



Open Incubation toward 2020

Digital Garage, Inc.

FYE March 31, 2018 Financial Report

2018.5.11

 **Digital Garage**

Table of Contents

Mission and Business Model	3
Investment Highlights	8
Group Financial Performance Review	15
Segment Performance Review	22
Appendix	42

Mission & Business Model





As a

Context Company

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

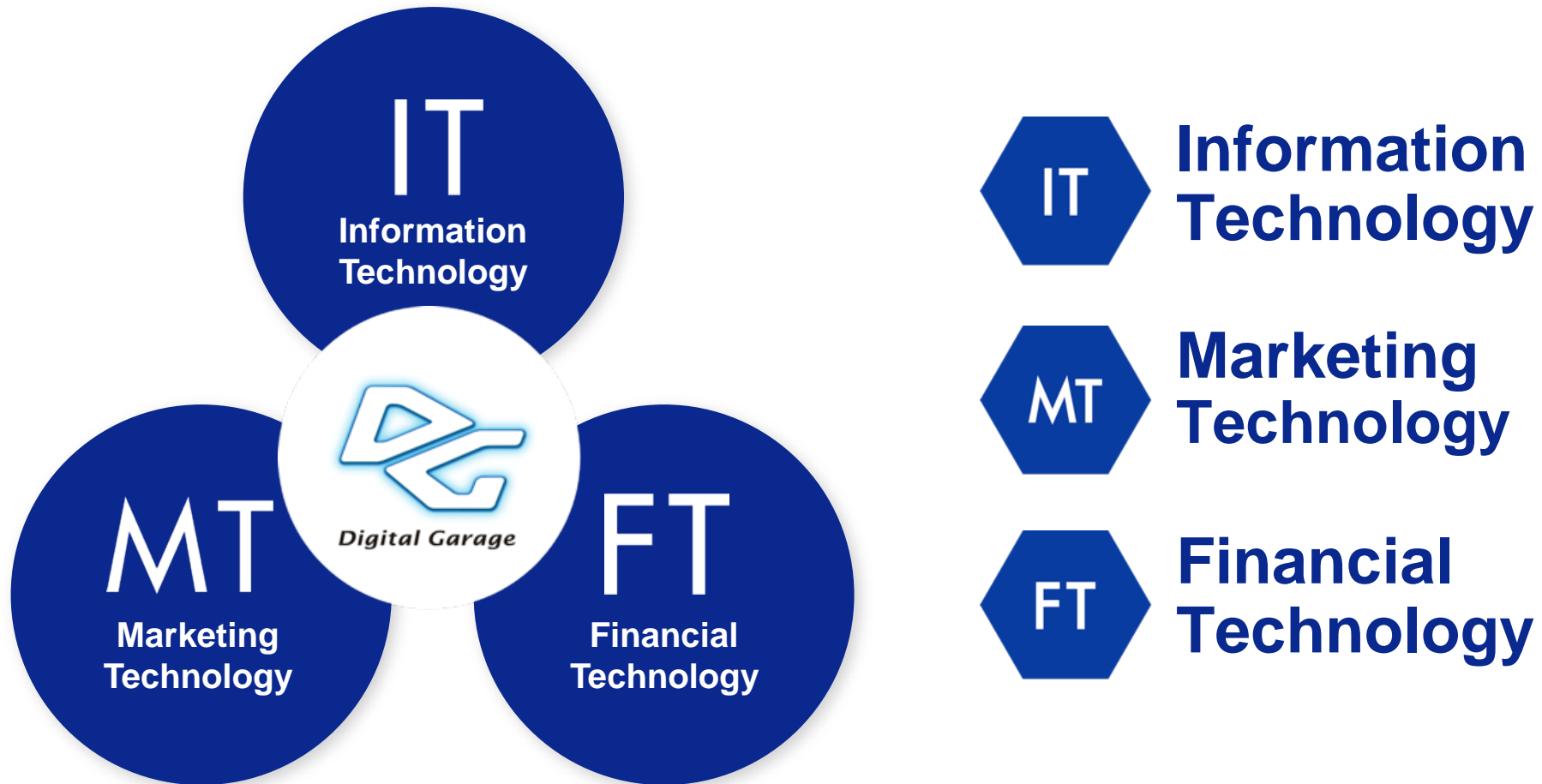
Real & Cyber

Local & International

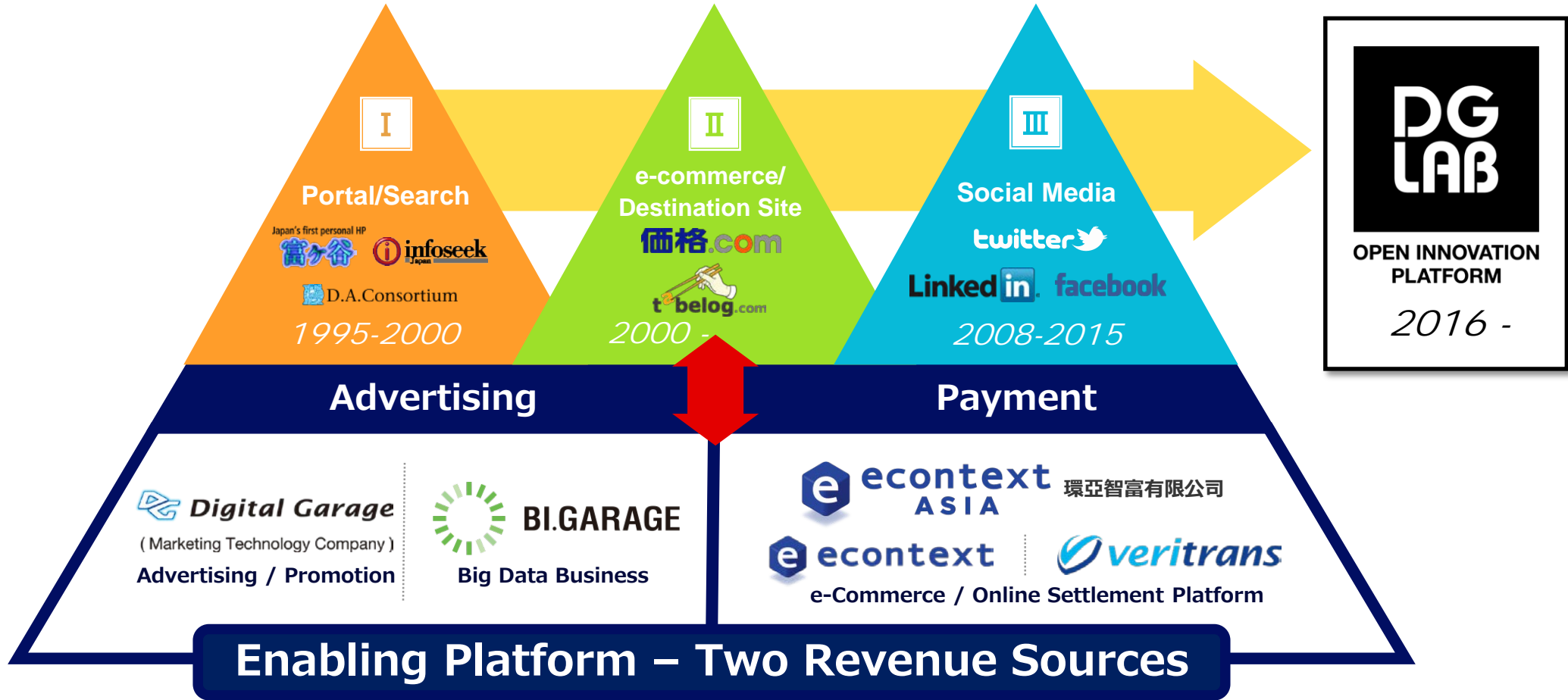
Marketing & Technology

Present & Future

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



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



Investment Highlights





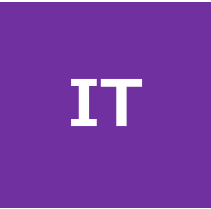


FY18.3 Net income marked 5.4B JPY YoY* grew by 16%, achieved record-high for the first time in 9 years

- Sales marked 60.1B JPY YoY grew by 24%, operating profit was 2.3B JPY grew 2.4 times YoY, and profit before income taxes achieved 7.6B JPY YoY grew by 14%
- High growth in profit before income taxes in MT/FT; YoY grew by 37% in MT and grew by 29% in FT
- Decided to voluntary application of International Financial Reporting Standards (IFRS) for the consolidated financial statements of fiscal year ending March 2019.

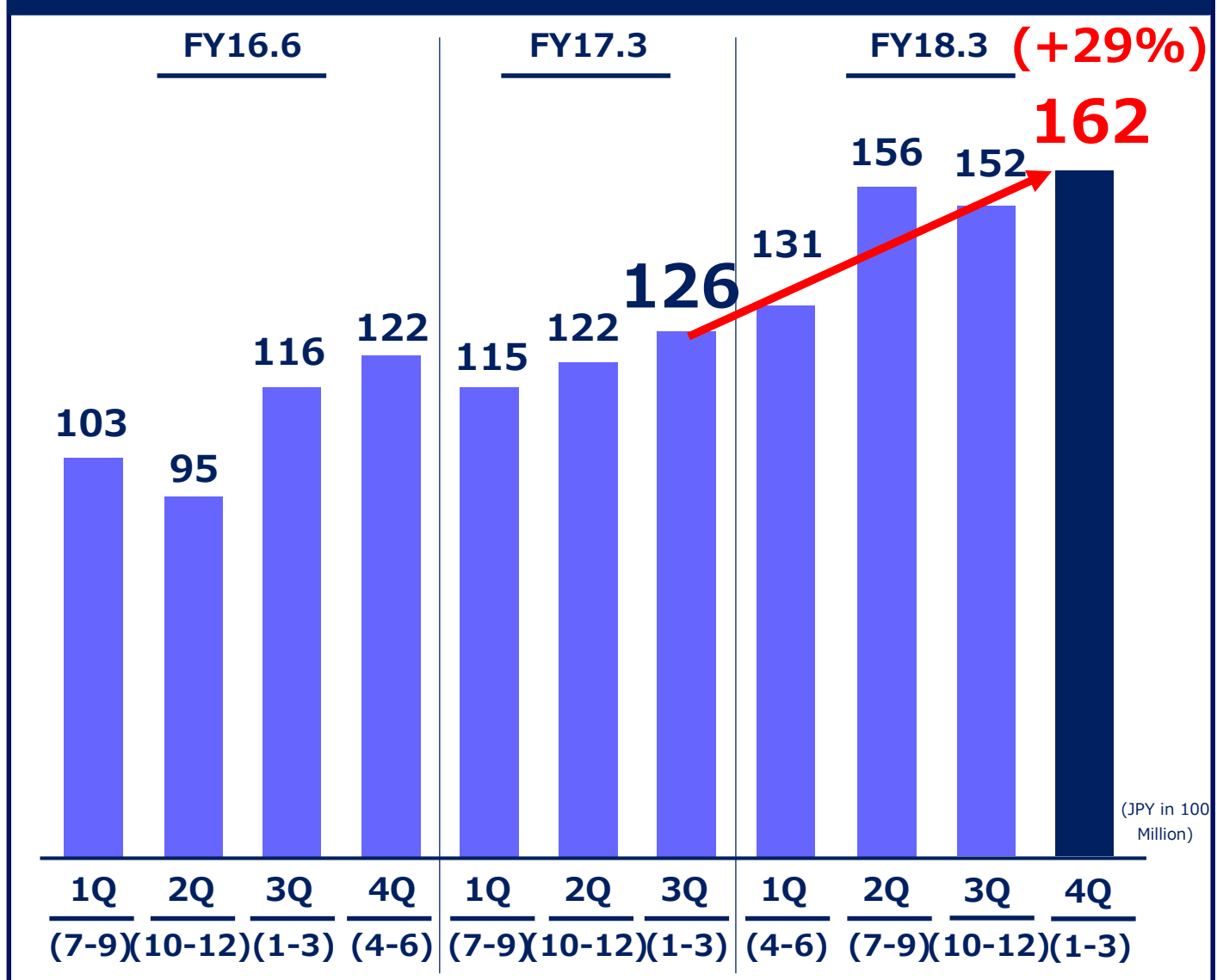
	Profit before income taxes by segments		Key points
	FY17.3	FY18.3 YoY	
MT	1.4 (B JPY) →	1.9 (B JPY) +37%	<ul style="list-style-type: none"> ■ <u>Sales YoY grew by 28%, profit before income taxes YoY grew by 37%</u> ■ Mainline performance-based ads drive strongly. Sales for financial market <u>grew strongly by 50% compared to 3Q FY17</u>. Cosmetics/HR also strongly grew by 29% ■ <u>Sales YoY grew by 11%, profit before income taxes YoY grew by 29%</u> ■ Maintained high growth exceeding EC market growth. <u>Transaction volume expanded to 1.5 Trillion JPY</u>. Transaction volume in non-EC payment, a key business area, <u>grew 5 times</u> compared to the period of 4QFY16-3QFY17 in charging/exchange settlement. ■ Sold domestic and overseas investment portfolios sequentially. Profit before income taxes <u>YoY grew by 30%</u> ■ <u>Investment profit on equity method of Kakaku.com trended steadily</u> ■ Promote new business development
FT	1.9 (B JPY) →	2.5 (B JPY) +29%	
IT	1.0 (B JPY) →	1.3 (B JPY) +30%	
LTI	2.8 (B JPY) →	3.1 (B JPY) +13%	

Note:* Due to the change of fiscal term last year, the YoY comparisons here are between annualized FY17.3 (nine months accounting) and FY18.3 full year. Annualized value of FY17.3 is 1.33 times the FY17.3 results (nine months accounting). However, Kakaku.com, Inc.'s fiscal term has been March, therefore annualized adjustment is not applicable.

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

	Internet ads/ Promotion	<ul style="list-style-type: none"> Continued expansion of internet ads. Substantial increase in sales and profits. Promoting the upstream marketing consulting. Providing DMP for storing proprietary data, and promoting the development of advertising materials. Strengthen cooperation with Kakaku.com. Started to build cross-border EC mall with Asian countries to respond to expanding cross-border EC market.
	Data science	
	Global	
	EC payment	<ul style="list-style-type: none"> Continued high growth exceeding EC market. Substantial increase in sales and profits. Transaction volume of face-to-face settlement such as Alipay jumped 4.9 times in FY18.3 compared to the period from 4QFY16-3QFY17. Started payment of public funds. Business alliance with Toshiba Tec Corporation, having largest share of POS systems in Japan. Expanding payment methods in retailers
	Non-EC/ Face to face payments etc	
	Alliance	
	Investment Incubation	<ul style="list-style-type: none"> Strengthen cooperation with US, Japan, Europe and Asia. Supporting start-ups play an active role in the world. Launched accelerator program "Open Network Lab HOKKAIDO" Invested domestic and overseas promising 22 start-ups, since DG Lab Fund has launched
	DG Lab Fund	
	Kakaku.com	<ul style="list-style-type: none"> The number of monthly users of the group as a whole increased year by year to 280 million, up 31.5% from the same period of the previous year (March 2018) In preparation focusing on life design area and bio health area
	New business	
		<ul style="list-style-type: none"> Driven by strategy investment and alliance focusing on five key fields and accelerated commercialization Promotes strategic projects that utilize "DG Lab DVEP"™ for unique cryptocurrency Entered into partnership agreement with Tokyo Tanshi Co., Ltd in FinTech. Launched Smart City Project in Shibuya, Sapporo and Fukuoka for regional revitalization

Consolidated sales

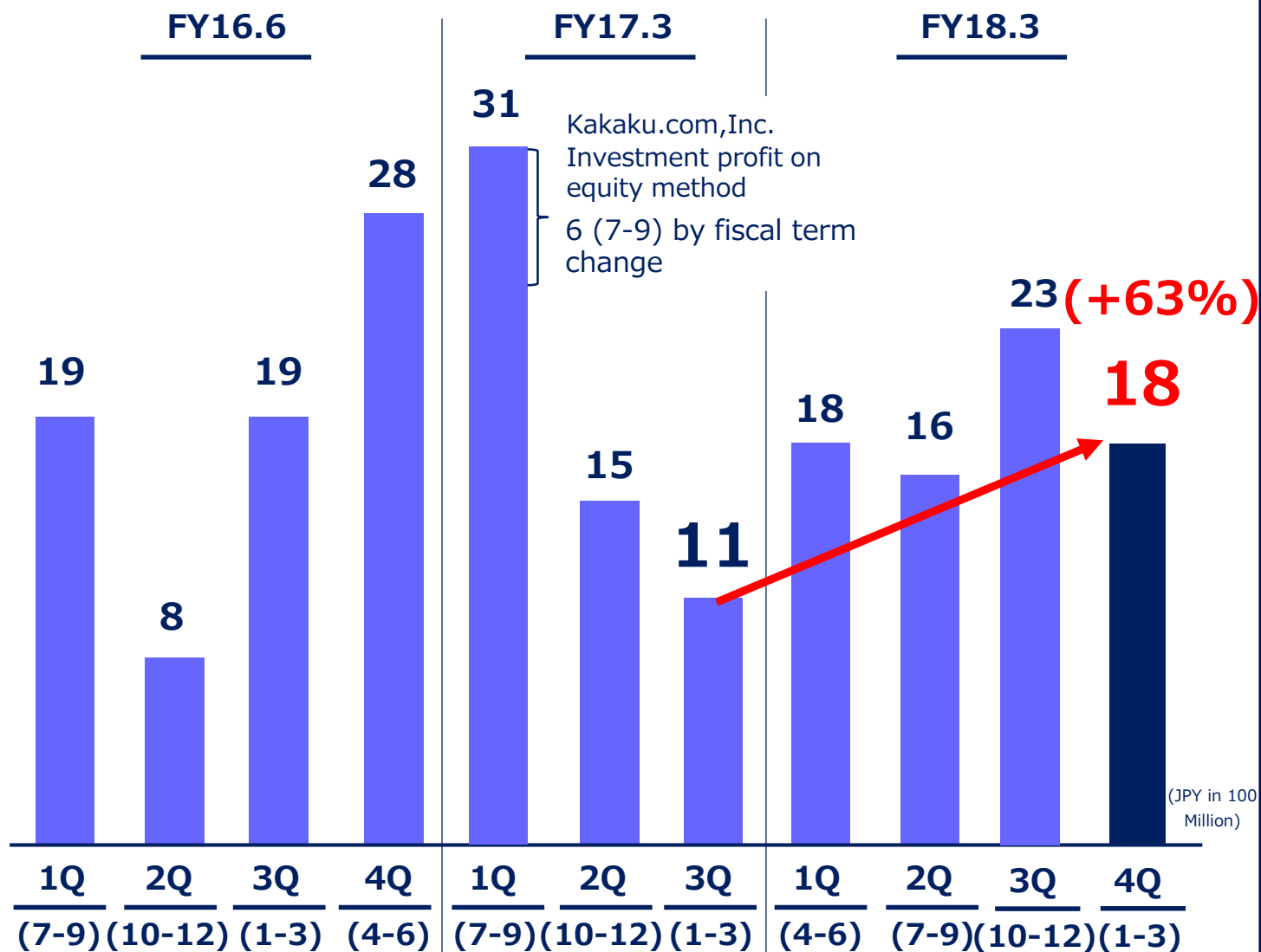


Comparisons showed here are between 4Q (1-3) FY18.3 and 3Q (1-3) FY17.3 in real terms which is the same quarterly of last year

- 4Q sales marked 16.2 B JPY, up 29% compared to 3Q FY17
- MT segment achieved high growth and it drove the consolidated sales growth



Consolidated Profit before Income Taxes



Comparisons showed here are between 4Q (1-3) FY18.3 and 3Q (1-3) FY17.3 in real terms which is the same quarterly of last year

- 4Q profit before income taxes marked 1.8 B JPY, up 63% compared to 3Q FY17
- All segments contributed to significant increase in profit before income taxes

Group Financial Performance Review



FY18.3 (Cumulative) Consolidated P/L Summary

YoY sales grew by 24% record high of 60.1B JPY and operating profit grew 2.4 times to 2.3B JPY
 ~ Profit before income taxes marked 7.6B JPY YoY grew by 14%. Net income marked 5.4B JPY YoY grew by 16%, achieved record-high for the first time in 9 years ~

JPY in Millions	A		B		Ref. C (=B/A)		Act vs Fcst	
	FY17.3 (Full Year Act) (7-3)	FY17.3 (12 months conversation) (Reference)	FY18.3 (Initial Forecast) (4-3)	FY18.3 (Full Year Act) (4-3)	%	Amount	%	Amount
Net sales	36,451	48,480	58,500	60,168	+24.1	+11,687	+2.9	+1,668
Operating profit	723	962		2,310	2.4 X	+1,347		
Non-operating income	3,246	3,427		3,305	-3.6	-122		
Share of profit of entities accounted for using equity method	2,528	2,479		2,768				
Foreign exchange gain	171	227		-				
Non-operating expenses	292	388		597	+53.9	+209		
Foreign exchange loss	-	-		160	-	-		
Ordinary profit	3,678	4,001		5,017	+25.4	+1,016		
Extraordinary income	2,265	2,869		2,669	-7.0	-200		
Profit before income taxes	5,819	6,705	8,000	7,619	+13.6	+913	-4.8	-380
Income taxes	1,525	1,999		2,133	+6.7	+133		
Profit attributable to owners of parent	4,289	4,699	5,500	5,460	+16.2	+761	-0.7	-39

Note: Due to the change of fiscal term last year, the YoY comparisons here are between annualized FY17.3 (nine months accounting) and FY18.3 full year. Annualized value of FY17.3 is 1.33 times the FY17.3 results (nine months accounting). However, Kakaku.com, Inc.'s fiscal term has been March, therefore annualized adjustment is not applicable. Kakaku.com, Inc. is affiliated company for using the equity method, and started to apply IFRS from FY18.3. The figures on FY17.3 has been applied retrospectively.

FY18.3 (Cumulative) Consolidated Segment P/L Summary



All segments achieved substantial increase in sales and profits. High growth in profit before income taxes in MT/FT; YoY grew by 37% in MT and grew by 29% in FT

~ Profit before income taxes grew by 30% in IT, however not achieved forecast due to slipped deals in portfolio ~

JPY in Millions	A		B		Ref. C (=B/A)			
	FY17.3 (Full Year Act) (7-3)	FY17.3 (12 months conversation) (Reference)	FY18.3		YoY		Act vs Fcst	
			(Initial Forecast) (4-3)	(Full Year Act) (4-3)	%	Amount	%	Amount
Net sales	36,451	48,480	58,500	60,168	+24.1	+11,687	+2.9	+1,668
MT Marketing Technology	20,494	27,257	32,000	34,938	+28.2	+7,680	+9.2	+2,938
FT Financial Technology	14,140	18,806	20,500	20,956	+11.4	+2,149	+2.2	+456
IT Incubation Technology	1,775	2,362	6,000	3,123	+32.3	+761	-47.9	-2,876
LTI Long Term Incubation	41	54	-	1,150	21.0 x	+1,095	-	-
Profit before income taxes	5,819	6,705	8,000	7,619	+13.6	+913	-4.8	-380
MT Marketing Technology	1,074	1,429	1,750	1,959	+37.1	+530	+12.0	+209
FT Financial Technology	1,478	1,966	2,300	2,539	+29.1	+572	+10.4	+239
IT Incubation Technology	766	1,019	3,800	1,325	+30.0	+306	-65.1	-2,474
LTI Long Term Incubation	2,899	2,822	2,500	3,176	+12.6	+354	+27.1	+676

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

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

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

FY18.3 Consolidated B/S Summary

JPY in Million	FY17.3	FY18.3	Difference	Reason for change / Remarks
Current assets	59,624	75,496	+15,871	
Cash and deposits	23,029	32,922	+9,892	Income by the sales of investment securities, new borrowings etc
Accounts receivable-other	15,422	16,889	+1,466	Expansion of FT business
Money held in trust	2,264	5,307	+3,043	Expansion of FT business
Operational investment securities	11,856	12,364	+507	New investment, Mark-to-market, etc
Non-current assets	32,061	33,295	+1,233	
Investment securities	18,357	16,552	-1,805	Sales of investment securities, Transfer of investment securities of DG Life Design that has become a consolidated subsidiary to goodwill, New investment, Increased investment profit on equity method
Goodwill	5,411	7,822	+2,410	Consolidation of DG Life Design, Inc.
Total assets	91,686	108,791	+17,105	
Current liabilities	38,815	49,540	+10,724	
Deposits received	25,127	36,499	+11,371	Expansion of FT
Short-term loans payable	6,937	4,137	-2,800	Debt repayment and shift to long-term fixed rate
Non-current liabilities	18,499	20,233	+1,733	
Long-term loans payable	17,207	18,890	+1,682	
Total liabilities	57,315	69,774	+12,458	
Net assets	34,371	39,017	+4,646	
Shareholders' equity	31,633	36,363	+4,729	
Capital stock	7,437	7,464	+27	
Capital surplus	2,946	3,104	+158	
Retained earnings	21,300	25,819	+4,518	Increased net profit
Accumulated other comprehensive income	1,956	1,440	-516	
Valuation difference on available-for-sale securities	644	339	-304	
Total liabilities and net assets	91,686	108,791	+17,105	



Debt repayment and shift to long-term fixed rate

Voluntary application of IFRS from the consolidated financial statements of fiscal year ending March 2019

~ Promoting appropriate evaluation of corporate value through the application of global accounting standards ~

■ Purposes of IFRS

I Improved international comparability of financial information in capital markets

II Reflecting the DG Group's business more appropriately in corporate value

IT / LTI : Fair value of the investee
⇒ More appropriate reflection on financial statements of incubation

MT / FT : Change sales booking (partial) to net
⇒ More appropriate presentation of our high profitable recurring business

**III Reinforcement of group management/
Responding to M&A and reorganization etc**

■ Disclosure schedule plan

■ Voluntary application of IFRS from the consolidated financial statements of fiscal year ending March 2019

	FY19.3		FY20.3
	1Q ~ 3Q	Year end	1Q~ Year end
Financial results report	Japanese standards	IFRS	IFRS
Quarterly financial statement	Japanese standards		IFRS
Annual securities report		IFRS	IFRS

Forecasting revenue 33.5B JPY, profit before tax 9.0B JPY, and profit attributable to owners of parent 6.2B JPY

~ Aiming for record net income for the second consecutive year ~

JPY in Millions	FY18.3	
	Full Year Act	
	J-GAAP	
Net sales	60,168	
MT Marketing Technology	34,938	
FT Financial Technology	20,956	
IT Incubation Technology	3,123	
LTI Long Term Incubation	1,150	
Profit before income taxes	7,619	
MT Marketing Technology	1,959	
FT Financial Technology	2,539	
IT Incubation Technology	1,325	
LTI Long Term Incubation	3,176	
Profit attributable to owners of parent	5,460	



JPY in Millions	FY19.3	
	Full Year Forecast	YoY
	IFRS	
Revenue	33,500	-44.3
MT Marketing Technology	14,500	-58.5
FT Financial Technology	6,500	-69.0
IT Incubation Technology	3,100	-0.8
LTI Long Term Incubation	6,500	6 x
Profit before tax	9,000	+18.1
MT Marketing Technology	2,250	+14.8
FT Financial Technology	3,200	+26.0
IT Incubation Technology	1,350	+1.9
LTI Long Term Incubation	3,450	+8.6
Profit attributable to owners of parent	6,200	+13.5

Note: The main effects of the voluntary application of IFRS are expected to be the net presentation of income, the recording of unrealized gains/losses on the fair value of operational investment securities, a decrease in amortization of goodwill, and reclassification of equity in earnings of affiliates.

Segment Performance Review



I Marketing Technology Segment

		Net Sales	Income Before Income Taxes
FY17.3	Actual (9 months)	20,494 M JPY	1,074 M JPY
FY18.3	Actual	34,938 M JPY	1,959 M JPY
FY19.3	Plan (IFRS)	14,500 M JPY	2,250 M JPY

▶ Marketing Technology Company

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



▶ Business Design Company

Offers consulting-based marketing



▶ BI.Garage, Inc.

Develops and provides ad products incorporating data science, social marketing, and cutting edge ad technology



▶ NaviPlus Co., Ltd.

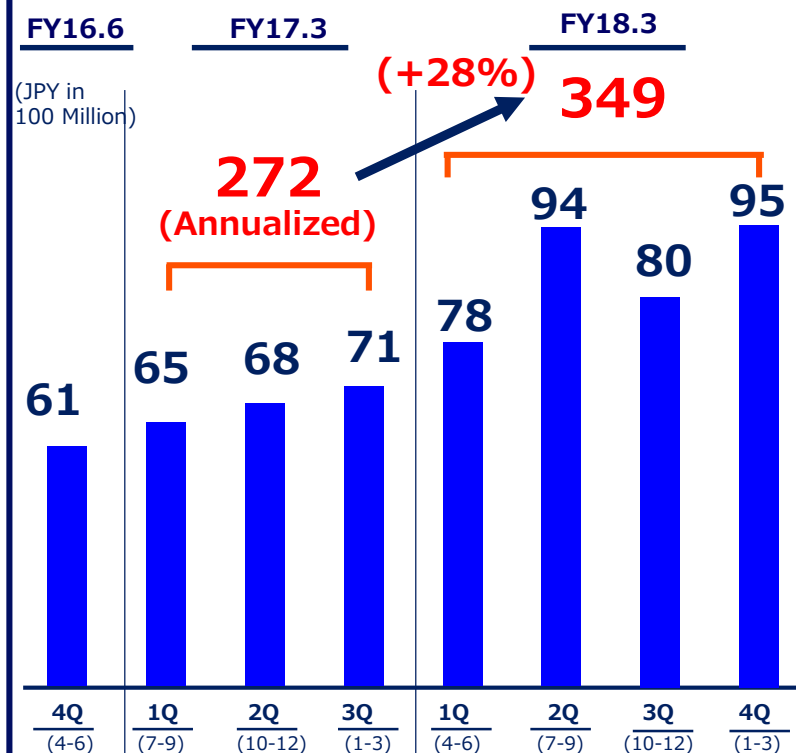
Offers website support tools including personalized recommendation engines



Substantial increase in net sales and profit: Net sales marked 34.9B JPY, +28% compared to annualized FY17.3, operating profit marked 1.9B JPY, +22%

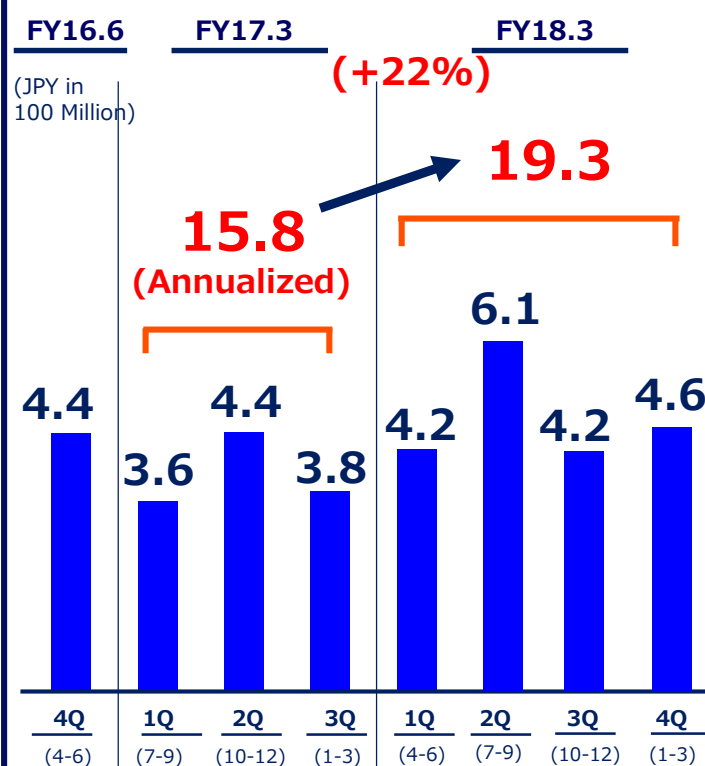
~ Operating margin which shows profitability increased to 35.5% ~

Net Sales



■ Driven by performance-based ads

Operating Profit



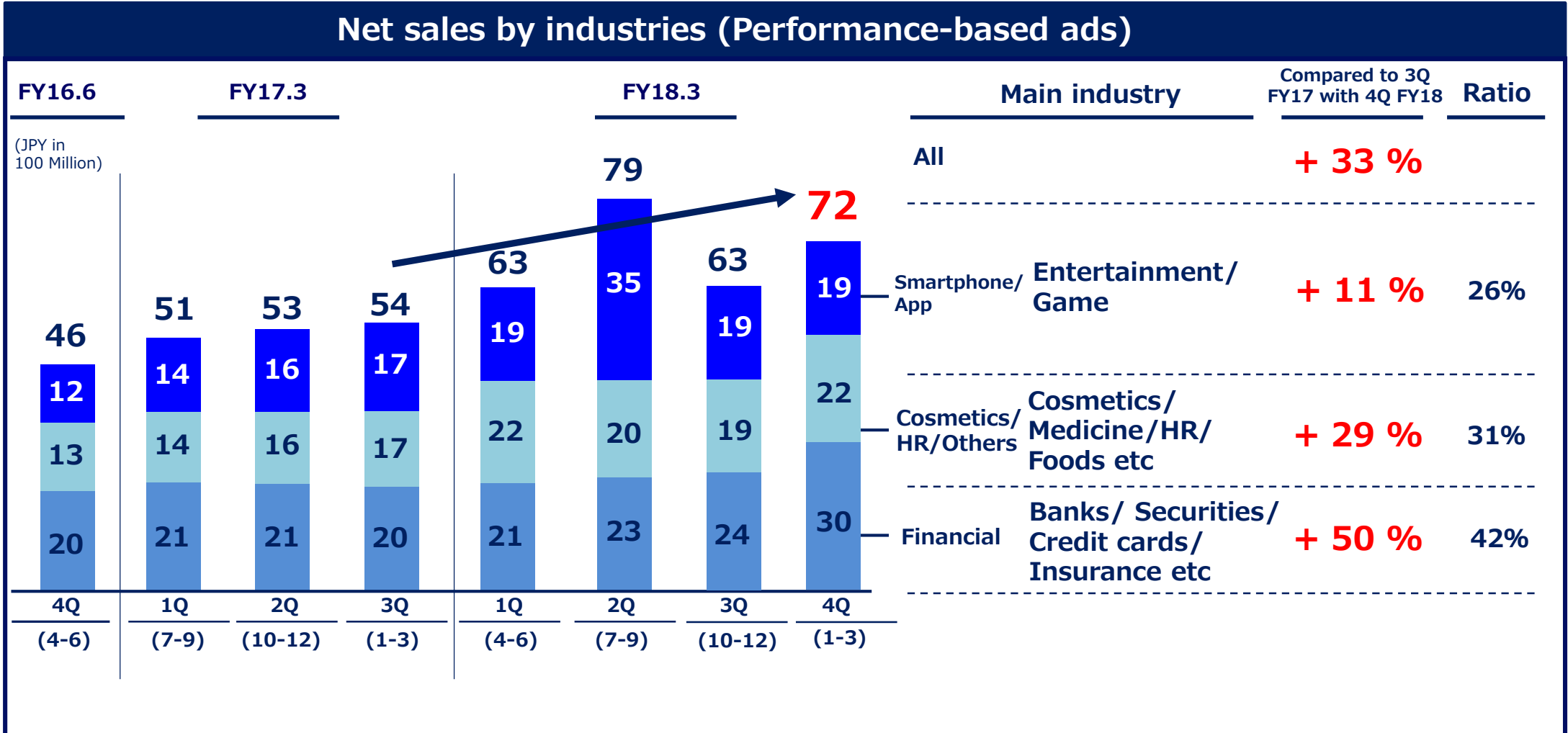
■ Net sales expansion made gross margin increased, and increased employment cost and fixed cost were absorbed

Operating Margin

	FY17.3 Annualized	FY18.3	YoY
Net sales	272.5	349.3	+ 28%
Gross profit (A)	45.1	54.5	+ 21%
Op. profit (B)	15.8	19.3	+ 22%
Operating margin (B) / (A)	35.1%	35.5%	+0.4 points

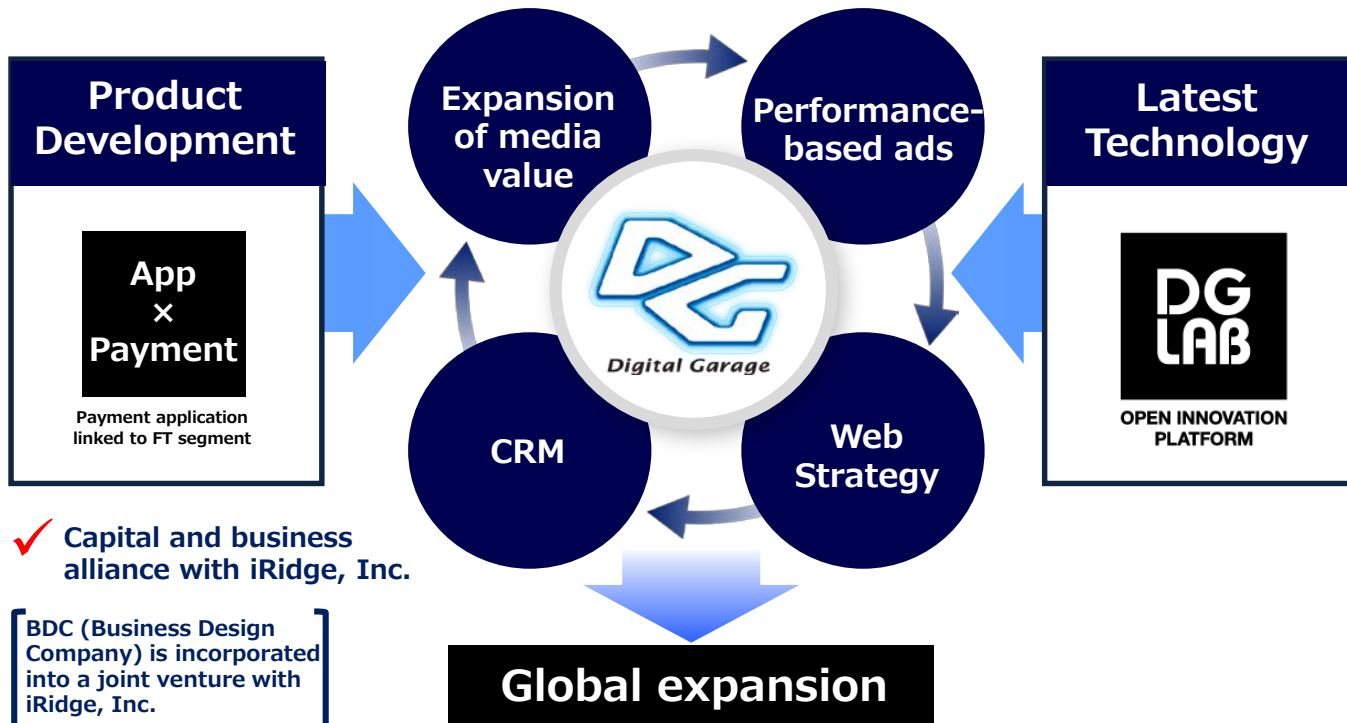
■ Improved profitability

4Q sales of performance-based ads marked 7.2B JPY, +33% compared to 3Q FY17.
Sales increased in all business categories
 ~ Sales of financial business increased by 50%, cosmetics/HR by 29% compared to 3Q FY17 ~



Cross-border collaboration between Digital/ Real, and various measures
 ~ Providing solutions utilizing apps to realize further business growth~

Value creation for 5th generation of mobile communication system utilizing the latest technology



■ Main approaches

**Internet ads/
Promotion**

- Strengthen upstream marketing consultant
- Considering work style reform, operational efficiency, and cost optimization
- ✓ Established a digital marketing center in Sapporo as a near-shore center
(Cooperate with Sapporo Electronics and Industries Cultivation Foundation)

Data Science

- Aiming to build an ad tech platform in collaboration with Kakaku.com
- Implement "Media Consortium" targeting to improve media value and brand value

Global

- Consulting clients to support their business to expand overseas. First opening up in Taiwan and Thailand.
- Before launching cross-border EC malls in Asian countries, preparations started in Taiwan

II Financial Technology Segment

		Net Sales	Income Before Income Taxes
FY17.3	Actual (9 months)	14,140 M JPY	1,478 M JPY
FY18.3	Actual	20,956 M JPY	2,539 M JPY
FY19.3	Plan (IFRS)	6,500 M JPY	3,200 M JPY

▶ **econtext ASIA Ltd.**

Payment corporation to expand e-commerce platforms globally



▶ **econtext, Inc.**

Integrates online and offline business as the convenience store payment pioneer



▶ **VeriTrans Inc.**

Provides leading e-commerce payment solutions



▶ **ANA Digital Gate, Inc.** (49% stake/equity method)

Develops and offers the new payment solution by FinTech



▶ **Sendo Technology JSC** (12.89% stake/Investment)

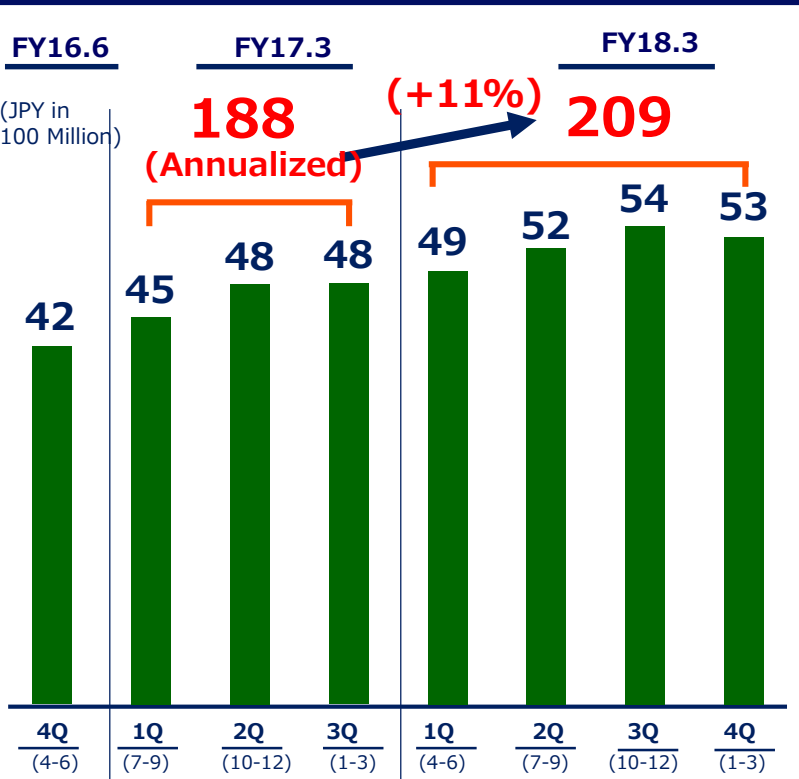
On-line marketplace for C2C and B2C in Vietnam



Net sales marked 20.9B JPY, +11% compared to FY17, operating profit marked 2.5B JPY, +27%

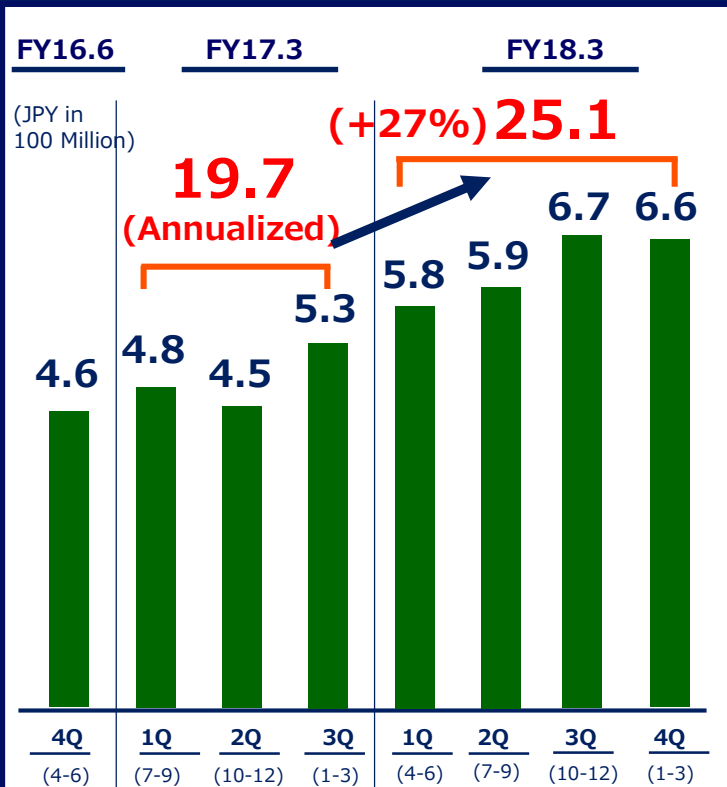
~ Operating margin which shows profitability increased to 43.1% ~

Net Sales



■ Growth of existing client and acquisition of major EC companies are contributed

Operating Profit



■ As transaction record increased, gross profit expanded, and achieved record high operating income

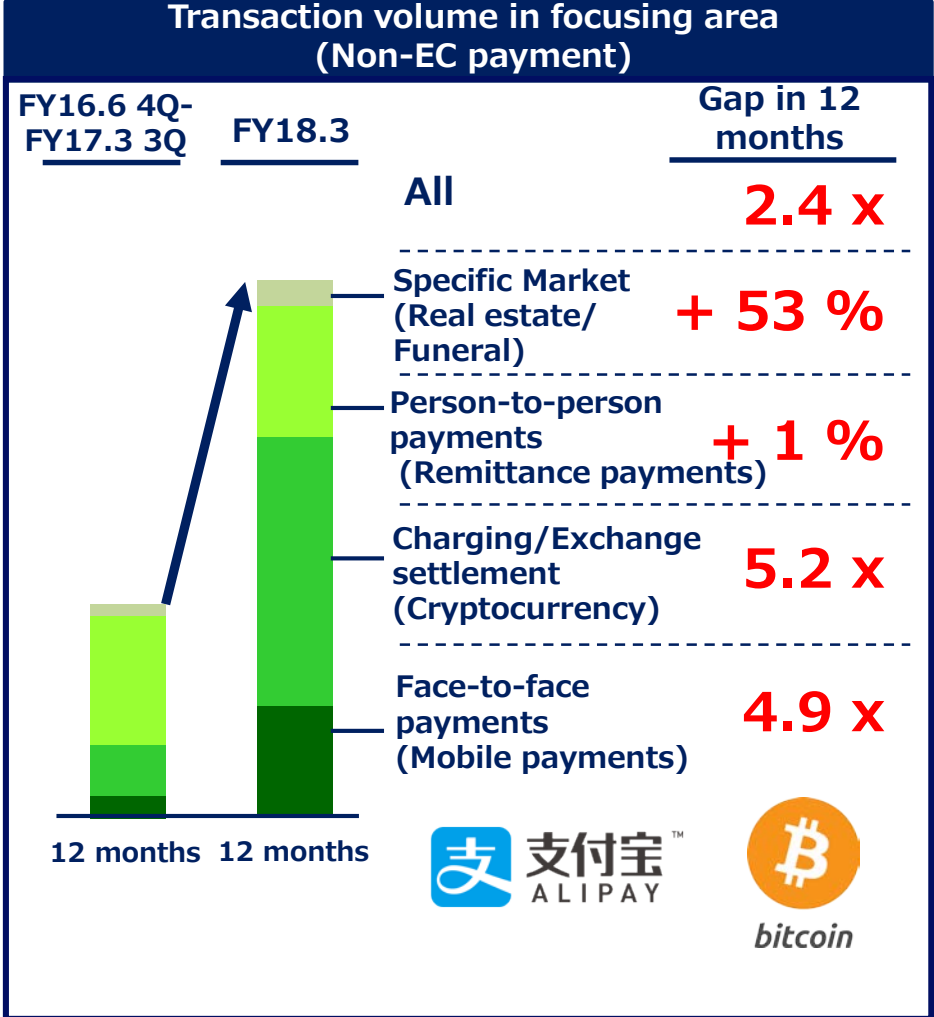
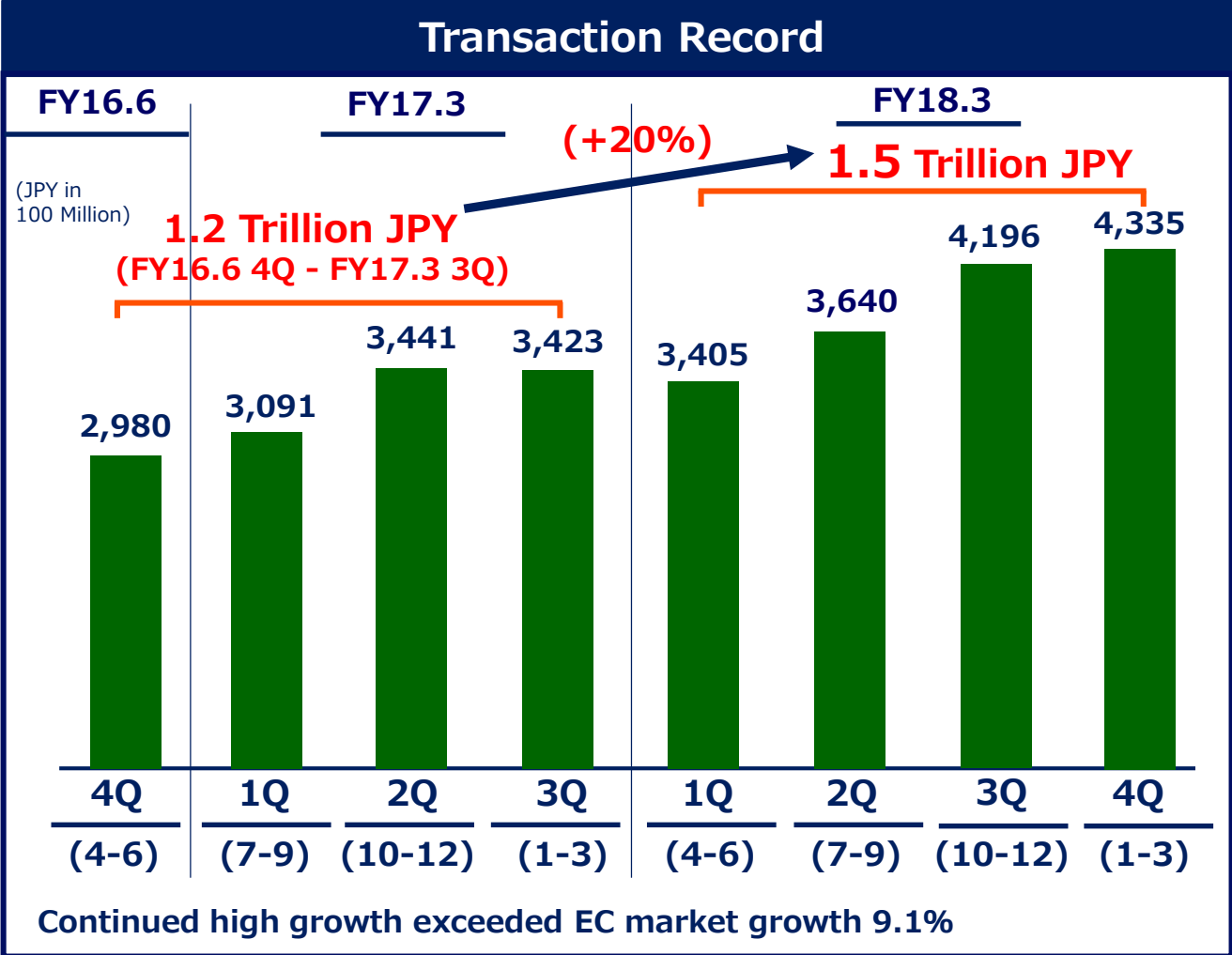
Operating Margin

	FY17.3 Annualized	FY18.3	YoY
Net sales	188.0	209.5	+ 11%
Gross profit (A)	51.1	58.2	+ 14%
Op. profit (B)	19.7	25.1	+ 27%
Operating margin (B) (A)	38.5%	43.1%	+4.6 points

■ Operating margin improved by sales growth which exceeded the expenses of strengthen the system operation and capital investment

Transaction marked 1.5T JPY, +20% compared to the period from 4QFY16 to 3QFY17, exceeded EC market growth

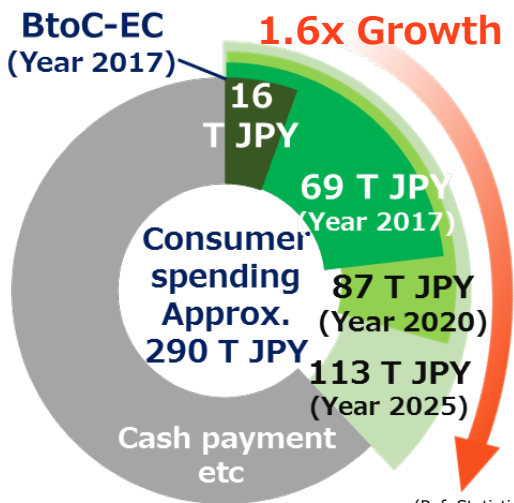
~ Face-to-face payments (Alipay etc) and cryptocurrency exchange settlement, have expanded rapidly in our focusing Non-EC payment area ~



Developing the new growth area as a payment platformer in FinTech
 ~ Following Non-EC payment and face-to-face payment, launching public fund payment and utility fees payment ~

Market Environment

Electronic payment
 113 T JPY in 2025
 1.6x Growth from 2017



(Ref. Statistics Bureau, Card Wave, Inc.)

Theme in FT segment

- ✓ Cashless society
- ✓ Vitalizing the local economies
- ✓ Inbound
- ✓ Next generation payment (FinTech)

Growth Strategy

EC payment: Organic growth (10-15%)

I Non-EC payment/ Face-to-face payment

- Specific market (Real estate/ Restaurants/ Funeral etc)
- Barcode payment
- New area (public fund payment/ utility fees payment etc)

II Alliance

- Payment cooperation with business partners having large customer base
- New business with alliance

III Next generation payment

- Solution utilizing blockchain
- Experiments cooperating with DG Lab

Main approaches

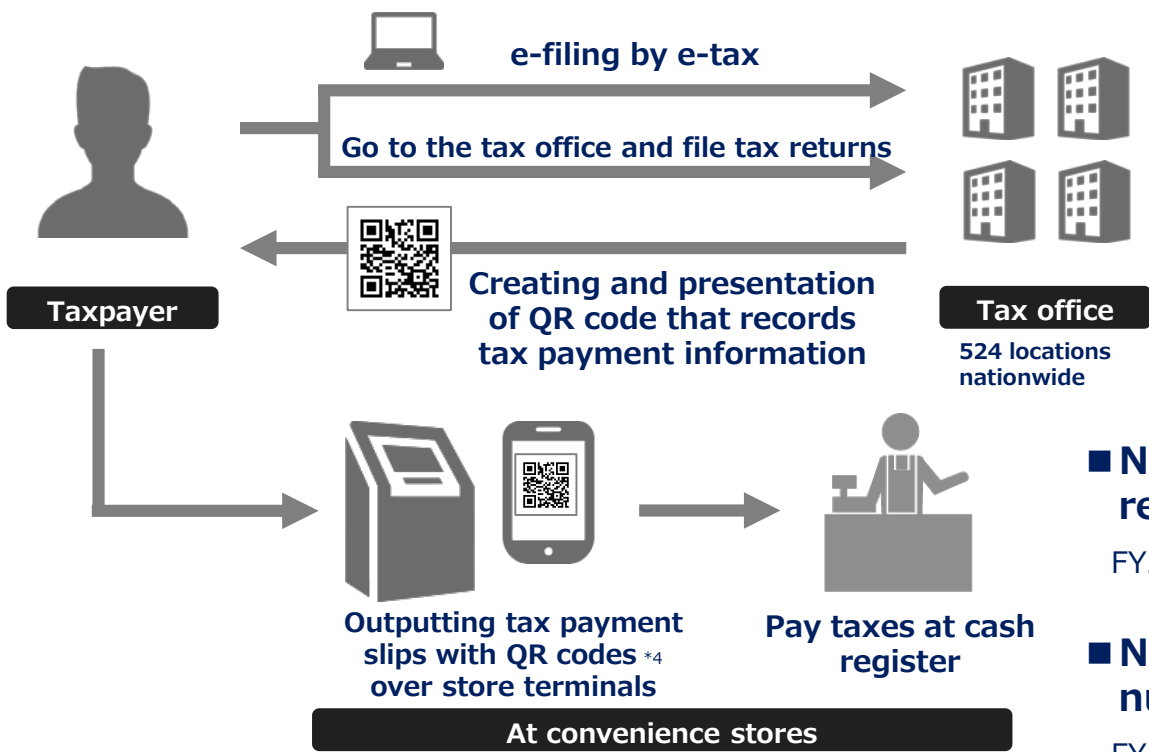
✓ = New Approaches

- ✓ ■ Payment for Real estate/ Restaurants/ Funeral etc
- ✓ ■ Barcode payment
- ✓ ■ Remittance service
- ✓ ■ Cryptocurrency exchange settlement
- ✓ ■ Undertaking the collection business by credit card of the National Pension Insurance, and payment of national taxes at convenience stores (public finance sector)
- Develop face-to-face payment of stores in airport shops cooperating with ANA group.
- ✓ ■ Business alliance with Toshiba Tec Corporation Collaborate in the service of payment at retailers and EC field
- ✓ ■ Correspond to "CloudSign Payment" based on smart contract



Commissioned payment of national taxes at convenience stores using QR codes led by the Ministry of Finance and the National Tax Agency
 ~ Following the collection of national pension insurance premiums and various administrative fees of Osaka Prefecture, full-fledged expansion into the public finance sector ~

Overview of Tax Payment at Convenience Stores by QR Code



- Taxation items**
- ✓ Income tax
 - ✓ Corporate tax
 - ✓ Inheritance tax
 - ✓ Gift tax
 - ✓ Consumption tax
 - ✓ Liquor tax
 - ✓ Cigarette tax
 - ✓ Gasoline tax
- Applicable to all national taxes

Efforts and Progress in the Public Financing Sector

- ✓ The Ministry of Health, Labour and Welfare : Credit card payment of national pension insurance premiums
- ✓ Osaka Prefecture : Payment at convenience stores of various administrative fees
- ✓ The Patent Office : Credit card payment of patent fees etc

In response to the government's "Japan Revitalization Strategy," related ministries and agencies are promoting the expansion of use of electronic payments in the public sector as "measures for cashless"

■ National tax revenue*1
FY2018 Budget **92.7** Trillion yen

■ National tax number of payments*2
FY2016 **44.07** million payments

Continue to expand in various fields of public finance

Payment starts at 33,452 convenience stores*3 of FamilyMart, LAWSON, and Ministop in January 2019

*1 source: Calculated based on the breakdown of tax revenue by the Ministry of Finance*2 source: NTA, "Current Status and Challenges of Tax Administration" (Jan 2018) *3: Number of stores in Japan announced by each company in 2018 *4: QR Code is a registered trademark of DENSO WAVE CORPORATION.

III Incubation Technology Segment

		Net Sales	Income Before Income Taxes
FY17.3	Actual (9 months)	1,775 M JPY	766 M JPY
FY18.3	Actual	3,123 M JPY	1,325 M JPY
FY19.3	Plan (IFRS)	3,100 M JPY	1,350 M JPY

▶ **DG Incubation, Inc.**

Invests in and incubates cutting-edge Internet startups



▶ **Open Network Lab, Inc.**

Provides support to Internet-business entrepreneurs with global visions



▶ **Digital Garage US, Inc.**

The US-based global strategy headquarters



▶ **DK Gate, Inc.** (66% stake)

Invests in and incubates next generation content with Kodansha globally



▶ **DG Technologies, Inc.** (80% stake)

Drives strategic technology development with DG Lab



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

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



▶ **Kodansha Advanced Media LLC** (19% stake/investment)

Marketing in digital distribution in US and English-speaking countries, film adaptation, event planning, etc

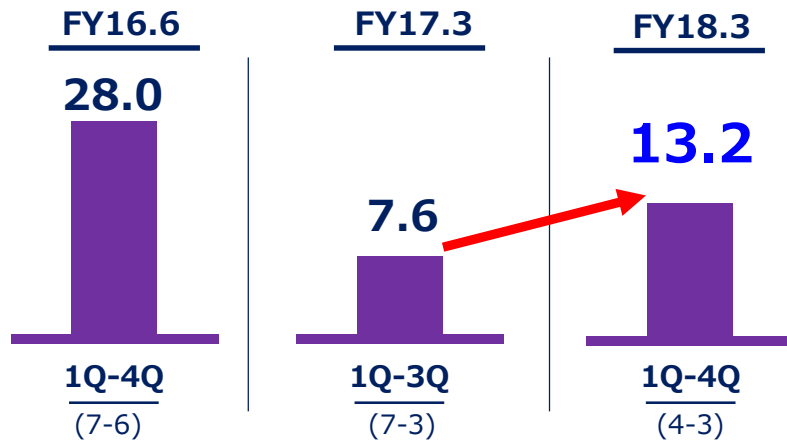
MI segment has been changed to LTI segment from FY18.3, by aiming to generate sustainable business profit in mid-long term.
Some businesses in IT segment have transferred to LTI, therefore figures on FY17.3 updated with the current category.

Sold domestic and overseas investment portfolios sequentially
Profit before income taxes grew strongly from FY17.3

~ Continue investment in highly selected start-ups in Japan and overseas ~

Profit before income taxes

(JPY in 100 Million)



Book Value

	# of companies	Book Value
Equity	143	11.5 B JPY
Domestic	49	1.8 B JPY
Overseas	94	9.7 B JPY
Fund	11	0.8 B JPY
Total	154	12.3 B JPY

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

Major Portfolio

Blockstream [U.S. /Canada]



Develops sidechain technologies, parallel blockchains that are interoperable



Droom [India]

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



PureTech Health [U.S.]

A US based company that focuses on incubation in advanced biotechnology field. Listed on LSE.



Repro [Japan]

Operates mobile app analytics and marketing SDK "Repro."

PR Table [Japan]

PR Table

A public relations service provider. Utilizing the concept of "storytelling@," it expands its service to an all-in-one public relations.



Goodpatch [Japan]

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



Monstar Lab [Japan]

Operates Sekai Lab, a global outsourcing platform that provides a network of over 10 k engineers in over 15 countries



Panair [Japan]

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



~ Developing cooperation globally of an accelerator "Open Network Lab" ~

- ✓ Through closer cooperation of US, Japan, Europe and Asia, supporting start-ups aiming for the world
- ✓ In collaboration with programs around the world, study alliances to enable entrepreneurs to share office space across locations
- ✓ Planning events to bring promising start-ups to San Francisco and match local investors



EUROPE

✓ byFounders

ASIA / HONG KONG

BEENEXT ✓ MIND FUND

TOKYO

Open Network Lab DG LAB

SAN FRANCISCO / NEW YORK / BOSTON

DG 717 ✓ all turtles ✓ GOLDEN WHALES GROUP 500 mit media lab

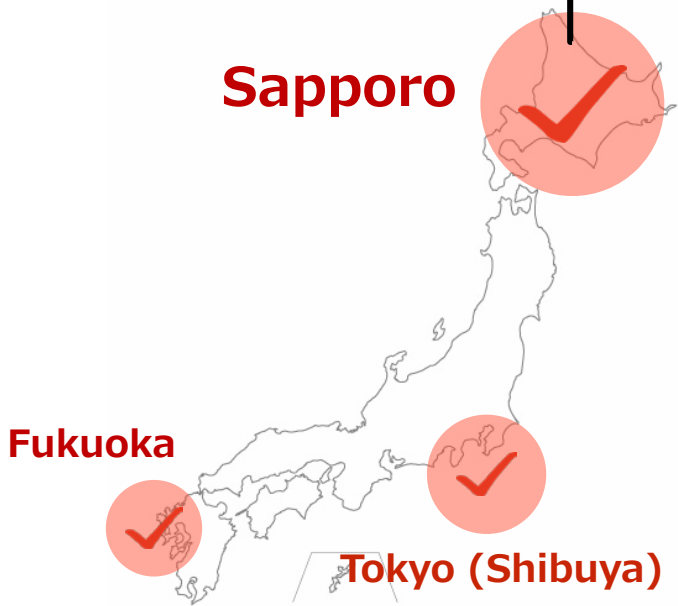
✓ Collaboration with DG will start this year

Launch an accelerator program "Open Network Lab HOKKAIDO"

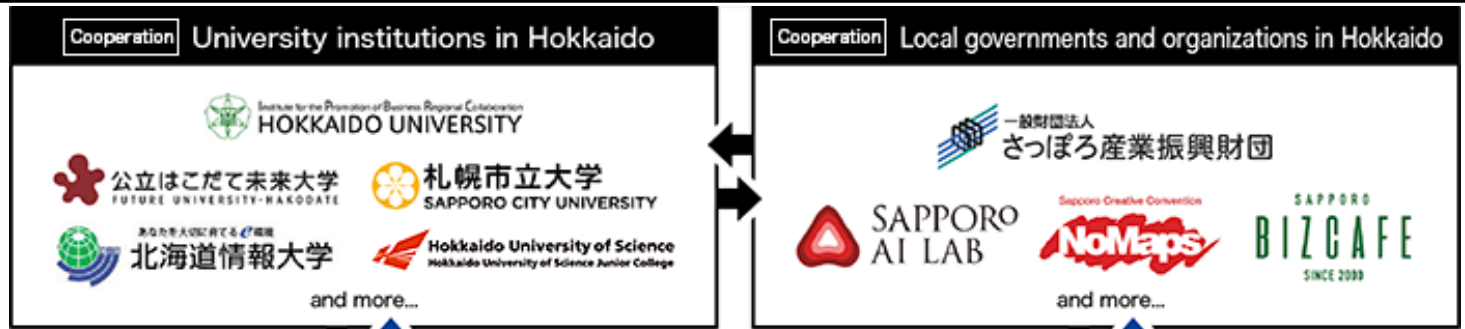
~ Developing start-ups and promoting open innovation in Hokkaido ~

Smart City Project
for regional revitalization

Start as a joint business with The Hokkaido Shimbun Press. Through collaboration with universities and local governments in Hokkaido, will strive to **build an innovation ecosystem unique to Hokkaido**



✓ Project area – in progress



Provide start ups with support through various methods including direct mentoring

Corporate sponsorship

IV Long-term Incubation Segment

		Net Sales	Income Before Income Taxes
FY17.3	Actual (9 months)	41 M JPY	2,899 M JPY
FY18.3	Actual	1,150 M JPY	3,176 M JPY
FY19.3	Plan (IFRS)	6,500 M JPY	3,450 M JPY

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

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

kakaku.com

▶ **DG Life Design, Inc.** (70% stake)

With its mission of providing “Valuable Life,” expanding life care business, sports marketing business and wine school business.

 **DG Life Design**

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

Internet media business utilizing fashion magazines by Kodansha

DK  **MEDIA**

MI segment has been changed to LTI segment from FY18.3, by aiming to generate sustainable business profit in mid-long term. Some businesses in IT segment have transferred to LTI, therefore figures on FY17.3 updated with the current category.

Profit before income taxes marked 3.17B JPY. Investment profit on equity method of Kakaku remains robust

~ Good progress in profit before income taxes compared to FY17.3 ~

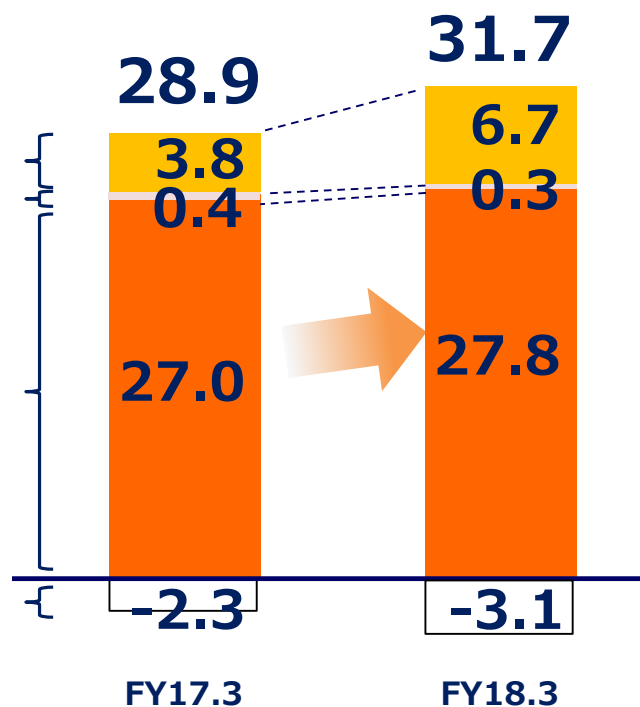
Profit before income taxes

(JPY in 100 Million)

Profit on sale of related companies
Gain on change on equity

Kakaku.com
Investment profit on equity method

New business



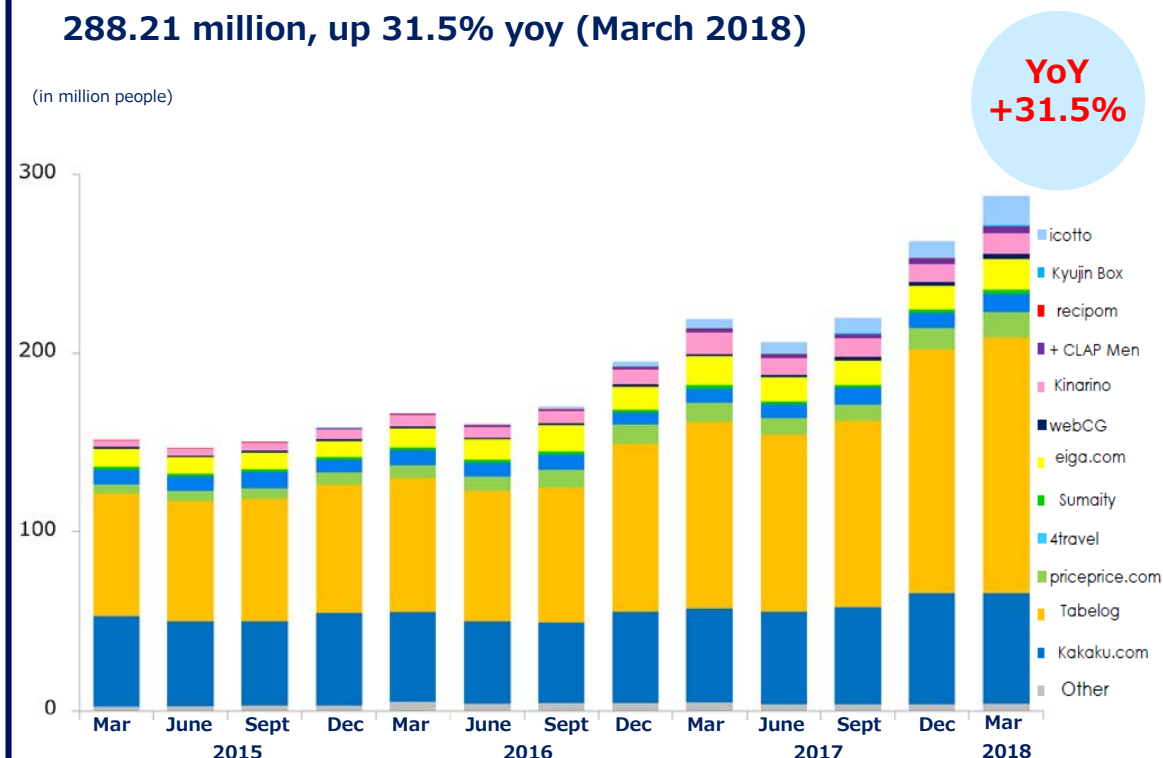
※In FY17.3, Kakaku.com's performance, which accounts for the majority of the LTI segment, included 12 months' worth of earnings.

Business progress of Kakaku.com, Inc.

【Total Accumulated Traffic for Kakaku.com Group】

Monthly traffic for all sites of Kakaku.com has increased to 288.21 million, up 31.5% yoy (March 2018)

(in million people)



Ref. Kakaku.com, Inc. Results Briefing for FY2018/3

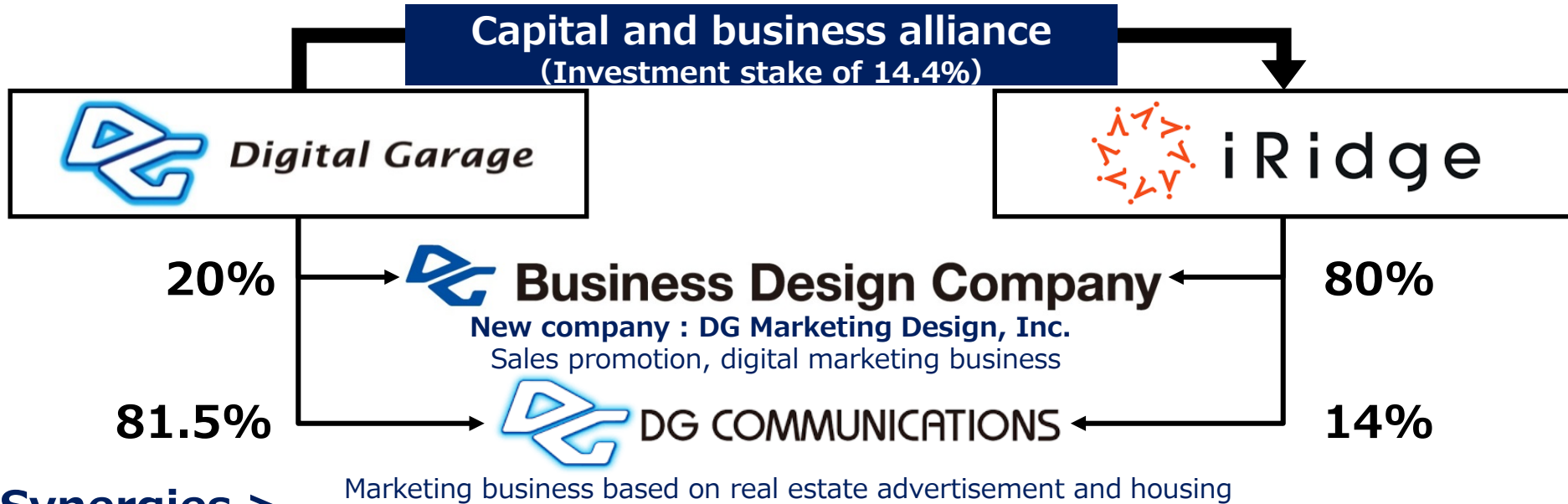
Other Progress

- 1. Capital and business alliance with iRidge, Inc.**
- 2. DG Lab**

❖ Capital and business alliance with iRidge, Inc.

Strengthen user engagement by combining iRidge's application marketing technology and DG group's asset

~ Capital participation as the largest outside shareholder (14.4%), second-largest shareholder after President Oda ~



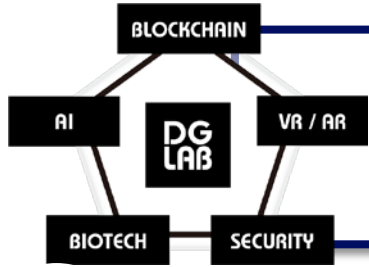
< Synergies >

- I

✓ Alliance is formed between app marketing provided by iRidge to retailers, railways, banks, etc., and marketing business in two companies in DG group to manufacturers and real estate companies. Using data to provide further added value to consumers.
- II

✓ Alliance of iRidge's Smartphone Marketing Business in response to DG Lab's commercialization
- III

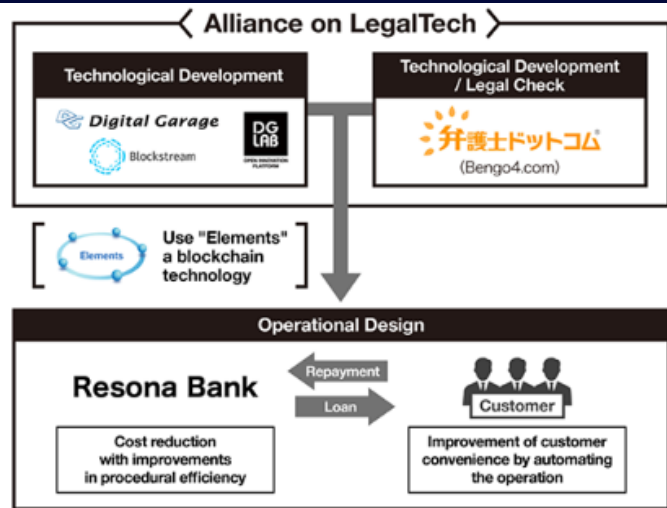
✓ Jointly promote payment functions and financial services for apps such as retailers, local governments, and regional banks.



R&D focused on five key fields is now in its third year of operation, and the commercialization phase is now fully underway through business tie-ups, demonstration experiments etc

BLOCK CHAIN

Launch a Demonstration Experiment for the Smart Contract System



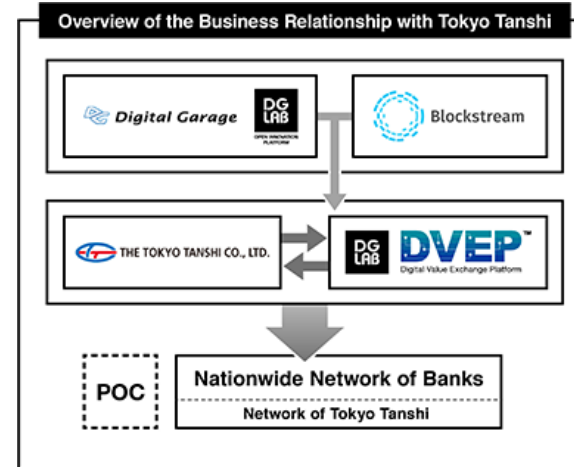
In cooperation with Bengo4.com, Inc., launched a demonstration experiment for the Smart Contract System to improve the efficiency of personal loan services for Resona Bank. This demonstration experiment is the first development case in Japan to feature the same blockchain technology that is used for the Bitcoin cryptocurrency. (March 2018)

Press release :

<http://www.garage.co.jp/en/pr/2018/03/20180305.html>

BLOCK CHAIN / AI

Partnered with Tokyo Tanshi Co., Ltd. for Development of New Financial Business with Blockchains and AI



POC = The proof of concept concluded in August 2017 for Sarubobo Coin, a regional cryptocurrency currently in development with Hidashin Association and iRidge, Inc.

Entered into a partnership agreement with Tokyo Tanshi Co., Ltd., which has been providing brokerage services in open and interbank markets, to develop new FinTech business opportunities. DG and Tokyo Tanshi will also drive new business development with "DG Lab DVEP™", an advanced framework for deployment and issuance of mobile digital currency networks which DG Lab created extending Blockstream's open platform technology. (November 2017)

Press release :

<http://www.garage.co.jp/en/pr/2017/11/20171121-1.html>

BLOCK CHAIN Full Support for the World's Largest Bitcoin Conference in Tokyo

DG Lab has been selected as a Local Support Organization for Scaling Bitcoin, an international conference, scheduled for 2018 Oct. 6-7 in Tokyo. The conference will bring together Bitcoin developers with members of academia. As a global leader in developing blockchain-related technologies, DG Lab contributes to the operation of the meeting.

The international conference Scaling Bitcoin has been held regularly since 2015 and is intended to address the problems of scalability that exist within the Bitcoin technology. It is a large-scale event that pulls together more than 300 engineers and technicians from around the world every year. This allows them to discuss the latest in blockchain technology in an environment that is free from the concerns of business, financial interests, and political calculation.

Official site : <https://tokyo2018.scalingbitcoin.org/>

EVENT

Theme: Regulation and Technology

**THE NEW CONTEXT
CONFERENCE 2018 TOKYO** ROPPONGI ACADEMY HILLS
JUNE 19, TUE 

DG Lab will host THE NEW CONTEXT CONFERENCE 2018 TOKYO on June 19, 2018 on the theme of "Governance of Regulations and Innovations". Globally acclaimed leading researchers and entrepreneurs of the field will come together to discuss how start-ups and companies that produce technological innovation are dealing with regulations and also how regulatory agencies are handling continually evolving technologies.

Speakers: Jun Murai (Professor, Faculty of Environment and Information Studies, Keio University), Hirohiko Nakahara (Counsellor, Economic Revitalization Bureau, Cabinet Secretariat, Government of Japan), Osamu Doi, Ph.D. (Chief Executive, Pharmaceutical and Medical Device Regulatory Science Society of Japan), Takehiro Ohya (Professor, Faculty of Law, Keio University), Pratik Shah (Research Scientist, MIT Media Lab), Shin'ichiro Matsuo, Ph.D. (Research Professor, Georgetown University), Ryuichiro Takeshita (Editor in Chief, The Huffington Post Japan), Eugene Yi (Co-founder and President, Cortico), Hiroyuki Watanabe (Managing Director, Nikkei Inc.), Oki Matsumoto (CEO, Monex Group, Inc.), and more.

Official site : <http://ncc.garage.co.jp/en>

Appendix





Financial Results: Consolidated profit and loss

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

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

Financial Results: Consolidated profit and loss by segments




















JPY in Millions		<u>FY14.6</u> (Full Year Act)	<u>FY15.6</u> (Full Year Act)	<u>FY16.6</u> (Full Year Act)	<u>FY17.3</u> (Full Year Act) 9 month	<u>FY18.3</u> (Full Year Act)
Net sales		33,751	38,087	43,763	36,451	60,168
MT	Marketing Technology	14,822	16,064	21,028	20,494	34,938
FT	Financial Technology	13,454	14,568	16,392	14,140	20,956
IT	Incubation Technology	5,475	7,454	6,343	1,775	3,123
LTI*	Long Term Incubation	-	-	-	41	1,150
Profit before income taxes		5,035	9,248	7,574	5,819	7,619
MT	Marketing Technology	874	1,061	1,396	1,074	1,959
FT	Financial Technology	1,496	1,335	1,758	1,478	2,539
IT	Incubation Technology	1,595	2,804	3,105	766	1,325
LTI*	Long Term Incubation	1,776	4,477	3,052	2,899	3,176

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

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

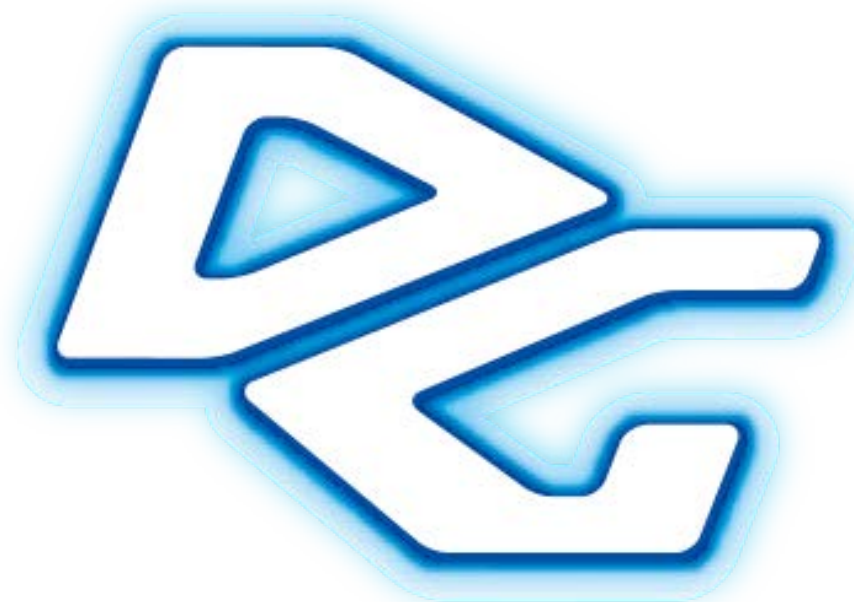
Some businesses in IT segment have transferred to LTI, therefore figures on FY17.3 updated with the current category.



Date		Title
2018.4.27		DG Lab to Host THE NEW CONTEXT CONFERENCE 2018 TOKYO on the Theme of "Governance of Regulations and Innovations"
2018.4.20	 Digital Garage	Digital Garage and The Hokkaido Shimbun Press Launch "Open Network Lab HOKKAIDO", an Accelerator Program
2018.3.28	 Digital Garage	Digital Garage Supports Overseas Market Expansion by Domestic Suppliers through Cross-Border EC Mall Development in Partnership with Overseas Companies
2018.3.27	 Digital Garage	Digital Garage Launches "JR KYUPO Point Mall", a Member-Preferential Shopping Site of JR Kyushu
2018.3.5	 Digital Garage	Digital Garage and Bengo4.com Launch a Demonstration Experiment for the Smart Contract System to Improve the Efficiency of Personal Loan Services for Resona Bank
2018.2.28		VeriTrans Forms a Business Alliance with Toshiba Tec, Supporting for the Expansion of Payment Methods in Retail Stores and Omnichannel Development
2018.1.22		Intercontinental Exchange and Blockstream (Digital Garage's Strategic Business Alliance Partner) Launch Consolidated Data Feed for Cryptocurrencies (Blockstream's press release)
2018.1.17		VeriTrans and econtext Offer Support for DOCOMO's "d PAY" Barcode Payments from Spring 2018
2018.1.15	 Digital Garage	Digital Garage and ANA Trading to Support Inbound Marketing for Domestic Companies and Local Governments
2018.1.15		VeriTrans - Comprehensive Payment Solution VeriTrans4G Supports Google Pay
2017.12.27	 Digital Garage	Digital Garage Has been Selected as an LSO for Scaling Bitcoin to be Held in Tokyo in 2018
2017.12.12	 Digital Garage	Digital Garage Group to Cooperate in the 7th Digital Innovation Grand Prix Organized by the Keio Research Institute at SFC
2017.11.21	 Digital Garage	Digital Garage Forms a Strategic Business Alliance with Blockstream, Entering the Second Phase of Developing Blockchain Technology for Bitcoin
2017.11.21	 Digital Garage	Digital Garage and Tokyo Tanshi to Partner in FinTech, Development of New Financial Business with Blockchains and AI
2017.11.20		econtext to Manage New System for Civil Fee Payments Made at Convenience Stores within Osaka Prefecture
2017.11.13	 Digital Garage	Digital Garage to Build Shibuya into a Smart City that Employs Advanced Technology by Joining Future Design Shibuya
2017.10.30	 Digital Garage	Digital Garage Appoints Brian Yeh as Chief Investment Officer of DG Incubation to Strengthen North American and Asian Investment Businesses
2017.10.26		VeriTrans to Provide Ministry of Health, Labour and Welfare with Credit Card Payment Service to the National Pension Fund



Date		Title
2017.10.10		DG Lab Developed All-Purpose Framework "DG Lab DVEP" TM for Unique Cryptocurrency through Blockchain's Bitcoin
2017.10.3		DG Lab Fund Invested in Skydisc, a Cloud Service Using AI/IoT as the Fukuoka City's Startup Support Program's First Project
2017.10.2		Digital Garage and Tencent to Co-develop "QQ Odekake Japan", Mobile QQ's Contents for Japan-bound Chinese Tourists
2017.9.29		DG Lab to Host THE NEW CONTEXT CONFERENCE 2017 SAN FRANCISCO
2017.9.21		Digital Garage Begins Support for Startups in Fukuoka Region in Cooperation with the Fukuoka Directive Council
2017.9.8		DG Lab Fund Invested in 12 Start-ups with Next-Generation Technology in Fields such as Blockchain, AI, and Biotech
2017.8.31		Collaboration Partners Selected for TOYOTA NEXT, the Open Innovation Program Supported by Digital Garage
2017.8.29		Digital Garage Hosted "Digital Garage First Penguin Award 2017", which Honors Leaders who Creatively Challenge The World
2017.6.20		DG Lab to Unveil Open Platform for Interactive Agent Technology that Uses Artificial Intelligence
2017.6.1		Digital Garage to Invest in AI Technology Startup Studio All Turtles and Support their Business Development in Japan.
2017.5.31		THE NEW CONTEXT CONFERENCE 2017 TOKYO on July 25-26 The Event will Focus on Biotechnology and Blockchain
2017.5.12		Digital Garage officially launches lifestyle service for wealthy consumers Business integration with two subsidiaries leads to development of DG Life Design business
2017.4.5		Blockstream Launches New Confidential Assets Feature for Enterprise Blockchain Customers (Press Release of Blockstream)



Digital Garage

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