

For the sake of improved understanding of the Company's financial performance for non-Japanese investors, this earnings release is prepared in a different format from the Japanese original TSE filing document released on February 10, 2021. In the event of any discrepancy between this English document and the Japanese original, the original shall always prevail.

February 10, 2021

DIGITAL HOLDINGS, INC. (TSE 2389)

Consolidated Financial Results for the 12 Months Ended March 31, 2020 (J-GAAP, Unaudited)

Tokyo, February 10, 2021, DIGITAL HOLDINGS, INC. ("the Company") announced today its consolidated financial results for the twelve months ended on December 31, 2020. (From January 1 to December 31, 2020, "2020 Q4")

(Amount are rounded down to the nearest million yen)

Consolidated Operating Results for 2020 Q4

(in million yen, unless otherwise stated)

| | Twelve months ended on December 31 | | |
|---|------------------------------------|--------|--------|
| | 2020 | 2019 | YoY(%) |
| Net sales | 88,768 | 89,953 | -1.3% |
| Operating profit | 3,240 | 2,633 | 23.0% |
| Ordinary profit | 4,358 | 2,833 | 53.8% |
| EBIT*1 | 6,175 | 2,664 | 131.8% |
| EBITDA*2, *3 | 7,591 | 4,893 | 55.1% |
| Profit attributable to owners of parent | 3,750 | 1,928 | 94.5% |
| Earnings per share- diluted (yen) | 167.85 | 84.18 | 99.4% |
| Earnings per share- basic (yen) | 167.86 | 84.23 | 99.3% |

Notes:

1. EBIT= Profit (loss) before income taxes + Interest expenses – Interest income
2. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss
3. 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 4,756 million for the fourth quarter of the fiscal year ending December 2019 (YoY 21.9% decrease).

Consolidated Balance Sheet Data

(in million yen, unless otherwise stated)

| | As of December 31, 2020 | As of December 31, 2019 |
|--|-------------------------|-------------------------|
| Total assets | 71,434 | 61,132 |
| Assets under management (AUM) *4 | 25,868 | 22,961 |
| Net assets | 40,018 | 32,601 |
| Ratio of equity attributable to owners of parent (%) | 43.7% | 44.5% |

Notes:

4. AUM: Total of book value of shares of subsidiaries and affiliates, and fair values*5 of operational investment securities and investment securities
5. 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.

Dividends

| | 2020 | 2019 |
|-----------------|--------------|--------------|
| End of Q1 (yen) | – | – |
| End of Q2 (yen) | 0.00 | 0.00 |
| End of Q3 (yen) | – | – |
| End of Q4 (yen) | 35.00 | 17.00 |
| Total | 35.00 | 17.00 |

Note:
The Company sets a consolidated payout ratio target of 20% of profit attributable to owners of parent before amortization of goodwill from the year ended December 31, 2017. The dividend forecast for the fiscal year ending December 2021 is not disclosed.

Forecast for the year ending December 31, 2021

| <i>(in million yen, unless otherwise stated)</i> | 2021 | YoY(%) |
|--|---------|--------|
| Net sales | 100,000 | 12.7% |
| Operating income or (loss) | 10,000 | 208.6% |
| Ordinary income or (loss) | 10,000 | 129.5% |
| Profit attributable to owners of parent | 7,500 | 100.0% |

Appropriate use of earnings forecast and forward-looking statement

Although forward-looking statements contained in this document are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

The information contained in this material is carefully scrutinized before presentation as it is intended to facilitate your understanding of the Company's business, management policies and plans, financial position, etc. However, we do not guarantee its accuracy, completeness, effectiveness, or security. None of the information herein is prepared to solicit investment. The final decision on investing should be made by you, under your own responsibility. We will not be responsible or liable for any consequences resulting from investments made by you in reference to, or by use of, the information.

Any information herein other than past or present facts represents our future outlook developed based on the input currently available, and includes various risks and uncertainties. Thus, please note that actual business results released at a later date may differ due to such factors

Changes in material subsidiaries for the reporting period: None.

Changes in accounting policies and changes in accounting estimates

- (1) Changes in accounting policies required by amendments to accounting standards, etc.: None
- (2) Other accounting policies except for item (1): None
- (3) Accounting estimates: None
- (4) Retrospective restatements: None

Number of shares issued –Common stock

| | 2020 Q4 | 2019 |
|---|------------|------------|
| Number of shares issued including treasury shares | 23,817,700 | 23,817,700 |
| Number of treasury shares | 1,623,695 | 917,705 |

| | 2020 Q4 | 2019 Q4 |
|--|------------|------------|
| Average number of shares during the period | 22,346,195 | 22,899,995 |

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1. Management Discussion and Analysis

(1) Results of operations

As for the business environment surrounding our Group, the domestic market is shrinking due to the population decline caused by the declining birthrate and aging population, while the rapid progress of science, technology and innovation in recent years has led to an active movement aiming to realize a digital transformation (DX) by utilizing data and digital technology to transform conventional products, services and business models. In addition, we believe that cyber (virtual) space and physical (real) space will be highly integrated, bringing new value to industry and society that had not been possible before, and the realization of "Society 5.0" advocated by the Cabinet Office of the Japanese government will proceed. Demand for the "digital shift" related to information, people, goods and money that our Group aims to provide is expected to increase further in the future. Our Group defines its vision for 2030 as "A true digital shift company that creates new value and solves social issues leading Society 5.0" and has a policy of maximizing corporate value and cash flow by leading every "digital shift" of corporations. The company changed its name from "Opt Holding, Inc." to "DIGITAL HOLDINGS, INC." on July 1, 2020. Furthermore, the Company aims to achieve a corporate value of JPY 1 trillion in 2030 by expanding its core businesses from the marketing business centered on promotion support for customers to digital shift-related businesses.

As a result of business promotion based on the above management policy, in the twelve months of the current fiscal year, net sales were JPY 88,768 million (YoY 1.3% decrease), gross profit was JPY 17,793 million (YoY 0.4% increase), operating profit was JPY 3,240 million (YoY 23.0% increase), EBIT was JPY 6,175 million (YoY 131.8% increase), and EBITDA was JPY 7,591 million (YoY 55.1% increase).

The results of segment are as follows.

< Marketing Business >

The marketing business consists of two sub-segments: (1) OPT, Inc. and other consolidated subsidiaries make the major sub-segment, which provide internet advertising, digital marketing and related services, etc. for major enterprises, and (2) SoldOut, Inc. and its consolidated subsidiaries make the regional small and medium-sized sub-segment, which provide various digital marketing solutions for regional small and medium-sized enterprises.

The performance of the Marketing Business worsened to JPY 82,780 million in net sales (YoY 0.7% decrease), and JPY 13,666 million in gross profit (YoY 3.5% decrease), due to the impact of a decrease in advertising budgets and stagnation in new business acquisition for some customers due to the spread of COVID-19 since March 2020. Profit items, also, worsened to JPY 2,507 million in operating profit (YoY 17.2% decrease), JPY 2,441 million in EBIT (YoY 6.7% decrease), and JPY 2,951 million in EBITDA (YoY 14.1% decrease), due to stagnation for efforts to reduce selling, general and administrative expenses mainly in the major sub-segments.

< Synergy Investment Business >

The Synergy Investment Business consists of the business development investment and the financial investment. The business development investment, mainly, consists of AI related business by SIGNATE Inc., and general trade business in China. The financial investment business consists of BIG1 Investment Limited Partnership (the trade name changed from OPT Ventures No.1 Fund), BIG2 Investment Limited Partnership (the trade name changed from OPT Ventures No.2 Fund), and the investment business by OPT America, Inc.

The performance of the Synergy Investment Business was JPY 6,065 million in net sales (YoY 8.7% decrease), mainly due to a significant decrease in sales of the cross-border Chinese EC business in the business development investment area caused by the impact of COVID-19. However, significant improvements were achieved in JPY 4,203 million in gross profit (YoY 16.8% increase), and JPY 3,080 million in operating profit (YoY 60.7% increase) due to the sale of shares of RAKSUL INC and Jimoty, Inc. held by the Group as operational investment securities and the sale of rakumo Inc. and ENECHANGE Ltd. held by BIG Investment Limited Partnership. In addition, as a result of recognition of profits from overseas investment funds and the sale of a portion of CommerceOneHoldings, Inc. shares held in investment securities, the Group recognized ordinary profit and extraordinary profit, EBIT was JPY 6,154 million (YoY 152.6% increase) and EBITDA was JPY 6,667 million (YoY 89.3% increase), both of which were significantly improved.

Here, the Company discloses its assets under management (AUM) and internal rate of return (IRR) for the purpose of enhancing the transparency of investment results. Details of the calculation method are disclosed in the footnotes below. AUM at the end of the current fiscal year was JPY 25,868 million, up 12.7% from the end of the previous fiscal year mainly due to a rise in the share price of listed securities held, despite the sale of some securities. In addition, the after-tax IRR at the end of December 2020 was 11.7%, down 0.2% from the end of the previous fiscal year mainly due to a decline in the stock price of SoldOut, Inc., our listed subsidiary.

Notes:

1. Precondition for AUM calculation

- 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. However, the fair values of Operational investment securities and Investment securities are categorized by brand and calculated as follows.
 - 1) Securities whose investment amount is small: Acquisition price
 - 2) Listed securities: closing market price as of the end of December 2020
 - 3) Securities with the most recent financing experience (equity financing): Value based on the financing value
 - 4) Securities other than those listed above are classified into multiple method, DCF method and net assets method according to the business situation.

2. Precondition for IRR calculation

- Securities held are deemed to have been sold.
- Subject: Investments made between 2003 and the end of December 2020 (including business investments)
- Base date for calculation: End of December 2020
- Calculation Method:
 - 1) Impaired stock: Calculated assuming sale at net assets value at impairment
 - 2) 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
 - 3) IPO: Calculated as if sold at market value on the calculation reference date
 - 4) Fund: IRR is calculated using the amount collected before the end of December 2020 and the book value as of the end of December 2020.
 - 5) 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

<DIGITAL HOLDINGS, INC. (Hereinafter referred to as "HD".) management costs>

In the HD management division, selling, general and administrative expenses were JPY 2,326 million (YoY 1.6% increase) for the consolidated result for the fiscal year, mainly due to cost reduce efforts.

(2) Overview of financial position

< Assets >

Total assets at the end of the current fiscal year increased by JPY 10,301 million from the end of the previous fiscal year to JPY 71,434 million. Current assets amounted to JPY 64,363 million, an increase of JPY 9,081 million from the end of the previous fiscal year. This was mainly due to Increases of JPY 6,655 million in cash and deposits and JPY 2,167 million in operational investment securities. Non-current assets amounted to JPY 7,070 million, an increase of JPY 1,219 million from the end of the previous fiscal year. This was mainly due to an increase of JPY 1,292 million in investment securities.

< Liabilities >

Total liabilities at the end of the current fiscal year increased by JPY 2,884 million from the end of the previous fiscal year to JPY 31,416 million. Current liabilities amounted to JPY 19,629 million, an increase of JPY 489 million from the end of the previous fiscal year. This was due to an increase of JPY 1,500 million in short-term borrowings, despite a decrease of JPY 1,070 million in current portion of long-term borrowings. Non-current liabilities amounted to JPY 11,786 million, an increase of JPY 2,395 million from the end of the previous fiscal year. This was due to a decrease of JPY 2,967 million in deferred tax liabilities. This was due to increases of JPY 1,659 million in long-term borrowings and JPY 648 million in deferred tax liabilities.

< Net assets >

Total net assets at the end of the current fiscal year increased by JPY 7,416 million from the end of the previous fiscal year to JPY 40,018 million. This was mainly due to increases of JPY 3,620 million in retained earnings due to the recording of profit attributable to owners of parent and JPY 3,416 million in non-controlling interests.

(3) Consolidated cash flows

Cash and cash equivalents (Hereinafter referred to as "Funds") as of the end of the the current fiscal year increased by JPY 6,655 million from the end of the previous fiscal year to JPY 27,054 million. This was because there were Funds obtained from operating, investing, and financing activities. The status of each cash flow during the fiscal year and the major factors behind it are as follows.

< Cash flows from operating activities >

Funds increased by operating activities were JPY 2,179 million (same period last year was an increase of JPY 1,405 million). This was mainly due to recognition of JPY 6,150 million in profit before income taxes, JPY 591 million in depreciation, and an increase of JPY 648 million in accrued consumption taxes, despite JPY 1,104 million in gain on investments in investment partnerships, JPY 1,809 million in gain on sales of investment securities, an increase of JPY 1,013 million in trade receivables, JPY 878 million in income taxes paid, and an increase of JPY 221 million in investment securities for sale.

< Cash flows from investing activities >

Funds increased by investing activities were JPY 1,575 million (same period last year was a decrease of JPY 35 million). This was mainly due to proceeds from sales of investment securities of JPY 2,017 million and proceed from withdrawal of investment securities of JPY 1,393 million, despite recognition of JPY 702 million in purchase of intangible assets and JPY 790 million in purchase of investment securities.

< Cash flows from financing activities >

Funds increased by financing activities were JPY 2,951 million (same period last year was a decrease of JPY 520 million). This was mainly due to recognition of JPY 1,500 million in net increase in short-term borrowings, JPY 3,065 million in proceeds from long-term borrowings, and JPY 2,522 million in proceeds from share issuance to non-controlling shareholders, despite recognition of JPY 2,475 million in repayments of long-term borrowings, JPY 1,045 million in purchase of treasury shares, and JPY 389 million in dividends paid.

(4) Earnings Forecast for Year ending December 31, 2021

The Company aims to achieve "a corporate value of JPY 1 trillion in 2030" by expanding its core businesses from the marketing business centered on promotion support for customers to the digital shift-related business. As a part of these efforts, effective from the first quarter of 2021, the Company will change the two existing segments of Marketing Business and Synergy Investment Business to the three new segments of Advertising Business, Digital Shift Business and Financial Investment Business. Business activities in the new segment are as follows.

| New segment | Business activities |
|-------------------------------|---|
| Advertising Business | <ul style="list-style-type: none">● Internet advertising agency business● Solution development, sales, etc. |
| Digital Shift Business | <ul style="list-style-type: none">● Digital shift consulting● SaaS product development, sales● Operation and development of AI human resources platform● DX human resources services, etc. |
| Financial Investment Business | <ul style="list-style-type: none">● Venture capital investment● Fund management● Support for management of investees, etc. |

Advertising Business segment will promote the automation, efficiency and transparency of agency and brokerage businesses, focusing on Internet advertising. Specifically, it will review ordinary operations business processes and creative business processes, and promote to develop and introduce solutions that can automate and improve the efficiency of operations. In addition, operations requiring human resources will curb costs by promoting near-shore and offshore operations. However, the growth of net sales in this segment might be limited due to the shift of management resources to the digital shift business, etc., but the profit level is expected to improve due to the improvement of profitability by promoting above mentioned measures.

Digital Shift Business segment will reallocate resources to businesses that support corporate digital shifts while leveraging its customer base and industry know-how in the advertising business. As a general rule, in order for a

company to implement a digital shift, it is necessary to allocate appropriate resources in the fields of information, human resources, products, and money. In response, the Group will expand its business by providing digital shift-related consulting services, SaaS products, and developing AI business centered on SIGNATE. In this segment, the Group plans temporarily post operating losses due to accelerate gross profit growth and generate future profitability.

Financial Investments Business segment aims to expand the growth and profitability of each business, by investing in other segments that cannot be covered by existing resources, with using capital gains generated by its financial investments. In this segment, as announced on February 4, 2021, there was the sale of shares of RAKSUL INC. held by the Company. Net sales were JPY 11,355 million, operating profit was JPY 9,553 million by this sale. Accordingly, there caused significant increases.

The Company plans, as the consolidated financial forecast for the fiscal year ending December 2021, JPY 100,000 million (YoY 12.7% increase) in net sales, JPY 10,000 million (YoY 208.6% increase) in operating profit, JPY 10,000 million (YoY 129.5% increase) in ordinary profit, and JPY 7,500 million (YoY 100.0% increase) in profit attributable to owners of parent, based on the aforementioned plan.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly consolidated balance sheets

(Unit: 1 million yen)

| | Previous fiscal year (As of December 31, 2019) | 2020 Q4 (As of December 31, 2020) |
|--|---|--------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,398 | 27,054 |
| Notes and accounts receivable - trade | 13,681 | 14,663 |
| Operational investment securities | 19,524 | 21,692 |
| Inventories | 27 | 9 |
| Other | 1,678 | 956 |
| Allowance for doubtful accounts | (28) | (12) |
| Total current assets | 55,281 | 64,363 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Property, plant and equipment | 156 | 582 |
| Other | 116 | 215 |
| Total Property, plant and equipment | 272 | 798 |
| Intangible assets | | |
| Goodwill | 219 | 156 |
| Other | 1,395 | 1,370 |
| Total Intangible assets | 1,614 | 1,527 |
| Investments and other assets | | |
| Shares of affiliate companies | 625 | 408 |
| Investment securities | 2,038 | 3,331 |
| Leasehold and guarantee deposits | 875 | 876 |
| Other | 471 | 158 |
| Allowance for doubtful accounts | (47) | (28) |
| Total Investments and other assets | 3,963 | 4,745 |
| Total non-current assets | 5,850 | 7,070 |
| Total assets | 61,132 | 71,434 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 13,154 | 12,750 |
| Short-term borrowings | - | 1,500 |
| Current portion of long-term borrowings | 2,307 | 1,236 |
| Income taxes payable | 408 | 772 |
| Provision for bonuses | 547 | 328 |
| Other | 2,722 | 3,042 |
| Total current liabilities | 19,140 | 19,629 |
| Non-current liabilities | | |
| Long-term borrowings | 6,431 | 8,091 |
| Deferred tax liabilities | 2,834 | 3,483 |
| Asset retirement obligations | 115 | 208 |
| Other | 9 | 3 |
| Total non-current liabilities | 9,390 | 11,786 |
| Total liabilities | 28,531 | 31,416 |

(Unit: 1 million yen)

| | Previous fiscal year (As of December 31, 2019) | 2020 Q4 (As of December 31, 2020) |
|---|---|--------------------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 8,212 | 8,212 |
| Capital surplus | 3,924 | 3,972 |
| Retained earnings | 6,936 | 10,557 |
| Treasury shares | (698) | (1,698) |
| Total Shareholders' equity | 18,375 | 21,043 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,593 | 10,071 |
| Foreign currency translation adjustment | 225 | 80 |
| Total accumulated other comprehensive income | 8,819 | 10,151 |
| Share acquisition rights | 0 | 0 |
| Non-controlling interests | 5,405 | 8,822 |
| Total net assets | 32,601 | 40,018 |
| Total liabilities and net assets | 61,132 | 71,434 |

(2) Quarterly consolidated statements of income and comprehensive income**① Quarterly consolidated statements of income**

(Unit: 1 million yen)

| | 2019 Q4 From January 1, 2019 to December 31, 2019 | 2020 Q4 From January 1, 2020 to December 31, 2020 |
|---|---|---|
| Net sales | 89,953 | 88,768 |
| Cost of sales | 72,238 | 70,975 |
| Gross profit | 17,715 | 17,793 |
| Selling, general and administrative expenses | 15,081 | 14,552 |
| Operating profit | 2,633 | 3,240 |
| Non-operating income | | |
| Share of profit of entities accounted for using equity method | 73 | 34 |
| Gain on investments in investment partnerships | 164 | 1,104 |
| Other | 27 | 104 |
| Total non-operating income | 265 | 1,244 |
| Non-operating expenses | | |
| Interest expenses | 24 | 26 |
| Commission expenses | 0 | 50 |
| Other | 41 | 50 |
| Total non-operating expenses | 66 | 126 |
| Ordinary profit | 2,833 | 4,358 |
| Extraordinary income | | |
| Gain on change in equity | 116 | 41 |
| Gain on sales of investment securities | 497 | 1,896 |
| Gain on sale of businesses | — | 115 |
| Other | 3 | 5 |
| Total extraordinary income | 617 | 2,059 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 59 | 35 |
| Impairment loss | 297 | 32 |
| Loss on valuation of investment securities | 421 | 67 |
| Loss on sales of investment securities | 8 | 87 |
| Other | 17 | 43 |
| Total extraordinary losses | 804 | 267 |
| Profit before income taxes | 2,645 | 6,150 |
| Income taxes | 1,280 | 1,448 |
| Profit | 1,365 | 4,702 |
| Profit (loss) attributable to non-controlling interests | (563) | 951 |
| Profit attributable to owners of parent | 1,928 | 3,750 |

② Quarterly consolidated statements of comprehensive income

(Unit: 1 million yen)

| | 2019 Q4 From January 1, 2019 to December 31, 2019 | 2020 Q4 From January 1, 2020 to December 31, 2020 |
|---|---|---|
| Profit | 1,365 | 4,702 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,547 | 1,652 |
| Foreign currency translation adjustment | (70) | (145) |
| Share of other comprehensive income of entities accounted for using equity method | (95) | — |
| Total other comprehensive income | 3,381 | 1,506 |
| Comprehensive income | 4,746 | 6,209 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,143 | 5,082 |
| Comprehensive income attributable to non-controlling interests | 603 | 1,126 |

(3) Quarterly consolidated statements of cash flows

(Unit: 1 million yen)

| | 2019 Q4 From January 1, 2019 to December 31, 2019 | 2020 Q4 From January 1, 2020 to December 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,645 | 6,150 |
| Depreciation | 548 | 591 |
| Amortization of goodwill | 0 | 32 |
| Increase (decrease) in allowance for doubtful accounts | (13) | 2 |
| Increase (decrease) in provision for bonuses | (180) | (213) |
| Increase (decrease) in retirement benefit liability | 22 | — |
| Interest and dividend income | (5) | (1) |
| Interest expenses | 24 | 26 |
| Commission expenses | — | 45 |
| Share of loss (profit) of entities accounted for using equity method | (73) | (34) |
| Loss (gain) on investments in investment partnerships | (164) | (1,104) |
| Loss (gain) on valuation of investment securities | 421 | 67 |
| Loss (gain) on sales of investment securities | (488) | (1,809) |
| Impairment loss | 297 | 32 |
| Loss on retirement of non-current assets | 59 | 35 |
| Loss (gain) on sale of businesses | — | (115) |
| Decrease (increase) in trade receivables | (1,290) | (1,013) |
| Decrease (increase) in investment securities for sale | 204 | (221) |
| Decrease (increase) in inventories | 225 | 18 |
| Increase (decrease) in trade payables | 1,651 | (390) |
| Increase (decrease) in accrued consumption taxes | (1,379) | 648 |
| Other | 518 | 23 |
| Subtotal | 3,021 | 2,770 |
| Interest and dividends received | 5 | 1 |
| Interest paid | (24) | (24) |
| Income taxes paid | (1,623) | (878) |
| Income taxes refund | 25 | 310 |
| Cash flows from operating activities | 1,405 | 2,179 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (150) | (261) |
| Purchase of Intangible assets | (616) | (702) |
| Purchase of investment securities | (234) | (790) |
| Proceeds from sales of Investment securities | 595 | 2,017 |
| Proceeds from withdrawal of investment securities | 324 | 1,393 |
| Payments for sale of businesses | (177) | — |
| Proceeds from sale of businesses | 315 | 105 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (150) | — |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | — | (112) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 292 | — |
| Payments of leasehold and guarantee deposits | (259) | (8) |
| Proceeds from refund of leasehold and guarantee deposits | 13 | 1 |
| Loan advances | (2) | (0) |
| Collection of loans receivable | 21 | 4 |
| Other | (6) | (70) |
| Cash flows from investing activities | (35) | 1,575 |

(Unit: 1 million yen)

| | 2019 Q4 From January 1, 2019 to December 31, 2019 | 2020 Q4 From January 1, 2020 to December 31, 2020 |
|--|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | | 1,500 |
| Proceeds from long-term borrowings | — | 3,065 |
| Repayments of long-term borrowings | (1,300) | (2,475) |
| Proceeds from share issuance to non-controlling shareholders | 1,319 | 2,522 |
| Repayments to non-controlling shareholders | (46) | (133) |
| Repayments of finance lease obligations | (0) | (0) |
| Purchase of treasury shares | — | (1,045) |
| Purchase of treasury shares of subsidiaries | (12) | (0) |
| Dividends paid | (434) | (389) |
| Dividends paid to non-controlling interests | (44) | (90) |
| Other | (1) | — |
| Cash flows from financing activities | (520) | 2,951 |
| Effect of exchange rate change on cash and cash equivalents | (49) | (51) |
| Net increase (decrease) in cash and cash equivalents | 799 | 6,655 |
| Cash and cash equivalents at beginning of period | 19,598 | 20,398 |
| Cash and cash equivalents at end of period | 20,398 | 27,054 |

(4) Notes on quarterly consolidated financial statements

① Notes on the premise of a going concern

Not applicable.

② Notes on significant changes in the amount of shareholder's equity.

The Company acquired 705,900 shares of treasury shares pursuant to the resolutions of the board of directors held on February 12, 2020. As a result, treasury shares increased by JPY 999 million during the current fiscal year, and treasury shares at the end of the current fiscal year was JPY 1,698 million.

③ Information on reporting segments

I. Consolidated financial results for the previous Q4 (From January 1, 2019 to December 31, 2019)

< Information in respect of net sales and the amount of profit or loss for each reportable segment >

(Unit: 1 million yen)

| | Reportable Segments | | | Adjustment *1 | Consolidated |
|--|-----------------------|-----------------------------------|--------|------------------|--------------|
| | Marketing Business | Synergy Investment Business | Total | | |
| Net sales | | | | | |
| Net sales from third parties | 83,339 | 6,614 | 89,953 | — | 89,953 |
| Intersegment net sales or transfer | 7 | 26 | 34 | (34) | — |
| Total | 83,347 | 6,640 | 89,987 | (34) | 89,953 |
| Profit (loss) of segment *2 | 2,615 | 2,436 | 5,051 | (2,387) | 2,664 |
| EBITDA *3 | 3,435 | 3,522 | 6,957 | (2,064) | 4,893 |
| Interest expenses - Interest income | | | | | 18 |
| Profit before income taxes | | | | | 2,645 |
| Income taxes | | | | | 1,280 |
| Income taxes-current | | | | | 1,122 |
| Income taxes-deferred | | | | | 158 |
| Loss attributable to non-controlling interests | | | | | (563) |
| Profit attributable to owners of parent | | | | | 1,928 |

Notes:

1. The -JPY 2,387 million adjustment to profit (loss) of segment includes -JPY 2,387 million of the elimination of intersegment transactions and HD management costs not allocated to each reportable segment.
2. Profit (loss) of segment is presented as EBIT (Profit (loss) before income taxes + Interest expenses - Interest income).
3. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss
However, EBITDA, which was before the definition change, was JPY 4,756 million.

< Information on impairment loss on non-current assets, goodwill, or etc. for each reportable segment >

(Significant Impairment loss pertaining to non-current assets)

Software and other impairment loss accounted for JPY 296 million in the Marketing Business and JPY 1 million in the Synergy Investment Business.

(Significant change in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

II. Consolidated financial results for the current Q4 (From January 1, 2020 to December 31, 2020)
< Information in respect of net sales and the amount of profit or loss for each reportable segment >

(Unit: 1 million yen)

| | Reportable Segments | | | Adjustment *1 | Consolidated |
|--|-----------------------|-----------------------------------|--------|------------------|--------------|
| | Marketing Business | Synergy Investment Business | Total | | |
| Net sales | | | | | |
| Net sales from third parties | 82,724 | 6,043 | 88,768 | — | 88,768 |
| Intersegment net sales or transfer | 56 | 21 | 77 | (77) | — |
| Total | 82,780 | 6,065 | 88,846 | (77) | 88,768 |
| Profit (loss) of segment *2 | 2,441 | 6,154 | 8,595 | (2,419) | 6,175 |
| EBITDA *3 | 2,951 | 6,667 | 9,618 | (2,027) | 7,591 |
| Interest expenses - Interest income | | | | | 25 |
| Profit before income taxes | | | | | 6,150 |
| Income taxes | | | | | 1,448 |
| Income taxes-current | | | | | 1,512 |
| Income taxes-deferred | | | | | (63) |
| Profit attributable to non-controlling interests | | | | | 951 |
| Profit attributable to owners of parent | | | | | 3,750 |

Notes:

1. The -JPY 2,419 million adjustment to profit (loss) of segment includes -JPY 2,419 million of the elimination of intersegment transactions and HD management costs not allocated to each reportable segment.
2. Profit (loss) of segment is presented as EBIT (Profit (loss) before income taxes + Interest expenses - Interest income).
3. EBITDA = EBIT + Other financial gains (losses) + Depreciation + Amortization + Share-based remuneration expense + Impairment loss

< Information on Impairment loss on non-current assets, goodwill, or etc. for each reportable segment >
(Significant Impairment loss pertaining to non-current assets)

Not applicable.

(Significant change in the amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

④ **Significant subsequent events**

<Sale of Investment Securities for Sale>

At the meeting of the board of directors held on February 3, 2021, the Company resolved to sell shares of RAKSUL Inc. (Stock code: 4384 First Section of the Tokyo Stock Exchange) held by the Company. Accordingly, the Company sold the following shares on February 4, 2021.

1. Details of the secondary offering by the Company in the overseas markets

- (1) Stock Name : RAKSUL Inc
- (2) Type and number of shares offered in secondary : Common stock, 2,836,100 shares
- (3) Number of shares held after the offering in secondary : 0 shares

2. Henceforth

As a result of this sale, net sales recognized JPY 11,355 million and operating profit recognized JPY 9,553 million for the first quarter of the fiscal year ending December 2021.

<Purchase of treasury shares>

The Company resolved to repurchase its own shares as follows pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act, which is applied in accordance with as applied mutatis mutandis pursuant to 156 following the deemed replacement of terms, at the meeting of the board of directors held on February 10, 2021.

1. Reasons

The Company decided to acquire treasury stock in order to further return profits to shareholders by improving capital efficiency and implementing a flexible capital policy.

2. Description of Transaction

- (1) Type of shares to be acquired : Common stock
- (2) Total number of shares to be acquired : Up to 650,000 shares *
*Note: Ratio to the number of outstanding shares (excluding treasury shares): 2.93%
- (3) Total amount of acquisition : Up to JPY 1,000 million
- (4) Repurchase period : February 12, 2021 to June 30, 2021 (contract date basis)
- (5) Method of acquisition : Market purchase on the Tokyo Stock Exchange

(Reference) Treasury shares as of December 31, 2020

- (1) Total number of issued shares (excluding treasury shares) : 22,194,005 shares
- (2) Total number of shares acquired : 1,623,695 shares

End.