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Crypto Garage Utilizes SETTLENET to Test the Issuance of JPY Tokens and the Delivery Versus Payment Settlement Service Between the Token and Crypto Assets

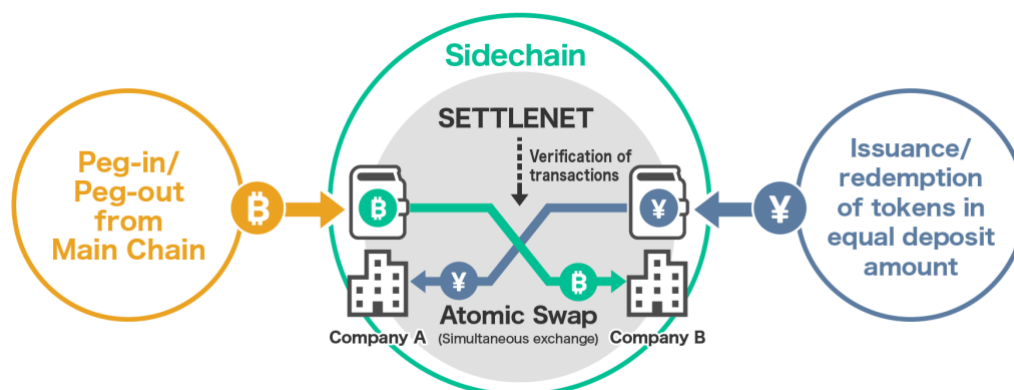
~The First Blockchain and Finance Project Authorized by Regulatory Sandbox in Japan~

Crypto Garage, Inc. (HQ: Tokyo; Representative Director: Masahito Okuma; Crypto Garage), a Fintech company developing blockchain financial services and also a subsidiary of Digital Garage, Inc. (TSE first section: 4819; HQ: Tokyo; Representative Director, President Executive Officer and Group CEO: Kaoru Hayashi; DG) received official authorization to conduct the first blockchain and finance project under the Regulatory Sandbox in Japan, which is managed by Cabinet Secretariat of Japan.

Under this project, Crypto Garage will provide the participating crypto-exchanges with "SETTLENET"*1, which allows the exchanges to issue a stablecoin pegged to Japanese Yen (JPY-Token) on the "Liquid Network", and trade against Liquid Bitcoin (L-BTC) that are pegged to Bitcoin on a Bitcoin sidechain launched by Blockstream Corporation (HQ: Victoria Canada, CEO: Adam Back). Furthermore, by utilizing atomic swap technology*2, "SETTLENET" allows the exchanges to simultaneously deliver LBTC in exchange for the receipt of JPY-Token on the "Liquid Network". This will enable rapid, secure and confidential transfer of the crypto assets while eradicating counterparty risk. In addition, SETTLENET will provide the regulatory authorities with the functionality to monitor any unlawful trade, including money laundering.

The current crypto market faces challenges which prevent the sound development of the crypto market. By enabling delivery versus payment settlement of the crypto assets, Crypto Garage hopes to support the industry to overcome such challenges, and also to accelerate the growth of the overall crypto market. Some of those challenges include the following:

- Underdeveloped market for the exchanges and institutions leads to unstable liquidity and/or price fluctuation
- Lack of uniform trading and settlement platform leads to i) high counterparty risk, ii) low confidentiality of trade between the trading parties and iii) low visibility of trading for the regulatory authorities
- Reliance on consumer facing crypto exchanges which leads to an increased security risk from leaving crypto assets on exchanges





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This initiative is a proof-of-concept project authorized by Regulatory Sandbox in Japan. The project will test and validate i) the secure transfer of crypto assets on a sidechain network and ii) the possibility of building a stable and healthy OTC market by improving transparency for the price-making process.

The term of the project will be 1 year and, the participating crypto-exchanges will be limited to those with a Japanese Virtual Currency Exchange License and the transaction amount will be limited. Also, during the term of the project, Crypto Garage will provide SETTLENET to the participating exchanges for free.

[Reference URL: Cabinet Secretariat Regulatory Sandbox in Japan]

<http://www.kantei.go.jp/jp/singi/keizaisaisei/regulatorysandbox.html>

*1: A suite of products to enhance application development on the "Liquid Network"

*2: A technology enables peer-to-peer simultaneous exchange of crypto assets from one part to another, without counterparty risk and going through a third party service without any counterparty risk or intermediaries

[About Liquid Network] <https://blockstream.com/liquid/>

The Liquid Network is an inter-exchange settlement network connecting cryptocurrency exchanges, market makers, brokers, and other financial institutions around the world. Liquid enables rapid, confidential, secure transfers of bitcoin between members of the network. The network is operated and managed by its federated members, ensuring the system has no single point of failure.

[About Crypto Garage] <https://cryptogarage.co.jp/en/>

Crypto Garage is a Fintech joint venture of Digital Garage and The Tokyo Tanshi Co., Ltd. (HQ: Tokyo; President: Shoji Ushiro), engages in R&D and commercialization of blockchain financial services.

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