



DIGITAL - The Heartbeat of the Future

DIGITAL HOLDINGS, INC.
FY 2020 Q3 Results Briefing Materials

Date. 2020.11.11

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- 3 | **Progress in Digital Dhift business**

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1 | FY 2020 Q3 Financial Summary

- **YoY 11.6% increase in consolidated revenue,
YoY 710.3% increase in consolidated EBITDA,
YoY JPY 2,887 million increase in quarterly net income attributable to owners of parent**

- **Marketing business**

- ✓ Despite the impact of COVID-19, the economy is recovering from the bottom in May.
- ✓ The full-year earnings forecast has been revised upward because it is expected to exceed the previous forecasts due to the recovery of advertising demand in the fourth quarter and the effect of cost control especially in Major Sub-segment in Marketing business.

- **Synergy Investment business**

- ✓ Revenue and profits increased due to the sale of shares held, and contributed significantly to the profits of the Group as a whole.
- ✓ Securing investment resources to accelerate business growth

- **Expanding Digital Shift needs, and increasing demands for our products**

- ✓ Increasing demand for digital shift products, new businesses and product development underway

*YoY in profit or loss items: In the case of a loss in the same period of the previous year, it is indicated by the amount of increase/decrease, and in the other case, it is indicated by %.

- Summary of Consolidated Financial Results

Revenue	JPY	23,303 million	YoY	11.6 % up
Operating profit	JPY	3,014 million	YoY	JPY 3,434 million increase
EBITDA	JPY	5,124 million	YoY	710.3 % up
Quarterly net income attributable to owners of parent	JPY	2,871 million	YoY	JPY 2,887 million increase

- Digital Shift KPI

Revenue	JPY	486 million	YoY	50.2 % up
Composition ratio of gross profit		7.6 %	YoY	1.1 % up

*Digital Shift KPI: Due to withdrawal from China business (general trade business), actual figures excluding this business and year-on-year fluctuations are shown.

*YoY in profit or loss items: In the case of a loss in the same period of the previous year, it is indicated by the amount of increase/decrease, and in the other case, it is indicated by %.

Consolidated Executive Summary

(Unit: JPY 1 million)	FY2020 Q3	Fluctuations		FY2019 Q3
		Amount	YoY	
Revenue	23,303	+2,426	+11.6%	20,877
Gross profit	6,654	+3,502	+111.1%	3,152
Operating profit	3,014	+3,434	-	(420)
EBIT	4,870	+4,914	-	(44)
EBITDA ^{*1}	5,124	+4,492	+710.3%	632
Net income attributable to owners of parent	2,871	+2,887	-	(16)
ROE (LTM) ^{*2 *3}	20.08%	-	+ 18.9 pts	1.17%
Free cash flow	4,094	+5,693	-	(1,599)
Per share Net income (yen): EPS	129.40	+130.12	-	(0.72)

^{*1} The definition of EBITDA has been changed since fiscal 2020 to improve the usefulness of the indicators.

EBITDA as defined before the change is JPY 5,143 million for FY2020 Q3 (YoY increase: 840.0%).

^{*2} ROE: Net income attributable to owners of parent (LTM) / (Average equity capital during the calculation period)

^{*3} LTM: Last Twelve Months

Consolidated Executive Summary

(Unit: JPY 1 million)	FY2020	Fluctuations		FY2019
		Amount	YoY	
Revenue	64,630	+2,057	+3.3%	62,573
Gross profit	13,529	+2,714	+25.1%	10,815
Operating profit	2,718	+3,260	-	(542)
EBIT	5,449	+5,774	-	(325)
EBITDA ^{*1}	6,200	+4,969	+403.5%	1,231
Net income attributable to owners of parent	3,467	+3,837	-	(370)
ROE (LTM) ^{*2 *3}	20.08%	-	+ 18.9 pts	1.17%
Free cash flow	2,997	+5,574	-	(2,577)
Per share Net income (yen): EPS	154.80	+170.98	-	(16.18)

*1 The definition of EBITDA has been changed since fiscal 2020 to improve the usefulness of the indicators.

EBITDA as defined before the change is JPY 5,881 million for the fiscal year ending September 2019 (YoY increase: 476.1%).

*2 ROE: Net income attributable to owners of parent (LTM) / (Average equity capital during the calculation period)

*3 LTM: Last Twelve Months

A decorative red geometric pattern consisting of various triangles and polygons, located on the left side of the slide.

FY2020 Q3 Financial Summary by Segment

1. Marketing business
2. Synergy Investment business
3. HD management costs

FY2020 Q3 Marketing business

- Despite the impact of COVID-19, the economic environment is in a phase of gradual recovery
- Curbing an increase of SG&A in Major Sub-segment through basic suspension of career hires, drastic review of investments, and curtailment of sales-related costs

(Unit: JPY 1 million)	Major Sub-segment			Local Small and Medium Sub-segment			Total Marketing Business		
	FY2020 Q3	Fluctuations	FY2019 Q3	FY2020 Q3	Fluctuations	FY2019 Q3	FY2020 Q3	Fluctuations	FY2019 Q3
Revenue	13,894	(10.1)%	15,452	5,068	(3.8)%	5,268	18,878	(8.3)%	20,576
Gross profit	2,089	(15.3)%	2,465	870	(9.8)%	965	2,959	(13.9)%	3,437
SG&A	(1,902)	+4.9%	(1,999)	(851)	(11.9)%	(760)	(2,752)	+0.5%	(2,767)
Operating profit	186	(60.0)%	465	19	(90.3)%	204	206	(69.2)%	669
EBIT	227	(51.8)%	471	27	(77.2)%	121	255	(56.9)%	592
EBITDA	287	(47.4)%	546	87	(60.2)%	219	374	(51.0)%	765

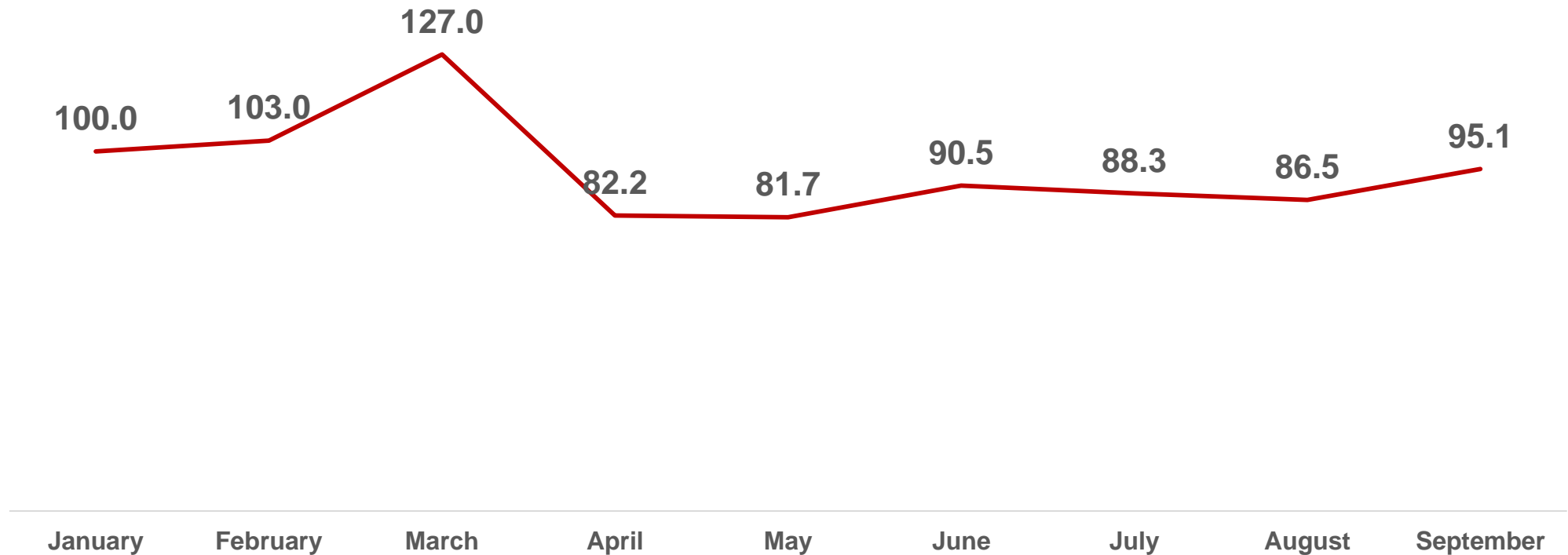
*Operating profit/EBIT/EBITDA: HD Management Cost Pre-allocation

*Total Marketing Business : Figures include intersegment adjustments between Major Sub-segment and Local Small and Medium Sub-segment

FY2020 Marketing business: Revenue

- Revenue has been on a recovery track, after bottoming out in May, although it has been decreased due to the declaration of a state of emergency.

Time series variations in relative revenue with January 2020 before the declaration of a state of emergency in April 2020 as 100



FY2020 Marketing business

- Mager Sub-segment: Controlled profits level against revenue decline due to COVID-19 by curbing an increase of SG&A
- Local Small and Medium Sub-segment : Revenue and EBITDA remained positive year on year due to strong Q1 despite increased costs due to office relocation, etc.

(Unit: JPY 1 million)	Mager Sub-segment			Local Small and Medium Sub-segment			Total Marketing Business		
	FY2020	Fluctuations	FY2019	FY2020	Fluctuations	FY2019	FY2020	Fluctuations	FY2019
Revenue	44,620	(3.4)%	46,204	15,403	+7.2%	14,368	59,745	(0.7)%	60,144
Gross profit	6,902	(7.4)%	7,452	2,823	+4.8%	2,693	9,722	(4.2)%	10,143
SG&A	(5,839)	+3.3%	(6,038)	(2,475)	(8.3)%	(2,284)	(8,311)	+0.0%	(8,314)
Operating profit	1,063	(24.8)%	1,413	348	(14.8)%	408	1,411	(22.8)%	1,829
EBIT	1,050	(22.9)%	1,362	359	+9.1%	329	1,409	(16.6)%	1,690
EBITDA	1,219	(26.1)%	1,649	532	+8.3%	491	1,751	(17.9)%	2,132

*Operating profit/EBIT/EBITDA: HD Management Cost Pre-allocation

*Total Marketing Business : Figures include intersegment adjustments between Mager Sub-segment and Local Small and Medium Sub-segment

FY2020 Q3 Synergy Investment business

- Revenue and profits increased due to the sale of shares held, and contributed significantly to the profits of the Group as a whole.
- Accelerate investment in digital shift business by securing growth resources

	FY2020 Q3	Fluctuations		FY2019 Q3
		Amount	YoY	
(Unit: JPY 1 million)				
Revenue	4,438	+4,118	+1283.4%	320
Gross profit	3,721	+3,999	-	(278)
SG&A	(298)	(31)	(11.5)%	(267)
Operating profit	3,423	+3,968	-	(545)
EBIT	5,275	+5,371	-	(96)
EBITDA	5,286	+4,960	+1519.0%	326

*Operating profit/EBIT/EBITDA: HD Management Cost Pre-allocation

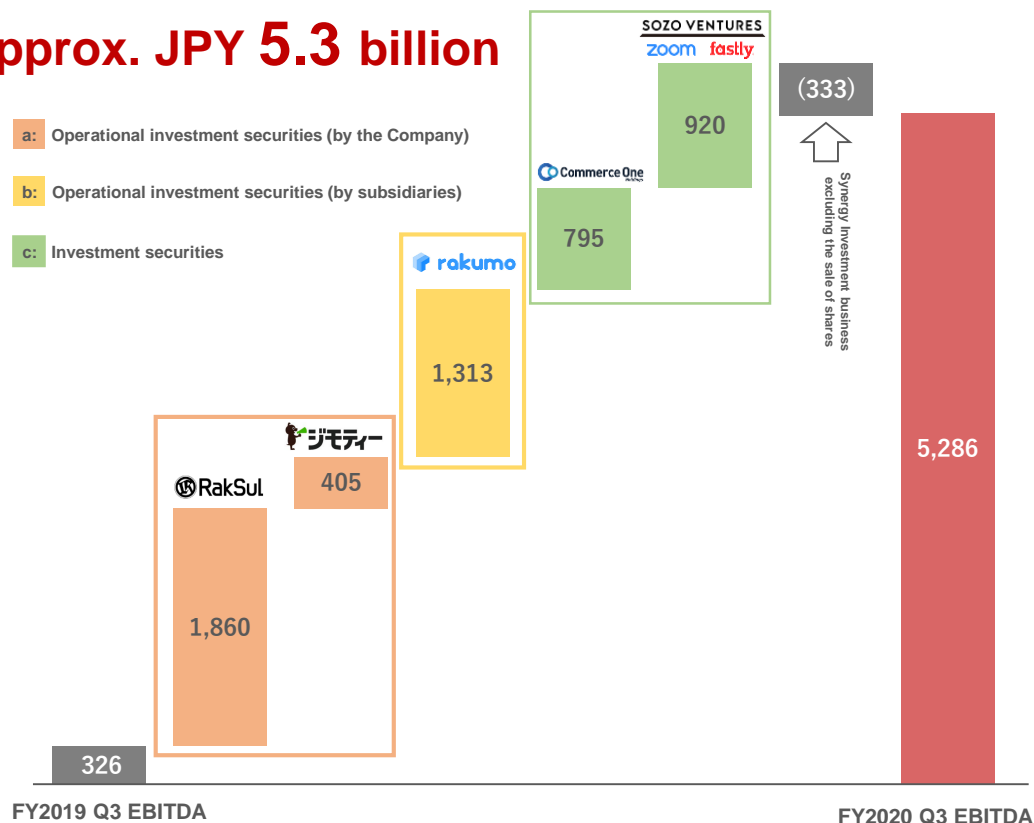
Secure steady return in COVID-19: Strengthening investment in growth businesses

**Gain on sales of
approx. JPY 5.3 billion**






a: Operational investment securities (by the Company)

b: Operational investment securities (by subsidiaries)

c: Investment securities



(Unit: JPY 1 million)

	Class	Investor	Investee	Cash Flow (Amount)	EBITDA (Profit)
a	Operational investment securities	DIGITAL HOLDINGS, INC *1	 RakSul	2,329	1,860
			 ジモティー	479	405
b	Operational investment securities	Bonds Investment Group *2	 rakumo	1,409	1,313
c	Investment securities	DIGITAL HOLDINGS, INC *1 *3	 Commerce One <small>Holdings</small>	0	795
		OPT America, Inc. *4	<u>SOZO VENTURES</u>  zoom fastly	0	920
			total	4,218	5,293

*1: Financial investment by DIGITAL HOLDINGS, INC (the Company)

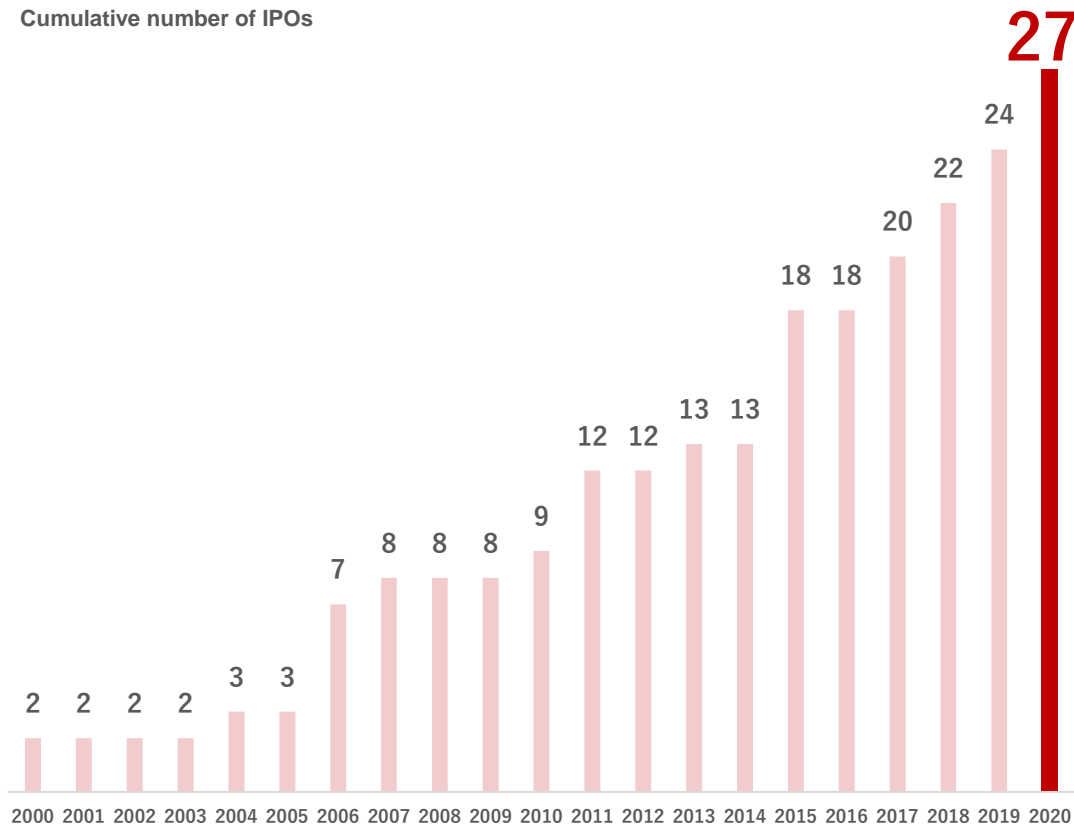
*2: Financial investment by Fund 1 (the Company ownership 25.30%) organized by Bonds Investment Group, a wholly-owned subsidiary

*3: Recognized as extraordinary income due to investment securities

*4: As this is the return of SOZO VENTURES FUND in the U.S., which is invested by OPT America, Inc., a wholly owned subsidiary of the Company, it is recognized as gain on investment in partnership (non-operating income).

■ Achieving 27 IPOs in 20 years with the IPO of rakumo, Inc. in September

Cumulative number of IPOs



Major issues listed in the last 3 years

IPO in September 2020



Rakumo, Inc.
(September 2020)



Commerce One Holdings, Inc.
(June 2020)



Jimoty, Inc.
(February 2020)



Space Market, Inc.
(December 2019)



Lancers, Inc.
(December 2019)



RAKSUL, INC.
(May 2018)



Writeup co.,Ltd.
(June 2018)

FY2020 Synergy Investment business

- Compared to the previous year, despite the impact of sluggish business in China due to COVID-19, and the sale of overseas consolidated subsidiaries, revenue and profits increased due to the sale of shares by Financial Investment business.

	FY2020	Fluctuations		FY2019
		Amount	YoY	
(Unit: JPY 1 million)				
Revenue	4,913	+2,455	+99.8%	2,458
Gross profit	3,847	+3,140	+443.6%	707
SG&A	(786)	+657	+45.6%	(1,443)
Operating profit	3,060	+3,796	-	(736)
EBIT	5,879	+6,242	-	(363)
EBITDA	6,000	+5,495	+1086.8%	505

*Operating profit/EBIT/EBITDA: HD Management Cost Pre-allocation

FY2020 Q3 HD Management Costs

- HD management costs were predicted to go slightly higher than the previous year, and the cost control implementation was continued across the Group.

(Unit: JPY 1 million)	FY2020 Q3	Fluctuations	FY2019 Q3
		Amount	
	SG&A	(593)	(58)
Operating profit	(612)	(64)	(548)
EBIT	(656)	(113)	(543)
EBITDA	(532)	(70)	(462)

【Definition of HD management costs】

The definition of HD management costs has been revised as follows since 2018.

- ✓ Personnel expenses of DIGITAL HOLDINGS, INC. Administration Division
- ✓ HD maintenance costs other than personnel expenses borne by DIGITAL HOLDINGS, INC. Administration Division
- ✓ Partial service costs other than personnel costs provided by DIGITAL HOLDINGS, INC. Administration Division to its subsidiaries

*The difference between SG&A and EBIT is the effect of non-operating income and expenses.

FY2020 HD Management Costs

- HD management costs were predicted to go slightly higher than the previous year, and the cost control implementation was continued across the Group.

(Unit: JPY 1 million)

	FY2020	Fluctuations Amount	FY2019
SG&A	(1,733)	(120)	(1,613)
Operating profit	(1,752)	(127)	(1,625)
EBIT	(1,839)	(189)	(1,650)
EBITDA	(1,551)	(162)	(1,389)

【Definition of HD management costs】

The definition of HD management costs has been revised as follows since 2018.

- ✓ Personnel expenses of DIGITAL HOLDINGS, INC. Administration Division
- ✓ HD maintenance costs other than personnel expenses borne by DIGITAL HOLDINGS, INC. Administration Division
- ✓ Partial service costs other than personnel costs provided by DIGITAL HOLDINGS, INC. Administration Division to its subsidiaries

*The difference between SG&A and EBIT is the effect of non-operating income and expenses.

2

Upward revision of earnings forecasts (Marketing business)

Upward revision of earnings forecasts of FY2020 (Marketing business)

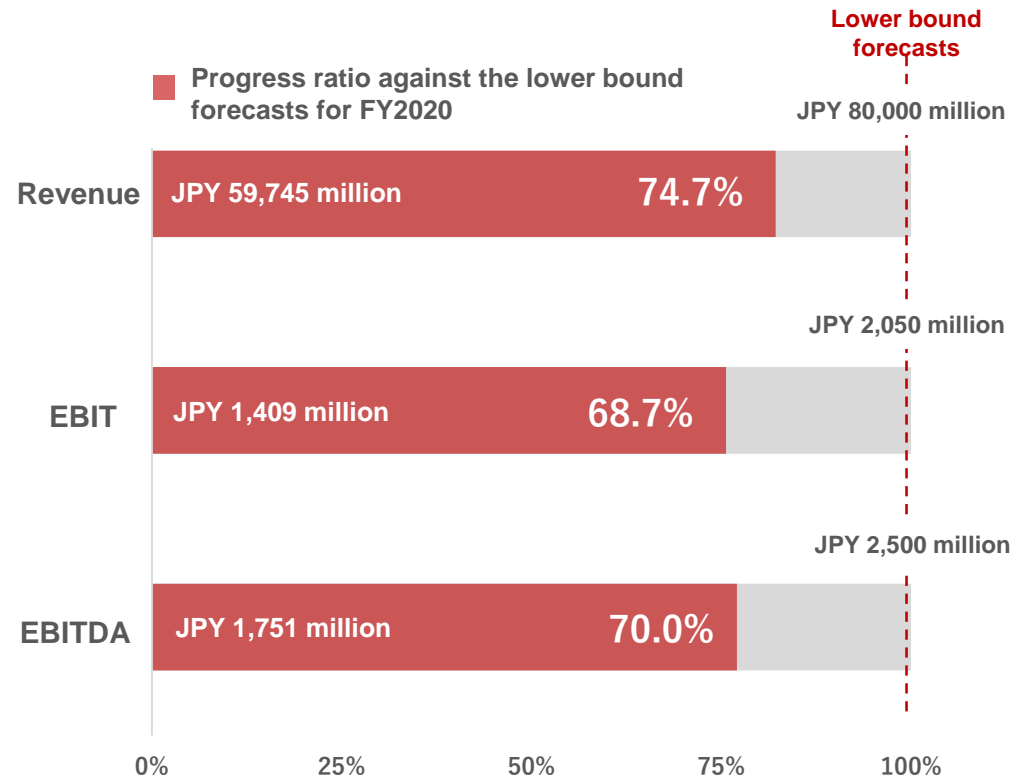
- The upward revision of earnings forecasts is decided because it is expected to exceed the upper forecast due to our prediction of the return of advertising demand in Q4, and cost control efforts in Major Sub-segment.

(Unit: JPY 1 million)	Earnings forecast announced on November 11, 2020	Change from the previous announcement		YoY	(Reference) Announced on August 6, 2020		(Reference) Synergy Investment business As of the end of September, 2020
		Increase	%		Earnings forecast	YoY	
Revenue	80,000 ~82,000	+3,500	+4.6% ~+4.5%	(4.0)% ~(1.6)%	76,500 ~78,500	(8.2)% ~(5.8)%	4,913
EBIT	2,050 ~2,200	+880 ~+830	+75.2% ~+60.6%	(21.6)% ~(15.9)%	1,170 ~1,370	(55.3)% ~(47.6)%	5,879
EBITDA	2,500 ~2,650	+900 ~+850	+56.3% ~+47.2%	(27.2)% ~(22.9)%	1,600 ~1,800	(53.4)% ~(47.6)%	6,000
(Reference) HD management costs							
Review office environment and plan to recognize temporary expenses for partial office reduction							
SG&A	-	-	-		(2,400)	(4.8)%	

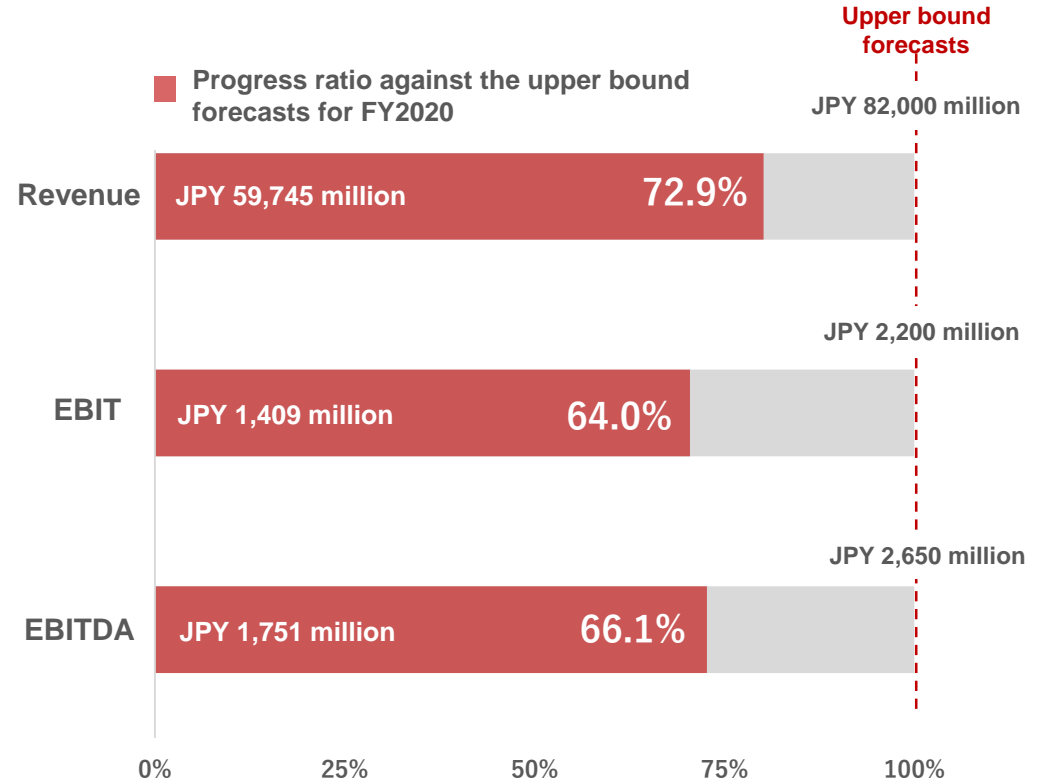
Upward revision of earnings forecasts of FY2020 (Marketing business)

■ Progresses after upward revised earnings forecasts of FY2020

Progress of the lower bound forecast



Progress of upper bound forecast



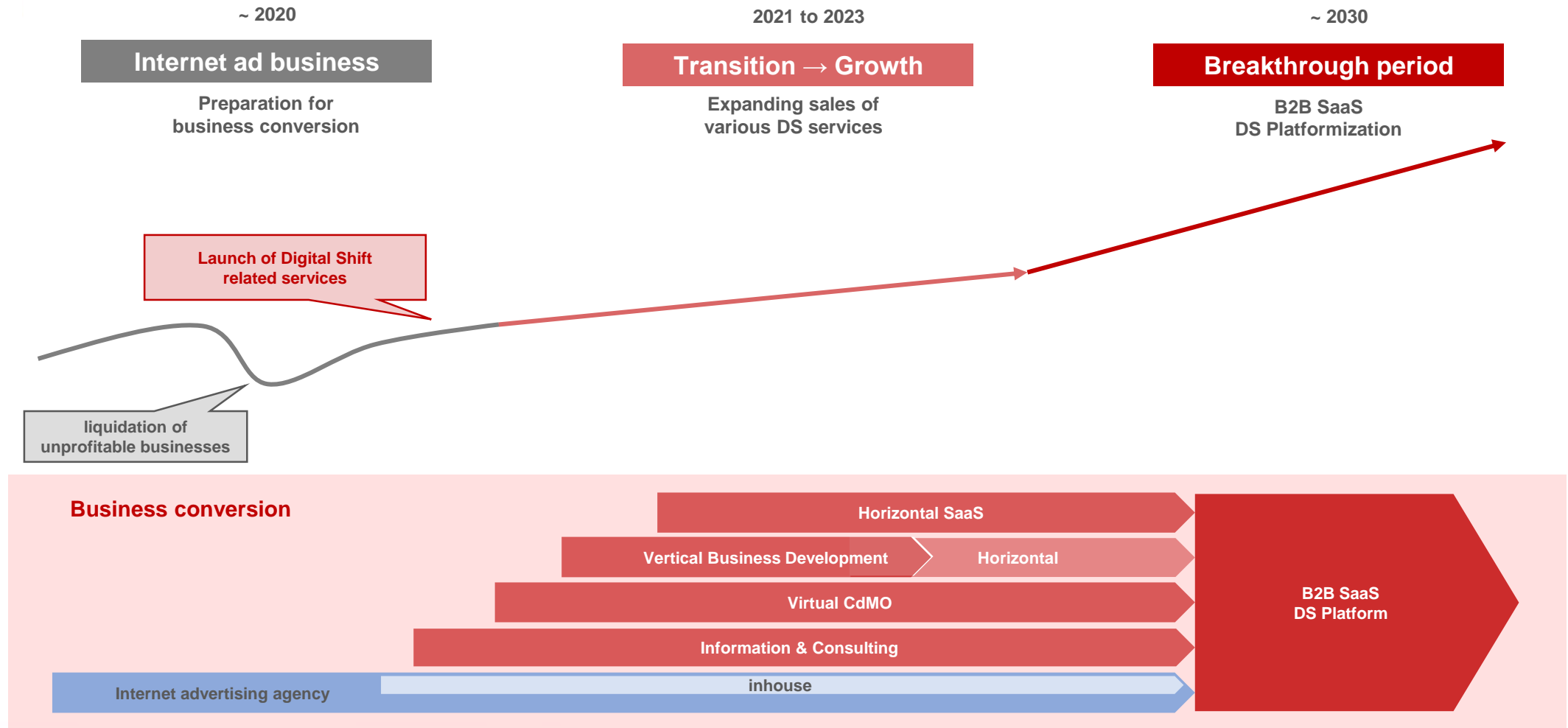
(Unit: 1 million yen)



3 | Progress in Digital Dhift business







Business Conversion: Current Position and Direction

Our Vision: Digital Shift provides new values in Japan and enriches Japanese lives.



Concept of Digital Shift business Portfolio

Provides digital shift engines (information, people, goods, money) for legacy industries

Digital Shift Engine	Advertising	Finance	Real Estate	Human Resources	Pharmacy	Others
Information	<div><div>DIGITAL SHIFT ACADEMY</div><div></div></div>					
Human Resources	<div><div>SIGNATE Quest</div><div>SIGNATE Delta</div><div>Virtual CdMO</div></div>					
Products	<div><div>ATOM</div><div>みライクル GMB</div><div>みライクル</div><div>Oreop</div><div>PoC SaaS</div></div>					
Money	TBD					

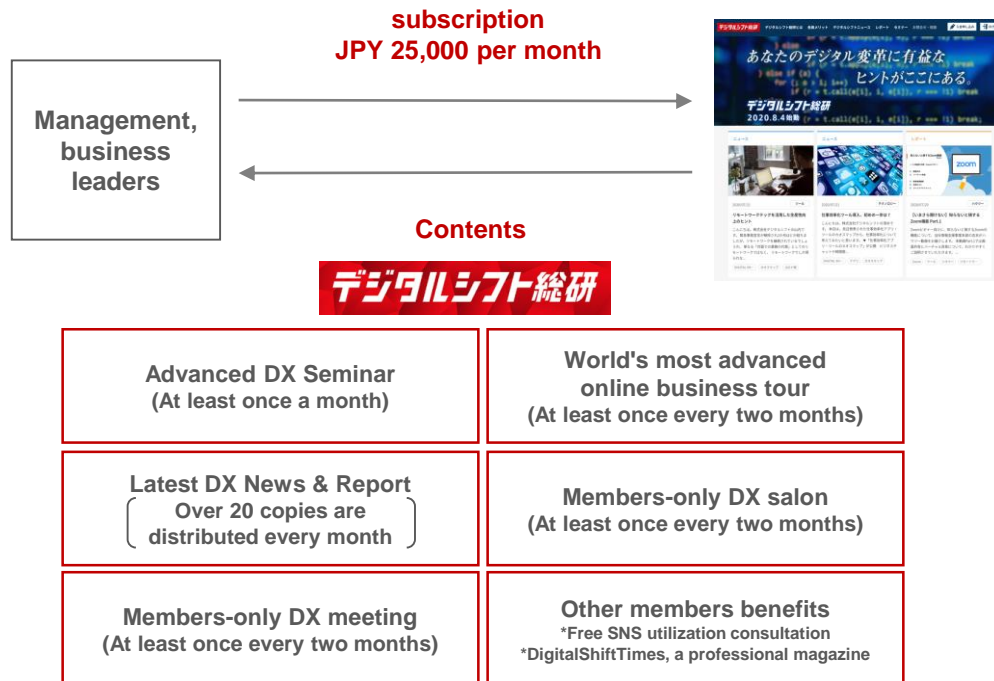
DIGITAL SHIFT

Digital Shift Inc.

Subscription services for management and business leaders

Becoming an information community and supporting information armament will help companies realize Digital Shift.

Digital Shift Research Institute



Major Progress from the Last Time

- In 2 months of service launched
Members: more than 400
(About half are corporate executives)
- Strengthening Branding initiatives
(Advertising)
To the cognitive expansion phase

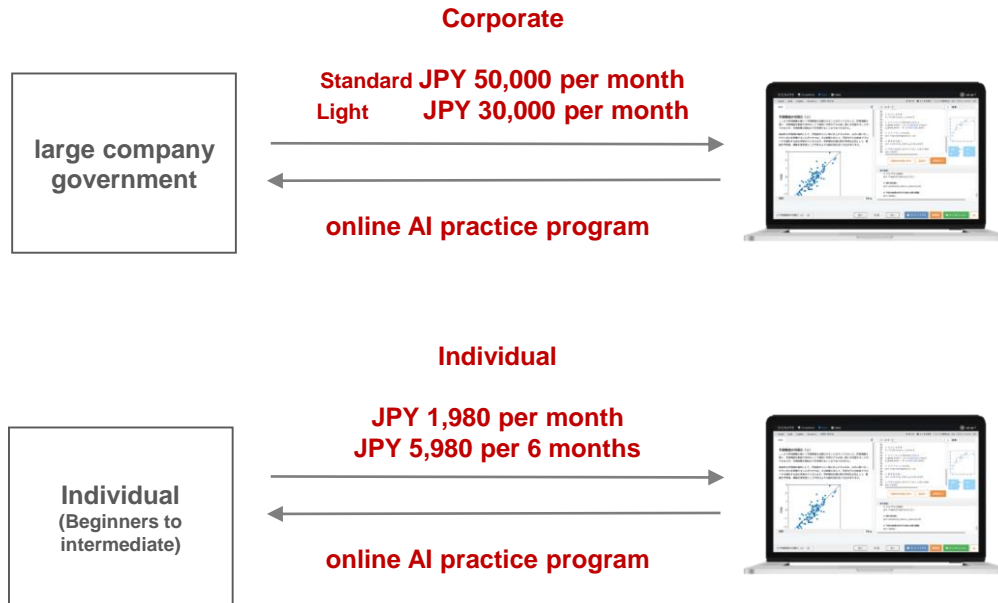
Available from August 4, 2020

SIGNATE

SIGNATE, Inc.

Subscription online AI learning program

SIGNATE Quest



Major Progress from the Last Time

- Introduced in Kansai Electric Transmission and Distribution, Inc. (Approx. 9,000 employees)
- Won Regional Revitalization Award at 5th HR Technology Awards
- Won first place in three categories of online AI learning

Launched in October 2019 for corporate customers and April 2020 for individuals

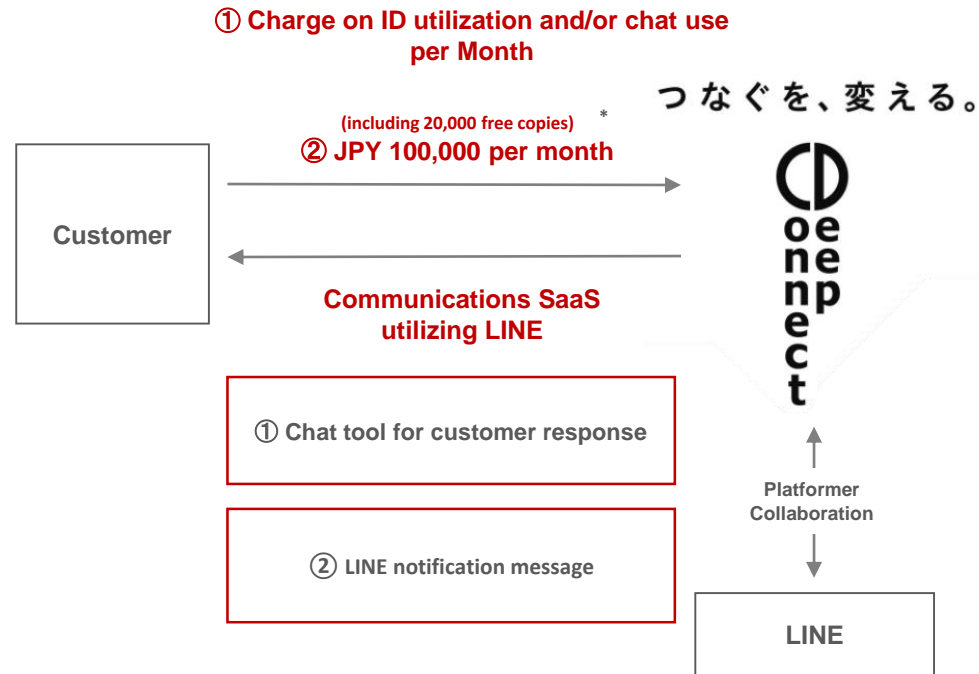
OptDigital

OptDigital, Inc.

SaaS for customer digital shift

Launched in August in response to the needs of companies in COVID-19

Deep Connect/Deep Reach



*10,000 or more: Distribution cost is JPY 5 per a copy

Major Progress from the Last Time

- A series of orders received mainly in the financial industry in about two months after the launch
- Signs the partner agreement with “LINE CLOVA”, LINE's AI Technology Brand
- Strengthen development system by utilizing various AI technologies

Available from August 5, 2020

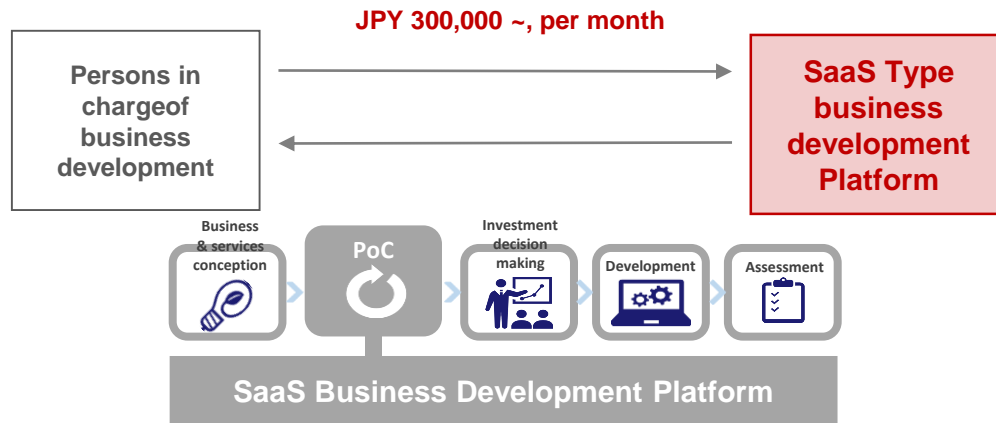


Optoincubat, Inc.

Launched of SaaS business development platform

Matching business POC (proof-of-concept) can start in as short a time as 10 days

PoC SaaS



A system, which will take more than three months from requirement definition to release and costs 15-20 million yen in total, can be utilized from no initial cost and a fixed monthly fee of JPY 300,000, and can be released in as short a time as 10 days.

Major Progress from the Last Time

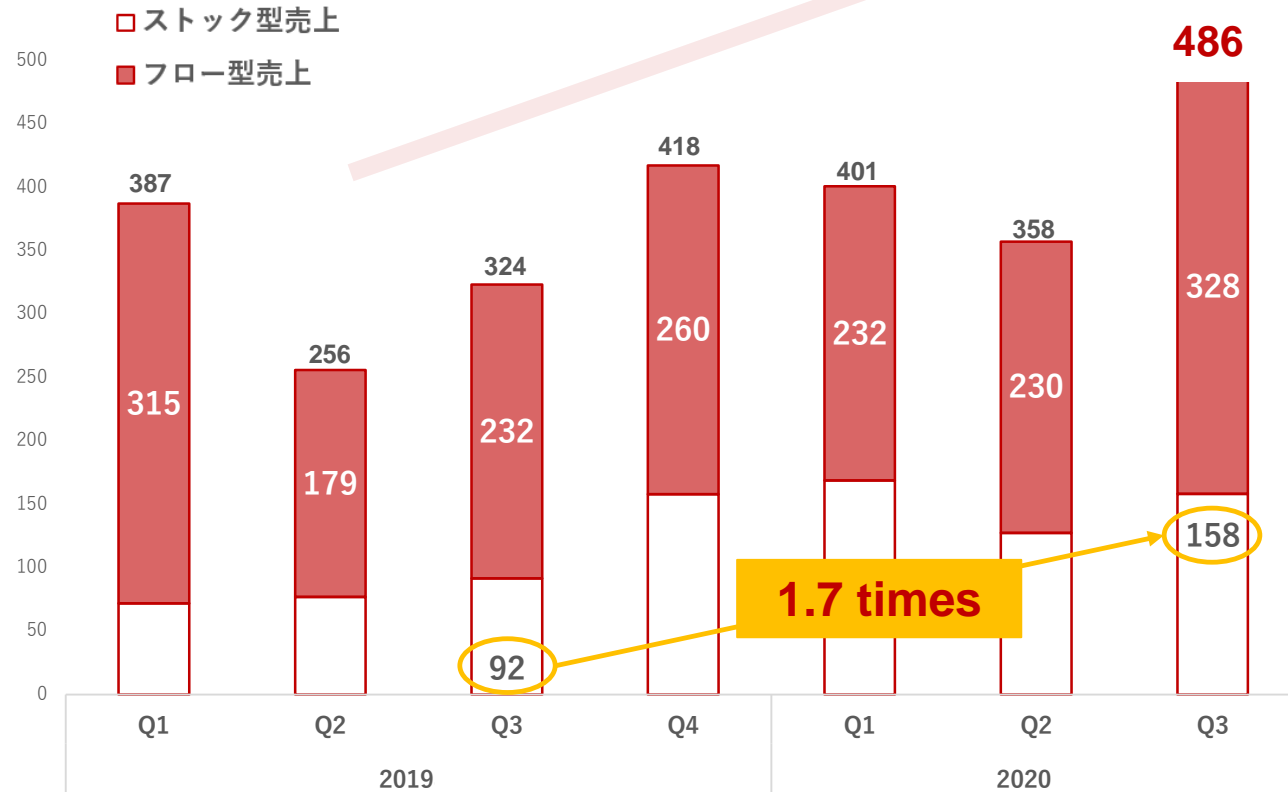
- Received orders from major HR companies approx 2 months after launch
- Received orders from major retailers

Available from August 5, 2020

*PoC: Proof of Concept. It refers to verification and demonstration in the pre-stage of prototype development for the purpose of verification of concepts (Demonstration of new concepts, theories, principles and ideas) in new businesses.

Revenue Growth Rate

(Unit: JPY 1 million)



*Due to withdrawal from China business (general trade business), actual figures excluding this business and year-on-year fluctuations are shown.

High record revenue

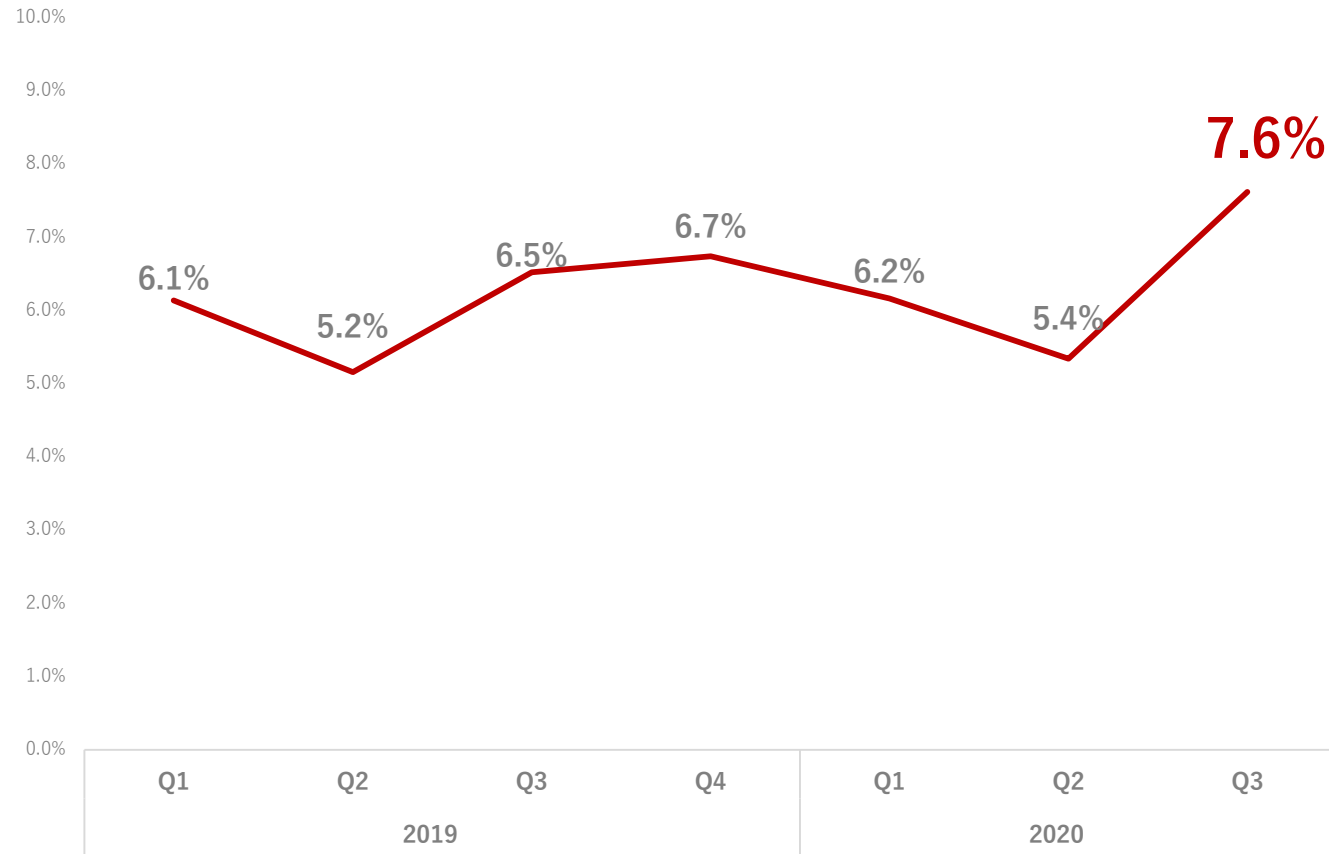
Digital Shift revenue

YoY **50.2% up**

Subscription-based revenue

YoY **72.5% up**

Gross profit composition ratio



Rising steadily

Gross Profit
YoY **13.0% up**

Gross Profit Margin
YoY **1.1% up**

*Due to withdrawal from China business (general trade business), actual figures excluding this business and year-on-year fluctuations are shown

*Composition ratio of consolidated gross profit excluding financial investment business

Our Mission

Becoming the infrastructure of challenge for every company and person in Japan.

The digital heartbeat will become the heartbeat
of companies, of Japan, of people.

Digital - The Heartbeat of the Future

Expanding digital shift business to revitalize industry,
and enrich society in Japan.

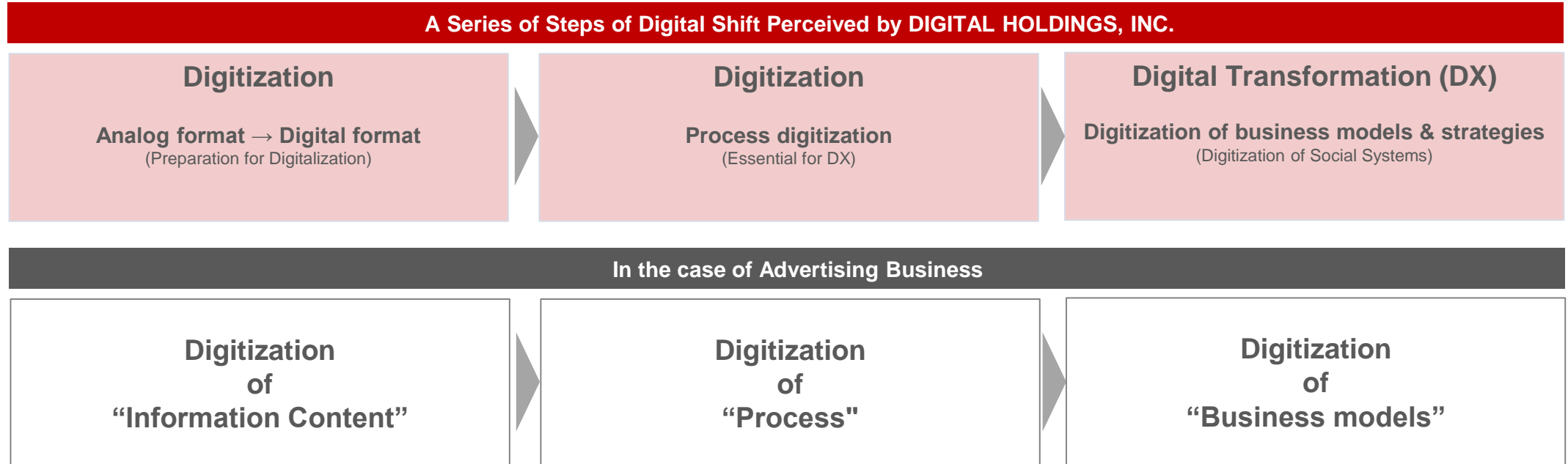
4 | Appendix

On July 1, 2020, the company changed its name from OPT Holding, Inc. to **DIGITAL HOLDINGS, INC.**, and began to shift its focus from advertising agency business to **Digital Shift business**.

Our mission is to support and realize the digital shift of companies, therefore we aim to contribute broadly to society by promoting the digital shift of all management resources, including people, goods, money, and information.

Under the new trade name, in the With/After COVID-19 era, we will further support and realize the challenge of all Japanese companies toward digital shift.

The digital shift is composed of a series of steps aimed at the digital transformation, which changes business processes from analog to digital.



*DX (Digital Transformation): What is to transform people's lives into better ones through the penetration of digital technology. Innovative innovations that completely overturn existing values and frameworks.

**The group No.1 entrepreneur serves as
President and Group CEO**



Atsushi Nouchi, President and Group CEO

Group Initiatives

1994	Invests in Decaregs as a Co-founder
1996	Participation in OPT. Promotion of business start-up
2005	Established Classified ^{*1} dedicated to listing Yahoo! real estate properties, Promoting Business Expansion
2011	Established Platform ID, a joint venture with CCC, to launch data marketing ^{*2}
2013 ~	Established Opt Ventures ^{*4} , to spearhead investment development projects Established OPT incubate for incubation business, Building a foundation for new business development
2017	Became Group COO to lead formulation and implementation of strategies and measures under the theme of "Group Collaboration"
2020	President and Group CEO to realize Group innovation

Reforming Corporate Culture to Realize Group Innovation

*1 All shares were transferred to Yahoo Japan Corporation at the end of December 2017. *2 Transferred from Culture Convenience Club Co., Ltd. to CCC Marketing Co., Ltd.

*3 All shares purchased from CCC Marketing Co., Ltd. at the end of December 2017. *4 The trade name was changed to Bonds Investment Group on July 1, 2020.



Noboru Hachimine
Chairman

Over the years, he has shown great leadership,
Driving our Group's Corporate Value Enhancement



Shūsaku Minoda
Director

He has extensive experience in the financial field both in Japan and overseas, as well as extensive experience and broad insight as a corporate manager.



Tomoyuki Mizutani
Director
(External/Independent)

He has been engaged in the human resources business field for a long time and has been engaged in a wide range of activities on the themes of human resources and social contribution, such as social entrepreneur development, and has abundant experience and broad knowledge.



Koji Yanagisawa
Director (External/Independent)

He has extensive knowledge of corporate management in areas such as accounting, finance, IR, legal affairs and corporate governance, as well as experience as CFO in growing companies.



Yasuhiro Ogino
Director (External/Independent)

He has extensive knowledge of overall business management, centering on business development and M & A, as well as experience as CFO in growing companies.



Fumiyuki Shinomiya
Director (External/Independent)
Audit and Supervisory Committee Member

He has abundant experience and insight in the financial field both in Japan and overseas.



Yuki Okabe
Director (External/Independent)
Audit and Supervisory Committee Member

She has considerable knowledge of finance and accounting as a certified public accountant and experience as an auditor at several listed companies.



Toshio Yamaue
Director (External/Independent)
Audit and Supervisory Committee Member

Receive opinions and suggestions necessary for deliberation of proposals from the perspective of a lawyer



Masahiro Yamamoto
Director (External/Independent)
Audit and Supervisory Committee Member

He has considerable knowledge of finance and accounting as a certified public accountant and has experience in many corporate support activities as a representative employee of an auditing firm.

2020 Group Executive Officers



Atsushi Nouchi
Group CEO



Noboru Hachimine
Group Chairman (President, Digital Shift, Inc.)



Takayuki Katō
Group CFO , Responsible for business management



Jun Ishiwata
Group CHRO



Daisuke Kanazawa
Responsible for major and second-tier marketing business



Yasushi Ishihara
Responsible for Tech & Solutions business



Kōsuke Yoshida
Responsible for Investment Development and China business
(Director, Digital Shift, Inc.)



Hideo Saitō
Responsible for AI business

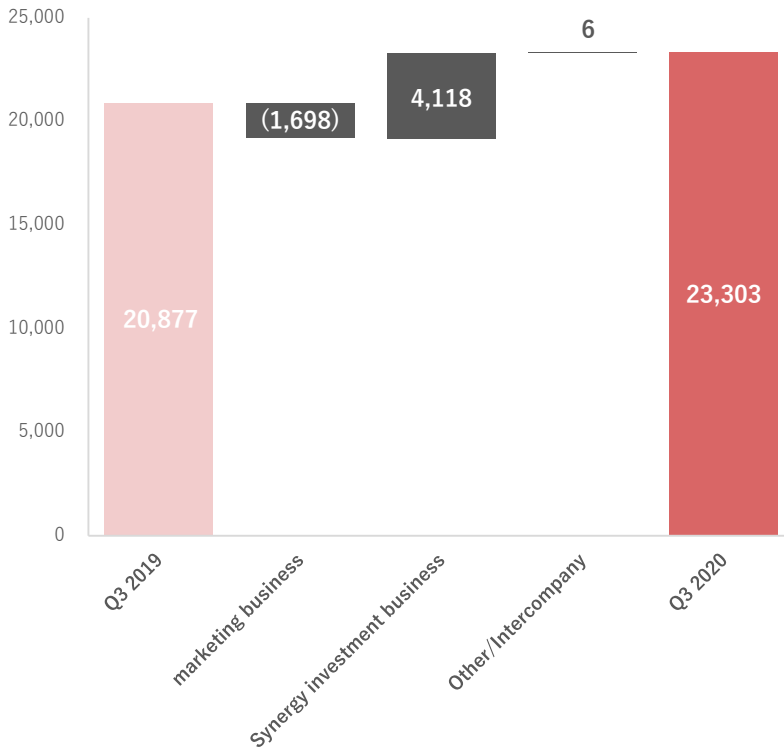
FY2020 Q3 Consolidated breakdown

- **Marketing business:** Revenue and profit decreased due to a reduction in the budget for the digital advertising market and a decrease in ad placement in the digital advertising market due to the impact of COVID-19.
- **Synergy investment business:** Revenue and profit increased due to the impact of gain on sale of securities held.

Revenue

YoY 11.6% up

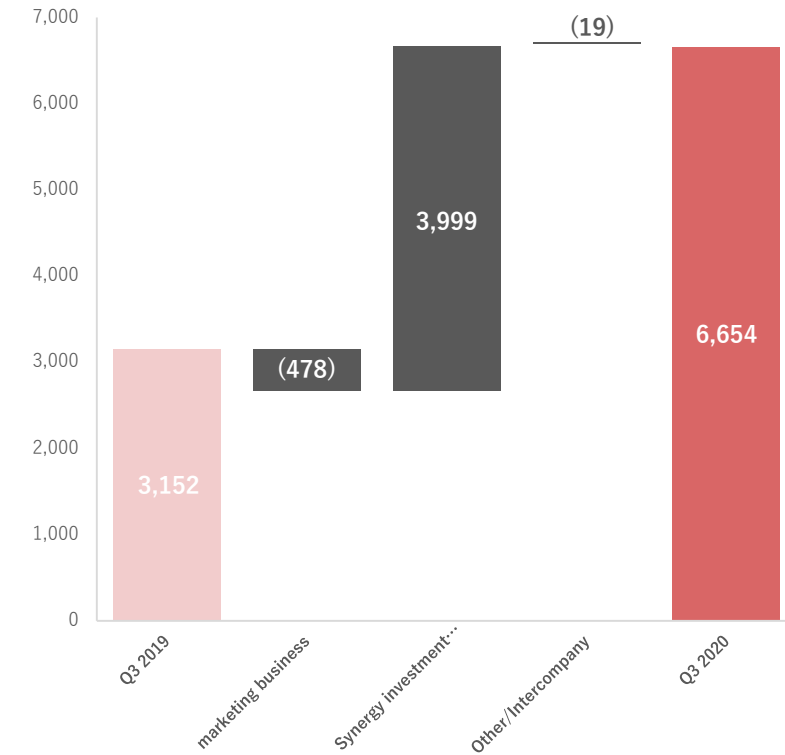
(Unit: JPY 1 million)



Gross profit

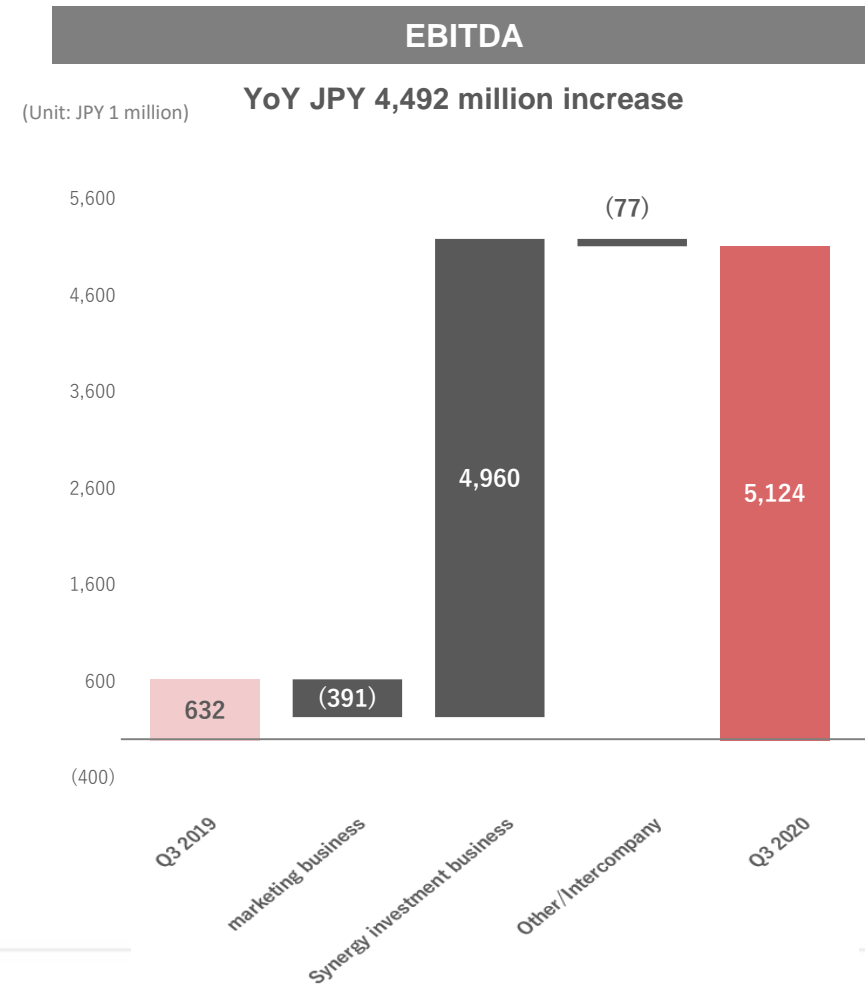
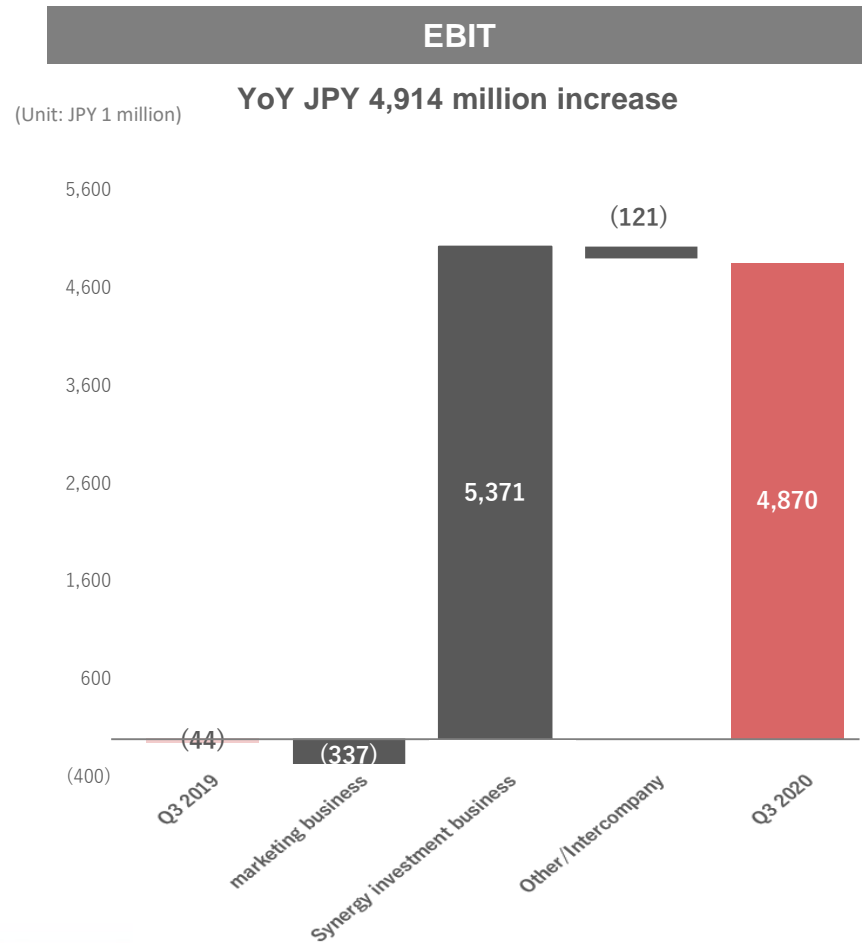
YoY 111.1% up

(Unit: JPY 1 million)



FY2020 Q3 Consolidated breakdown

- **Marketing business:** Profits declined due to, from existing long-term customers, weak advertising demand and a decrease of gross profit margin, in both Major Sub-segment and Local Small and Medium Sub-segment, despite curbing an increase of SG&A through cost controls.
- **Synergy investment business:** Profits increased due to the impact of gain on sale of securities held.



Free Cash Flow

(Unit: JPY 1 million)

	FY2020 Q3	Fluctuations Amount	FY2019 Q3
Cash flows from operating activities	2,173	+4,182	(2,008)
Profit before income taxes	4,862	4,912	(49)
Decrease (Increase) in investment securities for sale	393	614	(221)
Income taxes refund (paid)	(375)	306	(682)
Loss (gain) on sales of investment securities	(795)	(367)	(428)
Loss (gain) on investments in investment partnership	(1,057)	(1,039)	(17)
Decrease (increase) in working capital	(965)	(276)	(688)
Others	110	32	78
investment cash flow	1,921	+1,511	409
Proceeds from sale of Investment securities	1,189	645	544
Purchase of Intangible assets	(170)	24	(194)
Proceeds from redemption of investment securities	1,036	1,006	30
Others	(134)	(164)	29
Free Cash Flow	4,094	+5,693	(1,599)
Adjustment by temporary items	-	-	-
Adjusted Free Cash Flow	4,094	+5,693	(1,599)

* Decrease (increase) in working capital = Change in trade receivables + Change in inventories + Change in trade payables + Change in accrued consumption taxes

* Adjustment = Temporary items

AUM (Fair value)/IRR (Internal Rate of Return)

[AUM] * 1,2

AUM at the end of FY2020 Q3: JPY 25,382 million increase

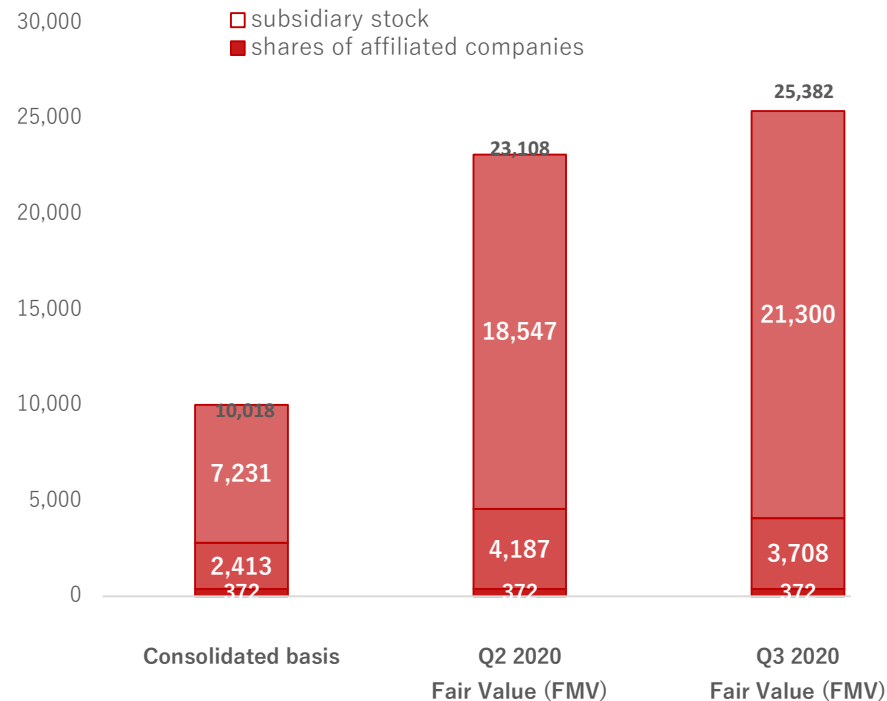
*Difference between fair value and acquisition value in consolidated accounts: ^{*3}JPY 15,364 million increase (153.4% up)

*An increase of RAKSUL, Inc. in operational investment securities caused an increase of JPY 2,274 million from the end of FY2020 Q2

[IRR] * 4

Decreased from the previous quarter due to the decline in market capitalization of listed companies (including SoldOut, Inc.)

(Unit: JPY 1 million)



FY2020 Q3	(Reference) FY2020 Q2
11.8%	12.1%

The Company has disclosed the IRR of investment for transparency of investment performance since 2018 Q2.

*1 AUM: Total of book value of shares of subsidiaries and affiliates, and fair values of operational investment securities and Investment securities

*2 Fair Value: The amount at which a party with knowledge of the transaction exchanges its assets or settles its liabilities at an arm's length price

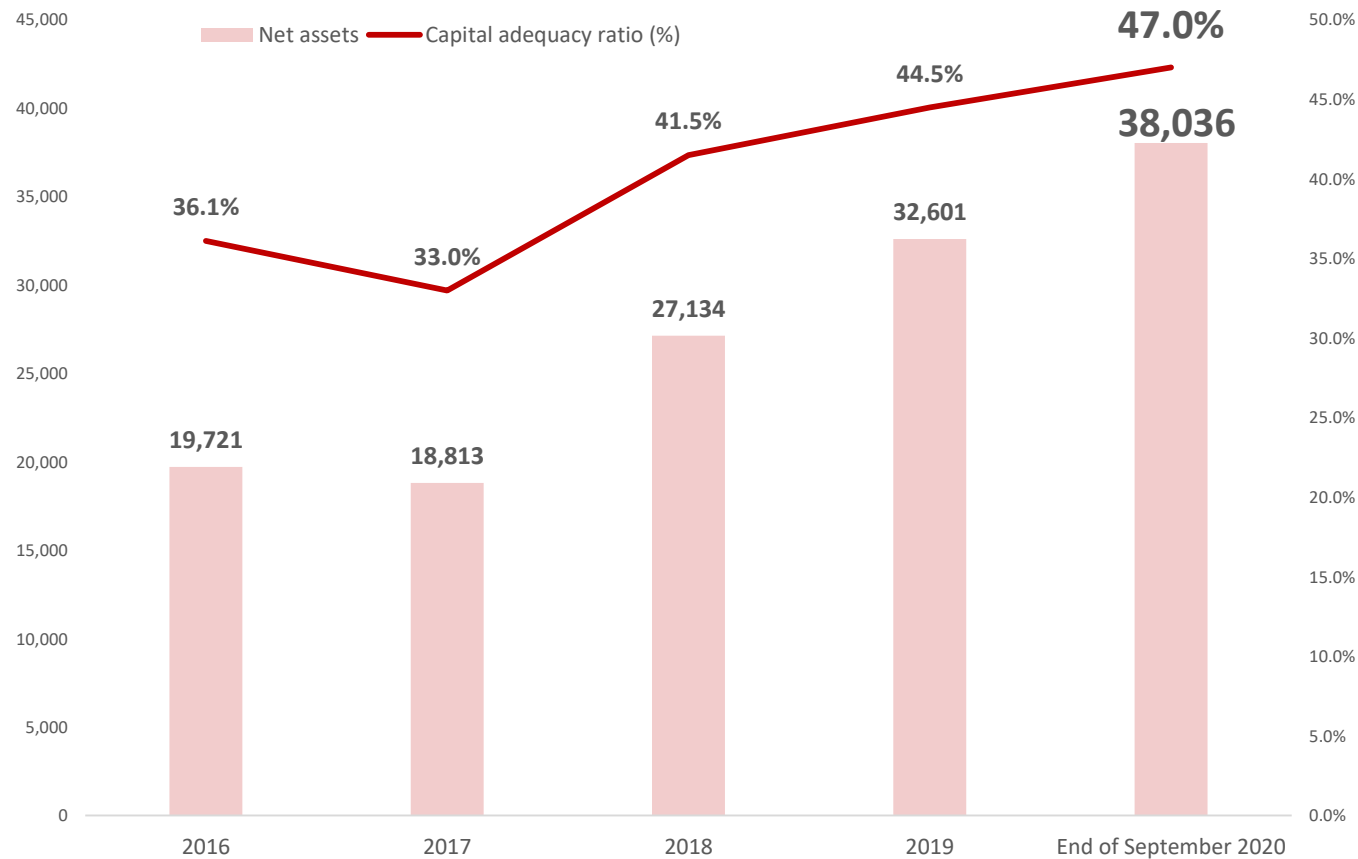
*3 Acquisition value in consolidated accounts: Stocks of subsidiaries and affiliates represent the total of Carrying amount. Operational investment securities and Investment securities represent the total fair value after consideration for impairment.

*4 IRR: Internal Rate of Return.

Planning to continue investing in our business with a stable financial base.

Net assets ▪ capital ratio

(Unit: JPY 1 million)

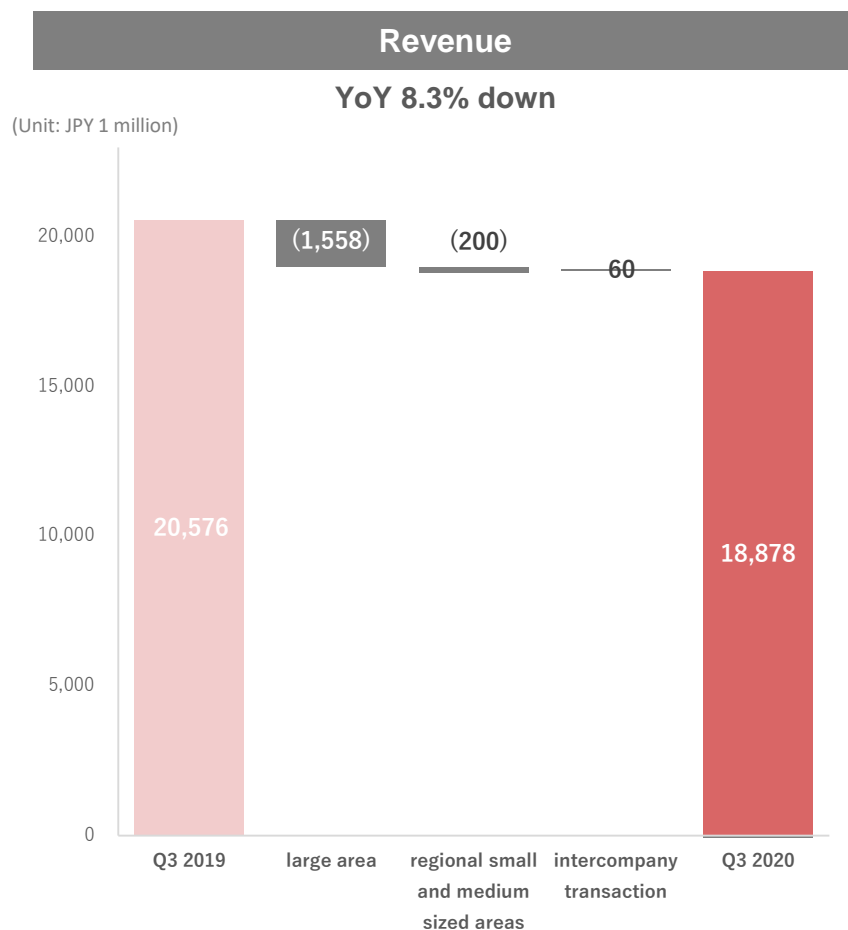


Capital ratio 47.0%

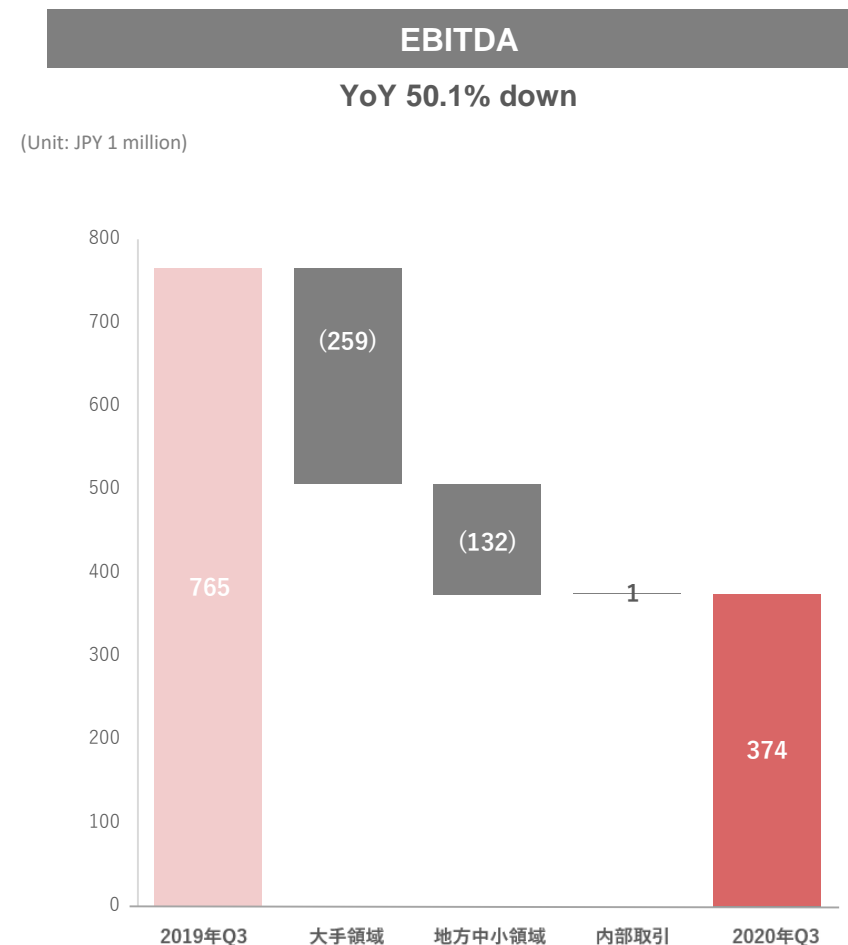
Net assets JPY 38,036 million

FY2020 Q3 Marketing business breakdown

- Revenue and profits declined because of weak advertising demand in both Major Sub-segment and Local Small and Medium Sub-segment due to the impact of COVID-19, despite curbing an increase of SG&A through cost controls.
- On the other hand, they will gradually recover from the bottom of May.



*EBITDA: HD Management Cost Pre-allocation

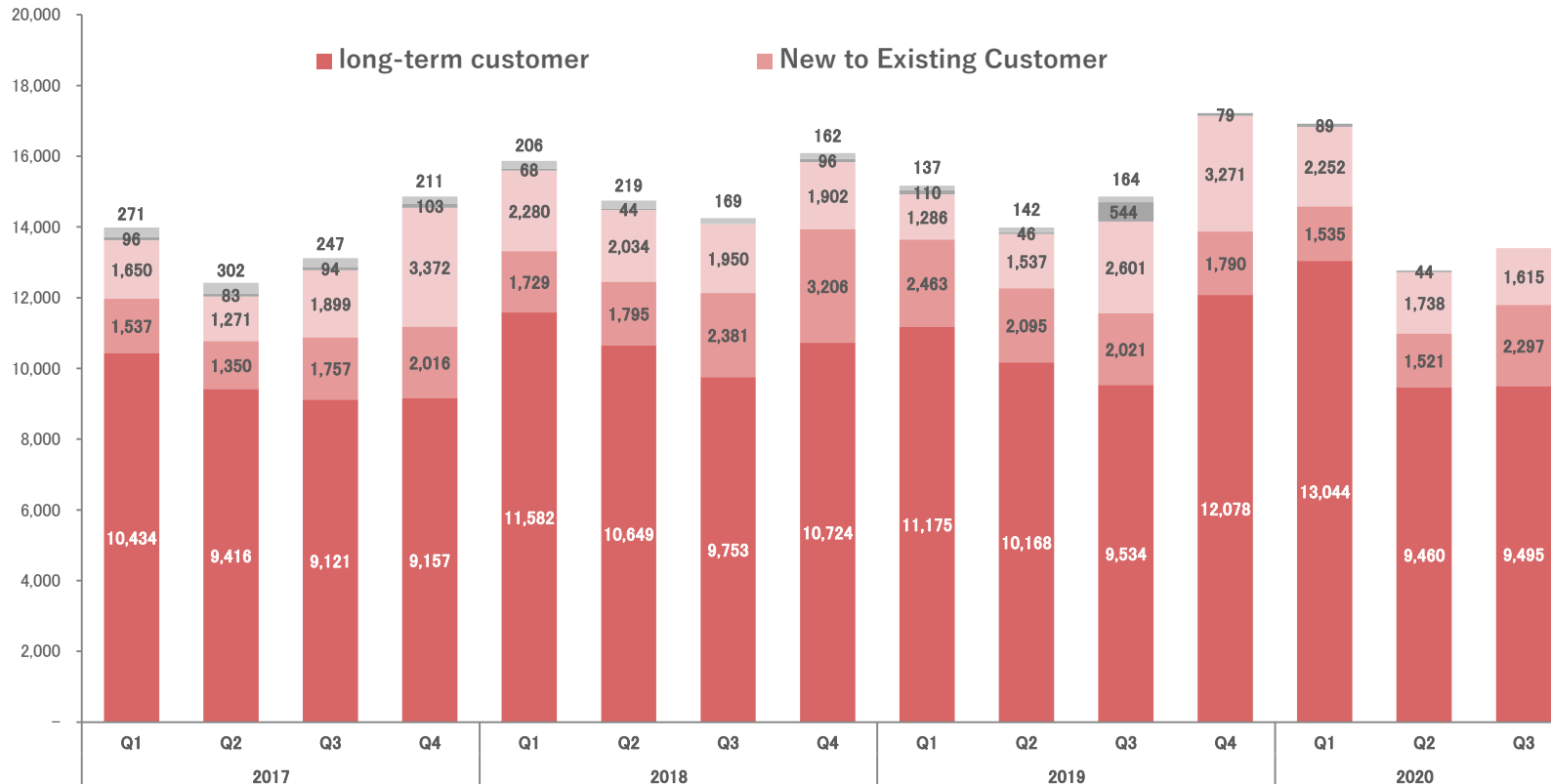


FY2020 Q3 Marketing business: Major Sub-segment

Trend of Revenue by Customer Category (OPT, Inc.)

- Long-Term customers reduced their budgets
- New customers acquired last year grow into stable customers

(Unit: JPY 1 million)



Long-term customers

YoY **0.4%** down

Mid-term customers

YoY **13.7%** up

New customers

YoY **37.9%** down

* Long-term customers: Customers with more than 24 months of continuous business. Mid-term customers : Customers with 12 months to less than 24 months of continuous business.

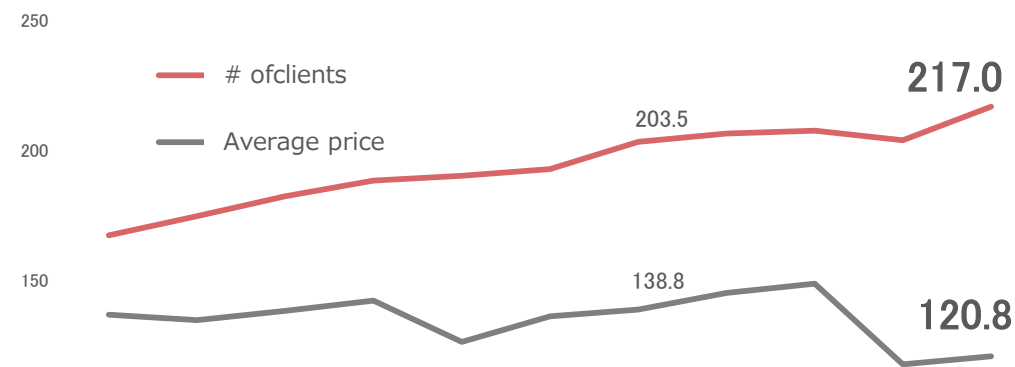
New customers: Customers with 1 month to less than 12 months of business. Spot, etc.: Customers with less than one month of business.

* Crossfinty Inc. Related: The impact of the merger of a portion of the business of Crossfinty Inc. into OPT Inc., resulting in revenue, due to the reorganization of a subsidiary within Major Sub-Segment.

Revenue in Local Small and Medium Sub-segment

[Number of Companies × Unit Price]

(relative value)



Number of Companies
YoY 6.7% up

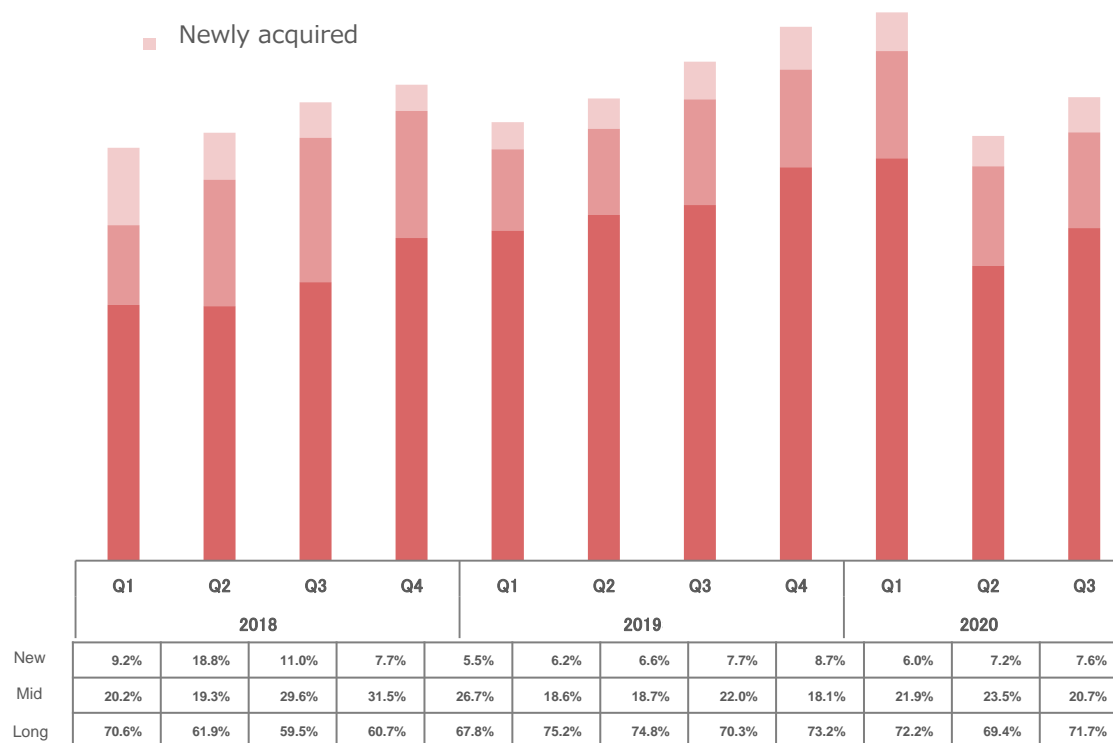
* FY2016 Q1 displayed as relative as 100

* Among digital marketing support, companies receiving advertising management support, which is the main business category, were extracted and disclosed

* As a result of the simplified absorption-type split of Growth-gear Inc., a subsidiary of our company, the business related to Indeed Inc. has been succeeded and the definition has been revised, and the previous figures have been retroactively corrected and presented.

[Trend by Customer Category]

■ Long-term
■ Existing
■ Newly acquired



* The company that receives advertising management support, which is the main business of the digital marketing business, was extracted and disclosed

* Defined as, 1 -3 consecutive months = [New], 4 -12 consecutive months = [Mid], 13 consecutive months or more = [Long]

Marketing business: Major Awards and Certifications

Media	Awards and Certifications	Descriptions	
		OPT, Inc.	SoldOut, Inc.
Google	Search Innovation Award※ ₁	—	Search Advertising Division
	Growing Businesses Online Awards※ ₂	—	Japan's Best Award
	Premier Partner Awards 2019※ ₃	—	Best Award in shopping advertising
Yahoo!JAPAN	Specially Approved partner ※ ₄	Advertising Management partner	Advertising Management partner
	Yahoo! Marketing Solutions partner Program ※ ₅	★★★★ partner	★★★ partner
	Search Advertising Award ※ ₆	—	No. 1 in Hokkaido
	Preferred Partner Program ※ ₇	—	ATOM Certification
Criteo	Criteo Certified Partners ※ ₈	Four Sters (★★★★)	Two Stars (★★)
LINE	LINE Ads Platform Sales Partner ※ ₉	Silver	Silver, Best SMB Partner Certification
	Technology Partner, LINE Account Connect Division ※ ₉	Diamond	—
	LINE Account Connect Sales Partner ※ ₉	Silver	—
	LINE Biz Partner Program ※ ₉	Planning Partner Silver Measurement, Performance	—
Facebook	Business Partner of the Business Cooperation Agreement between Facebook Japan and Kobe City for the Revitalization of Local Economies and Communities ※ ₁₀	—	Business Support partner Award
Indeed	Featured Employer category, Strategic Product Award for the 1st half of 2019※ ₁₁	—	No. 1

※₁: Search Innovation Award in Premier Partner Awards 2019 sponsored by Google Partners

※₂: Google AdWords Agency Awards for Premier Badge Holders in a Worldwide Agency Contest

※₃: Awards to recognize companies that have made innovations in digital marketing in areas such as search advertising, app advertising, video advertising, display advertising, shopping advertising, and growth of online businesses.

※₄: "Yahoo! Marketing Solutions partner Program" certified by Yahoo Japan Corporation; "Specially Certified partner" performing marketing methods and advertisement operations that require expertise

※₅: A program under which Yahoo Japan Corporation certifies partner, which has a track record of supporting the marketing activities of advertisers by comprehensively utilizing Yahoo! JAPAN's advertising products and services to maximize the effectiveness of advertisements.

※₆: "Search Advertising Award" sponsored by Yahoo Japan Corporation, which recognizes agencies that continuously sell advertising products

※₇: Yahoo! Promotion Advertisement Operational Efficiency Support Program "Preferred Partner Program"

※₈: Criteo Certified Partners (Star Agency System), who continuously sell advertising products offered by Criteo Corporation and certify agencies that have passed the certification test.

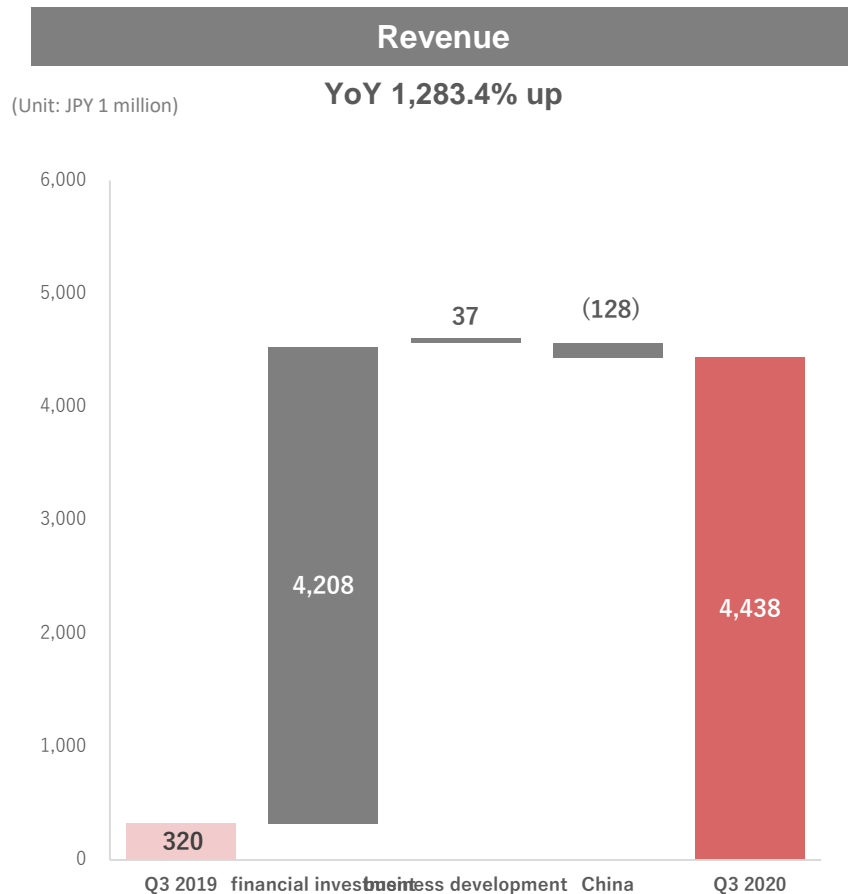
※₉: Award for certifying partner in sales and development of various corporate services provided by LINE Corporation

※₁₀: Business support for the "Business Partnership Agreement for Regional Economy and Community Revitalization " concluded between Facebook Japan and Kobe City partner

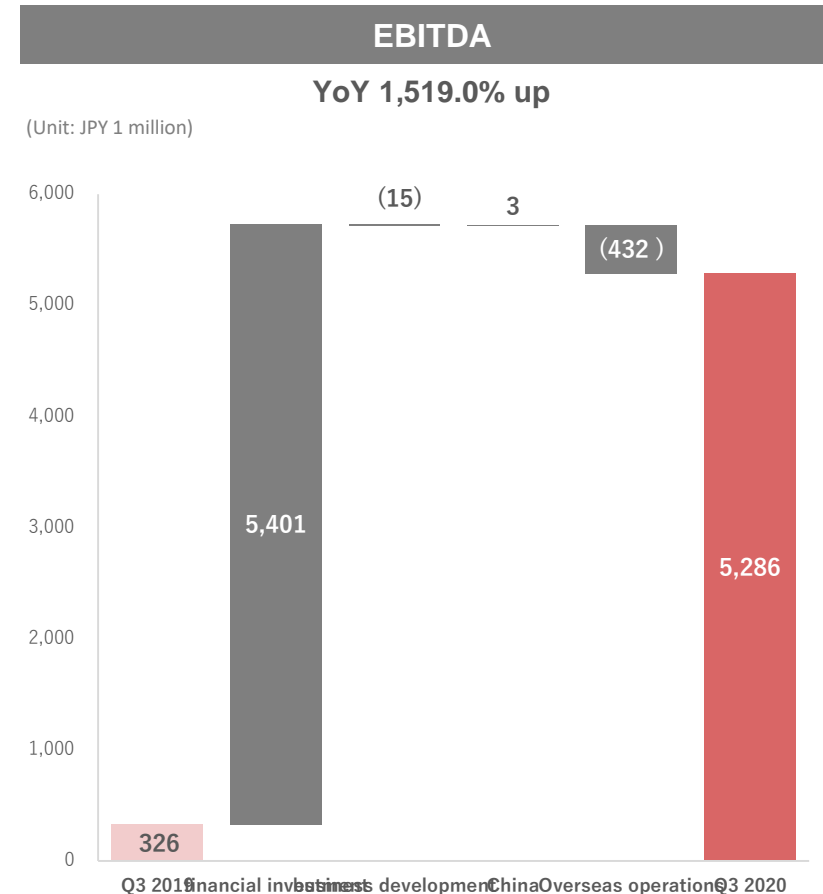
※₁₁: An award presented by Indeed Japan Co., Ltd. to commend distinguished service in the proposal/operation of "Featured Employer"

FY2020 Q3 Synergy Investment business breakdown

- **Financial Investment** : Profits increased due to the impact of gain on sale of securities held.
- **Business Development** : Despite a decline in profits due to delays in development projects and the suspension of exhibitions, which were affected by COVID-19, it was making good progresses that online educations were provided by SIGNATE Inc.
- **Business in China** : Revenue decreased due to the impact of COVID-19, but profits increased due to curbing an increase of SG&A through cost controls.
- **Business in the other foreign countries** : Profit decreased due to gain on sales of overseas affiliates in the previous year



*EBITDA: HD Management Cost Pre-allocation



SIGNATE

SIGNATE, Inc.

Online AI learning program “SIGNATE Quest”

Kansai Transmission and Distribution, Inc.
(Approx. 9,000 employees)

Helping all employees improve AI literacy
through the online education that can be taken at home

- *Trial SIGNATE Quest toward the end of 2019 (for 3 months)
- * All employees take basic AI courses with high evaluation

Online AI learning program “SIGNATE Quest”

At Hiroshima Quest, a regional AI training demonstration pj.

**Won Regional Revitalization Award at
5th HR Technology Awards**

The concept of "solving local problems while
simultaneously fostering human resources" and its
advanced nature were highly evaluated.



*What is the HR Technology Awards?

The purpose of this event is to contribute to the evolution and development of this field by awarding outstanding initiatives in HR technology and HR big data (analytics) in Japan. "Regional Revitalization Award" was newly established to support regional revitalization across Japan through awarding HR initiatives and HR services of companies and organizations, which can lead to the revitalization of regional revitalization, this time.

SIGNATE

SIGNATE, Inc.

Online AI human resources development course for corporations "SIGNATE Quest"

Won first place in three categories of online AI learning

through the survey by Japan Marketing Research Organization, Inc. in September 2020.

AIの初心者から経験者まで
レベルに合わせて学べると思う

オンラインAI研修



AIビジネスからモデリング
までの基礎スキルが身に付くと思う

オンラインAI研修



DX・AI開発の「実務経験」を
積むことができると思う

オンライン研修



*First place: Online AI learning course which is thought can be learned depending on different levels from beginners to experienced people of AI

*First place: Online AI training course which is thought can help to acquire basic skills from AI business to modeling

*First place: Online AI training course which is thought where can gain practical experience in DX and AI development

*Outline of the survey: Image survey of the __ brands in the fiscal year ending September 2020 conducted by the Japan Marketing Research Organization

OptDigital

OptDigital, Inc.

LINE CLOVA × **OptDigital**

Strengthen development systems to meet corporate needs for digital shift

Utilizing various AI technologies of LINE's AI technology brand, LINE CLOVA,
Update to Deep Connect, a Secure LINE Chat Tool

What is LINE CLOVA, LINE's AI technology brand?

Through AI technologies and services such as character recognition, image recognition, video analysis, speech synthesis, and speech recognition, we aim for a more convenient and affluent world by eliminating the problems inherent in life and business and by improving social functions and the quality of life.

1. **EBIT (Earnings before Interest and Taxes)**

Net income before income taxes + Interest expenses - Interest income

2. **EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)**

EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization
+ Stock-based compensation expense + Impairment losses

3. **FCF (Free Cash Flow)**

FCF = Cash flows from operating activities + Cash flows from investing activities
± Adjustment by temporary items

- 1) Stocks of subsidiaries and affiliates represent the total of carrying amount.
- 2) Operational investment securities and Investment securities shall base their valuations on the following categories.

Categories	Evaluation method
① Securities whose investment amount is small	Acquisition price
② Listed securities	Closing market price as of the end of September 2020
3. Securities with the most recent financing experience (equity financing); (excluding ① and ②)	Value based on the financing value
④ Securities other than those listed above	Assessed by the multiple method* ¹ , the DCF method* ² and the net assets method* ³ according to the business situations.

※1 Multiple Method

Companies for which competitors can be set using information analysis tools are evaluated using the multiple method.

※2 DCF method

Companies that cannot set competitors through information analysis tools, etc. and that can obtain reasonable business plan based on KPIs, etc. shall be evaluated by the DCF method. However, if there are discrepancies between the actual performance and business plan, companies shall be evaluated by the DCF method with multiplying the achievement rate of the plan.

※3 Net assets method

Companies for which no clear business plan is available, companies in doubt about the going concern assumption, and companies with equity below net assets assessed using the multiple method or the DCF method are assessed using the net assets method.

* The company has not received any advice from KPMG AZSA LLC regarding fair value since FY2020.

IRR (Internal Rate of Return) Calculation Method

Items		Matter
Subject		Issues invested in the financial investment business between 2013 and the end of September 2020
Base date for calculation		End of September 2020
Calculation Method	Impaired stock	Calculated assuming sale at Net assets value at impairment
	Stocks that have been financed most recently	Calculated on the assumption that the securities were sold at the fair value of the shares at the time of the financing
	IPO	Calculated as if sold at market value on the calculation reference date
	Fund	Calculated using the amount collected before the end of September 2020 and the book value as of the end of September 2020.
	Other than the above	If there is no change in basis due to sale, impairment, financing (equity financing), IPO, etc., the calculation is based on the assumption that it was sold at book value on measure.
Treatment of corporation tax when calculating IRR		Consider corporation tax