Representative Director, DG Daiwa Ventures, Inc. (current)
 Jun 2019 Director, Senior Executive Officer, in charge of Group CEO Division, in charge of the Long-term Incubation Segment, and COO of DG Lab, Digital Garage, Inc.
 Nov 2019 Representative Director, BrainscanTechnologies, Inc. (current)
 Apr 2020 Director, Senior Executive Officer, in charge of DG Lab Division, and in charge of other related business, Digital Garage, Inc.
 Apr 2021 Director, Vice President and COO, DG Ventures, Inc. (current)
 Apr 2021 Director, Senior Executive Officer, in charge of the Incubation Technology Segment, in charge of DG Lab, and in charge of Global Business, Co-Head of Group CEO Division, and Head of Digital Health Department, Digital Garage, Inc.
 Jun 2021 Director, Vice President and COO, DG Incubation, Inc. (current)
 Jun 2021 Director, Managing Executive Officer, in charge of the Incubation Technology Segment, in charge of DG Lab, and in charge of Global Business, Co-Head of Group CEO Division, and Head of Digital Health Department, Digital Garage, Inc. (current)



MASASHI TANAKA

Member, Board of Directors
MASASHI TANAKA

Aug 2001 Joined Digital Garage, Inc.
 Jul 2006 Director, DG&ibex Company (now Marketing Technology Company)
 Jan 2011 Senior Operating Officer, Digital Garage, Inc. and Executive Vice President, DG&ibex Company (now Marketing Technology Company)
 Sep 2012 Director, Head of Corporate Strategy Division, Digital Garage, Inc., and Executive Vice President of DG&ibex Company (now Marketing Technology Company)
 Sep 2016 Representative Director, DG Technologies, Inc. (current)
 Apr 2017 Director, Senior Executive Officer, in charge of DG Lab, in charge of the Incubation Technology Segment, and Head of Corporate Strategy Division, Digital Garage, Inc.
 May 2018 Director, Senior Executive Officer, in charge of DG Lab, the Incubation Technology Segment, and Group CEO Division, Digital Garage, Inc.
 Apr 2020 Director, Senior Executive Officer, in charge of the Incubation Technology Segment, Digital Garage, Inc.
 Apr 2021 Director, Senior Executive Officer, in charge of Group Data Strategy and Open Network Lab, and Co-Head of Group Data Strategy Department, Group CEO Division, Digital Garage, Inc.
 Jun 2021 Director, Senior Executive Officer, in charge of the Marketing Technology Segment, Recurring Business, Group Information Security (CISO), and Head of Group Data Strategy Department, Group CEO Division, Digital Garage, Inc. (current)
 Jun 2021 Director, DG Financial Technology, Inc. (current)
 Jun 2021 Director, NaviPlus Co., Ltd. (current)



HIROSHI SHINO

Member, Board of Directors
HIROSHI SHINO

Apr 2000 Joined Softbank Finance Corporation
 Nov 2011 Director and Executive Officer, VeriTrans Inc. (now DG Financial Technology, Inc.)
 Apr 2013 Representative Director, Executive Officer and CEO, NaviPlus Co., Ltd. (current)
 Oct 2013 Director, Executive Officer and COO, VeriTrans Inc. (now DG Financial Technology, Inc.)
 Jul 2015 Corporate Officer, Digital Garage, Inc.
 Sep 2015 Director, ECONTEXT, INC. (current)
 Sep 2015 Representative Director, Executive Officer and President, VeriTrans Inc. (now DG Financial Technology, Inc.)
 Sep 2016 Senior Corporate Officer, Digital Garage, Inc.
 Oct 2016 Director, ANA Digital Gate, Inc. (current)
 Oct 2018 Director, SCORE.Co., Ltd. (current)
 Jan 2019 Director, TD Payment Corporation (current)
 Apr 2020 Senior Corporate Officer and in charge of the Financial Technologies Segment, Digital Garage, Inc.
 Jun 2020 Director, Senior Executive Officer, in charge of the Financial Technology Segment, Digital Garage, Inc. (current)
 Jun 2021 Representative Director, President, and Co-CEO, DG Financial Technology, Inc. (current)



JOI ITO

Member, Board of Directors and Co-Founder
JOICHI ITO

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



EMI OMURA

Outside Director
EMI OMURA

Oct 2002 Admitted to practice law in Japan (Tokyo Bar Association)
 Jul 2008 Partner, Athena Law Office
 Sep 2010 Associate Expert, International Labour Office in Geneva, the International Labour Organization (ILO)
 Jan 2014 Director, the Office of International Affairs, Japan Federation of Bar Associations
 Sep 2014 Outside Director, Digital Garage, Inc. (current)
 Jun 2019 Counsel, Kamiyacho International Law Office
 Apr 2021 Counsel, CLS HIBIYA TOKYO LAW OFFICE (current)



YASUYUKI ROKUYATA

Director (Audit and Supervisory Committee Chairperson)
YASUYUKI ROKUYATA

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



MAKOTO SAKAI

Outside Director, Audit and Supervisory Committee Member
MAKOTO SAKAI

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



JUNJI INOUE

Outside Director, Audit and Supervisory Committee Member
JUNJI INOUE

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



KOJI MAKINO

Outside Director, Audit and Supervisory Committee Member
KOJI MAKINO

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



MINORU OHNO

Outside Director, Audit and Supervisory Committee Member
MINORU OHNO

Jan 1977 Established Labor Consultants Ohno Office
 Apr 2003 Representative Member, Labor Consultants Ohno Office (current)
 Sep 2003 Auditor, Digital Garage, Inc.
 Jun 2015 Advisor, Japan Federation of Labor and Social Security Attorney's Associations
 Jun 2017 Chairman, Tokyo Labor and Social Security Attorney Association
 Jun 2017 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc.
 Jun 2019 Chairman, Japan Federation of Labor and Social Security Attorney's Associations (current)
 Jun 2020 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)

(as of July 1, 2021)

Corporate Governance

Basic Concepts

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

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

< Principle >

Think for yourself and question authority.

< Credo >

- TENACITY
- OPENNESS
- INTEGRITY
- AGILITY
- COURAGE



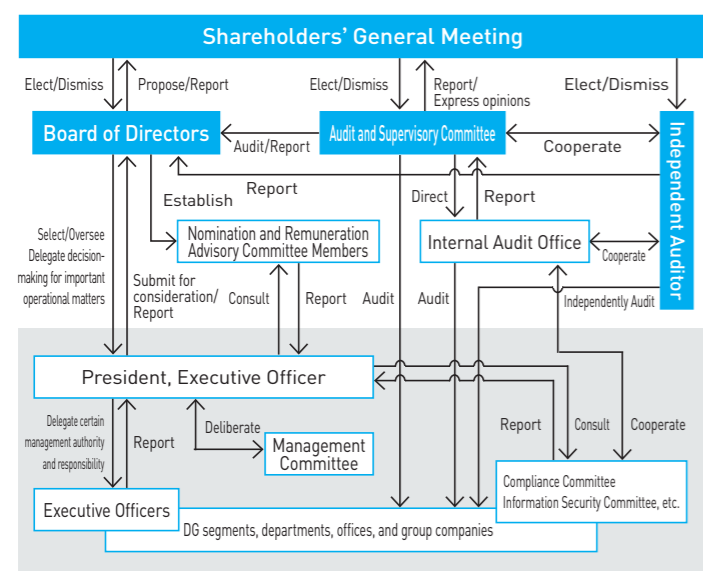
For details of our Corporate Governance Policy, please refer to the following website.
<https://www.garage.co.jp/en/company/corporate-governance/>

Corporate Governance

DG has always viewed corporate governance as a critical management concern and striven to take the steps necessary to ensure strong governance. Given the adoption of Japan's Corporate Governance Code, we switched to the "company with audit and supervisory committee" form of organization to achieve the "growth-oriented governance" called for by the code. This organizational change was formalized following the approval of a resolution to that effect at the 21st Shareholders' General Meeting, convened on September 29, 2016. Under the "company with audit and supervisory committee" form of organization, directors who are Audit and Supervisory Committee members perform oversight for management decision making and the performance of duties by directors in meetings of the Board of Directors. The Audit and Supervisory Committee, meanwhile,

oversees the performance of duties by directors more broadly. While realizing a greater strengthening of corporate governance through ensuring no less than a 1-to-3 ratio of outside directors in the Board of Directors, DG has introduced an executive officer system to clearly separate the business execution function from the decision making and supervisory functions with the aim of bringing greater speed and efficiency to the execution of business. Moreover, with the aim of strengthening the independence and objectivity in the functions of the nomination and remuneration of directors within the Board of Directors and bolstering the corporate governance further, DG established the Nomination and Remuneration Advisory Committee consisting of three or more members of the directors and whose majority is comprised of independent outside directors in February 2020.

Corporate Governance Organization Chart (as of June 23, 2021)



Members of Board of Directors, Audit and Supervisory Committee, Nomination and Remuneration Advisory Committee

	Board of Directors	Audit and Supervisory Committee	Nomination and Remuneration Advisory Committee
Kaoru Hayashi Representative Director	◎(Chair)	○	○
Keizo Odori Director	○		
Makoto Soda Director	○		
Masahito Okuma Director	○		
Masashi Tanaka Director	○		
Hiroshi Shino Director	○		
Joichi Ito Director	○		
Emi Omura Director	Independent/Outside	○	
Yasuyuki Rokuyata Audit and Supervisory Committee Chairperson	○	◎(Chairman)	
Makoto Sakai Audit and Supervisory Committee Member	Independent/Outside	○	◎(Chairman)
Junji Inoue Audit and Supervisory Committee Member	Independent/Outside	○	○
Koji Makino Audit and Supervisory Committee Member	Independent/Outside	○	○
Minoru Ohno Audit and Supervisory Committee Member	Independent/Outside	○	○

Board of Directors

The Board of Directors of Digital Garage, Inc. consists of 13 members. Five of the 13 members are also Audit and Supervisory Committee members, and four of these five members are outside directors. Of the eight members who are not Audit and Supervisory Committee members, one is outside director. In addition to its regular monthly meetings, the Board of Directors meets at other times, as necessary. In FY21.3, meetings of the Board of Directors were held a total of 16 times. The Board of Directors makes decisions on important matters set forth in laws and regulations, the Articles of Incorporation, and Board of Directors Provisions. It also oversees the activities of board members as they perform their duties. Outside directors perform governance functions by drawing on their individual expertise, management experience and insight, to oversee board activities and contribute advice, from an independent perspective. More than one third of the total 13 members of the Board of Directors or five members are outside directors, and all of the five outside directors have been reported as independent directors in accordance with the regulations of the Tokyo Stock Exchange. In this way, we believe a system is in place at the Board of Directors to conduct highly effective oversight.

Audit and Supervisory Committee

DG's Audit and Supervisory Committee consists of five members - one director and four outside directors. Audit and Supervisory Committee members attend Audit and Supervisory Committee meetings held after regular monthly meetings of the Board of

Directors. They attend other important meetings, including those of the Board of Directors, as well, and are free to express their opinions and contribute in other ways to enhance the effectiveness of corporate governance.

Nomination and Remuneration Advisory Committee

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

Internal Control System

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

The Development of Strengthened Corporate Governance

	FY14.6	FY15.6	FY16.6	FY17.3	FY18.3	FY19.3	FY20.3	FY21.3	FY22.3																																								
Form of Organization Design	Company with Board of Auditors (from September 1999 through September 2016)			Company with Audit and Supervisory Committee (from September 2016)																																													
Board of Directors	<table border="1"> <tr> <td>Internal Directors</td> <td>8</td> <td>8</td> <td>8</td> <td>7</td> <td>8</td> <td>8</td> <td>7</td> <td>8</td> <td>8</td> </tr> <tr> <td>Independent Outside Directors</td> <td>2</td> <td>2</td> <td>2</td> <td>5</td> <td>6</td> <td>6</td> <td>5</td> <td>6</td> <td>5</td> </tr> <tr> <td>Total</td> <td>10</td> <td>10</td> <td>10</td> <td>12</td> <td>14</td> <td>14</td> <td>12</td> <td>14</td> <td>13</td> </tr> <tr> <td>Percentage of Independent Outside Directors</td> <td>20%</td> <td>20%</td> <td>20%</td> <td>42%</td> <td>43%</td> <td>43%</td> <td>42%</td> <td>43%</td> <td>38%</td> </tr> </table>									Internal Directors	8	8	8	7	8	8	7	8	8	Independent Outside Directors	2	2	2	5	6	6	5	6	5	Total	10	10	10	12	14	14	12	14	13	Percentage of Independent Outside Directors	20%	20%	20%	42%	43%	43%	42%	43%	38%
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Corporate Governance

Reasons for appointment as Outside Directors

Outside Directors are appointed based on whether the person has an excellent personality and insights, is capable of advising on overall management by drawing on their own knowledge, and is able to appropriately reflect the opinions of stakeholders, including minority shareholders, from an independent viewpoint in the Board

of Directors. Directors who are Audit and Supervisory Committee Members are appointed based on whether the person has an excellent personality and insights, and has knowledge and experience to appropriately, fairly, and efficiently perform the audit of duties executed by the Directors.

Name	Audit and Supervisory Committee Member	Independent Officer	Reason for the appointment
EMI OMURA		○	Although Emi Omura has not been involved in corporate management other than having served as an outside officer, she has experience in global work environment through her post at an international institution in addition to her wealth of experience and expertise as attorney-at-law. As Outside Director of DG, she has provided us with valuable opinions and suggestions concerning business management of DG from a broader perspective. We therefore expect her to continue contributing to appropriate oversight of business operation of DG, and appointed her as Outside Director who is not an Audit and Supervisory Committee Member.
MAKOTO SAKAI	○	○	Although Makoto Sakai has not been involved in corporate management other than having served as an outside officer, he has considerable experience and expertise as attorney-at-law. As Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of DG, he has provided us with valuable opinions and suggestions concerning business management of DG from a legal perspective. We therefore expect him to continue contributing to appropriate oversight of business operation of DG and ensuring its sound business management, and appointed him as Outside Director who is an Audit and Supervisory Committee Member.
JUNJI INOUE	○	○	Junji Inoue has a wealth of overseas business experience, and as Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of DG, he has provided us with valuable opinions and suggestions concerning business management of DG from a global perspective. We therefore expect him to continue contributing to appropriate oversight of business operation of DG and ensuring its sound business management, and appointed him as Outside Director who is an Audit and Supervisory Committee Member.
KOJI MAKINO	○	○	Although Koji Makino has not been involved in corporate management other than having served as an outside officer, he has a wealth of experience and expertise as certified public accountant and consultant. As Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of DG, he has provided us with valuable opinions and suggestions concerning business management of DG from an accounting and taxation perspective. We therefore expect him to continue contributing to appropriate oversight of business operation of DG and ensuring its sound business management, and appointed him as Outside Director who is an Audit and Supervisory Committee Member.
MINORU OHNO	○	○	Although Minoru Ohno has not been involved in corporate management other than having served as an outside officer, he has a wealth of experience and expertise as labor and social security attorney. As Outside Auditor and Outside Director who is an Audit and Supervisory Committee Member of DG, he has provided us with valuable opinions and suggestions concerning business management of DG in the past. We therefore expect him to continue contributing to appropriate oversight of business operation of DG and ensuring its sound business management, and appointed him as Outside Director who is an Audit and Supervisory Committee Member.

Remuneration for Directors

The 21st Ordinary Shareholders' General Meeting held on September 29, 2016, approved the remuneration amount for Directors (excluding Audit and Supervisory Committee Members) to be 500 million JPY or less per year (including total 50 million JPY or less for Outside Directors, excluding the portion for employee salaries), and apart from this annual remuneration, amount of the monetary remuneration claims provided for stock acquisition rights allocated as stock compensation-type stock options to be 250 million JPY or less per year, and amount of the monetary remuneration claim provided to grant restricted shares for one fiscal year to be 100 million JPY or less. With regard to the amount of remuneration for Directors (Audit and Supervisory Committee Members), it was approved at the 21st Ordinary Shareholders' General Meeting held on

September 29, 2016, that the remuneration shall be 100 million JPY or less per year.

DG's Board of Directors passed a resolution of policies concerning the determination of the detail of remuneration for individual Directors (excluding Directors who are Audit and Supervisory Committee Members). This resolution of the Board of Directors was adopted based on policies formulated in light of actual remuneration already paid by DG to the Directors. The amount and detail of remuneration for the Directors who are Audit and Supervisory Committee Members were determined within the total amount resolved in the Shareholder's General Meeting based on the discussion of the Audit and Supervisory Committee Members.

Remuneration for Directors for FY21.3 is as follows.

Categories of directors	Total amount of remuneration (JPY in Millions)	Total amount of remuneration by type (JPY in Millions)				Number of recipient directors
		Fixed remuneration	Performance-linked remuneration	Retirement benefits	Non-monetary remuneration included in the total amount	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	468	468	-	-	258	7
Directors (Audit and Supervisory Committee Members; excluding Outside Directors)	30	30	-	-	-	1
Outside Directors	46	46	-	-	-	6

*1 The total amount of non-monetary remuneration for Directors (excluding Audit and Supervisory Committee Members and Outside Directors) consists of fixed remuneration of 258 million JPY.

*2 Non-monetary remuneration consists of DG's stocks, representing recorded expenses of stock acquisition rights granted as stock options remuneration of 206 million JPY and expenses related to restricted shares of 52 million JPY.

*3 In addition to the total amount of remuneration mentioned above, each subsidiary paid a total amount of 197 million JPY of fixed remuneration during the fiscal year under review for six Directors concurrently serving as Directors (excluding Audit and Supervisory Committee Members) of the subsidiary of DG and one Director (excluding Audit and Supervisory Committee Members) concurrently serving as the Advisor of the subsidiary of DG.

Matters discussed at the Board of Directors

Matters discussed at the Board of Directors in FY21.3 are as follows. The Board of Directors holds free and open-minded exchange of views and opinions.

	Main matters resolved	Main matters reported
First quarter	<ul style="list-style-type: none"> - Mid-term Plan - Summary of Consolidated Financial Results - Convocation of Ordinary Shareholders' General Meeting - Matters relating to director personnel remunerations - Securities Report - Partial revision of internal control and corporate governance basic policy 	<ul style="list-style-type: none"> - IR activities report - Evaluation of board effectiveness - Corporate Governance Report - Performance report
Second quarter	<ul style="list-style-type: none"> - Revision to Internal Reporting Policy - Conclusion of Commitment Line Contracts - Summary of Consolidated Financial Results and Quarterly Securities Report 	<ul style="list-style-type: none"> - Performance report
Third quarter	<ul style="list-style-type: none"> - Establishment of a subsidiary - Establishment of a fund - Summary of Consolidated Financial Results and Quarterly Securities Report 	<ul style="list-style-type: none"> - Capital and business alliance of subsidiaries - Performance report
Fourth quarter	<ul style="list-style-type: none"> - Appointment of Executive Officers - Decision policy of the detail of individual Director's remuneration - Approval of the next fiscal year's budget - Summary of Consolidated Financial Results and Quarterly Securities Report 	<ul style="list-style-type: none"> - Status of cross-shareholding - Reorganization of subsidiaries - Performance report

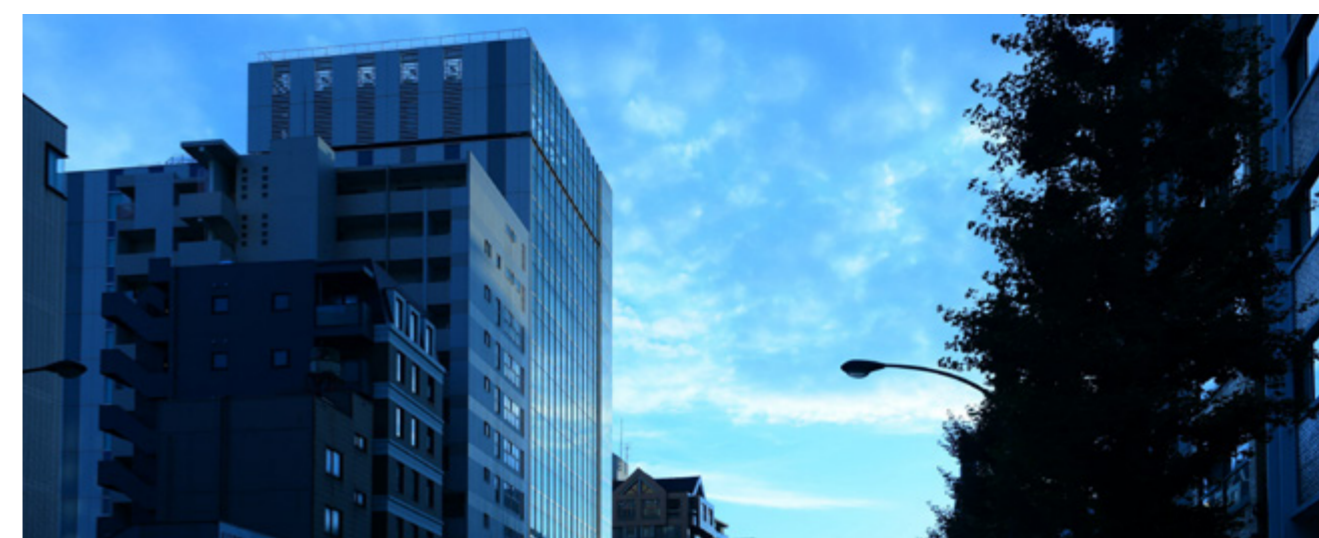
Evaluation of Board Effectiveness

The Board of Directors implements the evaluation and analysis of overall board effectiveness. The evaluations and analyses are made based on self-evaluations conducted by individual Directors for matters such as the composition and the operation of the board, matters concerning board deliberations, the role and duties of the board, the role and duties of the Nomination and Remuneration Advisory Committee, and items of respective principles of the corporate governance code that are not exercised.

The evaluation results for FY21.3 confirmed that the overall board effectiveness has been sufficiently ensured. In particular, the evaluation states that the Board of Directors held an active discussion about DG's medium- to long-term strategies and plans given the COVID-19 pandemic as a turning point, strengthened risk management system,

including internal control and internal reporting system. Furthermore, in the area of human resources development, the evaluation identified that the Board of Directors put forward initiatives including implementation of programs for middle management, focused on discussion on medium- to long-term issues and direction of DG.

The Board of Directors will continue to discuss succession planning and human resources development, as they are the issues to be reviewed to enhance the board effectiveness. Furthermore, the Board of Directors aims to bolster its PDCA cycle for the enhancement of corporate value by putting in place management focused on cost of capital and to have ample time to discuss matters concerning ESG and SDGs (Sustainable Development Goals) and compliance with Japan's Revised Corporate Governance Code.



Compliance and Information Security

Compliance Statement

The purpose of Digital Garage is as follows: "Designing 'New Context' for a sustainable society with technology."

In order to achieve this purpose and ensure our sustainable development, each and every employee is called upon to understand changes in society and ensure that our actions resonate with our environment, in the spirit of the "first penguin." We recognize the irreplaceable roles that our employees play in our efforts and the importance of providing them with a rewarding working environment that they are proud to be a part of. In addition, individuals must also commit to regulatory compliance.

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

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

<Code of Conduct>

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

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

Personal Information Protection Policy

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

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

Disclosure Policy

Emphasizing transparency, fairness, and continuity, DG endeavors to provide information in a timely manner to all of its shareholders, investors and other stakeholders. Our basic policy is to disclose information in compliance with the regulations on timely disclosure established under the Financial Instruments and Exchange Act and by Tokyo Stock Exchange, Inc. DG also strives to disclose as proactively and quickly as possible even information to which the timely disclosure regulations do not apply, if we consider it useful in promoting understanding of DG.

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

Basic Information Security Policy

DG regards the information we possess and our information systems (computers, networks, etc.) for executing business by DG and our subsidiaries ("DG Group") as "information assets." We make best efforts for information security to safely handle these assets.

Operational structure for information security

CEO and directors in charge of information security appoint a chief information security officer (CISO), who serves as a central information hub in security management throughout the overall DG Group. Because the DG Group implements different business formats in each segment and different security risks must be dealt with in each company, the group is taking required security measures and acquires external certifications. CISO also conducts reviews for multifaceted confirmation of the security structure. A structure is set up in which, if a serious security incident occurs in the DG Group, CISO serves a central role to promptly work with DG's management and respond appropriately to the problem.

Certifications

The DG Group is qualified to obtain third-party certifications according to the special characteristics of our businesses. DG has received PrivacyMark certification for our personal information protection management system complying to JIS Q 15001. DG and our subsidiaries have received certification as a group for ISO/IEC 27001:2013, an international standard for information security management systems (ISMS), and JIS Q 27001:2014, a Japanese standard. Our subsidiaries that handle credit card information have also received Payment Card Industry Data Security Standard (PCI DSS) certification, the international security standard of credit card industry for the safe handling of credit card information.

Measures against cyber attacks

The DG Group recognizes the threat of increasingly diverse, sophisticated cyber attacks, and is taking continual measures against such attacks. These include incorporating multilayer defense and the latest defense technologies into our systems. We also educate officers and employees about threats to guard against attacks involving internal parties (targeted attacks, etc.).

Business continuity

DG believes our social mission is to provide a range of online services. In the event of a disaster, cyber terrorism, system failure, or other serious danger, we will first ensure securely and accurately safekeeping customer information and continuing our services to the maximum level possible, upon securing the safety of our officers and employees and their family members.

Setting and promoting understanding of information security rules

DG establishes information security rules and continually promotes thorough understanding of them among officers and employees by conducting security training for new hires, as well as annual security training. An employee who breaches laws, ordinances, this Basic Information Security Policy, information security-related rules, or internal regulations will be subject to penalties in compliance with the company regulation manual, etc.

Code of Conduct

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

List of certifications obtained by DG and our subsidiaries

	PrivacyMark	ISMS	PCIDSS
Digital Garage, Inc.	○	○	
DG Financial Technology, Inc.	○	○	○
ECONTEXT, INC.	○	○	○
DG Communications Co., Ltd.	○		
BI.Garage, Inc.		○	
NaviPlus Co., Ltd.	○		
DG Ventures, Inc.		○	
Academie du Vin Co., Ltd.	○		

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

Outside Directors' View on Digital Garage



Outside Director **EMI OMURA**

We have been facing historically unresolved social issues as well as new social issues triggered by the pandemic. With a capability of active and tactical "intervention," I believe DG has the power to commit to these issues as catalysts for transforming society. We should review the sustainability of our business from the perspectives of environment, society, and governance in accordance with evolving international standards. This is my stance concerning monitoring, which I will follow through.



Outside Director, Audit and Supervisory Committee Member **MAKOTO SAKAI**

Our continued First Penguin Spirit is signified by the effort made by DG marking the 25th anniversary under the slogan of "DG FinTech Shift" to integrate each segment with the aim of building a new framework. In many cases, the introduction of laws typically follows people's real voices and concerns, and in the actual business practice, we often need to appropriately resolve cases which are not envisioned by laws. I will draw on my experience earned through legal practice to carry out the operation as an Audit and Supervisory Committee Member and put in place appropriate governance.



Outside Director, Audit and Supervisory Committee Member **JUNJI INOUE**

Amid accelerating technological innovation and diversifying society, DG has stood at the forefront of innovation and community since its foundation. In recent years, with the COVID-19 global pandemic and dramatically changing global natural environment urging us to address such issues immediately, digital technology's role has seen a dynamic flux. As an Outside Director, I am determined to enhance and strengthen corporate governance system that effectively facilitates swift and precise management decision-making by bringing in a new perspective for DG to be a company that continues creating new values.



Outside Director, Audit and Supervisory Committee Member **KOJI MAKINO**

Enhancement of "corporate value" is DG's big mission. The source of wealth has shifted from tangible assets such as real estate properties to intangible forms, requiring environmental measures and sustainability.

To this end, it is required to disclose corporate essence, namely architectures, from a long-term perspective. I hope to have an active discussion about the corporate value and enhancement thereof.



Outside Director, Audit and Supervisory Committee Member **MINORU OHNO**

I have been engaged in corporate governance and internal control in business activities, among others, particularly from "non-financial" and "human resources" perspectives. As an Audit and Supervisory Committee Member, I will continue to take action to realize DG's concept, "Social implementation of technology with new context design with an eye toward a sustainable society," in a time when responses to SDGs and ESG as well as business and human rights are sought out.

Non-Financial Highlights

As of March 31, 2021

Number of Group companies

31

Number of Group employees

898

Ratio of female employees

41.2%

* Ratio to Digital Garage (non-consolidated) (471 people)

Number of female managers/Ratio

19/14.1%

* Number of people/ratio to Digital Garage (non-consolidated) (135 people)

Number of Independent Outside Directors/Ratio

5/38.5%

* As of June 30, 2021

Remote work ratio

62.5%

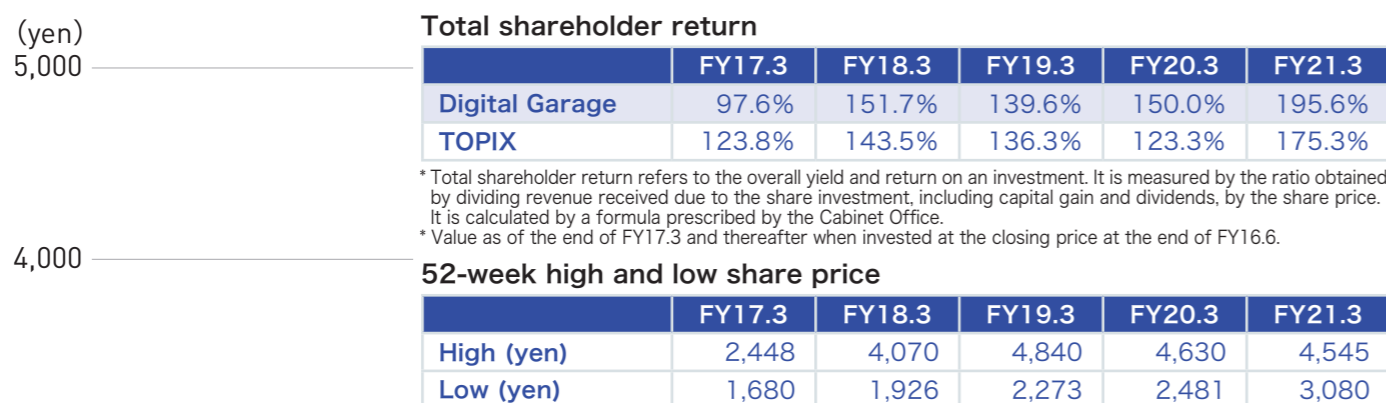
Summary of Consolidated Business Performance Indicators

Key Performance Indicators (JPY in Millions)

JGAAP

	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Net sales	33,752	38,087	43,763	36,452	60,169
Profit before income taxes	5,035	9,249	7,575	5,819	7,619
Net profit	3,148	5,394	5,189	4,293	5,486
Profit attributable to owners of parent	2,847	5,081	5,165	4,289	5,461
Total assets	71,010	86,495	77,336	91,686	108,791
Net assets	36,490	29,065	30,664	34,371	39,017
Cash flows from operating activities	△35	5,040	△2,619	4,149	14,294
Cash flows from investing activities	△5,155	509	△1,072	△1,453	1,009
Cash flows from financial activities	11,261	1,390	△11,638	4,176	△2,307
Cash and cash equivalents at end of year	25,184	34,077	18,321	25,335	38,249
ROE	10.1%	17.2%	17.6%	13.5%	15.3%
Ordinary dividend payout ratio	8.2%	4.6%	13.7%	22.0%	20.7%
Total return ratio	8.2%	23.1%	27.3%	22.0%	20.7%

Trends in Share Price



IFRS

* International Financial Reporting Standards (IFRS) have been voluntarily applied since FY19.3.

	FY18.3	FY19.3	FY20.3	FY21.3
Revenue	25,503	35,687	36,936	40,478
Profit before tax	8,376	13,424	10,008	14,317
Profit	6,337	9,790	7,331	9,518
Profit attributable to owners of parent	6,412	9,771	7,420	9,786
Total assets	119,545	146,890	162,296	178,301
Total equity	43,199	47,345	52,795	63,082
Cash flows from operating activities	12,316	2,580	△12,322	7,047
Cash flows from investing activities	2,883	△2,397	△5,473	△864
Cash flows from financing activities	174	8,509	2,363	△914
Cash and cash equivalents at end of period	39,450	48,154	32,702	37,989
ROE	16.1%	21.9%	15.0%	17.1%
Ordinary dividend payout ratio	-	13.3%	17.4%	15.1%
Total return ratio	-	64.3%	23.5%	15.1%
Dividend payout ratio to business cash flow before income taxes	-	-	51.2%	20.6%

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

JGAAP

	FY12.6	FY13.6	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Current assets	28,005	33,837	45,455	57,743	48,324	59,624	75,496
Cash and deposits/Money held in trust	15,713	19,097	25,184	34,076	18,296	25,293	38,229
Notes and accounts receivable	2,480	2,689	3,659	3,824	5,442	7,056	7,741
Operational investment securities	1,904	2,641	8,064	8,208	11,164	11,856	12,364
Receivables	7,578	9,037	8,597	11,646	13,946	15,422	16,889
Other	330	373	△49	△11	△524	△3	273
Non-current assets	21,333	22,173	25,554	28,752	29,012	32,061	33,295
Tangible fixed assets	913	2,039	2,159	2,251	2,279	2,245	2,338
Intangible assets	13,080	11,094	8,588	7,574	7,456	7,224	9,869
Software	959	1,107	1,210	1,315	1,665	1,784	2,019
Goodwill	12,105	9,968	7,355	6,237	5,766	5,411	7,822
Other	16	19	23	22	25	27	28
Investments and other assets	7,341	9,041	14,808	18,927	19,277	22,592	21,087
Investment securities	4,300	5,521	10,644	14,220	14,844	18,357	16,552
Other	3,041	3,520	4,164	4,707	4,433	4,235	4,535
Total assets	49,339	56,011	71,010	86,495	77,336	91,686	108,791
Current liabilities	28,506	21,802	25,461	50,624	30,187	38,815	49,540
Notes and accounts payable	1,154	1,232	1,630	2,039	2,729	3,713	5,018
Deposits	14,956	18,230	16,434	20,999	21,876	25,127	36,499
Short-term borrowing	10,740	305	3,691	23,534	3,200	6,937	4,137
Income taxes payable	741	811	1,242	2,148	720	435	1,008
Other	915	1,224	2,464	1,904	1,662	2,603	2,878
Non-current liabilities	356	6,950	9,059	6,806	16,484	18,499	20,233
Bonds payable and Long-term borrowing	183	6,800	8,841	5,547	15,370	17,207	18,890
Deferred tax liabilities	-	21	43	938	596	488	551
Other	173	129	175	321	517	803	792
Total liabilities	28,862	28,752	34,520	57,430	46,671	57,315	69,774
Common stock	6,017	7,330	7,399	7,426	7,435	7,437	7,464
Capital surplus	9,703	11,016	10,817	2,854	2,825	2,946	3,104
Retained earnings	4,505	7,003	9,616	14,430	18,420	21,300	25,819
Treasury stock	△70	△70	△70	△70	△70	△50	△26
Total shareholders' equity	20,156	25,280	27,763	24,641	28,611	31,633	36,363
Total net assets	20,477	27,259	36,490	29,065	30,664	34,371	39,017
Total liabilities/net assets	49,339	56,011	71,010	86,495	77,336	91,686	108,791

IFRS * International Financial Reporting Standards (IFRS) have been voluntarily applied since FY19.3.

	FY18.3	FY19.3	FY20.3	FY21.3
Current assets	78,776	99,186	98,852	113,548
Cash and cash equivalents	39,450	48,154	32,702	37,989
Trade and other receivables	21,330	23,254	26,657	26,574
Operational investment securities	16,745	26,695	36,546	47,170
Other financial assets	442	451	1,323	912
Other current assets	809	632	1,624	903
Non-current assets	40,769	47,704	63,444	64,753
Property, plant and equipment	8,495	9,421	21,367	19,478
Intangible assets	2,104	2,575	3,496	4,000
Goodwill	7,959	6,575	7,689	7,689
Investment property	2,966	3,046	2,932	2,924
Investments accounted for using equity method	13,915	19,139	21,475	22,446
Other financial assets	5,010	6,662	6,319	7,878
Deferred tax assets	195	137	45	60
Other non-current assets	124	148	120	278
Total assets	119,545	146,890	162,296	178,301
Current liabilities	48,044	52,420	50,838	56,865
Trade and other payables	39,407	45,799	41,203	39,911
Borrowings	4,623	2,211	4,927	9,768
Other financial liabilities	760	853	1,783	1,712
Income taxes payable	1,010	1,076	207	1,328
Other current liabilities	2,244	2,482	2,717	4,146
Non-current liabilities	28,302	47,125	58,663	58,355
Bonds and borrowings	19,243	35,959	38,247	35,850
Other financial liabilities	5,244	5,430	13,553	12,168
Deferred tax liabilities	2,754	4,744	5,426	8,515
Other non-current liabilities	1,061	992	1,437	1,822
Total liabilities	76,346	99,545	109,501	115,220
Share capital	7,465	7,504	7,591	7,637
Capital surplus	3,748	4,235	4,409	4,566
Retained earnings	29,955	38,593	44,721	52,785
Treasury shares	△26	△5,026	△5,012	△4,915
Other components of equity	1,575	1,303	324	2,062
Total equity attributable to owners of parent	42,717	46,609	52,033	62,134
Total equity	43,199	47,345	52,795	63,082
Total liabilities and equity	119,545	146,890	162,296	178,301

Consolidated Statements of Income (JPY in Millions)

JGAAP

	FY12.6	FY13.6	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Net sales	14,904	27,965	33,752	38,087	43,763	36,452	60,169
Cost of sales	10,645	21,533	25,535	25,847	32,273	29,839	48,524
Gross profit	4,259	6,432	8,217	12,240	11,490	6,613	11,644
Selling, general and administrative expenses	2,637	5,110	5,609	7,431	7,288	5,889	9,333
Operating profit	1,622	1,322	2,608	4,810	4,201	724	2,310
Ordinary profit	2,709	3,079	4,442	7,610	6,193	3,679	5,018
Profit before income taxes	2,535	4,215	5,035	9,249	7,575	5,819	7,619
Profit attributable to owners of parent	2,106	2,716	2,847	5,081	5,165	4,289	5,461
Earnings per share (yen)	48.80	60.21	60.66	108.11	109.83	91.11	115.80
Diluted earnings per share (yen)	48.77	60.14	60.48	107.86	109.46	90.68	114.95

Consolidated Statements of Cash Flows (JPY in Millions)

JGAAP

	FY12.6	FY13.6	FY14.6	FY15.6	FY16.6	FY17.3 (9 months)	FY18.3
Cash flows from operating activities	2,542	3,212	△35	5,040	△2,619	4,149	14,294
Profit before income taxes	2,535	4,215	5,035	9,249	7,575	5,819	7,619
Depreciation and Amortization of software	207	617	631	711	761	656	963
Share of (profit) loss of entities accounted for using equity method	△1,004	△1,361	△1,741	△2,081	△2,406	△2,528	△2,768
Loss (gain) on sales of shares of subsidiaries and associates	-	△1,131	-	0	△521	△386	△1,471
Decrease (increase) in investment securities for sale	△1,019	△582	△1,972	△1,437	△4,240	△66	△1,100
Decrease (increase) in trade and other receivables	△2,653	△1,492	△516	△3,164	△3,865	△1,833	△1,318
Increase (decrease) in trade payables and deposits received	3,672	3,285	△1,292	5,102	1,686	4,197	12,491
Other	804	△339	△180	△3,340	△1,609	△1,710	△122
Cash flows from investing activities	△9,411	1,515	△5,155	509	△1,072	△1,453	1,009
Purchase of property, plant and equipment	△559	△1,248	△303	△165	△316	△223	△308
Purchase of intangible assets	△269	△688	△513	△581	△722	△630	△833
Purchase of investment securities	△371	△419	△4,189	△952	△1,195	△223	△1,190
Proceeds from sales of investment securities	67	212	893	0	-	2,427	2,863
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△5,678	△448	-	-	-	-	△538
Other	△2,601	4,106	△1,043	2,207	1,161	△2,804	1,015
Cash flows from financing activities	15,273	△1,817	11,261	1,390	△11,638	4,176	△2,307
Net increase (decrease) in short-term borrowing	7,440	△10,640	3,300	12,245	△14,545	2,800	△2,200
Net increase (decrease) in long-term borrowing	△387	6,587	1,952	3,986	4,163	2,787	721
Dividends paid	△1	△217	△234	△234	△1,175	△1,407	△943
Other	8,220	2,453	6,243	△14,607	△81	△4	115
Cash and cash equivalents at end of period	15,759	19,091	25,184	34,077	18,322	25,335	38,249





IFRS * International Financial Reporting Standards (IFRS) have been voluntarily applied since FY19.3.

	FY18.3	FY19.3	FY20.3	FY21.3
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
Share of profit of investments accounted for using equity method	3,481	4,835	3,720	2,495
Other income	2,875	2,050	2,509	2,008
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	845	567	871	928
Profit before tax	8,376	13,424	10,008	14,317
Profit attributable to owners of parent	6,412	9,771	7,420	9,786
Earnings per share (yen)	135.99	210.28	161.37	212.49
Diluted earnings per share (yen)	134.98	199.26	147.82	193.82





IFRS * International Financial Reporting Standards (IFRS) have been voluntarily applied since FY19.3.

	FY18.3	FY19.3	FY20.3	FY21.3
Cash flows from operating activities	12,316	2,580	△12,322	7,047
Profit before tax	8,376	13,424	10,008	14,317
Depreciation and amortization	1,696	1,952	2,369	3,637
Share of loss (profit) of investments accounted for using equity method	△3,481	△4,835	△3,720	△2,495
Loss (gain) on sales of shares of subsidiaries and associates	△1,467	△1,152	△1,283	△1
Decrease (increase) in investment securities for sale	△3,065	△10,085	△9,810	△10,527
Decrease (increase) in trade and other receivables	91	△3,459	△3,195	22
Increase (decrease) in trade and other payables	10,301	6,719	△5,715	△521
Other	△135	16	△976	2,615
Cash flows from investing activities	2,883	△2,397	△5,473	△864
Purchase of property, plant and equipment	△290	△1,265	△3,493	△1,501
Purchase of intangible assets	△852	△1,213	△1,749	△1,706
Purchase of investment securities	△1,191	△2,587	△4	△186
Proceeds from sale of investment securities	2,941	949	0	1,865
Payments for acquisition of subsidiaries	△406	-	△1,043	-
Other	2,681	1,719	816	664
Cash flows from financing activities	174	8,509	2,363	△914
Net increase (decrease) in short-term borrowing	△2,165	△109	82	2,002
Net increase (decrease) in long-term borrowing	676	△9,836	4,789	256
Proceeds from issuance of bonds with share acquisition rights	-	25,161	-	-
Dividends paid	△943	△1,073	△1,289	△1,748
Repayments of lease liabilities	△693	△867	△1,435	△1,861
Other	3,299	△4,767	216	437
Cash and cash equivalents at end of period	39,450	48,154	32,702	37,989






FINANCIAL TECHNOLOGY SEGMENT

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





MARKETING TECHNOLOGY SEGMENT

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

INCUBATION TECHNOLOGY SEGMENT

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

LONG-TERM INCUBATION SEGMENT

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

[as of April 1, 2021]

COMPANY INFORMATION

[as of March 31, 2021]

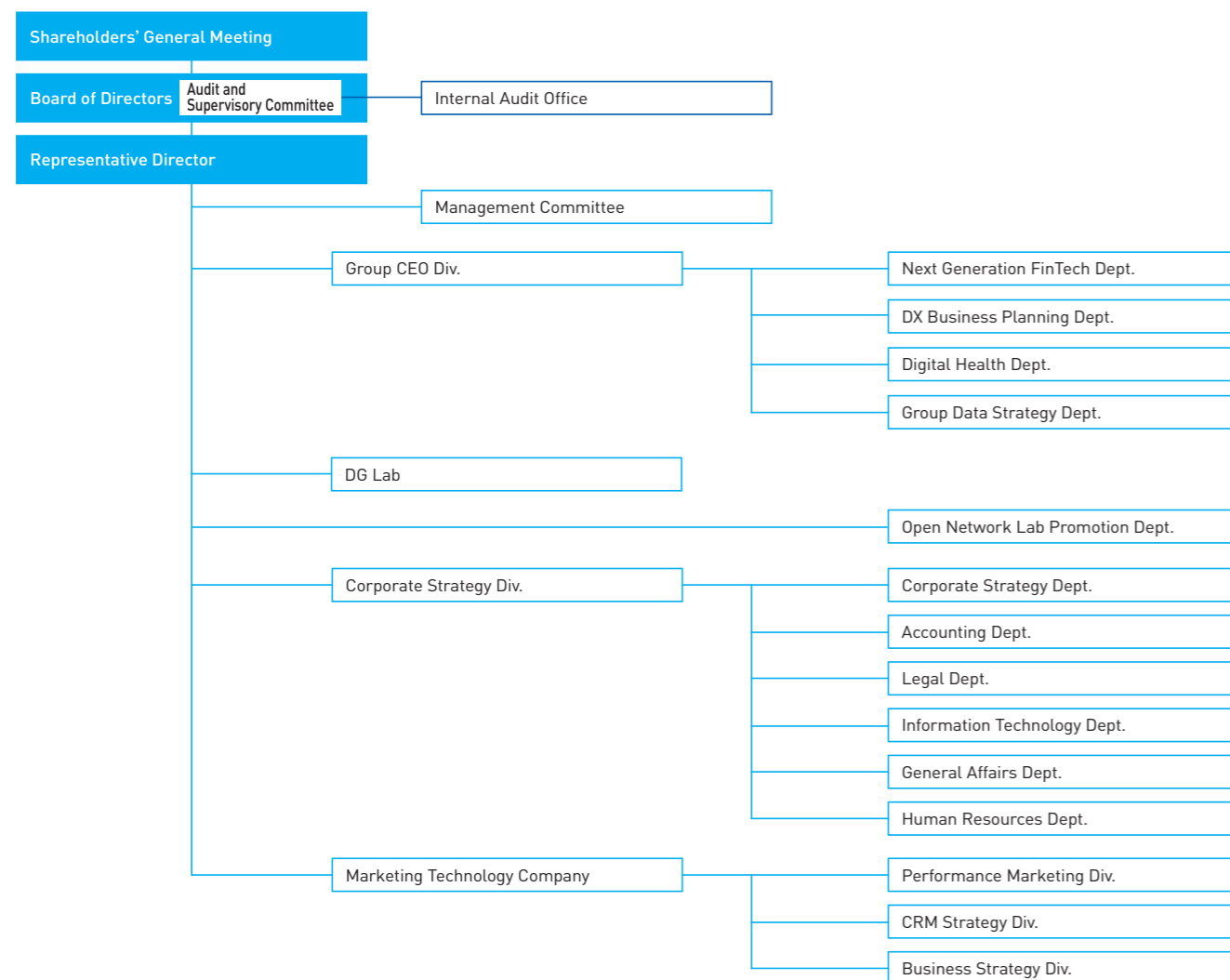
Basic Information

Company Name	Digital Garage, Inc.
Head Office	DG Bldg., 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo 150-0022, Japan Shibuya PARCO DG Bldg., 15-1 Udagawa-cho, Shibuya-ku, Tokyo 150-0042, Japan
Established	August 17th, 1995
Phone	03-6367-1111 (Main)
Fax	03-6367-1119
Stock listings	Tokyo Stock Exchange 1st section (4819)
Fiscal year end	March 31
Stock Capitalization	7,637 million yen
Number of employees	898 [consolidated] / 471 [non-consolidated]

DIGITAL GARAGE CHART

[as of April 1, 2021]

Organization Chart



STOCK INFORMATION

Stock Information

[as of March 31, 2021]

Authorized shares	120,000,000
Total number of shares issued	47,441,900
Voting rights	460,711
Shareholders	4,841

Major Shareholders

[as of March 31, 2021]

	Shares Owned	Ownership Percentage
Kaoru Hayashi	6,830,300	14.82
The Master Trust Bank of Japan, Ltd. (Trust accounts)	3,509,200	7.62
Dentsu Group Inc.	3,300,000	7.16
TIS Inc.	2,364,500	5.13
Custody Bank of Japan, Ltd. (Trust accounts 9)	1,818,000	3.95
Custody Bank of Japan, Ltd. (Trust accounts)	1,724,400	3.74
J.P. Morgan Bank Luxembourg S.A.	1,166,300	2.53
The Bank of New York Mellon	790,300	1.72
State Street Bank and Trust Company	751,074	1.63
Credit Saison Co., Ltd.	655,200	1.42

* Share ownership percentages were calculated based on issued shares net of treasury shares (1,363,660 shares).

Dividend Trends

	FY15.6 (JGAAP)	FY16.6 (JGAAP)	FY17.3 (JGAAP)	FY18.3 (JGAAP)	FY19.3 (IFRS)	FY20.3 (IFRS)	FY21.3 (IFRS)
Ordinary dividend	5 JPY	15 JPY	20 JPY	24 JPY	28 JPY	28 JPY	32 JPY
Commemorative dividend	20 JPY 20th anniversary	15 JPY In commemoration of our change to the TSE First Section	-	-	-	10 JPY 25th anniversary	-
Total dividend	1.17 billion JPY	1.41 billion JPY	0.94 billion JPY	1.13 billion JPY	1.28 billion JPY	1.75 billion JPY	1.47 billion JPY
Purchase of treasury shares	-	-	-	-	5.0 billion JPY	-	-
Ordinary dividend payout ratio	4.6%	13.7%	22.0%	20.7%	13.3%	17.4%	15.1%
Total return ratio	23.1%	27.3%	22.0%	20.7%	64.3%	23.5%	15.1%
Dividend payout ratio to business cash flow before income taxes	-	-	-	-	-	51.2%	20.6%

Share Ownership Distribution

[as of March 31, 2021]

