# Financial Report

FYE March 2024

Digital Garage

2024.5.9

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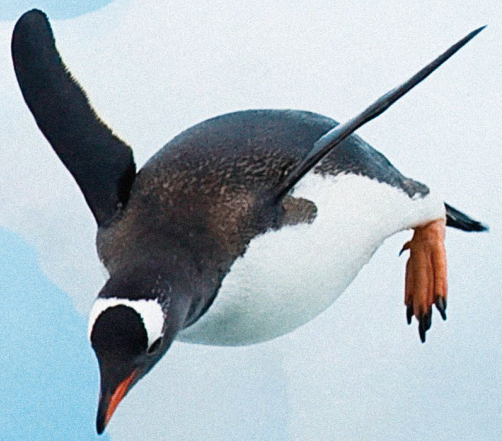
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# I. Purpose / Business Model

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## PURPOSE

**Designing ‘New Context’ for a sustainable society with technology**

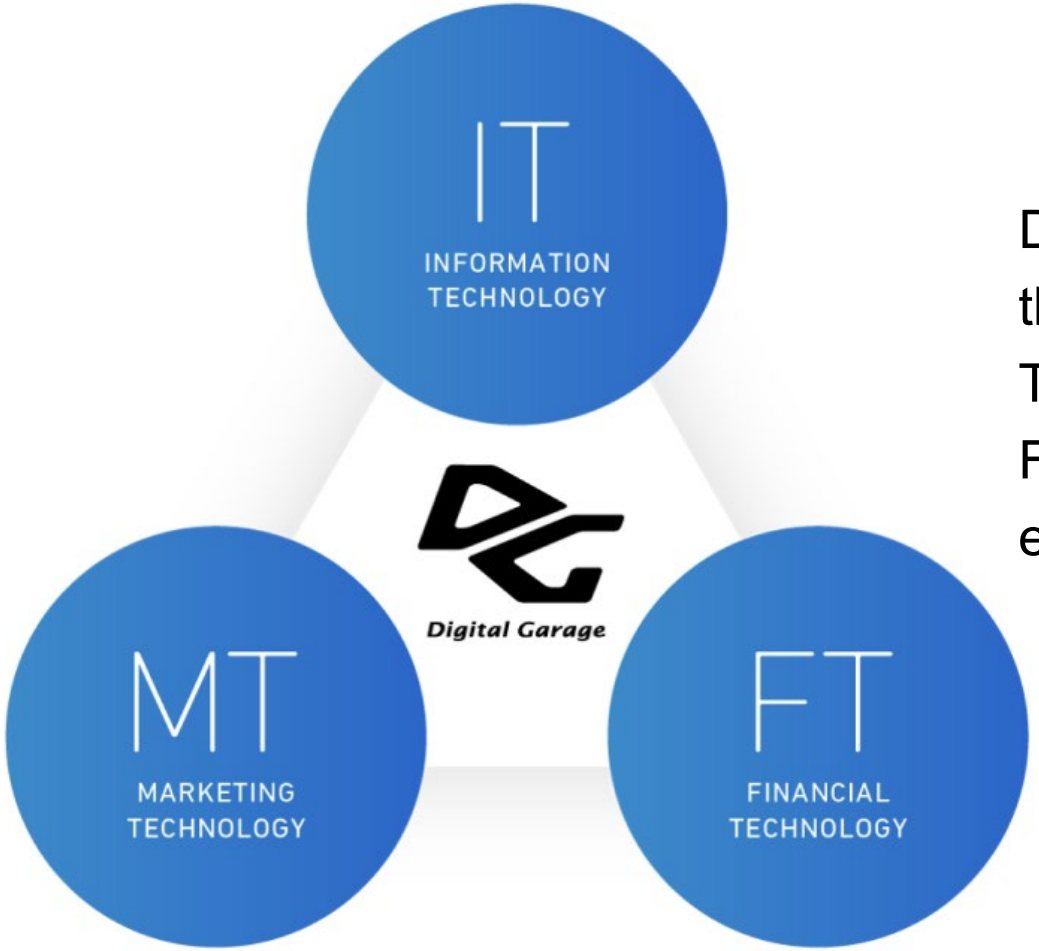
<VALUES>

# First Penguin Spirit

<CORPORATE SLOGAN>

# New Context Designer DG

# Three Core Technologies




Digital Garage has established a structure that links the three different technologies of INFORMATION TECHNOLOGY / MARKETING TECHNOLOGY / FINANCIAL TECHNOLOGY in a context that enables continuous business growth


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# II. Consolidated Financial Results Highlights

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# Group CEO Message

## Significant increase in pre-tax profit to 6.3 B JPY (up 20.2 B JPY YoY), and steady progress in payment and investment business

～Business alliance agreement with KDDI Group (au Financial Service) in payment field～

Below is the essence of the business strategy and highlights of DG group's businesses for FY24.3 and FY25.3.

**[ PS Segment / FT×MTC ]**

In FY24.3, the first year of the medium-term plan, our core payment business achieved more than 15% profit growth due to the convergence of COVID-19 and successful alliances with strategic partners. In terms of the "basic business P&L (excluding investment-related and one-time gains/losses)," the group's business base has been steadily growing with stable profit growth.

In response to changes in the global business environment including the consumer economy, technological advances, and regulations, we have been promptly taking internal and external actions to "optimize the group's business structure.“ Following Toshiba Tec, which provides POS services, and JCB, which operates a credit card business, we have expanded the capital and business alliance with a strategic partner, Resona Holdings, which has the largest accounts with SMEs in Japan.

In FY25.3, DGFT is entering into a payment business alliance with au Financial Service of KDDI Group for the purpose of “collaboration for co-creation" to provide the next-generation, high-quality payment services for the au economic zone.

In FY24.3, we established an e-commerce company called “DG Commerce” with System Integrator Corp. to strengthen the enabling business group in the FT business and to reinforce e-commerce/security/operation monitoring, etc. In FY25.3, we decided to acquire 100% ownership of Score. Co., Ltd., which provides BNPL services, and to incorporate FEELIST Inc, a leading system developer, into the group. In addition, MTC (Marketing business) aims to further evolve and optimize to become a "data-driven, high-functioning marketing group" in line with the changing social environment of personal data.

**[ LTI Segment ]**

While working with Kakaku.com's Tabelog, we have developed an incubation system to achieve continuous growth in FT and to create non-linear growing businesses driven by technology from three angles: "B2B payment/financial business," "industry-specific DX," and "next-generation technology.”

**[ GII Segment ]**

Through the global incubation stream developed over the years, we will invest in and nurture the startup communities related to next-generation technologies including Gen AI, FT, and data. In the medium term, we will design and implement volatility conscious management with investment securities, with a focus on fund-based investments.

**[ Dividends ]**

Basic policy is to pay progressive dividends with a payout ratio of 30% to the basic business CF, and we will commit to paying more than 10 billion yen in dividends over 5 years.

To conclude my message, as we face the current uncertain times caused by international conflicts and discontinuous technological progress, we will strive for further growth by enhancing the symphonic management of the group.

**Kaoru Hayashi, Representative Director, President, Executive Officer and Group CEO**


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# Executive Summary for FYE 24.3

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## Financial Results

■ **Steady growth in mainstay payment business and successful investment exits driving significant increase in consolidated profit before tax**

- **Stable and continuous profit growth in the basic business P&L**, which represents recurring business income and profit
- **Payment business: 15%+ growth in pre-tax profit**, Marketing business: Marketing business: structural transformation on track
- **5.6 billion** of investment income in the first year of the mid-term plan; 1/4 transfer to the Resona joint fund completed

## Business Topics

■ **Strengthened capital and business alliance with Resona Group**

- **Advanced collaboration in payment/next generation Fintech** (formation of strategic project team and personnel transfers)
- Resona Kessai Services becomes an equity method subsidiary
- Established a joint fund with Resona Group, and transferred part of DG group's investment portfolio

■ **Expanded business domain into e-commerce, which is the gateway to payment business**

- **Acquired the EC website construction division** of System Integrator Corp. into DG group (DG Commerce Inc.)

■ **Made progress in structural transformation focusing on payment/Fintech**

- Enhanced collaboration between the payment and marketing business, strengthening cross-sectional synergies
- **On track to further optimize the marketing business** in FY25.3 to support the sustained growth trajectory of the payment business


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# Consolidated Financial Highlights - Segment Profit

Digital Garage

| M JPY | | FY23.3 | FY24.3 | YoY (%) | Summary |
|---|---|---|---|---|---|
| Consolidated profit before tax | | **-13,881** | **6,298** | +20,179 (-%) | • **Significant increase in consolidated profit** as a drop of fair value loss on investments recorded in the previous year<br>• Each respective segment made progress in line with targets set forth in the medium-term plan |
| PS | Payment | **4,897** | **5,662** | +765 (+15.6%) | • **Continuous and stable 15%+ profit growth**, mainly due to transaction growth in travel and restaurant industry with the convergence of COVID-19, and execution of alliance strategies in offline payments |
| | Marketing | **1,508** | **1,137** | -371 (-24.6%) | • Expenses on structural improvements for better integration with payment business, and **one-time losses from equity method affiliates at year-end** |
| LTI | | **3,813** | **1,810** | -2,003 (-52.5%) | • Continued the early-stage investments in new businesses to generate profit in the medium to long term<br>• Profit decrease driven by decrease in gains from securities sales, YoY, but **excluding one-time factors, segment profit grew 16%** |
| GII | | **-11,833** | **1,372** | +13,205 (-%) | • **Significant profit increase** due to a drop of last year's fair value losses<br>• Earned ¥5.6 billion from investment business, and started to transfer a part of portfolio to the joint fund with Resona Group. |
| Headquarters/ adjustments | | **-12,266** | **-3,672** | +8,594 | • Fair value losses on securities held at headquarters were recognized in the previous year |


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# Key Indicator Highlights

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- **15% stable growth in the basic business profit excluding investment and one-time gains/losses**
- **Alliance strategy execution drove strong growth in offline payments, while online payments also grew double-digits**
- **Generated 5.6 billion JPY of cash from investing activities, while new investments were carefully selected to be less than 25% of the investment business income**

| | Unit | FY23.3 | FY24.3 | YoY | % Change |
|---|---|---|---|---|---|
| Basic Business Profit | M JPY | **4,203** | **4,847** | +644 | +15.3% |
| Transaction Volume | 100M JPY | **52,774** | **62,295** | +9,521 | +18.0% |
| Online Payment | 100M JPY | **39,707** | **44,135** | +4,428 | +11.2% |
| Offline Payment | 100M JPY | **13,067** | **18,159** | +5,093 | +39.0% |
| Investment-related KPIs | | | | | |
| Investment Business Income *1 | M JPY | **5,051** | **5,626** | +575 | - |
| New Investment *2 | M JPY | **2,817** | **1,311** | -1,505 | - |

*1 Investment Business Income: Total of profit from the sales of holding shares and profit distribution from funds
*2 New Investment: New investments in operational investment securities, excluding business related expenditures


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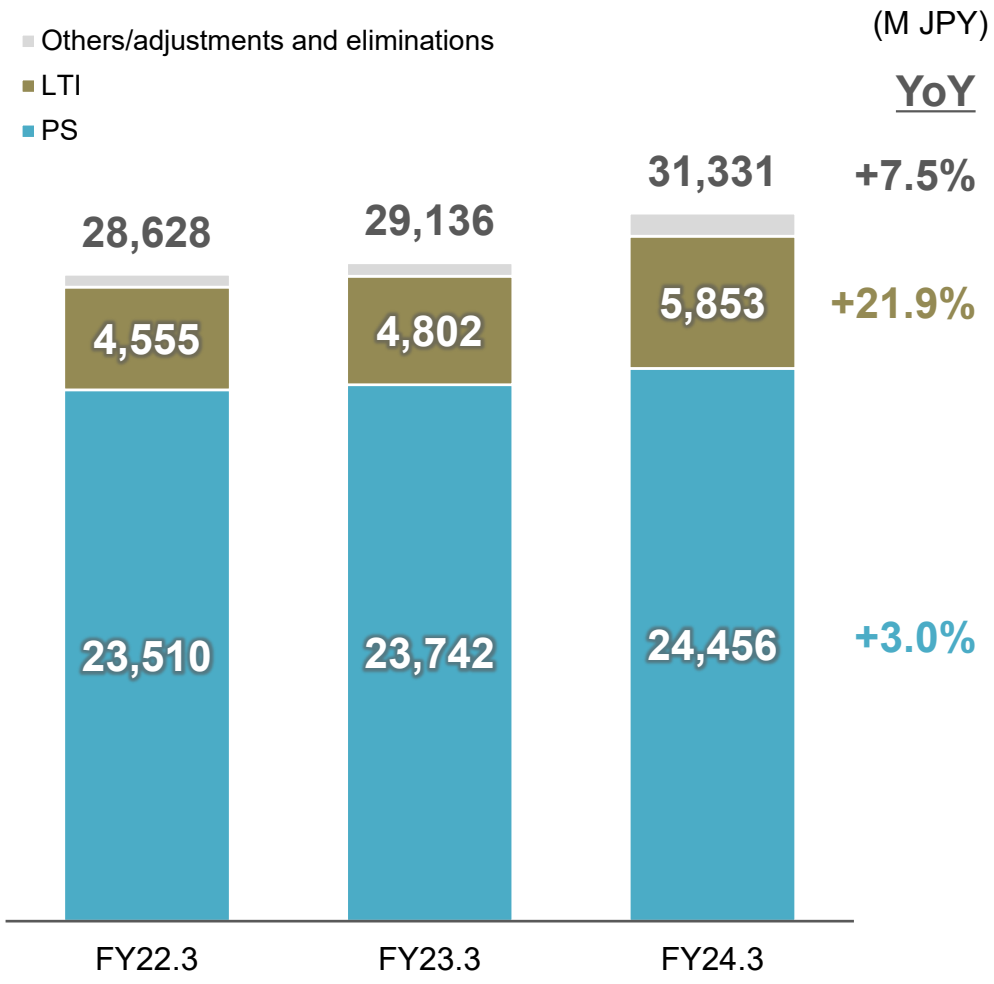
# Basic Business Revenue and Profit*

*Recurring business revenue and profit excluding investment-related and one-time gains/losses

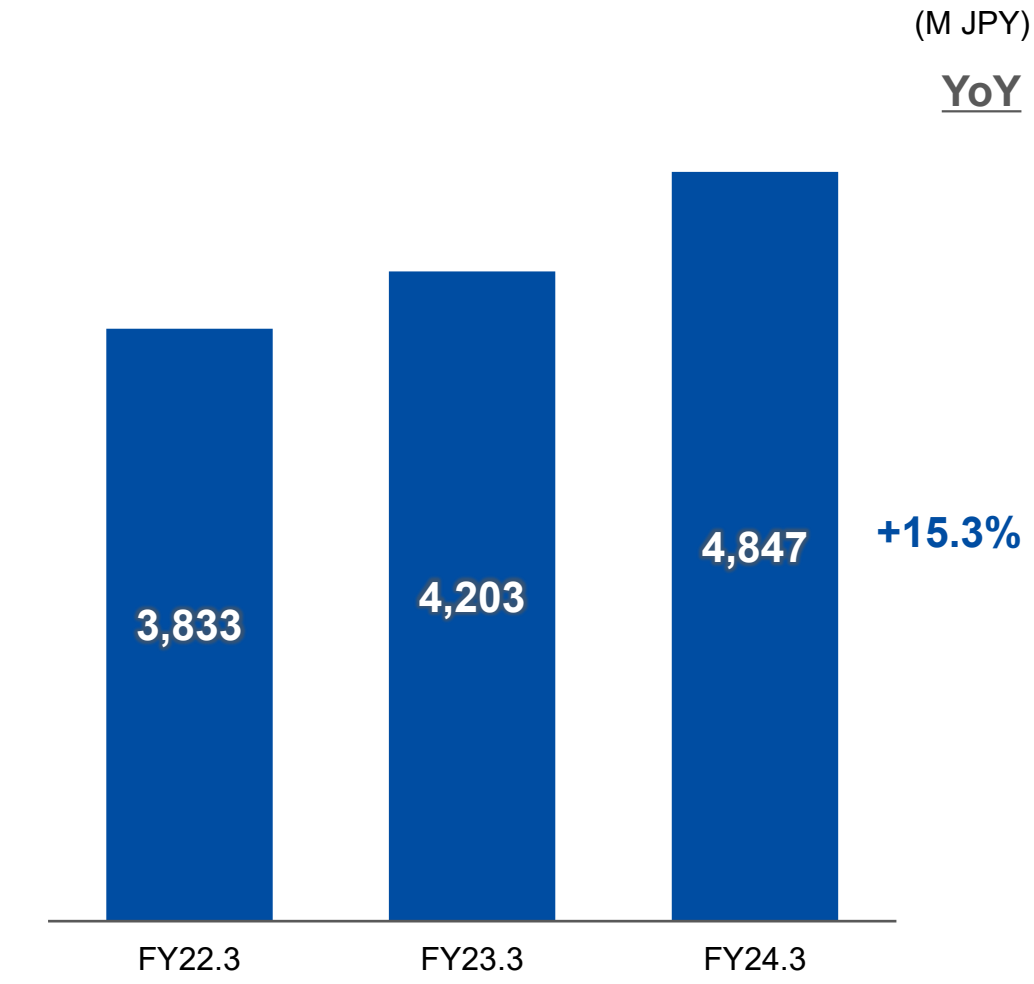
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- **Basic business revenue and profit showed consistent and stable growth, especially the profit increased by 15% YoY**
- **Aiming to accelerate mid-term growth by focusing on consistent growth in PS and creating new businesses in LTI**

## Basic Business Revenue




## Basic Business Profit





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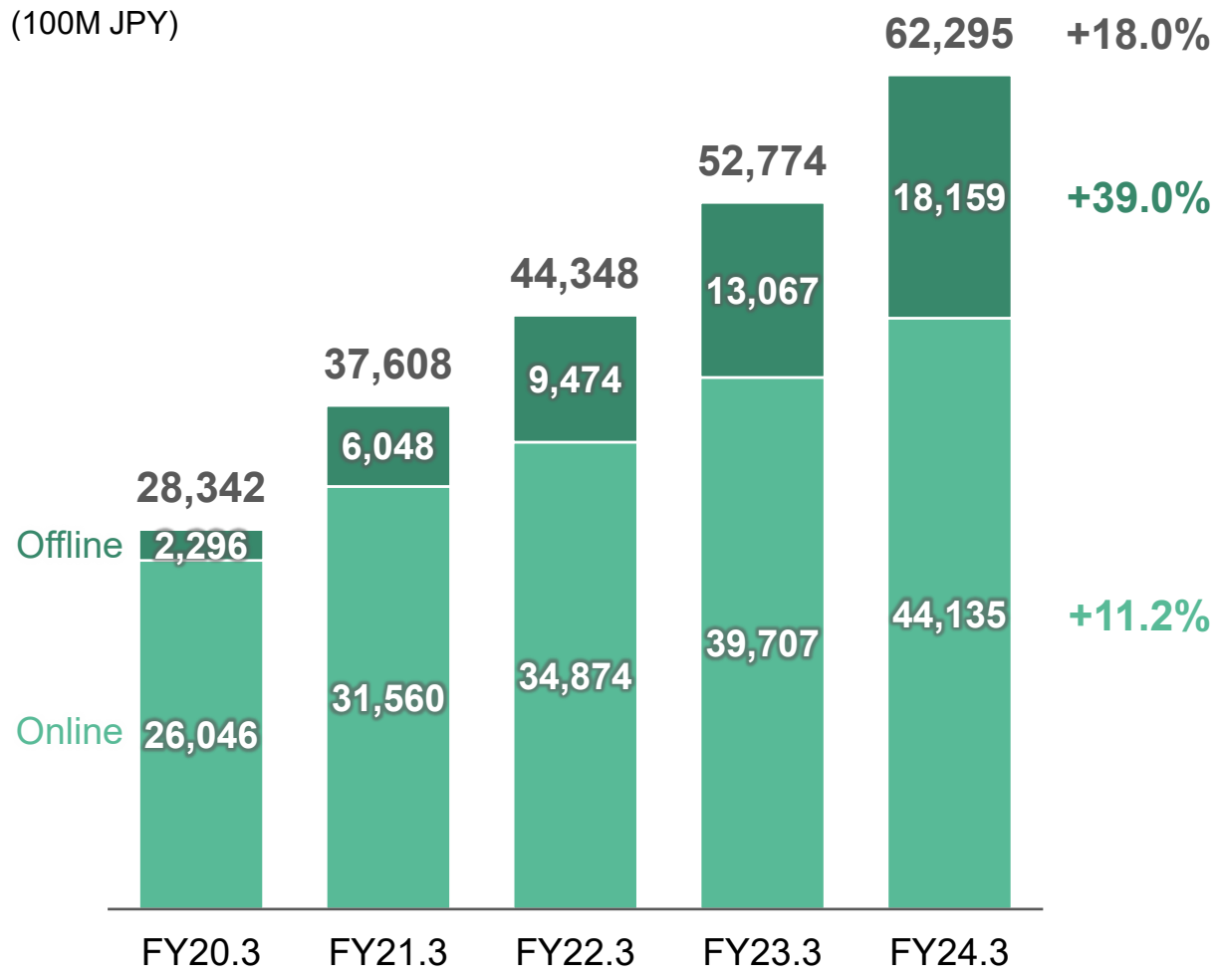
# III. Segment Performance Highlights

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# Segment Results - PS Segment: Overview of Payment Business

**Payment transaction volume, a key indicator, was up 18% YoY to ¥6.2 trillion, and is expected to show sustainable growth both online and offline.**

## Annual Payment Transaction




### Offline Domain

- Continued strong growth in QR and credit card payments, especially at large retailers
- Accelerating further merchant acquisition in FY25.3

### Online Domain

- Back on track for growth with increased transactions mainly in non-merchandising and DX fields; a rebound in the travel industry following the convergence of COVID-19, an increase in mobile ordering at restaurants, and growth in online supermarkets
- With the launch of DG Commerce, enhanced capability to respond to increased demand


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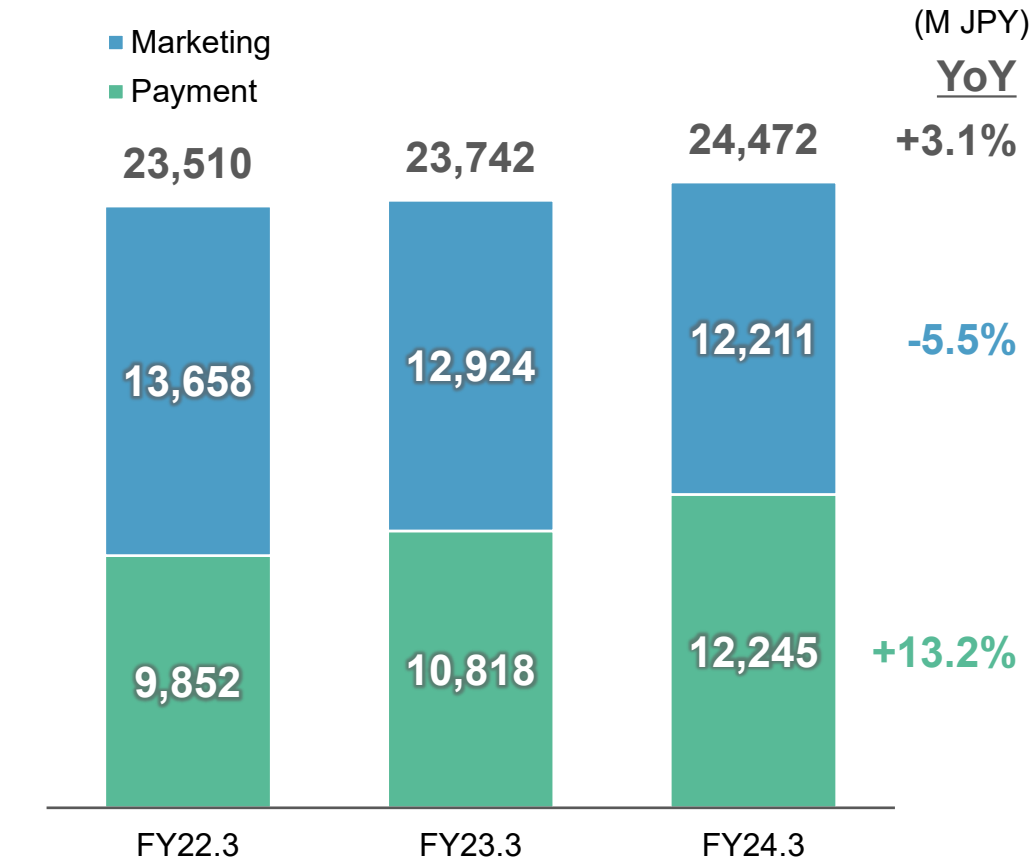
# Segment Results - PS Segment

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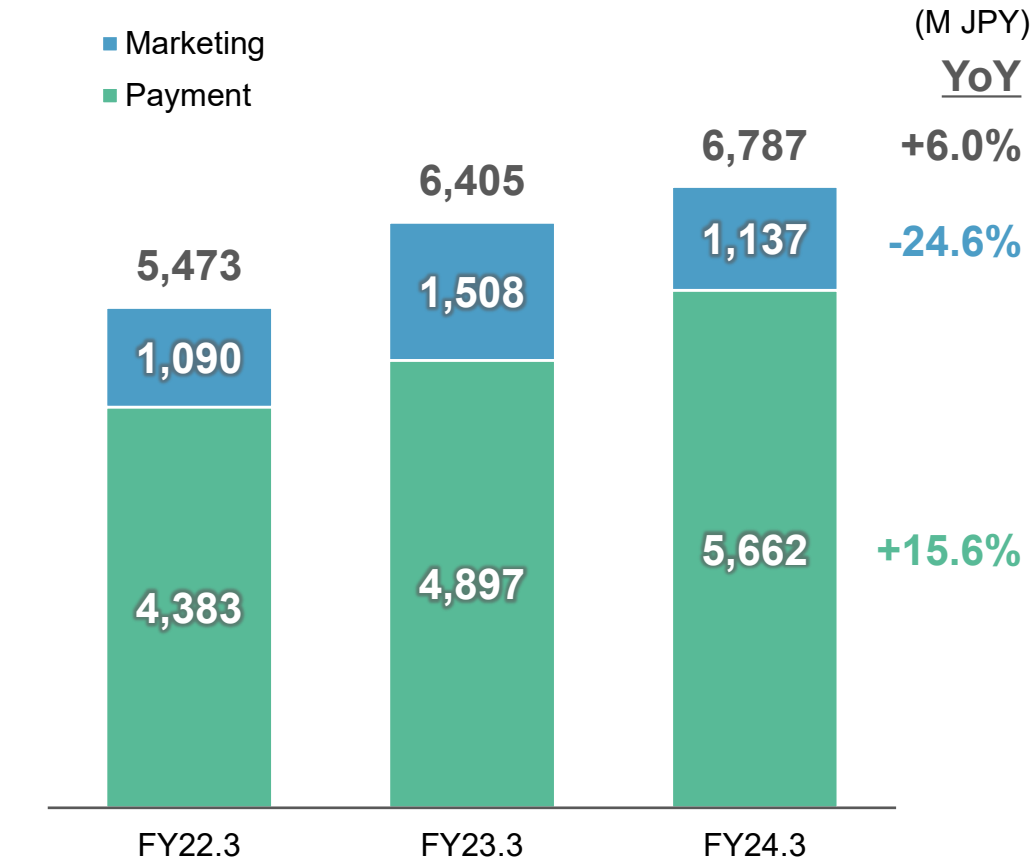
**For further growth in payment business, marketing business optimization #2 will be implemented in FY25.3**

- **Payment business delivered 15%+ profit growth despite one-time factors including the loss of a transaction.**
- **Marketing business recorded lower profit due to the loss of an equity-method affiliate, while making structural changes for stronger integration with payment business.**

## Segment Revenue




## Segment Profit





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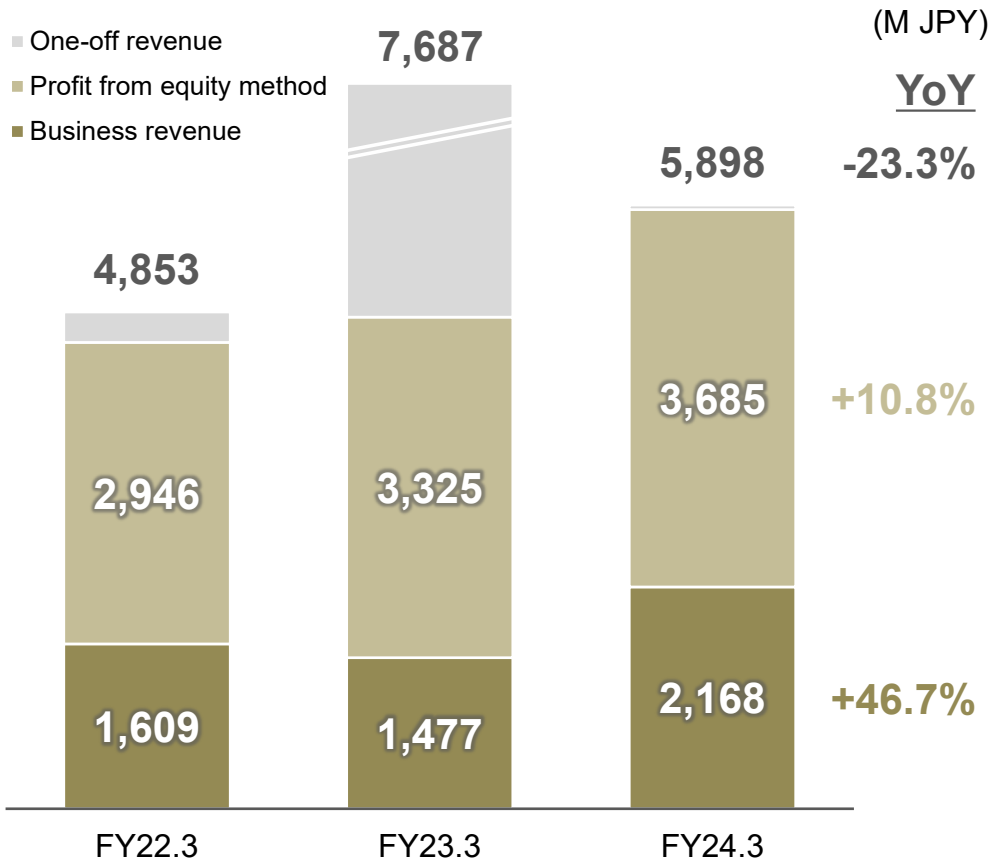
# Segment Results - LTI Segment

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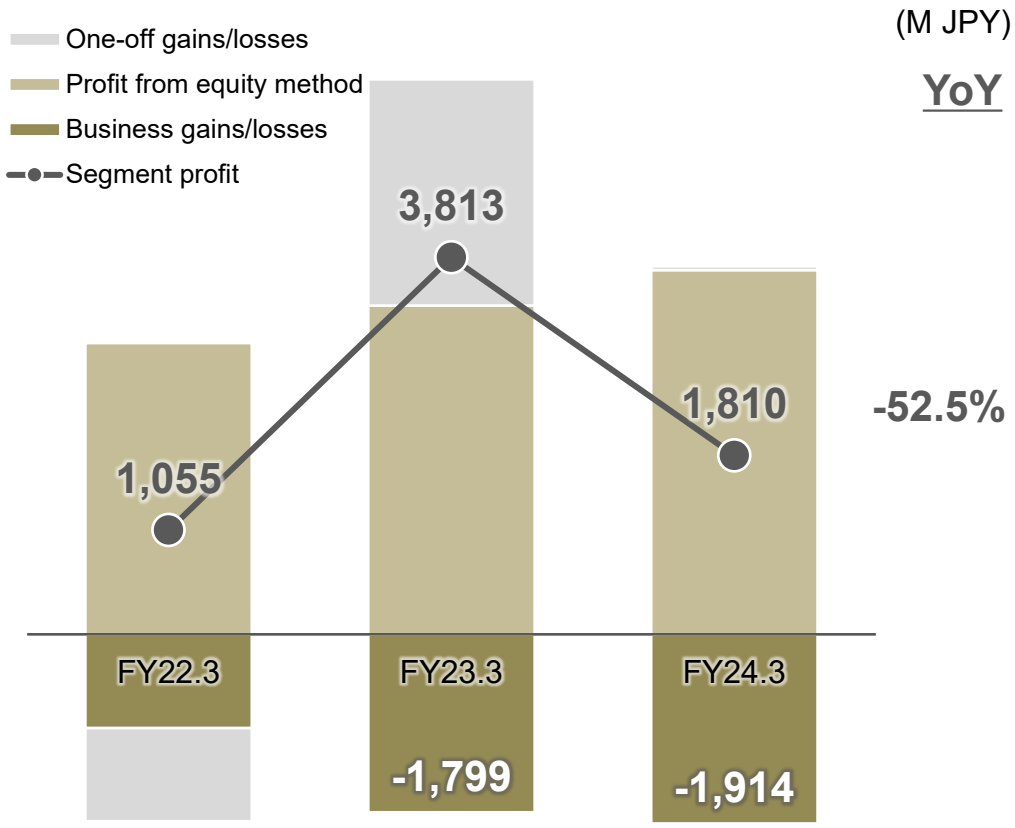
**Established collaboration project task force and identified focus areas with DG x Kakaku.com**

- **Continued upfront investments in several new payment-related businesses, with a view to the DG group's medium to long-term growth**
- **Kakaku.com posted a record profit in the Tabelog business and steady growth in the Kyujin Box business**

## Segment Revenue




## Segment Profit





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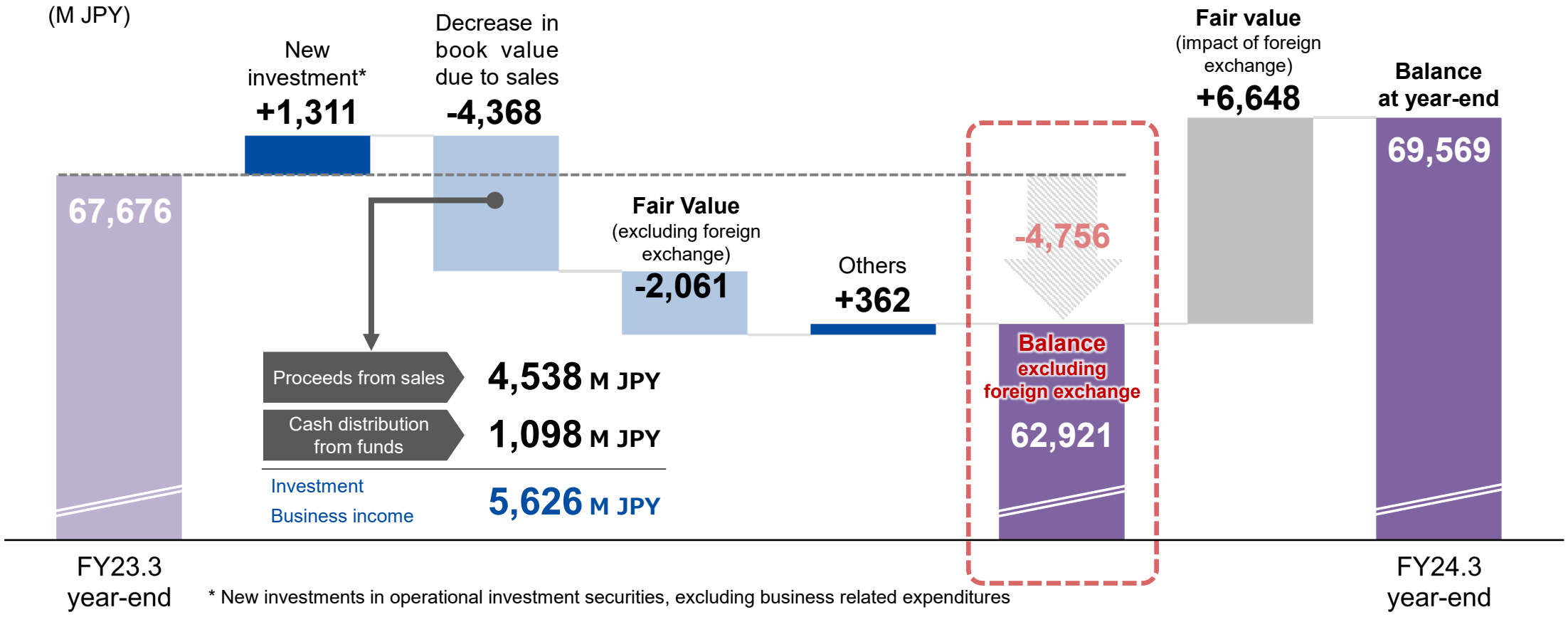
# Segment Results - GII Segment

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**Invest in and incubate startups related to payment business from a global perspective, in addition to investment returns**

- **Generated ¥5.6 billion in cash throughout the year from the sale of securities and fund distribution income**
- **The balance of operating investment securities excluding currency fluctuations was ¥62.9 billion, a decrease of ¥4.8 billion from the previous fiscal year due to steady progress in sales**

## Operating Investment Securities Increase/Decrease




* New investments in operational investment securities, excluding business related expenditures


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# IV. Business Strategy for Fiscal Year Ending March 31, 2025 (2nd Year of the Medium-Term Plan)

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# Business Plan and Dividend Forecast for FYE 25.3

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| | | | FYE 25.3 |
|---|---|---|---|
| Growth Target | Profit before tax | Payment Business | YoY +20 % |
| | | PS segment | YoY +20～25 % |
| Shareholder Returns | Dividend per share | Ordinary Dividend | 43 JPY |
| | | Special/Commemorative Dividend | 10 JPY |
| | | Total | 53 JPY |

**Growth Target**

- Payment business: **20% profit growth expected**, driven by its stable business expansion, revenue contribution from business alliances with partners, and the status of ongoing projects
- Platform Solution segment: **target growth rate of 20-25%**, reflecting the reclassification of the marketing business for structural reform and the absence of a one-time loss from equity method affiliates in the previous fiscal year.

**Shareholder Returns**

- DG's basic policy is to distribute a **progressive dividend** that continuously increases in line with stable profit growth, and the ordinary dividend forecast at the beginning of the fiscal year is determined considering its capital needs for growth and its financial condition.
- In addition, **a special/commemorative dividend of 10 yen per share** is planned for this year in celebration of DG's 30th anniversary, following the completion of a partial transfer of the investment portfolio to a joint fund with Resona Group


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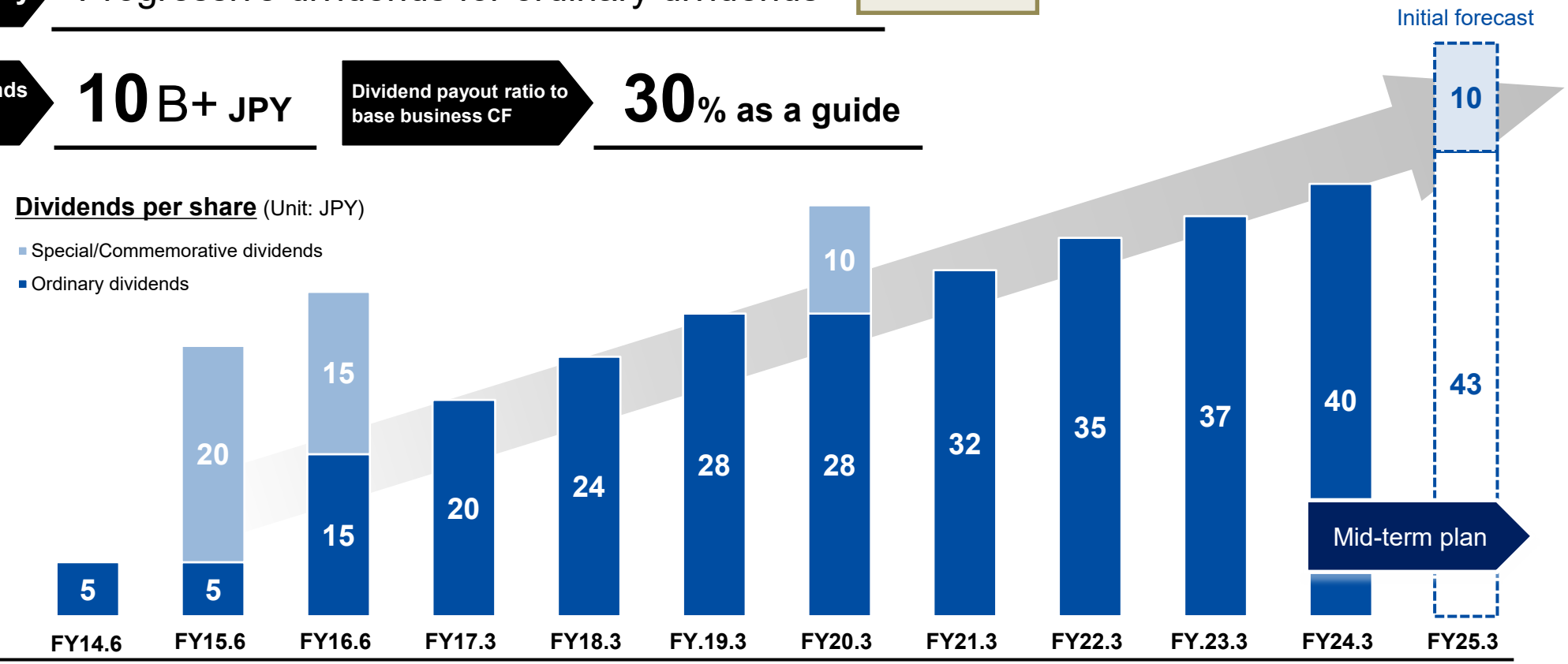
# Track Record of Shareholder Returns

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**Dividend Policy** Progressive dividends for ordinary dividends **New**

**5-year total dividends FY24.3-FY28.3** **10B+ JPY**

**Dividend payout ratio to base business CF** **30% as a guide**




| | | FY14.6 | FY15.6 | FY16.6 | FY17.3 | FY18.3 | FY.19.3 | FY20.3 | FY21.3 | FY22.3 | FY.23.3 | FY24.3 | FY25.3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total dividends | 100M JPY | | 11.7 | 14.1 | 9.4 | 11.3 | 12.9 | 17.5 | 14.7 | 16.5 | 17.0 | 19.0 | - |
| Share buyback | 100M JPY | | - | - | - | - | 50.0 | - | - | - | 50.0 | 50.0 | - |
| **Total shareholder return** | **100M JPY** | | **11.7** | **14.1** | **9.4** | **11.3** | **62.9** | **17.5** | **14.7** | **16.5** | **67.0** | **69.0** | **-** |
| **Dividend payout ratio to base business CF** | **%** | | **-** | **-** | **-** | **-** | **29.1%** | **41.1%** | **32.8%** | **32.6%** | **28.7%** | **29.8%** | **-** |


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# Business Strategy to Underpin **Stable 20% Growth*** in Payment Business

## 5 Actions & Further Optimization of PS segment (Structural Transformation of Marketing Business)

*Financial*

1. Strengthening the Capital and Business Alliance with Resona Group

*Telecom*

2. Business Alliance with au Financial Service of KDDI Group
(Provision of high-quality payment services for the au economic zone)

*Group Media*

3. Promotion of Group Business in Strategic Sectors with Kakaku.com
(EC/Restaurant/Travel/Real Estate/HR)

*Value-chain Enhancement*

4. Acquiring 100% share of SCORE. Co., Ltd. that provides BNPL services

*Development Enhancement*

5. Expanding development resources through M&A of competent system development company

*Pre-tax profit growth / Overall PS segment growth rate target is 20-25%


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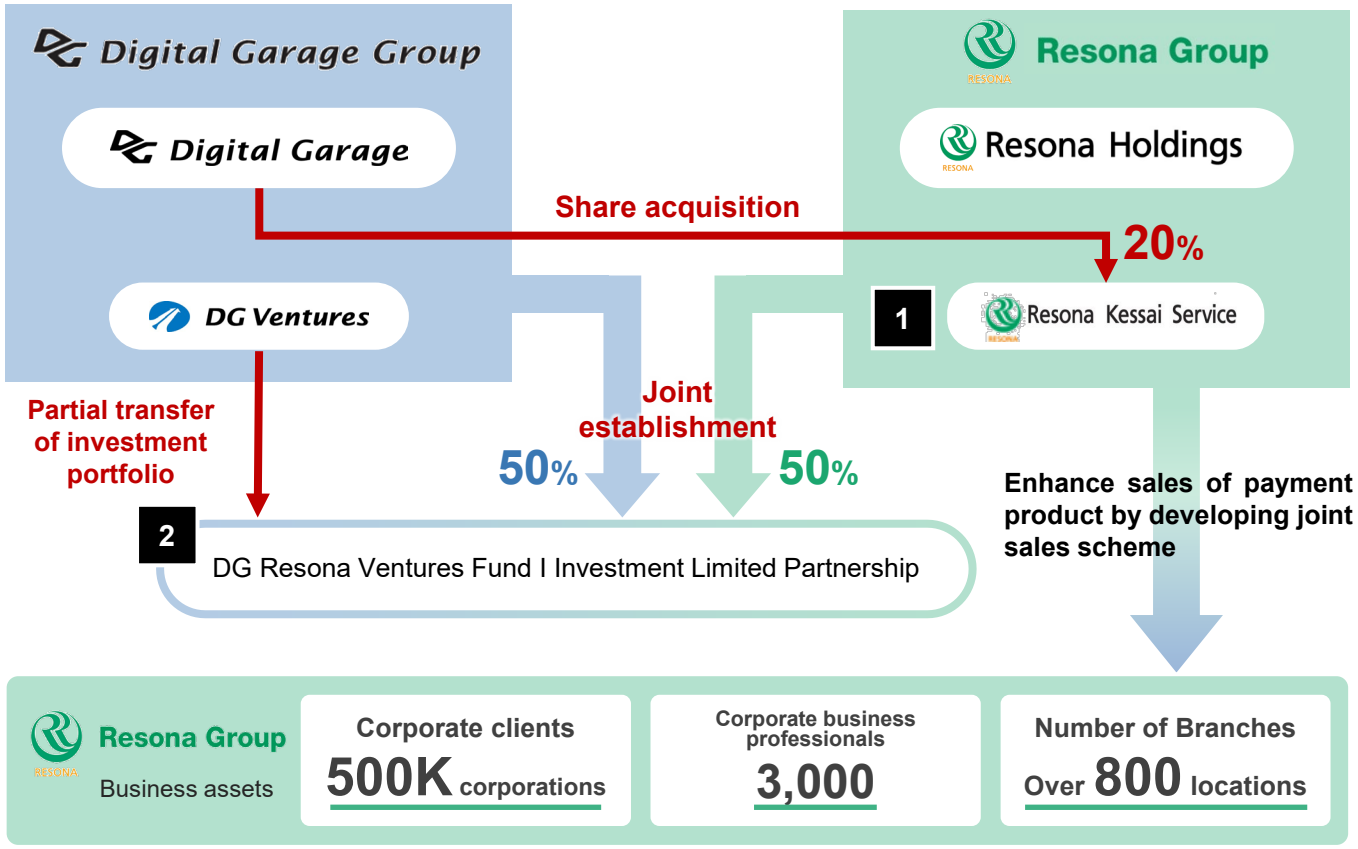
# 1. Strengthen the Capital and Business Alliance with Resona Group

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## Full Scale Initiatives to Strengthen the Capital and Business Alliance with Resona Group

**Completed the share acquisition of Resona Kessai Service Co., Ltd. (RKS) to make it an equity method affiliate and the joint establishment of DG Resona Ventures**

## Overview of the Capital and Business Alliance with Resona Group




## Progress

### 1 Share acquisition of Resona Kessai Service

- Acquired 20% of RKS shares on April 1, 2024, to make it an equity-method affiliate, effective from FY25.3
- Developed joint sales scheme including accepting and dispatching professionals between DG Group and Resona Group

### 2 Joint fund establishment

- Established joint venture fund “DG Resona Ventures Fund I Investment Limited Partnership”
- Completed the partial transfer of the DG Ventures investment portfolio
- Expecting an additional transfer of investment portfolio in FY25.3


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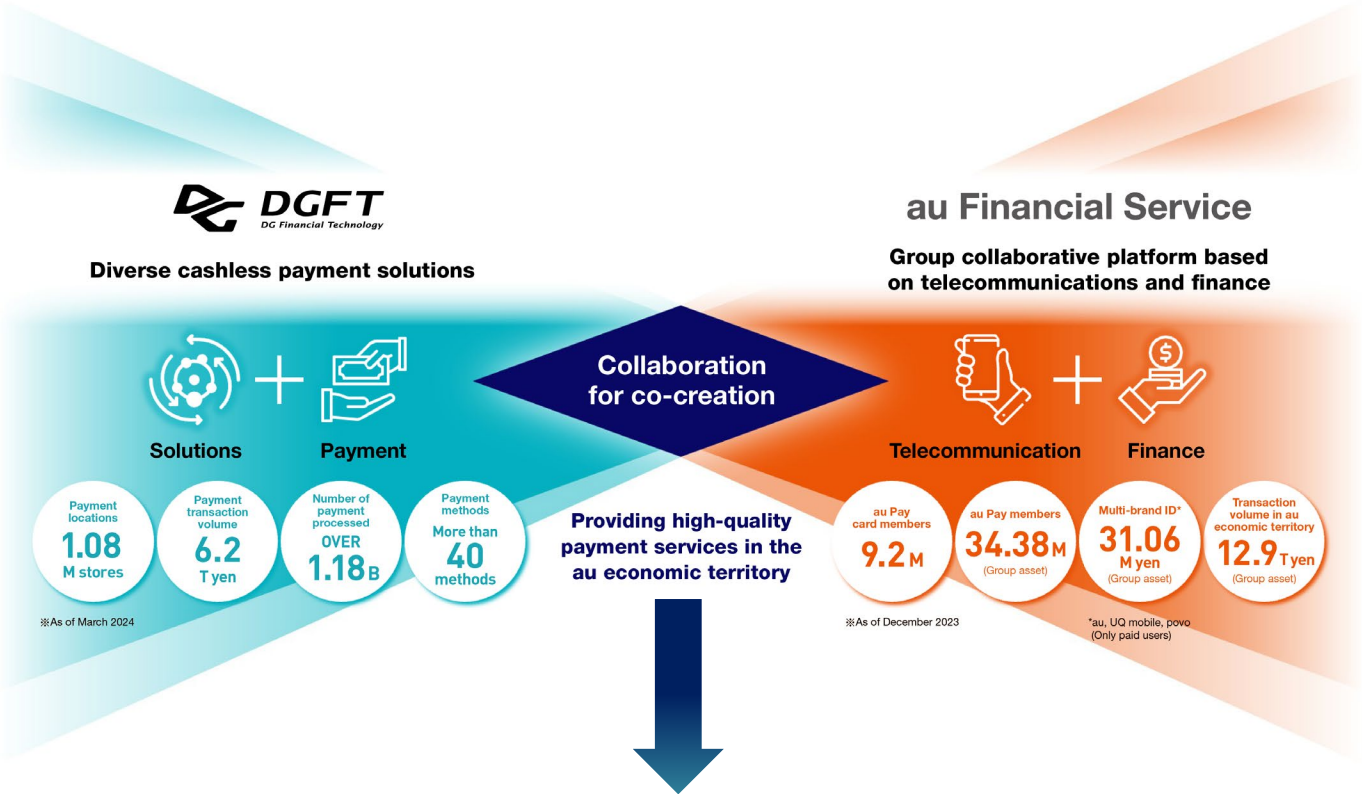
# 2. Payment Business Alliance with au Financial Service

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## DGFT* and KDDI Group's au Financial Service Formed a Business Alliance to Collaborate in the Payment Business

**Aim to expand market share and improve positioning in the growing cashless market by developing a one-stop payment service through co-creative collaboration**

## Overview of the Business Alliance




**Provide high-quality payment services in the au economic zone**

## Company Profile of au Financial Service

| | |
|---|---|
| Name | au Financial Service Corporation |
| Location | 2-3-1 Nishi-Shinbashi, Minato-ku, Tokyo |
| Established | February, 2014 |
| Shareholder | au Financial Holdings Corporation (Wholly-owned subsidiary of KDDI Corporation) |
| Representative | Atsushi Nagano |
| Business | Credit card, settlement agency, loan, acquiring, bank agency, and non-life insurance businesses |

*DGFT stands for DG Financial Technology, Inc.
A wholly owned subsidiary that serves as the core of DG Group's payment business


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# 3. Promotion of Group Business in Strategic Sectors with Kakaku.com

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## Collaboration between Group Business and Strategic Partners

### 1 Group Business Collaboration

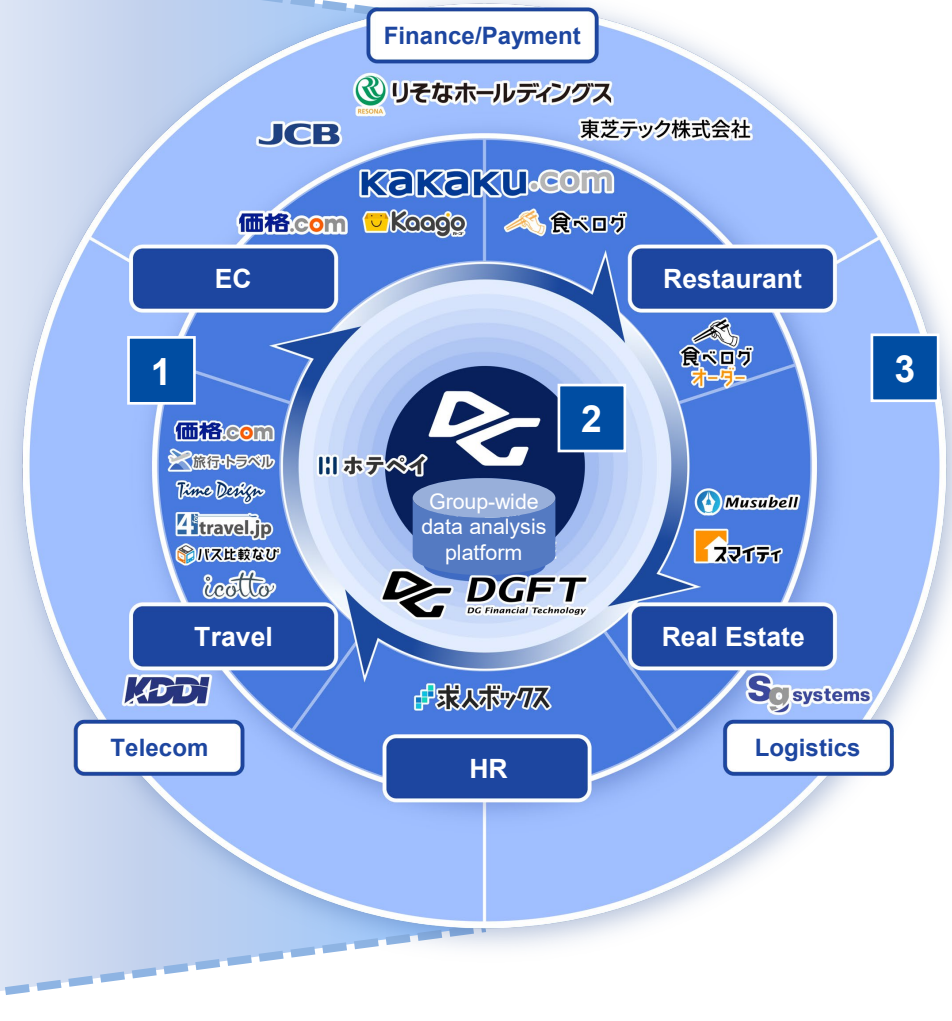
Realizing group collaboration between DG and Kakaku.com in the identified strategic sectors (EC, Restaurants, Travel, Real Estate, and HR)

### 2 Strengthening Group Data Infrastructures

Progressing development of group data infrastructure based on the strategic sectors above

### 3 Data Partnering with Strategic Partners

Developing new services for strategic sectors jointly with capital/business alliance partners, and promoting R&D activities based on next-generation AI researched and developed in our Lab.





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# 4. Payment Business Expansion by Strengthening the BNPL Services

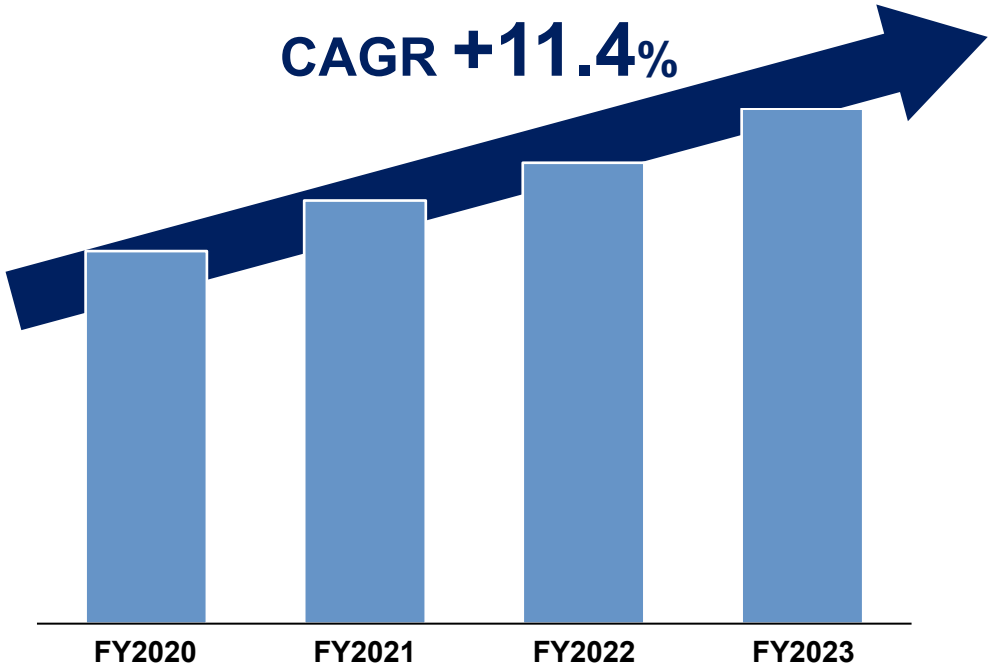
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## Agreed to Acquire 100% Share of SCORE. Co., Ltd. that Provides BNPL Services

**Additional share acquisition to provide group-wide pay later solutions for B2B in addition to B2C**

### SCORE Revenue Trend

Continuous revenue growth with increasing need for pay later services




### Business Plan

DG Financial Technology, a wholly owned subsidiary of DG, is planning to acquire the shares of Score from Nissen Co., Ltd. on July 1

**DG Group synergies realize the following**

1. **Development of comprehensive services (offline domain) in combination with DG's various solutions**
   - BNPL services via CloudPay Neo, device-free payment service, etc.
2. **Product enhancement aimed at entering the B2B financial market in addition to the current B2C services**

**SCORE Payment Service**

Established in 2018 as a joint venture with DG Group and Nissen Co., Ltd., a general mail-order operator, by spinning off its pay later business Shareholder as of March 31, 2024: Nissen Co. 51% / DG Financial Technology 49%


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# 5. Expansion of the Digital Garage Group's Development Resources

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## FEELIST Inc., a Sapporo-based Company with Excellent Engineers, is Scheduled to Join DG Group on July 1st

**Strengthening product development capabilities within DG Group for greater competitive advantage**

Digital Garage Group

Technology personnel in DG group

**Approx. 180 people**

Affiliated engineers

**Approx. 200 people**

+

New group-in FEELIST

**Approx. 120 people**

## DG Group's Technology Infrastructure

### Payment System

Social infrastructure system that is required to be stable 24/7 operation and solid security



### New Products

Next generation products that drive DG group's growth via promotion of DX/Fintech in various industries



### Advanced Technology

New technology development in GenAI & crypto assets, and collaboration with the Digital Architecture Lab

Digital Architecture Lab

*Research lab that designs next-generation social structures driven by advancing technology and promotes implementation

**FEELIST Inc.**

Sapporo-based near-shore engineering company with good track record in SES and contracted development projects, including web system and application development projects for major companies

Representative: Toshifumi Kino / Head office: Sapporo, Hokkaido, Japan / Offices: Sendai, Niigata, Tokyo, Kyoto, Fukuoka


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# V. Position and Overview of Each Segment in Fiscal Year Ending March 31, 2025

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# Grand Design for New Group Formations

## I PS segment

DGFT DG Financial Technology

MTC

## II LTI segment

**Media** (Kakaku.com)

/ID　食べログオーダー　BI.GARAGE

Retail Tech　Real Estate

B2B　web3

**Mobile & Next Tech**

## Enabling business group / Strategic Partners

SCORE　Commerce　NaviPlus

Scudetto　DG FutureTech

JCB　Resona Group　au Financial Service

ANA　Toshiba Tec Corporation

## III GII segment

DG Ventures　DG Incubation　DG Daiwa Ventures　GEN LAB

DGUS　717

**Media & Mobile & Next Tech**

kakaku.com

価格.com　食べログ　求人ボックス

**Gravity**

Money Flow

・Data management
・PP project

DATA FLOW

Information Flow

Business Flow

Logistics

**Startup**

**Global Incubation Stream**

Global TECH & Startup Community

<Tokyo／San Francisco／London>

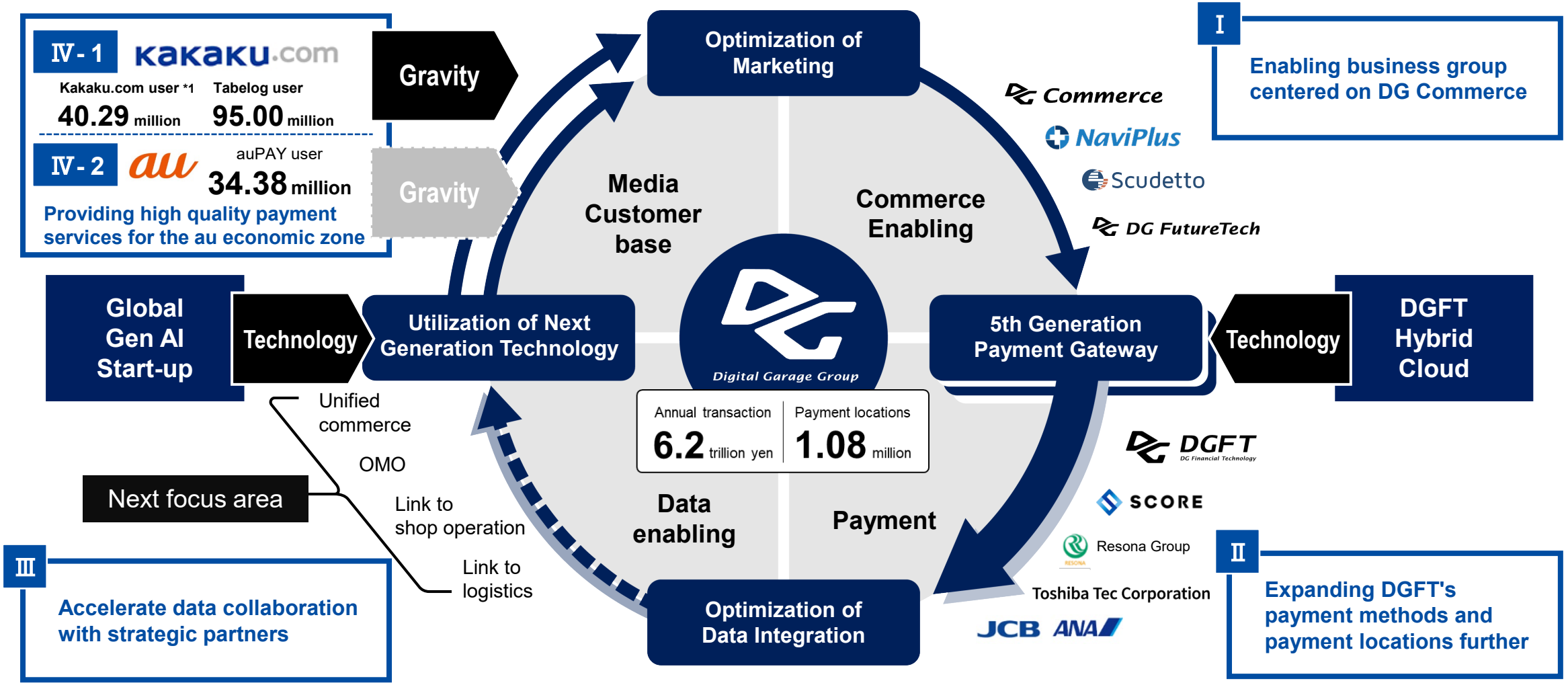


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# Overview of the PS Segment and Enabling Businesses

## Strategic Enhancements to Functionality in Four Areas Surrounding Payment and Data

**Optimization of data integration following the enabling business group to achieve the virtuous cycle**




*1 Monthly users as of December 2023. *2 Actual results for FY24.3


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# Overview of the LTI Segment (Fintech Shift / Gravity Wing)

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## Developing an incubation system that also works with the Kakaku.com Group's Traffic (Gravity)

- **Accelerating business development in the "EC," "Restaurants," "Travel," "Real Estate," and "HR" fields through enhanced collaboration with Kakaku.com**
- **In DG alone, strategic business planning and development will be promoted with a focus on three fields highly linked to payment business: B2B payment/finance, industry-specific DX, and next-generation technologies/services**

## Strengthen Strategic Business Planning and Development

### ■ Strategic Businesses

#### B2B Payment/Finance

**B2B Payment**

DGFT請求書カード払い

Corporate payment service that enables card payment on any invoice

**Financial Services**

クイックマネー

Factoring Service

#### Industry-specific DX

**Real Estate**

Musubell — DX services for Real estate industry

**Restaurants / Retail**

Pangaea Delivery — DX service that combines management and operation of a variety of online orders.

**Healthcare**

Cloud Pay Medical — BNPL service for medical institutions

#### Next-gen. Technologies/Services

**Crypto Assets**

CRYPTO GARAGE

Payment and Custody solutions for B2B crypto asset transactions, and consulting and support for web3/NFT businesses

**Next-generation Marketing**

BI.GARAGE

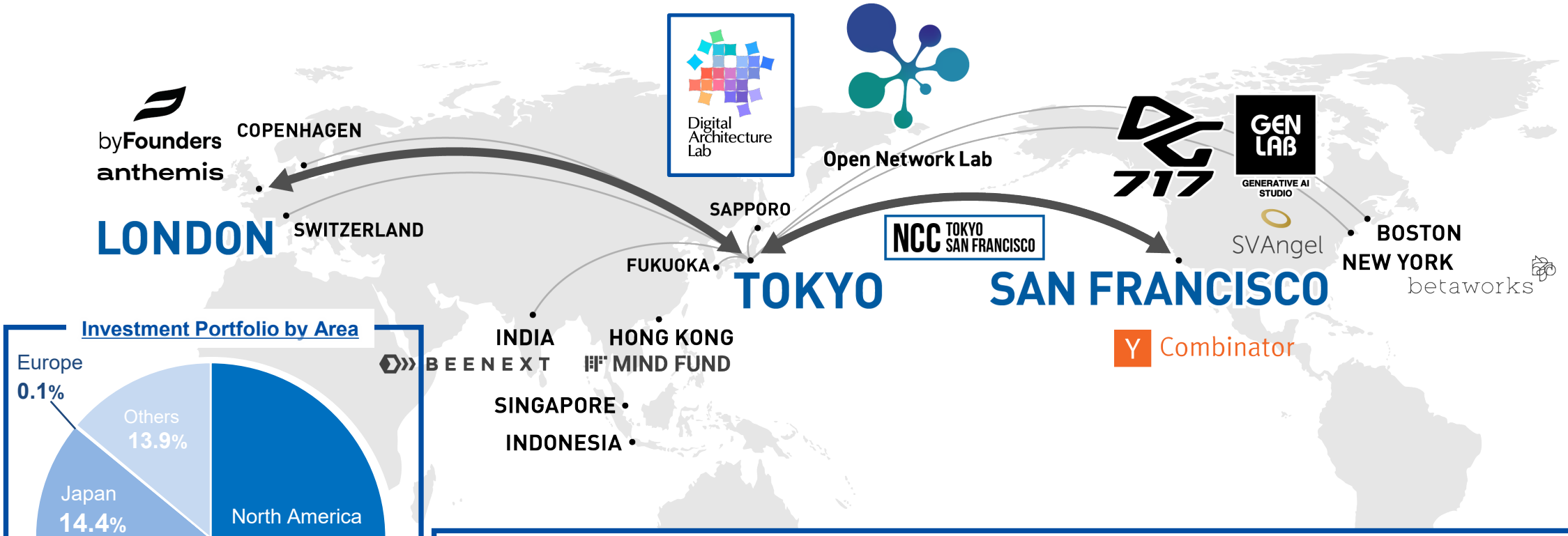
Data science business, and development of cutting-edge web advertising technology


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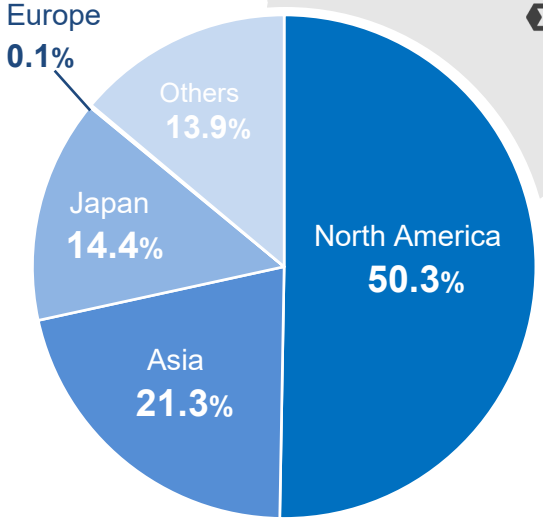
# Overview of the GII Segment (Startup Wing)



**Investing in and nurturing startup communities in next-generation technologies including Gen AI, Blockchain, as well as financial technology and data on a global scale through "global incubation streams" developed over the years**




## Investment Portfolio by Area




- Leveraging San Francisco-based DG717 with 10 years of experience (Japan ⇆ Silicon Valley)
  → Becoming a start-up mecca for GenLab (AI Studio) and web3
- New London office to enter the European start-up ecosystem,
  → Joined by a prominent venture capitalist, Hiro Tamura (Alti-Yuma)


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# VI. Sustainability and DG's History of Social Implementation

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# Sustainability Initiatives: Materiality Identification

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## DG Purpose (Sustainability Policy)

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

## 3 Material Issues (Areas) and 8 Materiality to achieve the purpose

| Materiality Identification process | (1) Recognize and identify social issues | (2) Evaluate the importance to DG group | (3) Evaluate the importance to stakeholders | (4) Sort the priorities | (5) Evaluate relevance and identify materiality |
|---|---|---|---|---|---|

| Business | | | Human Resources | | Business Foundation | | |
|---|---|---|---|---|---|---|---|
| Creating a sustainable ecosystem through technology and innovation | | | Creating an environment in which all employees can thrive and play an active role | | Cultivating trust in order to move forward hand-in-hand with society | | |
| Exploring, pursuing and innovating new technologies for a better future | Creating a more prosperous society through the utilization and application of Fintech | Contributing towards a more sustainable society through co-creation efforts with a variety of business partners and alliances | Creating and organizing a system in which an inclusive and diverse workforce can grow and thrive together | The implementation of Human Capital Management initiatives that help to unlock a brighter future through the education and support for talent growth | Promoting responsible, transparent and compliant corporate activities | Co-existing in harmony with society while respecting all human rights | Supporting individuals and society through the operation of highly secure, private, trustworthy and stable systems |

Integration with business / Setting of key performance indicators (KPI) / Formulation of action plans

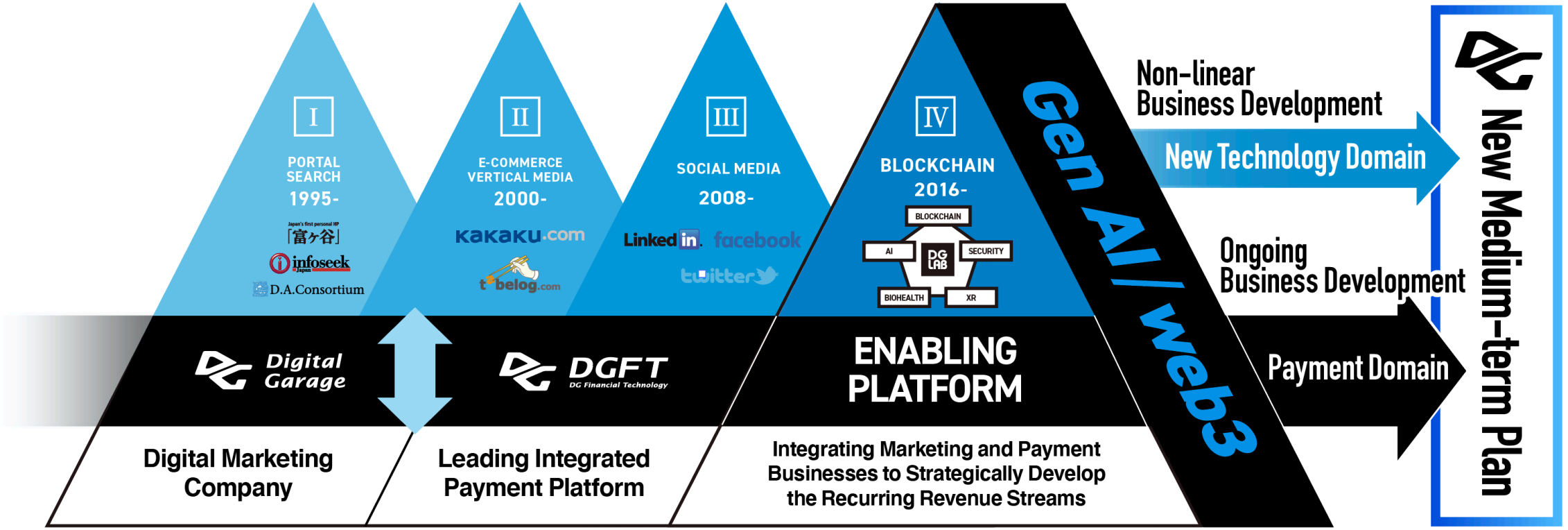
Contribute to a sustainable society through business operations considering the purpose and the materiality


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# History of DG Group's Contextual Design and Social Implementation

Digital Garage

**Since its establishment in 1995, DG has been developing the latest internet business deploying cutting-edge technologies based on marketing and payment. Our next generation focus will be on Gen AI / web3, etc.**





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# Reference materials

# Reference Materials(1):
# Next Generation Strategic Business Topics

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## Musubell, One of the Largest DX Platforms for Real Estate Transactions in Japan.

**Entered the condominium management business to promote DX in the whole industry**
**Cooperation partners will be expanded in the coming years**

### Real Estate Transactions DX Business

280% increase in the number of installed locations of real estate operators compared to August 2023

#### Services

- **for the New Condominiums** — Musubell for 新築
- **for Real Estate Agent** — Musubell for 仲介
- **for Property Survey** — Musubell for 物件調査

#### Track Record

| | |
|---|---|
| Installed locations | 420 |
| Electronic contracts | 8,665 (total for FY24.3) |
| Real estate agency users | 1,700 |

Real estate service expansion

Musubell

DX Engagement Platform providing services to streamline overall sales and management operations with electronic real estate contracts.

Service expansion through Open Innovation

### Condominium Management DX

New service launched in March 2024
Promoting DX of the entire condominium management operations

Musubell for 管理

- Promoting the use of IT in business processes with stakeholders including brokers and outsourcing companies
- Aiming to solve social issues such as the shortage of management staff

### Musubell Partner Program

Started showing tentative mortgage loan approval results

住宅ローン事前審査一括申込サービス SmartEntryTab®

- Connected to Toppan Edge's Mortgage Provisional Loan Screening Service
- Results of provisional screening by financial institutions can be confirmed within Musubell


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## Promoting Payment Business for B2B Payment Market, which is Larger than the B2C Market

**Aiming to build a B2B Fintech Gateway to provide financial and data services for businesses**

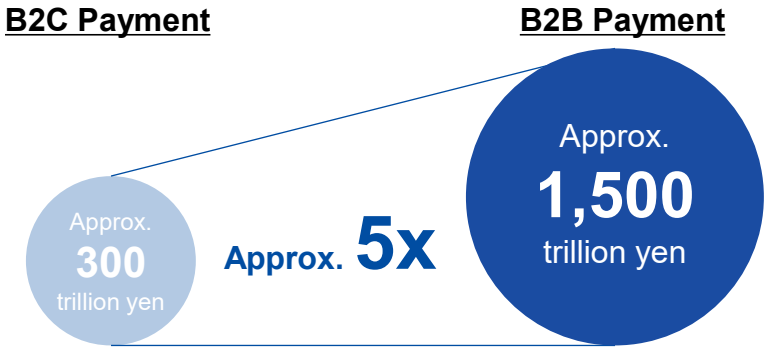
## Business Overview

| | |
|---|---|
| Customer Value | A service that allows corporations to pay their bills for purchases, etc. by credit card<br>(1) Improved cash flow<br>(payment due extended for up to 60 days)<br>(2) Simpler billing/payment processes with DX |
| Service Channel | Partnerships with corporate card issuers and B2B SaaS providers in addition to our own channel<br>(1) Own channel<br>(2) Partnership channel through our system OEMs, etc. |

## Partner Channels (Example)

| Corporate Card Issuers | SaaS Providers |
|---|---|
| JCB | Sg systems |
| りそな銀行 RESONA | 食べログ |
| Orico | Net Protections |
| Diners Club INTERNATIONAL | GACCI |

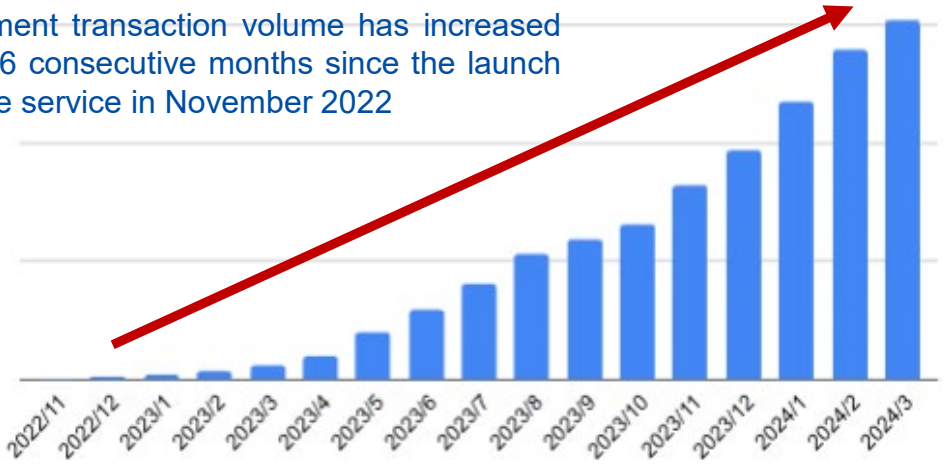
## Market Size*




* Estimated based on corporate statistics, etc.

## Traction

Payment transaction volume has increased for 16 consecutive months since the launch of the service in November 2022





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# Ecosystem from the “Fintech Shift” Perspective

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**Synergy with Gravity wing and GII segment Startup wing**

FINTECH SHIFT

- Wholly-owned subsidiary
- Joint Ventures/Affiliates/Equity Companies
- Capital alliance/joint venture partners
- Business partners

| | |
|---|---|
| Payment service provider（PSP） | DGFT, Resona Holdings, JCB, KDDI NEW, CREDIT SAISON |
| Offline | ANA DIGITAL GATE, TDP, Toshiba Tec Corporation, ANA 全日空商事株式会社 |
| B2B | JCB, Orico, kakaku.com, 食べログ, Sg systems, Net Protections, Diners Club INTERNATIONAL |
| Fraud detection | Scudetto, ACI Worldwide, sift |
| BNPL | SCORE |
| EC tool development | NaviPlus |
| EC platform development | DG Commerce, System Integrator |
| Offshore development | DG FutureTech |
| EC media | kakaku.com |
| Crypto assets/web3 | CRYPTO GARAGE, NOMURA, 東京短資株式会社 |
| Fintech Start-up investment | DG Ventures, DG Incubation, DG Daiwa Ventures, DG Resona Ventures, Resona Holdings, Daiwa Securities Group Inc., Bank of Yokohama |


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# Grand Design of Payment Platform and Next-Generation Businesses

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## I Linear Development of Payment Platform

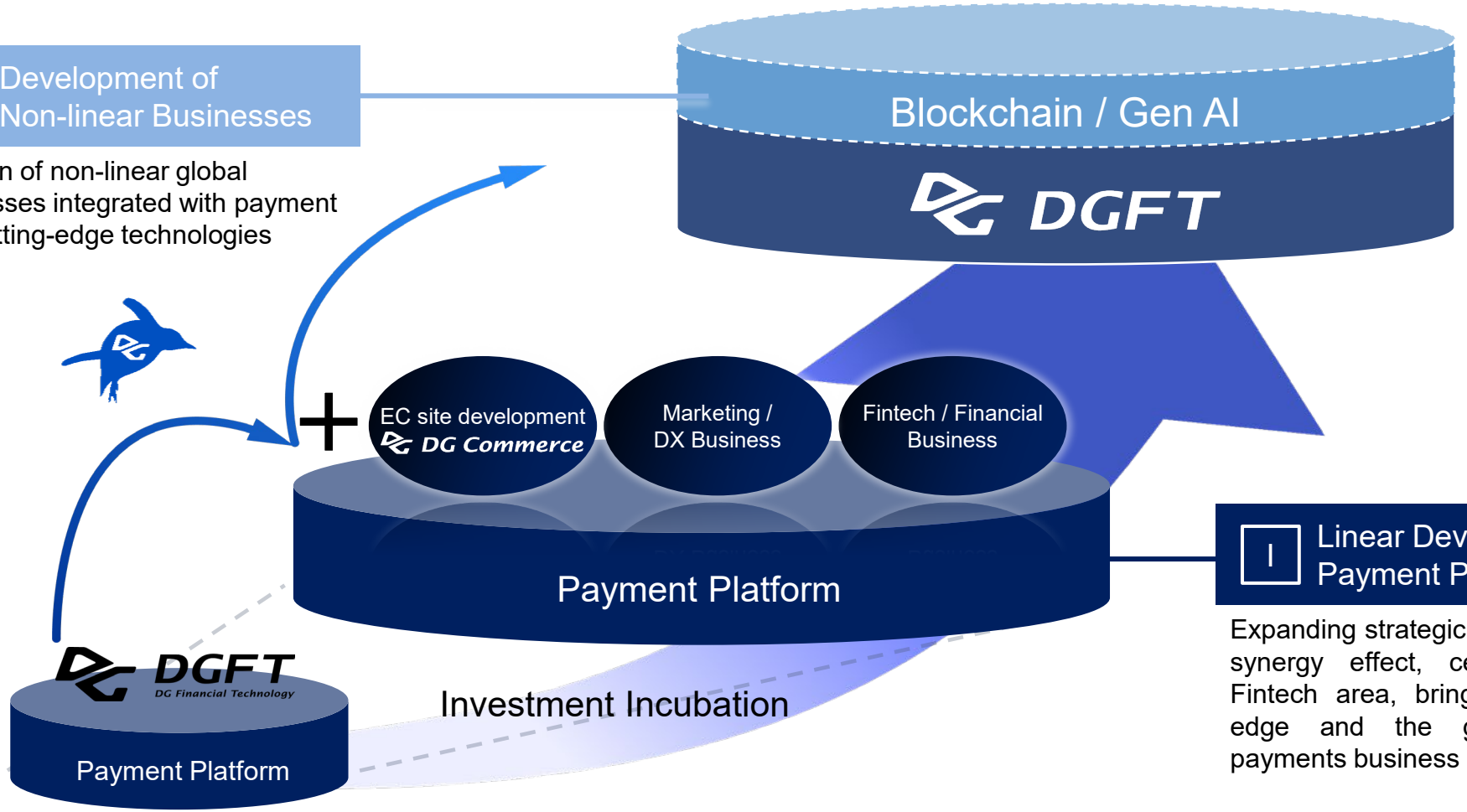
- **Continue "DG FinTech Shift" strategy centered on payment platform and strengthen recurring revenue stream**

## II Development of Non-linear Businesses

- **Social implementation of next-generation technologies / Development of non-linear businesses through Blockchain, Gen AI, etc**

### II Development of Non-linear Businesses

Creation of non-linear global businesses integrated with payment with cutting-edge technologies




NEW

CRYPTO GARAGE
SETTLENET
CUSTODY

March 2024: Launch of custody staking service

NEW

GEN LAB

March 2024: Launch of Gen Lab, a start-up studio for generative AI in the U.S.

### I Linear Development of Payment Platform

Expanding strategic businesses with synergy effect, centered in the Fintech area, bringing competitive edge and the growth to the payments business


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# Reference Materials(2): Supplementary Data

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# Segment Classification after FYE March 2024

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- **Consolidated business segments to accelerate the business strategy, integrating payments and data/marketing.**
- **Consolidated new businesses and next-generation media business, aiming for vertical launch by leveraging DG Group's business assets as strategic businesses to increase its corporate value in five years.**

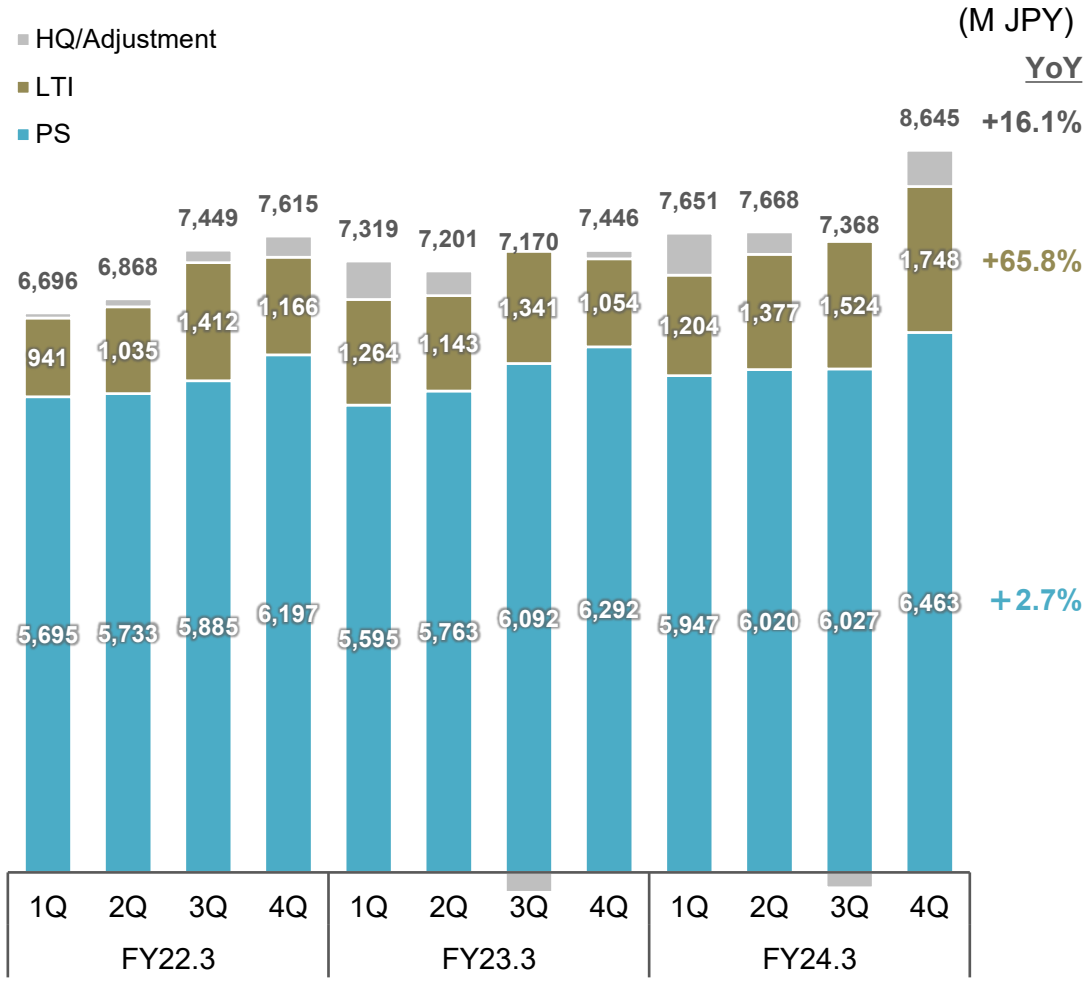
| Until Last Fiscal Year | New Segments | |
|---|---|---|
| Financial Technology<br>Marketing Technology | Platform Solution (PS) | • Integration of payment and marketing businesses<br>• Thoroughly strengthening cross-selling and establishing a recurring revenue model |
| Long-term Incubation<br>Headquarters Costs New Business | Long-term Incubation (LTI) | • Incubation and new strategic businesses leveraging the Group synergy with Kakaku.com<br>• Developing commerce and Fintech product services that contribute to multi-layering and recurring revenues, mainly in Japan |
| Incubation Technology | Global Investment Incubation (GII) | • Global startup investments<br>• Have a reach to the technology and services by the alliance with startups having an overwhelming speed |


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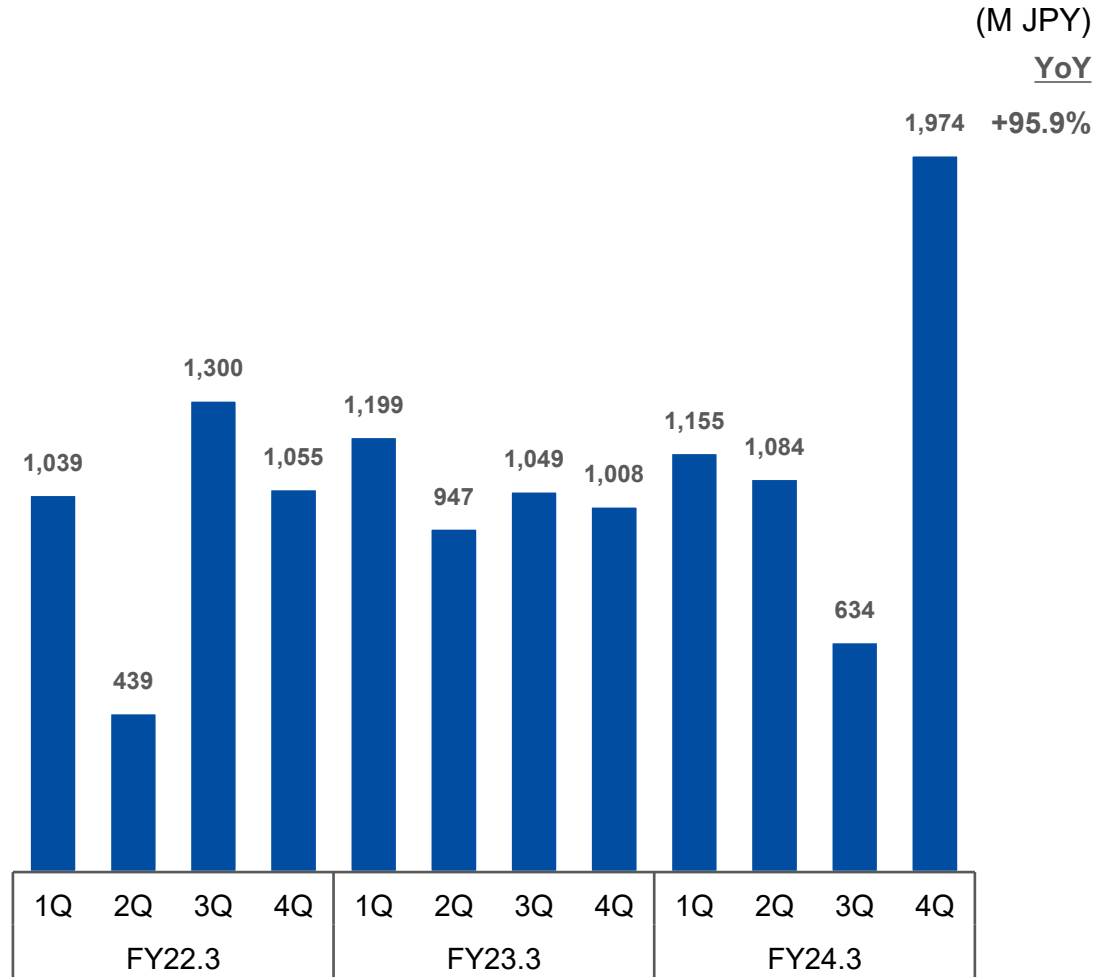
# Basic Business Revenue and Profit (Quarterly)

- **Consistent and stable growth in basic business revenue and profit**
- **Accelerating mid-term growth focusing on developing new businesses in LTI, with stable growth in PS**

## Revenue (excluding investment and one-time gains/losses)




## Profit before tax (excluding investment and one-time gains/losses)





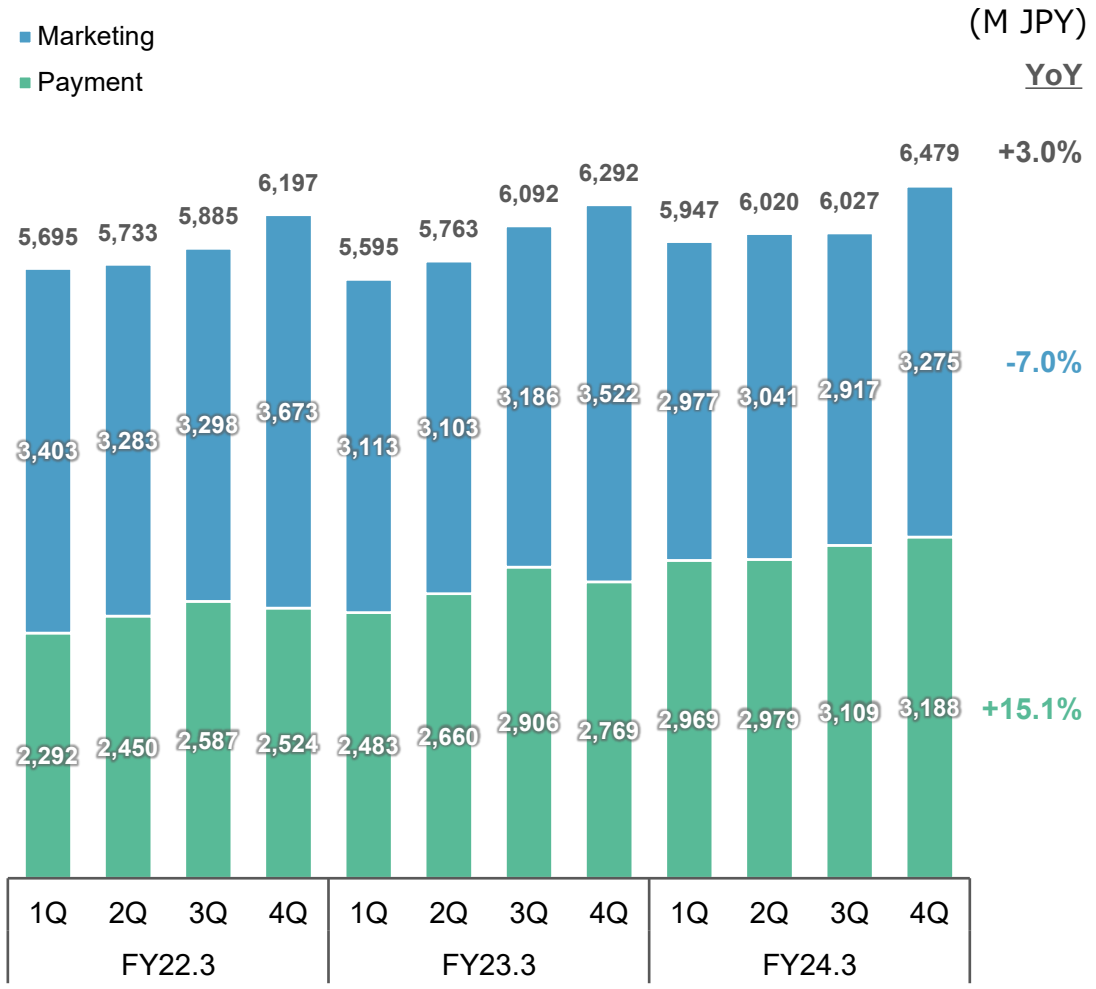
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# Performance by Segment (Quarterly) - Platform Solution

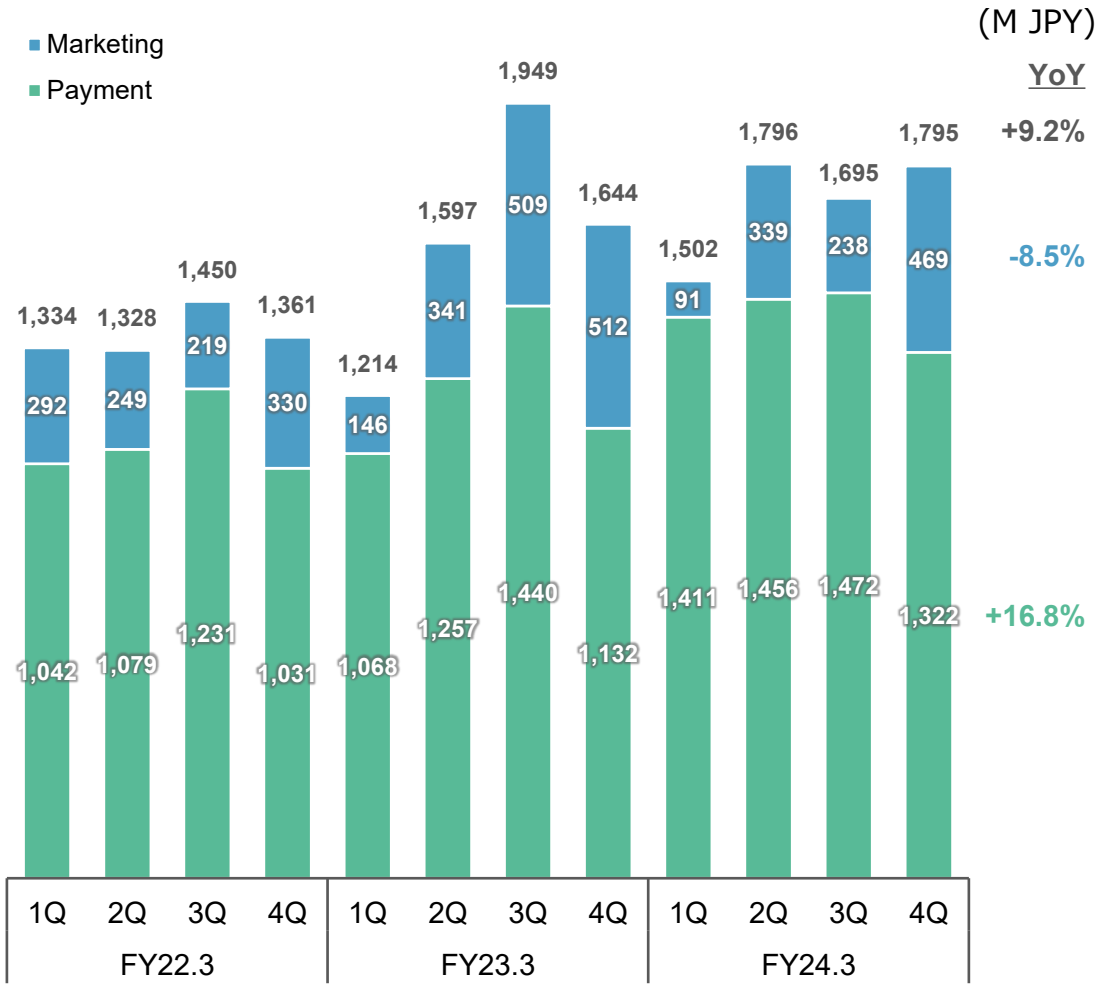
Platform Solution

- **Payment business: 15%+ profit growth despite one-time factors such as churn of project**
- **Marketing business: Recorded lower profit YoY due to losses in equity-method affiliates, and made structural change for better integration with payment business**

## Segment Revenue




## Segment Profit





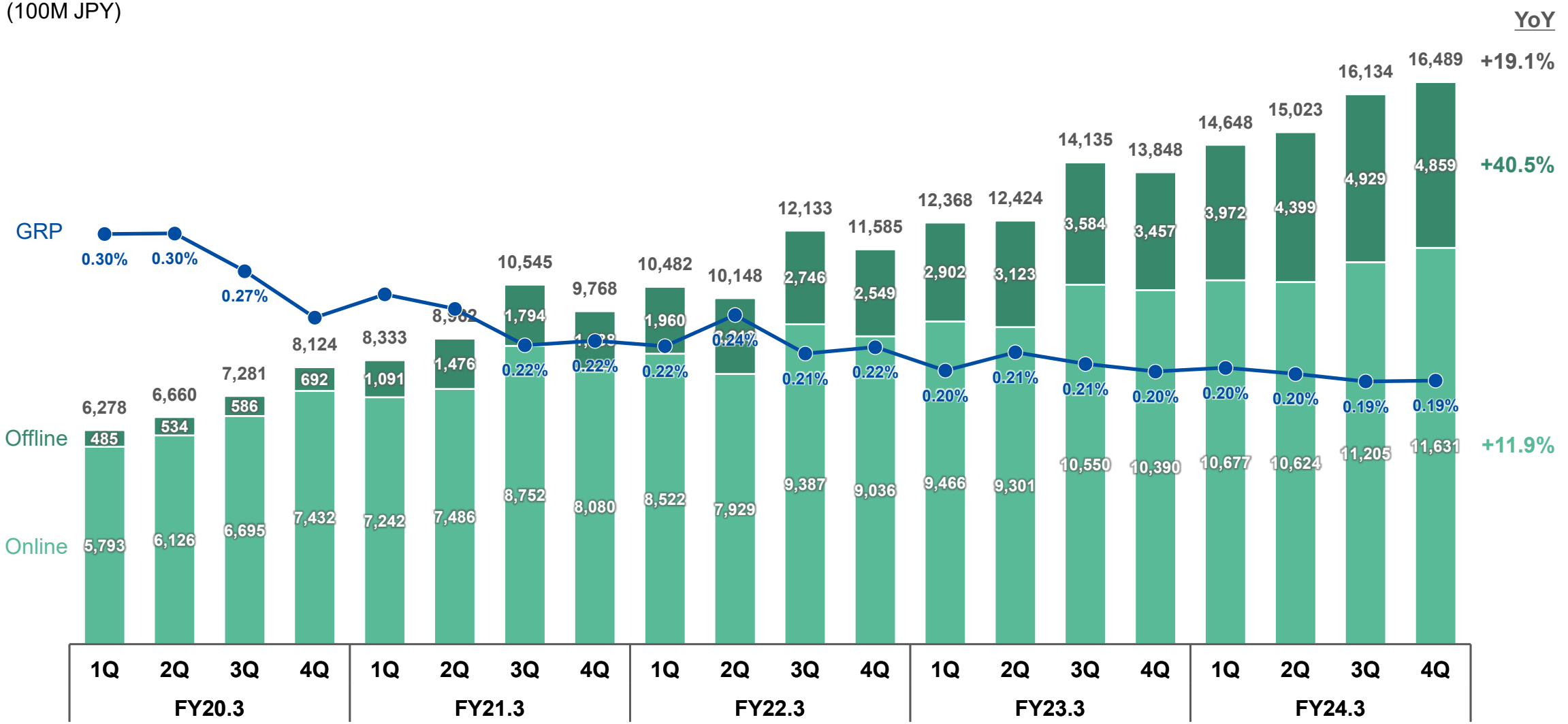
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# Payment Transaction Volume - Online and Offline Payment Trends

Platform Solution

- **Online: Steady growth during COVID-19. Focusing on e-commerce domain with the launch of DG Commerce**
- **Offline: Significant growth due to increased number of merchants driven by successful alliance strategy**

(100M JPY)





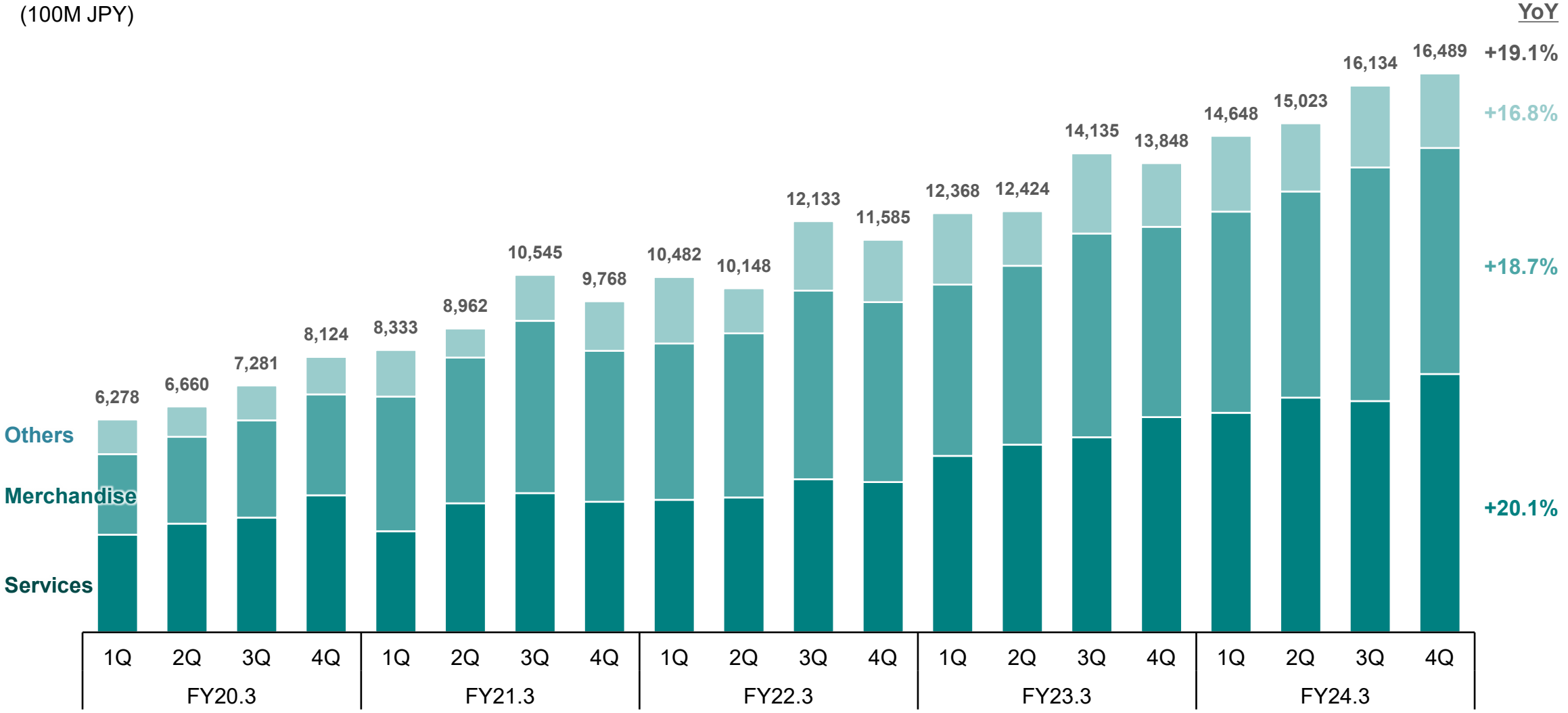
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# Payment Transaction Volume – Trends by Merchandize and Service

Platform Solution

- **Service: Temporary stagnation in the travel industry due to COVID-19, but currently back on a growth track**
- **Merchandize: Winning new merchants, mainly general retailers (supermarkets, department stores, etc.), through alliance strategy**

(100M JPY)





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# Payment Transaction Volume – Increase / Decrease by Sector

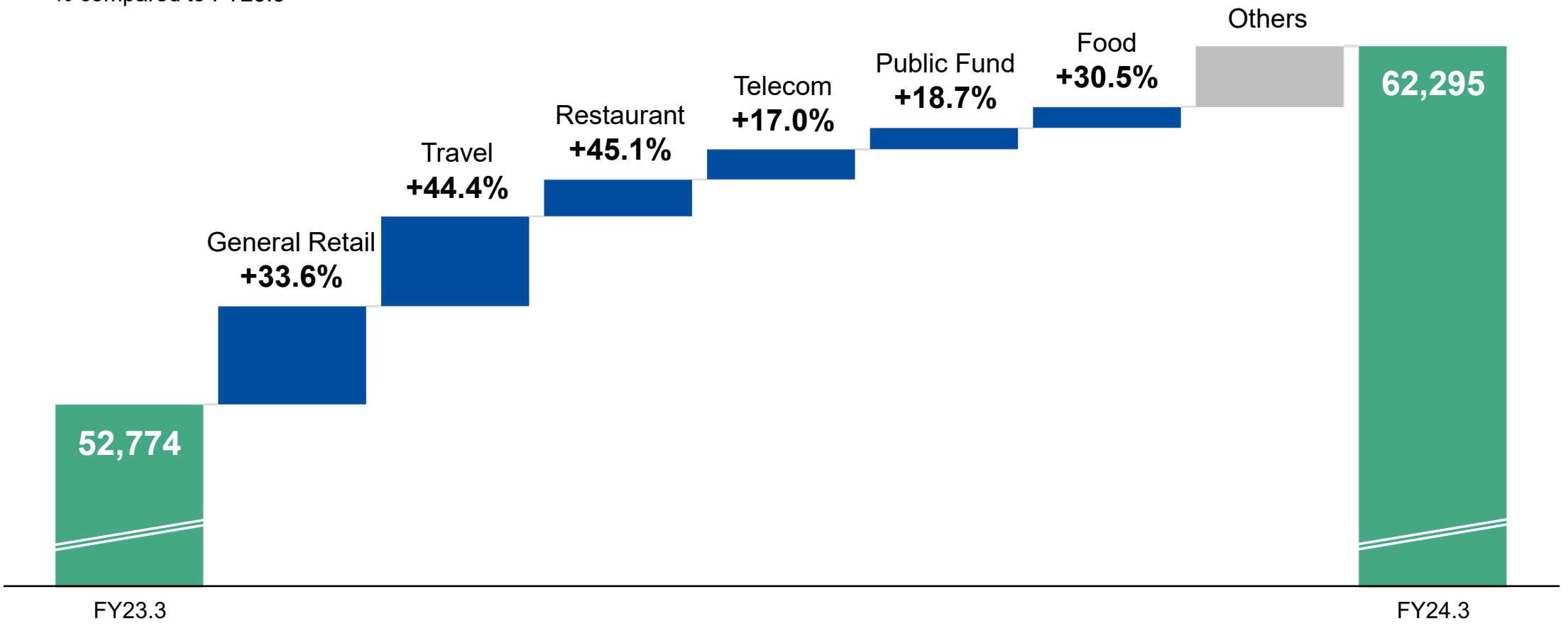
Platform Solution

- **Transactions in Travel and restaurant industries recovered due to the convergence of COVID-19**
- **The number of new merchants increased due to successful alliance strategy, including with Toshiba Tec**

## Payment Transaction Volume: Increase/Decrease by Sector

(100M JPY)

* % compared to FY23.3





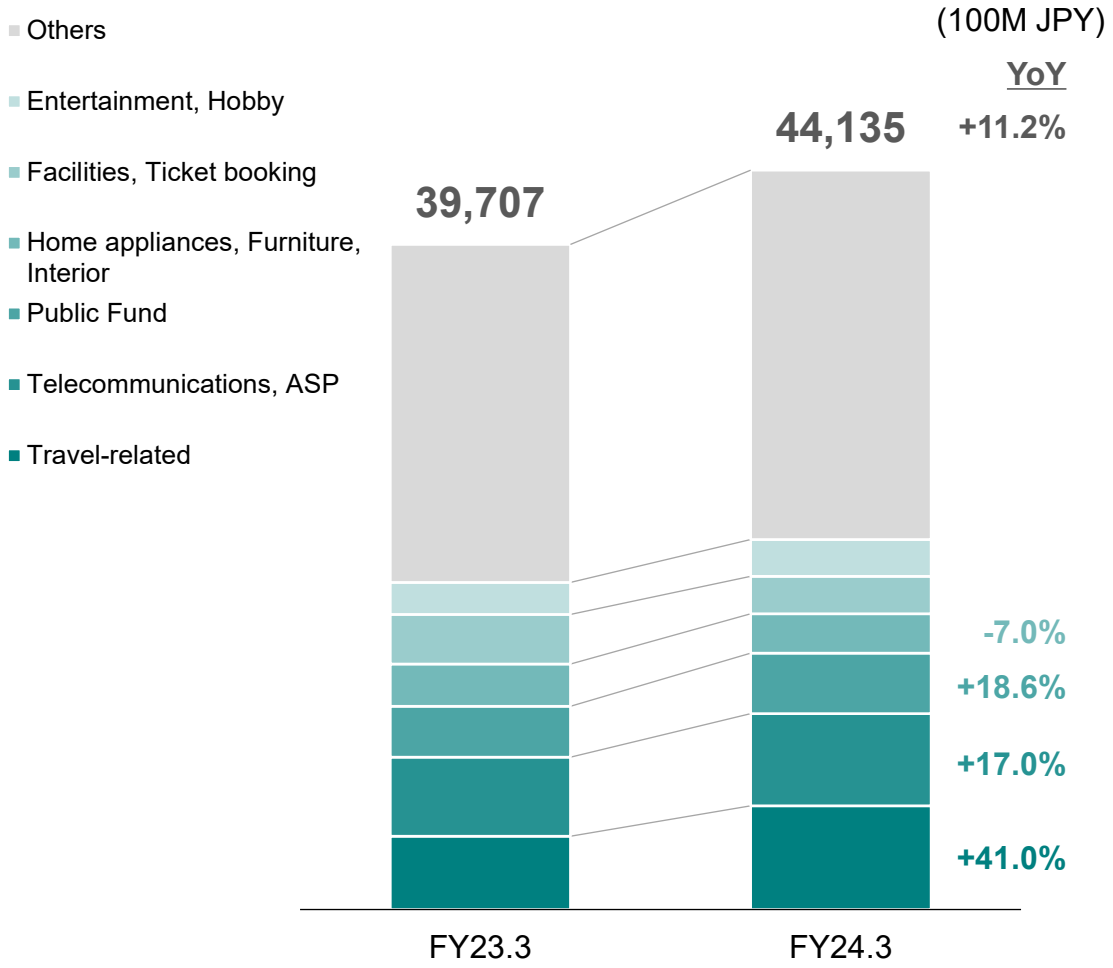
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# Payment Transaction Volume – Online and Offline Payment by Industry

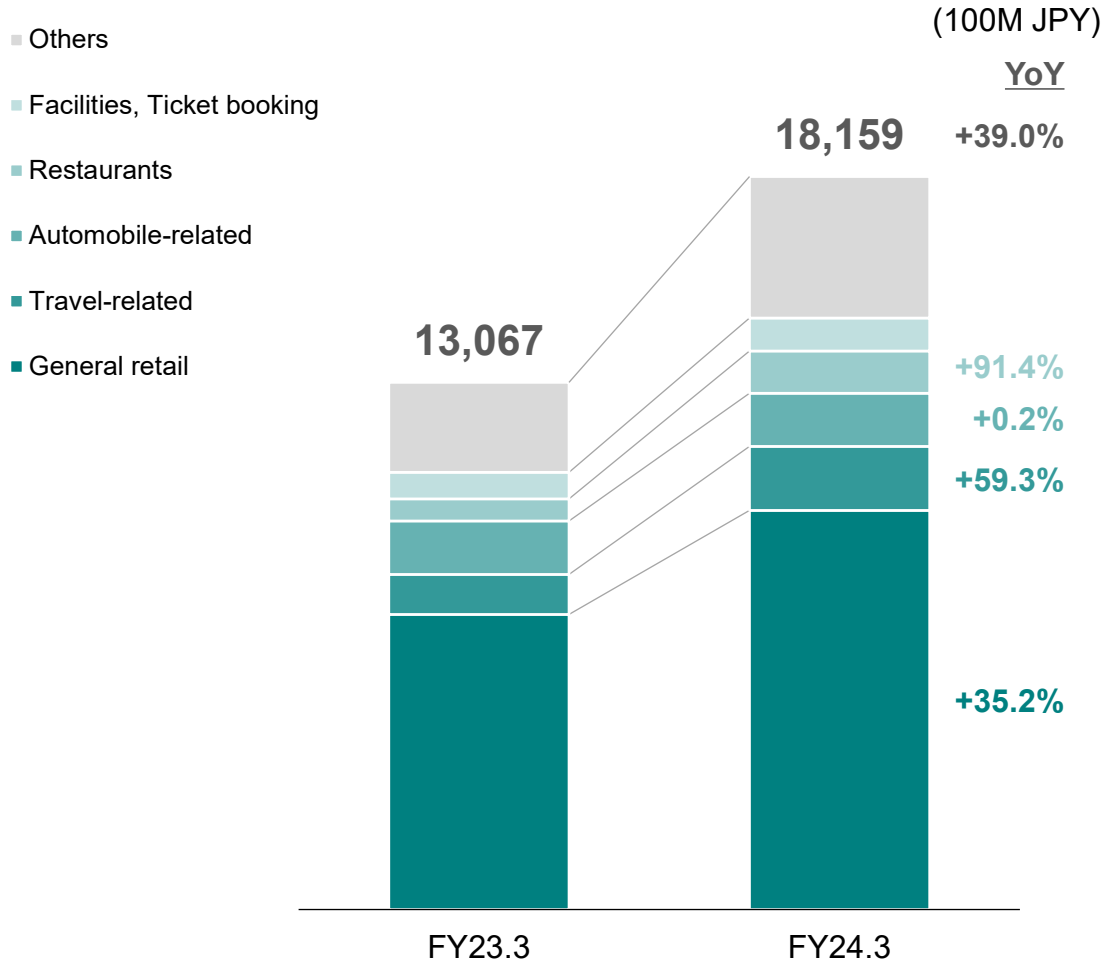
Platform Solution

- **Online: Transaction volume increased across industries, driven by travel industry where DG has strength**
- **Offline: General retail remains strong, as well as restaurants and facility-related due to COVID-19 convergence**

## Online Payment




## Offline Payment





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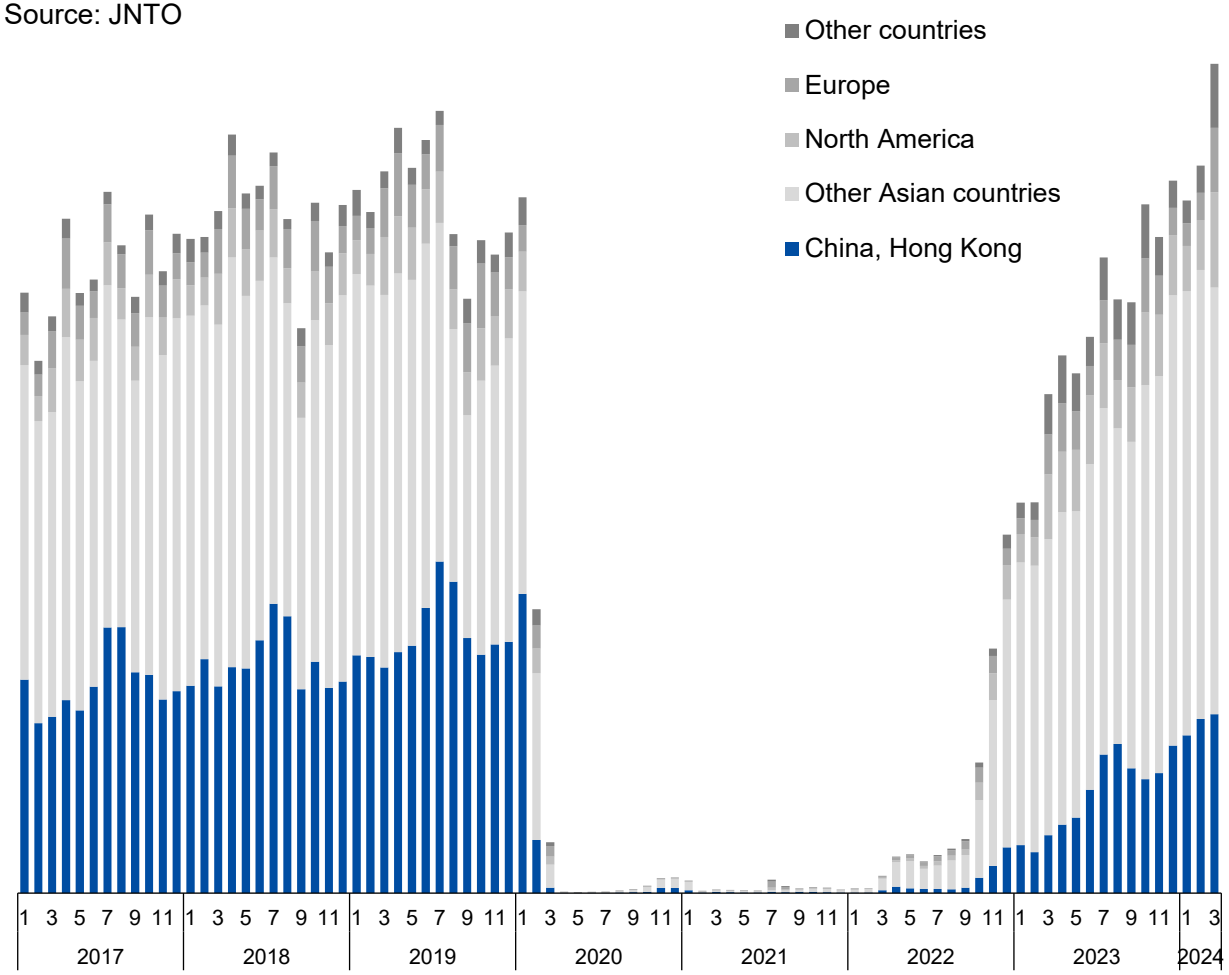
# Payments Related to Inbound Tourism

Platform Solution

- **Foreign visitors are recovering, but Chinese visitors with high consumption remain at 50% of pre-COVID-19 levels**
- **High potenrial for expansion in Alipay/WeChat Pay services that DG can offer**

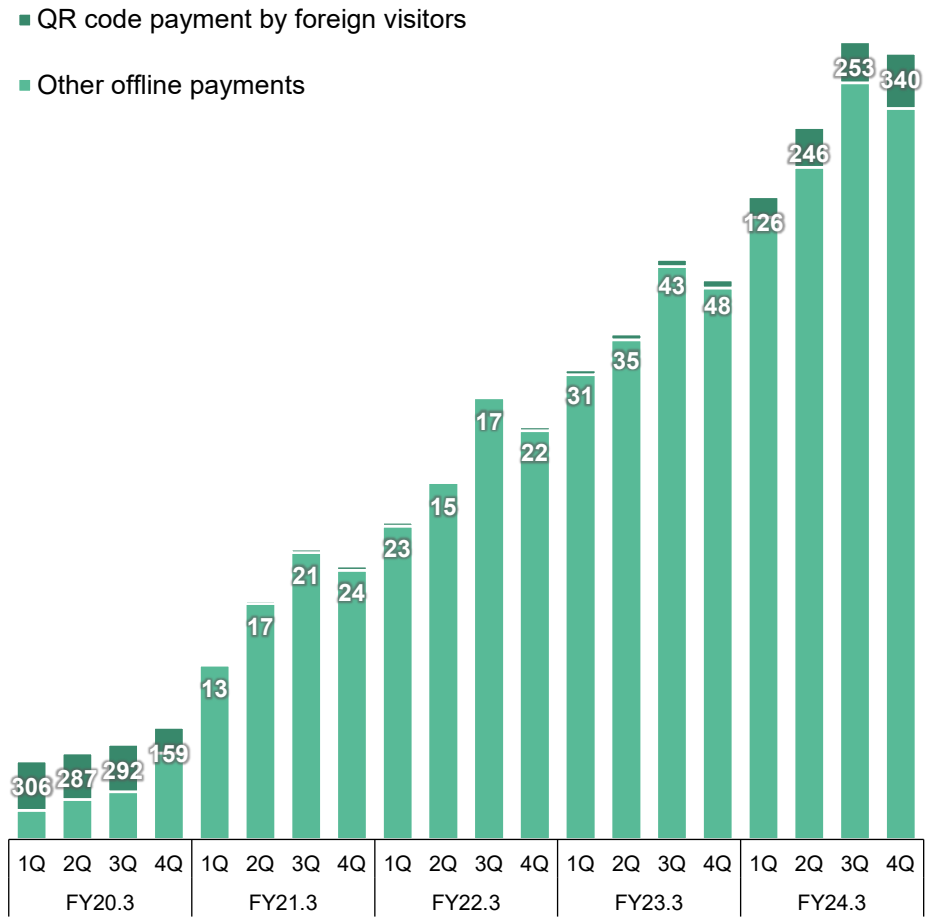
## The Number of Foreign Visitors to Japan (by area)

Source: JNTO




## Offline Transaction Volume

(100M JPY)





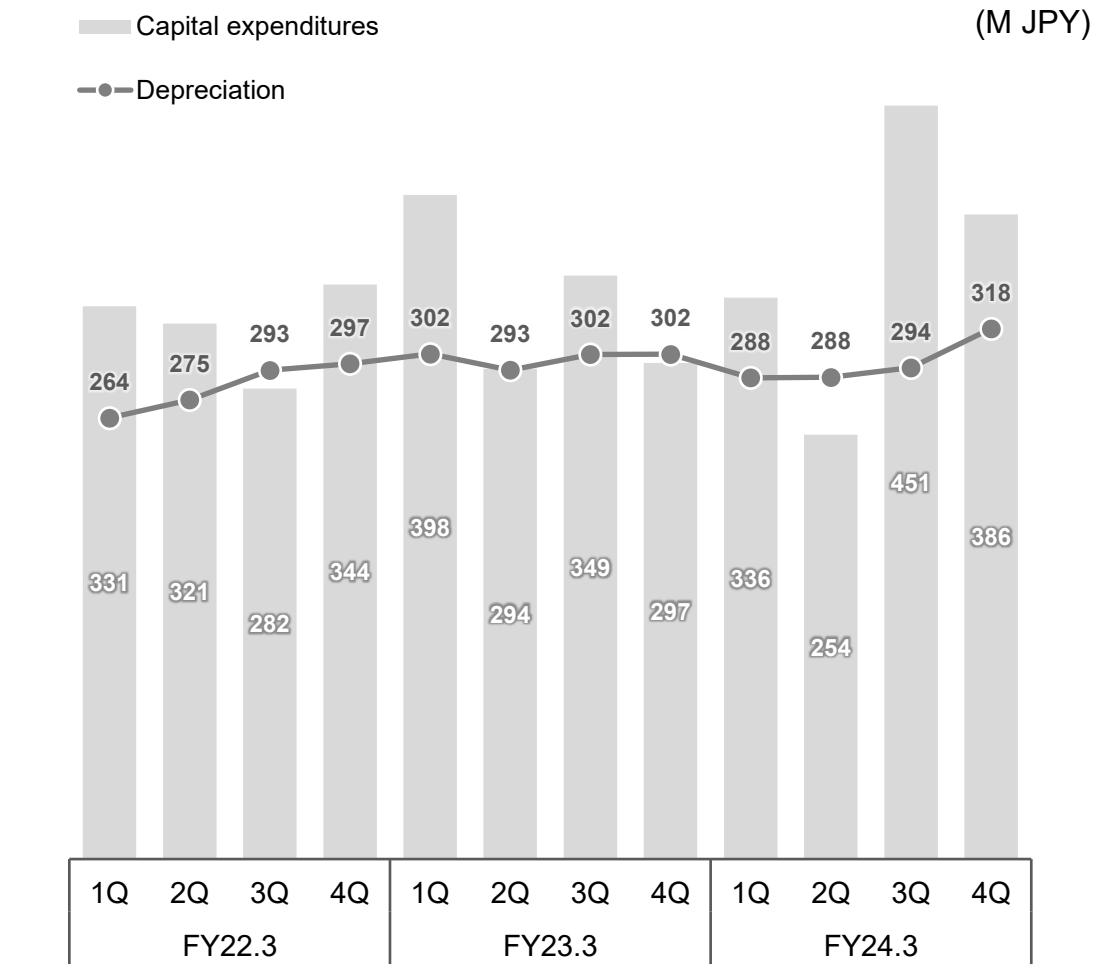
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# Capital Expenditures and Depreciation Related to Payment Business

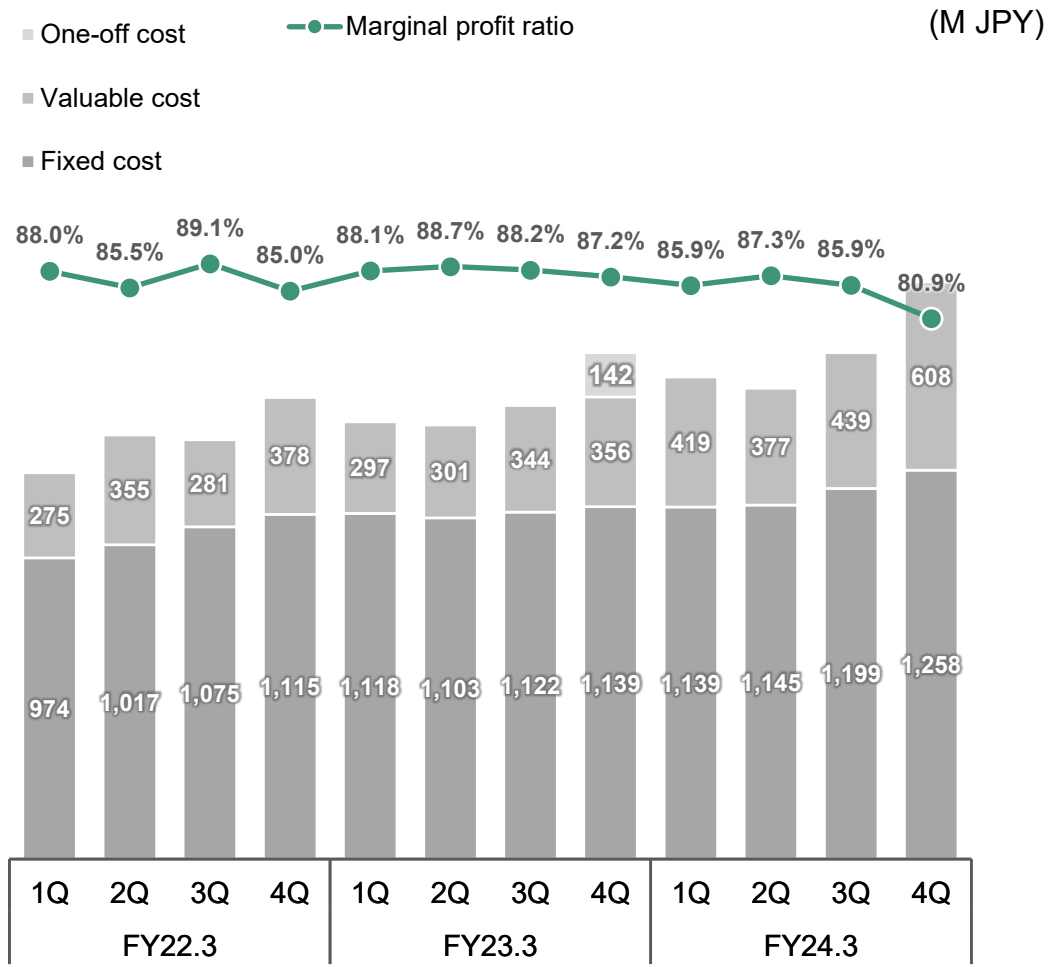
Platform Solution

- **Continue to invest in payment systems to ensure stable 24/7 operations and enhance robustness of security**
- **It is expected that fixed costs may show gradual increase due to redundancy of system operations and marginal profit ratio remains at a current level**

## Payment-related Expenditures・Depreciation




## Payment-related Costs・Marginal Profit Ratio





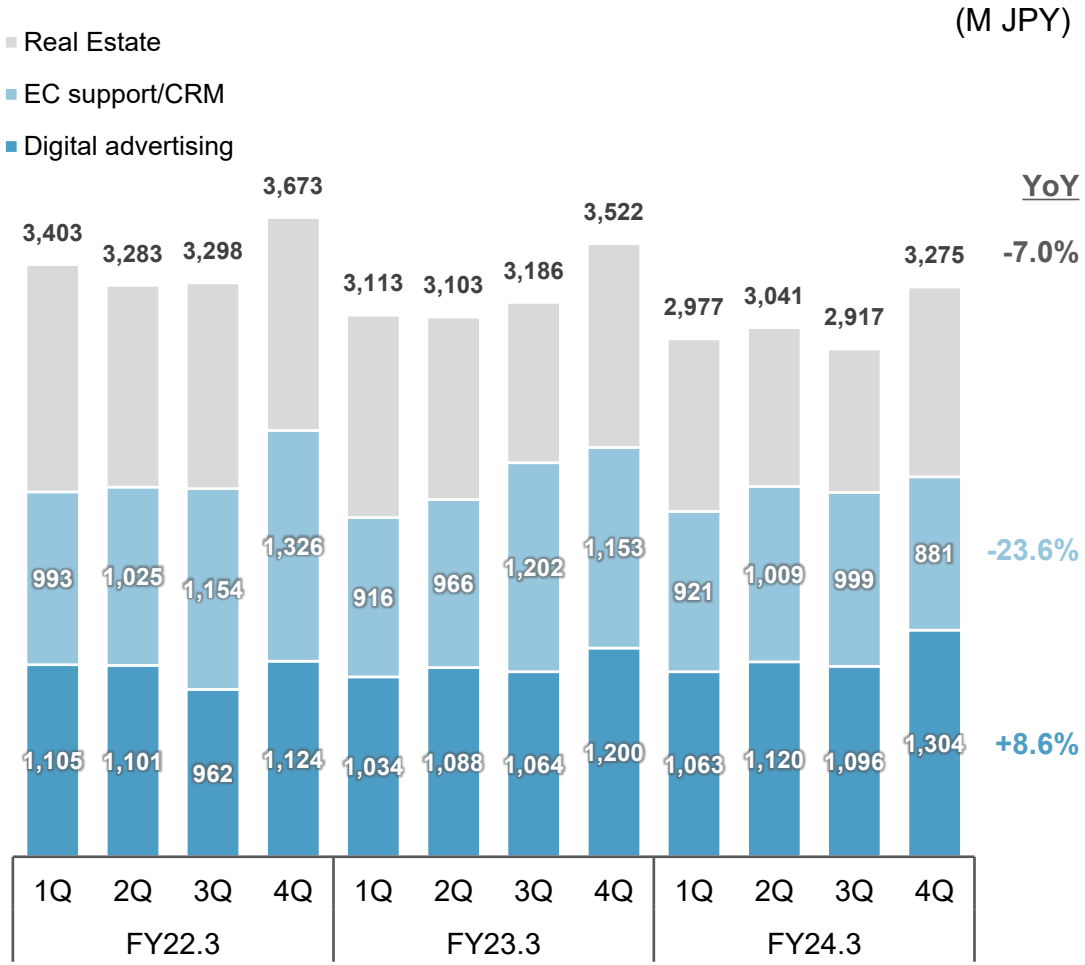
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# Profit in Marketing Business/Transaction Volume in Digital Advertising

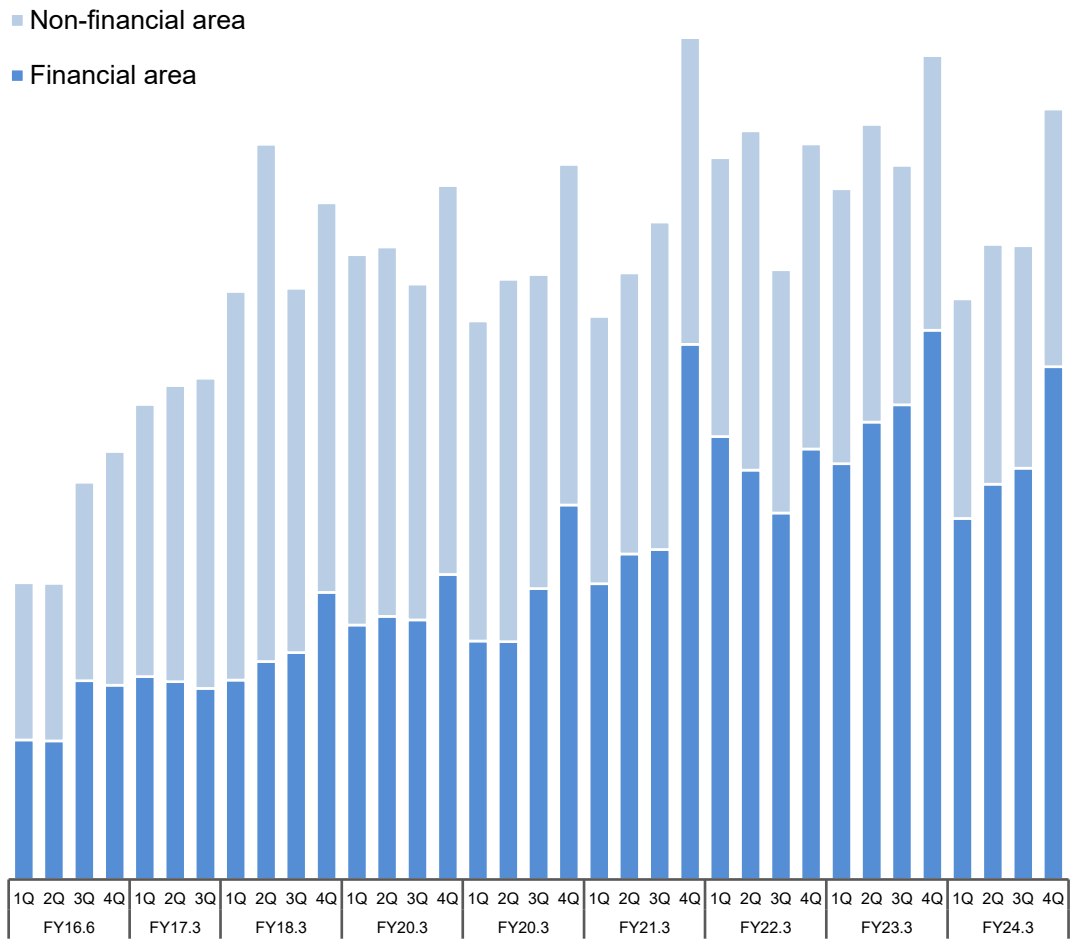
Platform Solution

- **DG's core digital ads business is stable in the long run, despite quarterly fluctuations in both revenue and ad volume**
- **Digital ad volume in the financial domain declined YoY due to clients' shrinking budgets**

## Profit in Marketing Business




## Transaction Volume in Digital Advertising





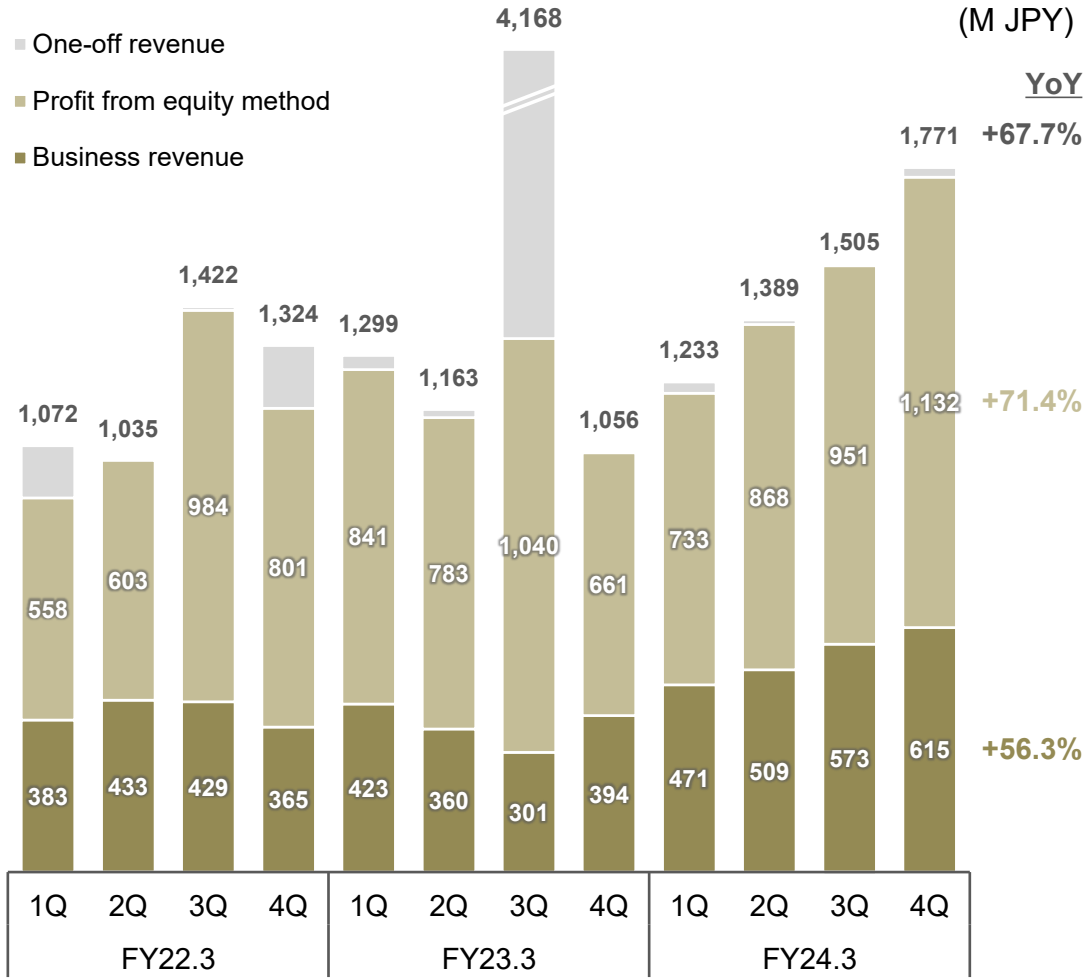
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# Performance by Segment (Quarterly) – Long-term Incubation

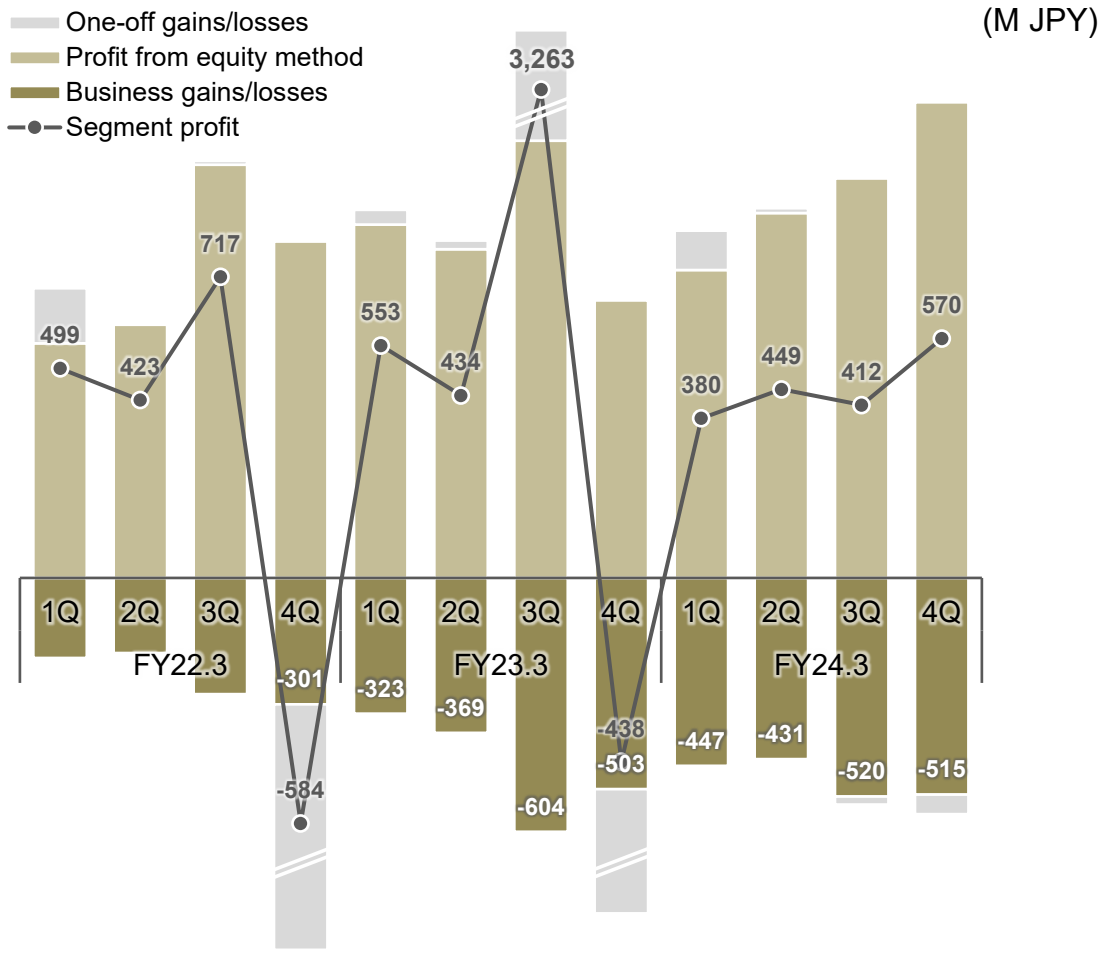
Long-term Incubation

- Continuing early-stage investment in new businesses linked to payment business, aiming for mid to long-term growth
- Kakaku.com achieved record profit in the Tabelog business, as well as steady growth in the Kyujin box business

## Segment Revenue




## Segment Profit





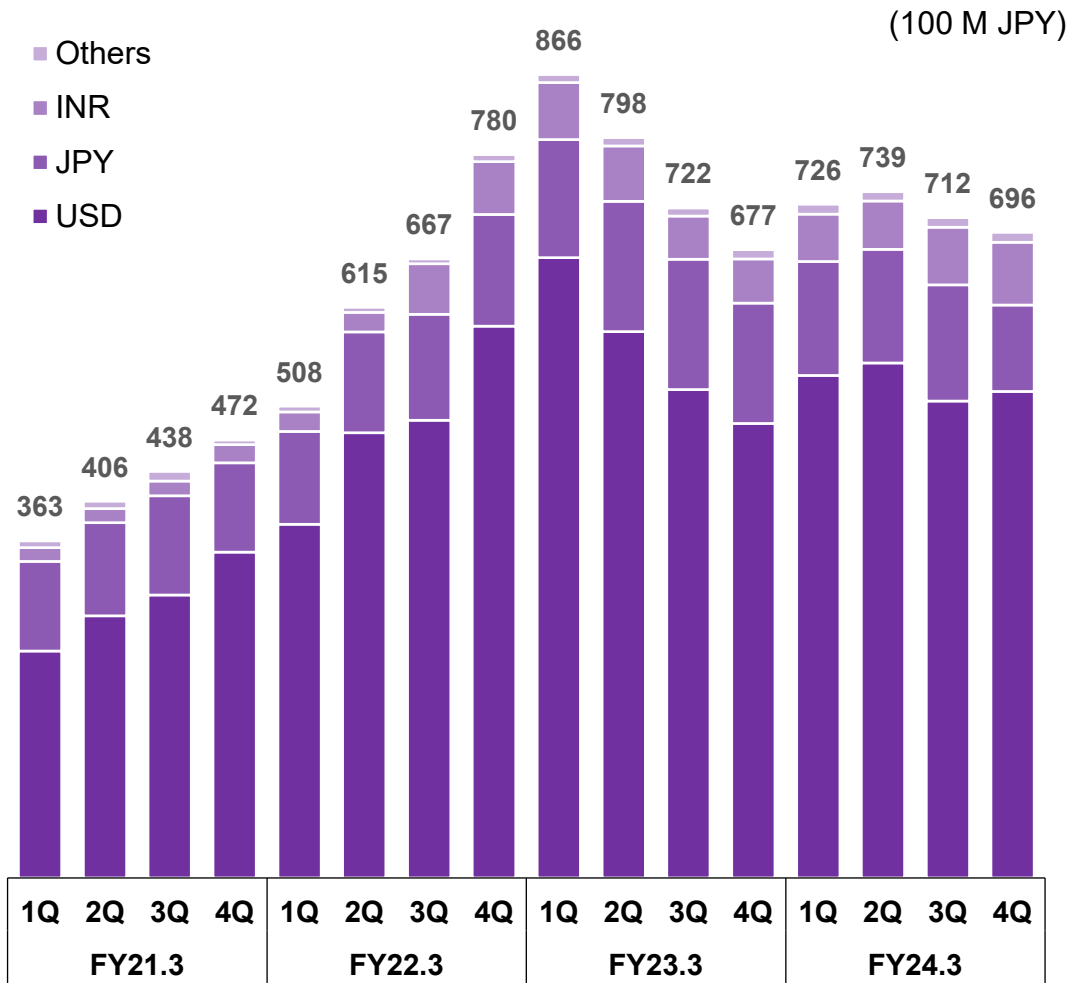
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# Trends in Operational Investment Securities / by Currency and Area

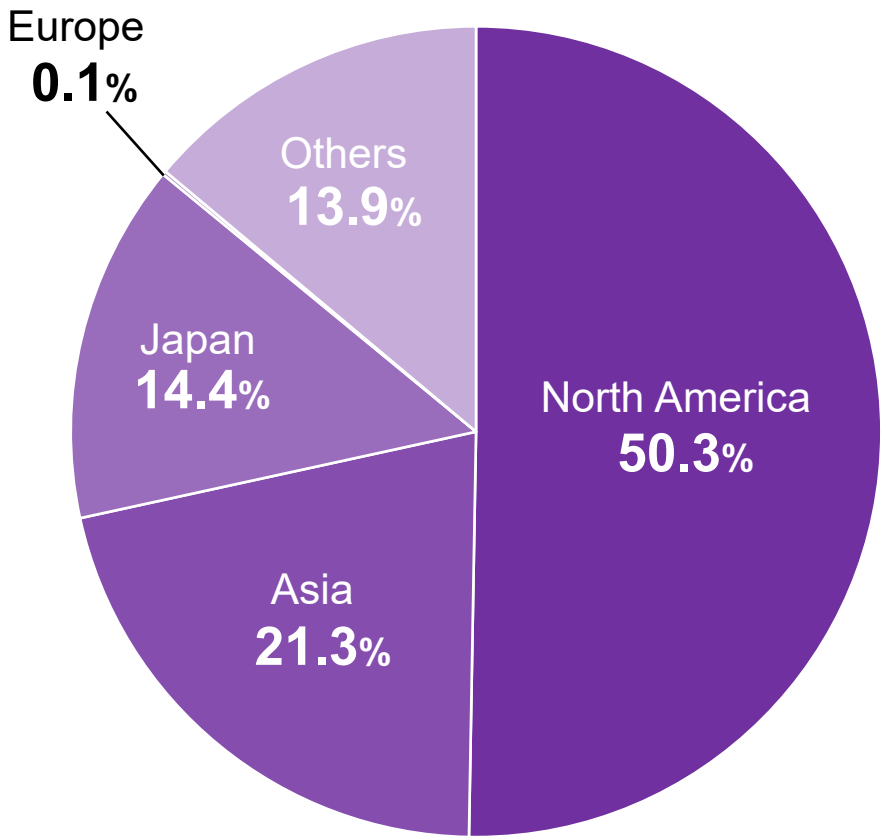
Global Investment Incubation

- **JPY depreciation trend led to an increase in the fair value of operational investment securities**
- **Fair value of operational investment securities was ¥69.6B at year-end (up ¥1.9 billion from the previous year-end)**

## Balance of Operational Investment Securities




## Investees by Area





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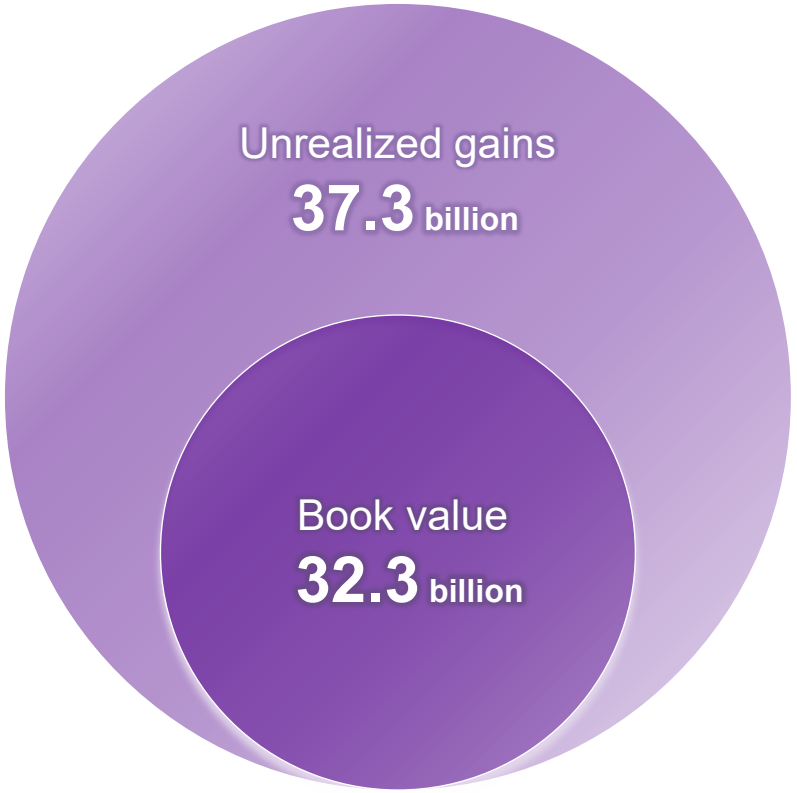
# Breakdown of Operational Investment Securities

Global Investment Incubation

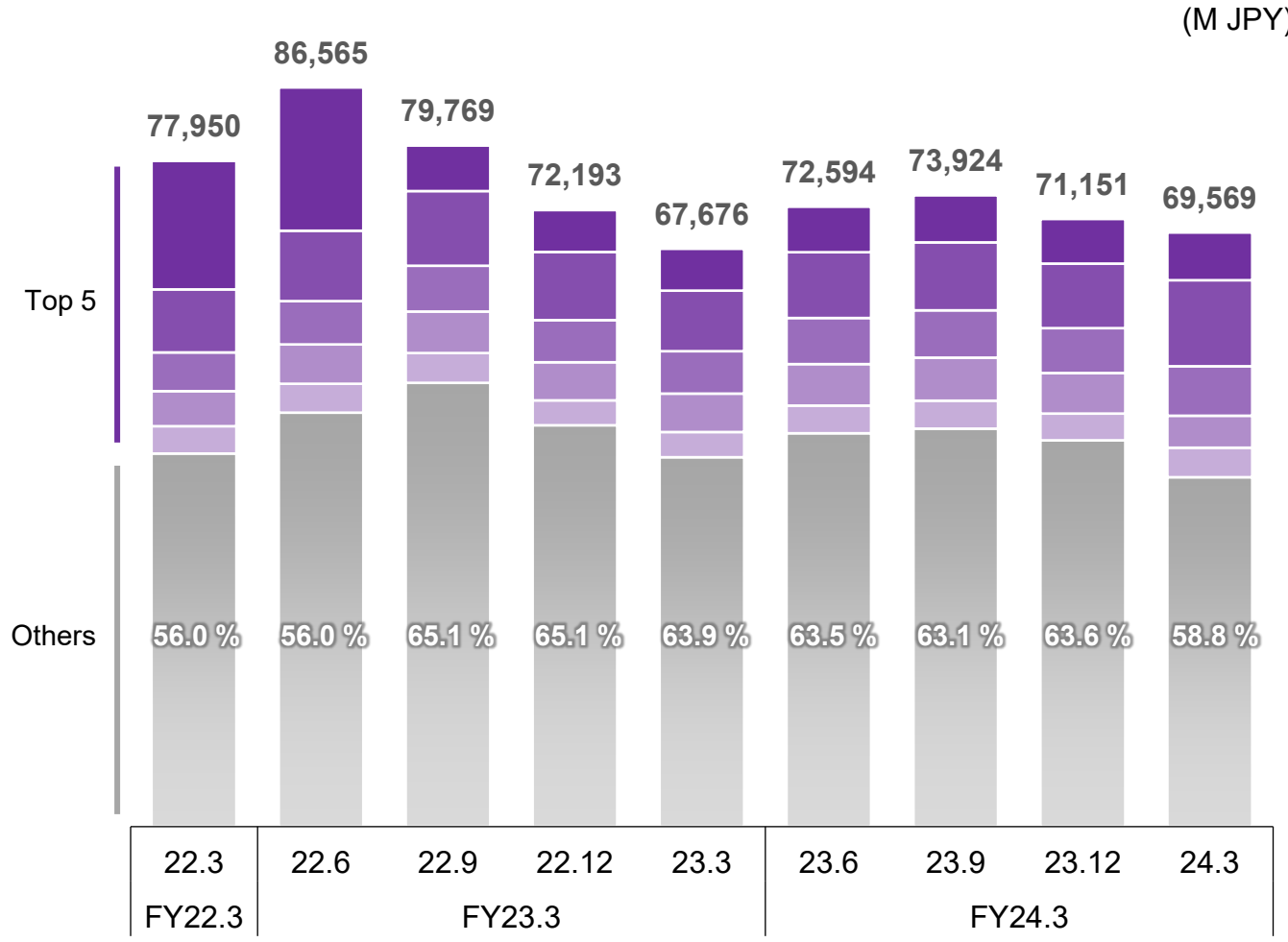
- **Unrealized gains account for more than 1/2 of the fair value of operational investment securities at end-March 2024**
- **Diversified portfolio with more than 200 start-ups and LP investments, mainly seed and early-stage companies**

## Breakdown

**Whole Fair Value**
**69.6 billion**




## Balances of the Top 5 Companies in the Portfolio





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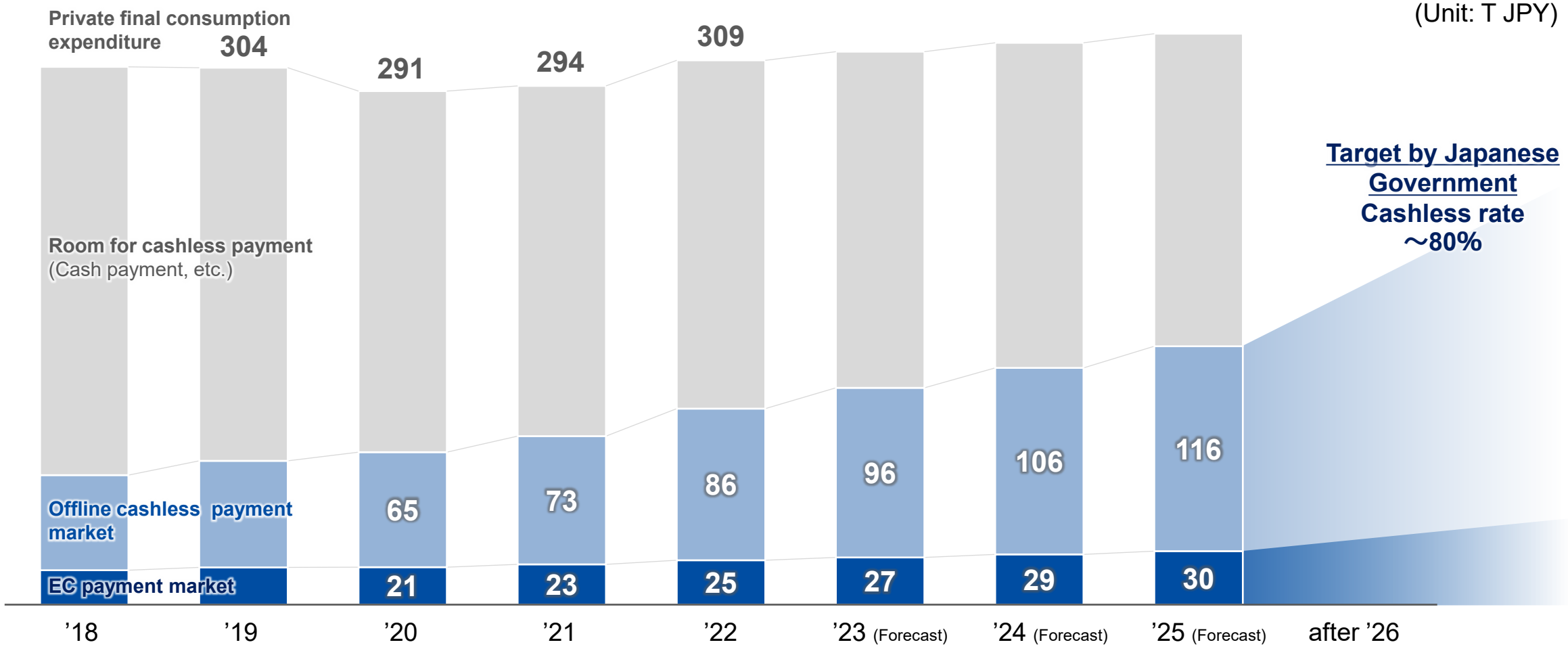
# Reference Materials(3): Business Model

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# Size of B2C Payment Market

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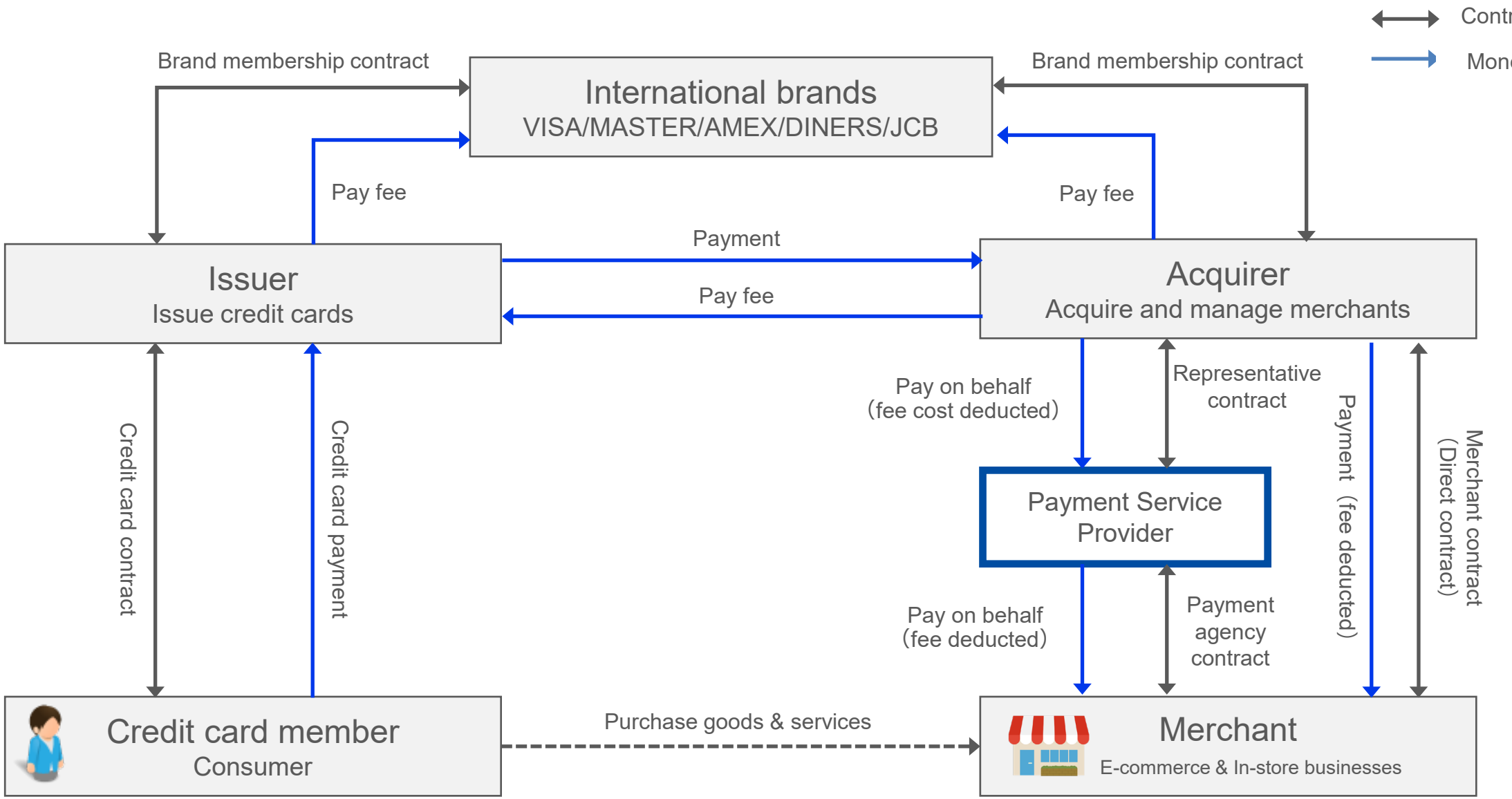
- **Both of online and offline payment markets are expected to remain high growth rates.**




Calculated by the Company with referent to the following materials as source of data.
"National Accounts 2022" by Cabinet Office/ "Status of Domestic Cashless Payment Markets and Forecast" by Yano Research Institute Ltd./ "Cashless Roadmap 2023" by METI
"e-commerce Market Survey 2022" by METI / Deloitte Tohmatsu Consulting LLC / MIC Research Instituite "Current Status and Future Prospect for Internet Payment Service Providers in EC"


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# The Structure of Transactions by Credit Card

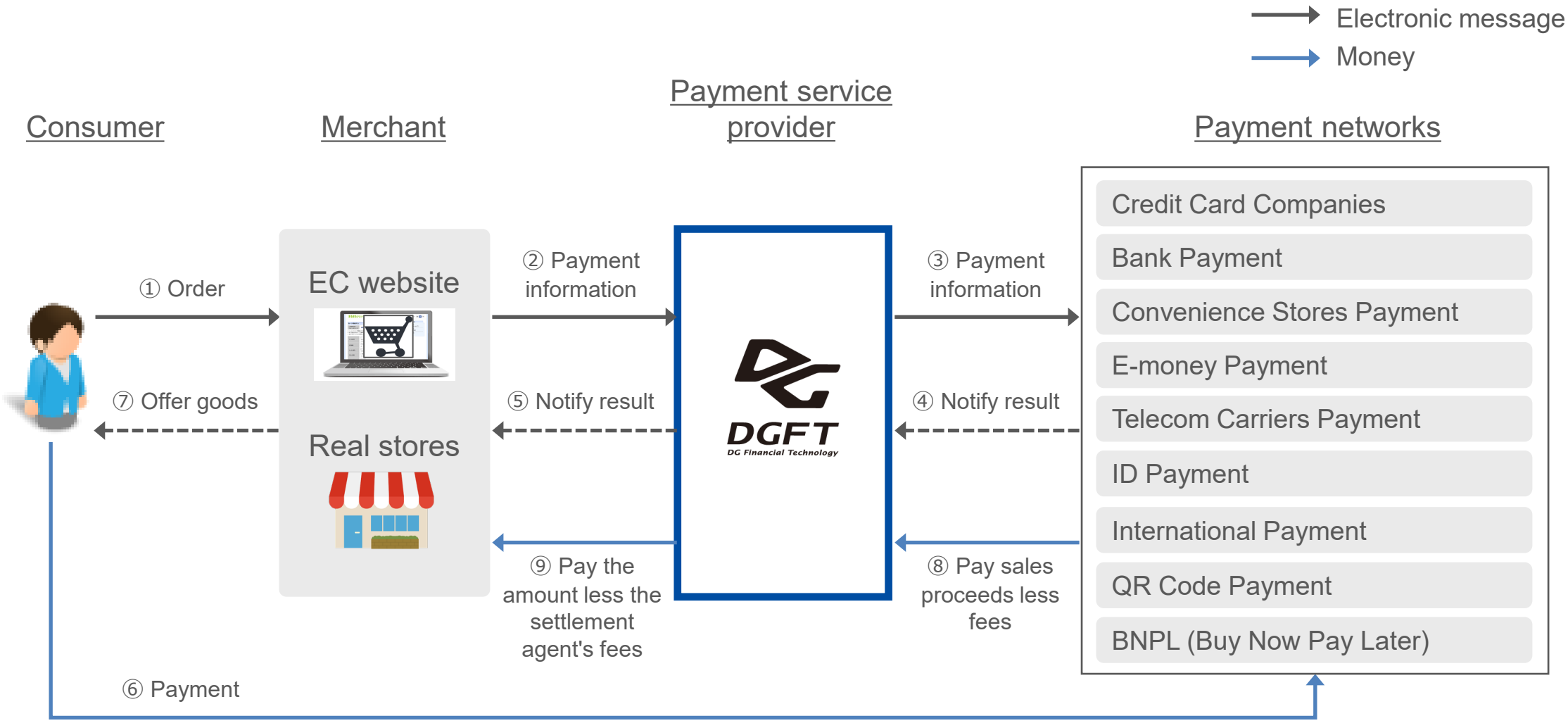




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# Commercial Distribution of Payment Service Provider

**An intermediary service between merchants (EC & physical stores) and payment providers (credit card companies, convenience store, etc.), that enables the merchants to install a number of payment methods with a single contract**





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# Payment Methods and Major Payment Products

Digital Garage

- **Offering solutions for 40+ major payment methods, including credit card and convenience store payments**
- **Address the needs of clients with payment products designed for different industries and use cases**

## Payment Methods

| | |
|---|---|
| **Credit Cards** | JCB, VISA, Mastercard, American Express, Diners Club |
| **Convenient Stores** | SEVEN-ELEVEN, Lawson, FamilyMart, Seicomart, MINISTOP, Daily YAMAZAKI |
| **ID/QR** | au PAY, Amazon Pay, Bank Pay, J-Coin Pay, Rakuten Pay, d payment, LINE Pay, PayPay, Smart Code, merpay, FamiPay, Apple Pay, Google Pay, EPOS payment, COIN+ |
| **Carrier Payments** | au Easy Payment, d payment, Softbank Payment |
| **Banks** | Pay-easy, Rakuten Bank, SBI Sumishin Net Bank, PayPay Bank |
| **Electric Money** | Rakuten Edy, Suica, nanaco, WAON |
| **Overseas** | Alipay, Alipay＋, WeChat Pay, PayPal, Union Pay |
| **Web Account Transfers** | About 290 Financial institutions in Japan （Major banks, Internet banks, Local banks, and Shinkin banks） |
| **Others** | VeriTrans BNLP, Credit cards for multi-currency, Eikyufumetsu Point System |

## Major Payment Products

**VeriTrans 4G**
Multi-payment service for online merchants

**Cloud Pay**
Patent-pending
Multi-QR Code payment service for offline merchants

**mpos**
QR Code multi-payment service for offline merchants

**CASHPOST**
Account transfers over emails and cash receipt at Lawson stores

**ホテペイ HotelPay**
Payment services for hotels & hospitality industry, integrated reservation systems

**住まPAY**
Credit card payment solution for real estate industry (rents and initial fees)

**セレモニーPAY (Ceremony Pay)**
Payment and financial solutions specifically designed for funerals

**IVR Payment**
Patented
Credit card payment solution for telephone ordering

**e-mail link payment**
Payment solution to provide payment URLs by emails.

**Barcode payments for PoS**
One-stop installation of ID Payment to PoS terminals

**OmniPAY**
One-stop payment solution to manage both online and offline payments

**Fraud-detection Service**
Security solutions for fraud prevention and detection （ACI, ReD Shield, Sift, etc.）

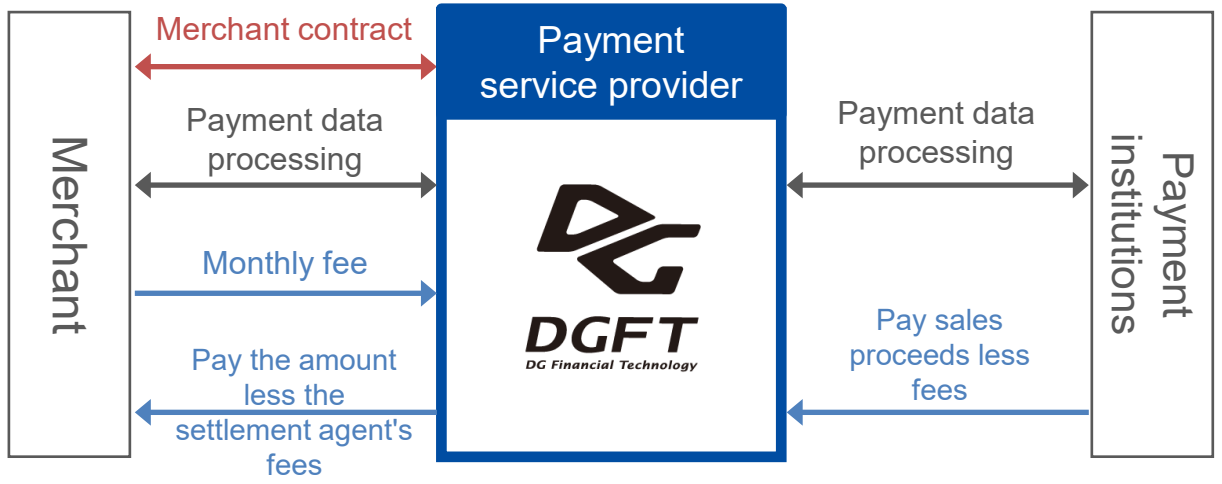

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# Contract Type of Payment Service Provider

## Storage agency type （Representative contract）

Acting as an all-in-one agent for contracting procedures with various payment settlement institutions and payment of sales amounts

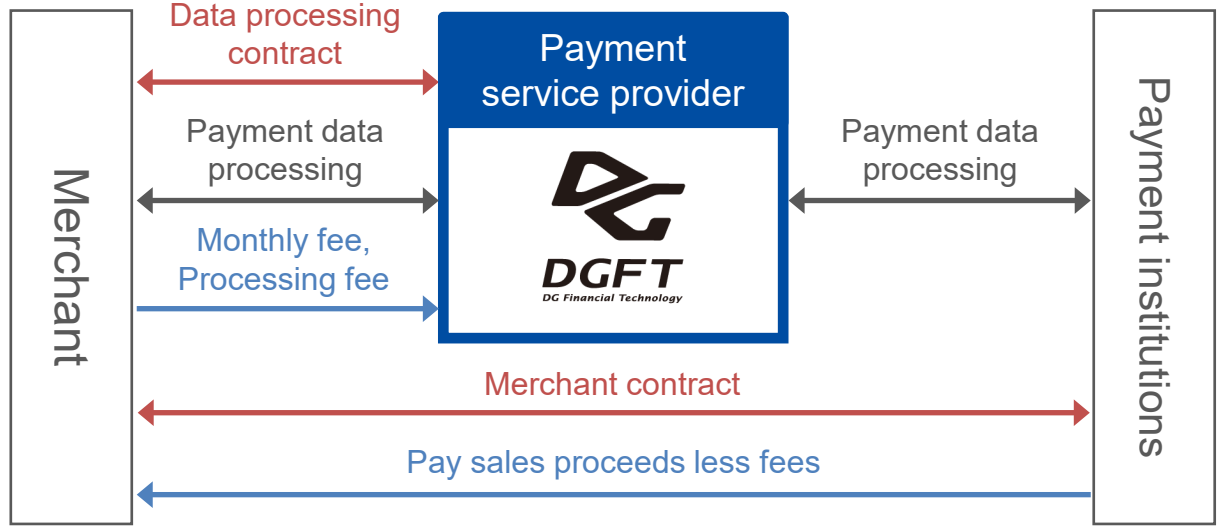
- We handle all contracting procedures with payment providers such as credit card companies and financial institutions
- Monthly sales proceeds are deposited to the merchant in a lump-sum payment from our company
- Single point of contact for payment
- Streamline operations such as payment management and confirmation




## Payment data processing type（Direct contract）

Based on the merchant agreements with credit card companies signed by the merchants, credit card payment processing is automated through the introduction of a payment system provided by PSP

- Provide payment systems and automate card payment processing
- Merchants sign contracts directly with credit card companies
- Provide the necessary software and transaction management tools
- Also provide support for software installation





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# Capital and Business Partners / Partner Companies

Digital Garage

**Strong partnerships with Japan's leading payment, financial and retail operators**

**Efficient sales operations for merchants and joint development of new services to meet changing merchant demand**

## Strategic Partners（Capital Alliance Partners）

### Resona Holdings

**Capital and Business Alliance**

Provide payment service on an OEM from DGFT and joint-development of new payment services
(Holding 2% of DG shares)

### JCB

**Capital and Business Alliance**

Sales collaboration and joint development of new payment services
(Holding 5% of DG shares)

### Toshiba Tec Corporation

**Capital and Business Alliance**

Operate “TD Payment,” an online payment service joint venture
(Mutual holding 2% of shares)

TDP

### CREDIT SAISON

**Capital and Business Alliance**

Joint-development of new payment services such as “Ceremony Pay”
(Holding 1.4% of DG shares)

## JV Partners

### ANA 全日空商事株式会社

**JV Partner**

Jointly operate payment JV for hospitality Industry

ANA DIGITAL GATE

### nissen

**JV Partner**

Jointly operate BNPL JV for EC businesses

SCORE Payment Service

## Business Partners

### Diners Club INTERNATIONAL

**Business Partner**

Promoting collaboration on “DGFT Invoice Card Payment,” a payment service for B2B

### SoftBank | SBI financial

**Business Partner**

Provide payment service on an OEM from DGFT

### Orico

**Business Partner**

Provide payment service on an OEM from DGFT, jointly provide B2B payment services

### RECRUIT

**Business Partner**

Provide ID/QR code Payment to “AirPAY”, offline payment service


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# Partnerships with Major Overseas Payment Companies

Digital Garage

- **Providing connection services to local Japanese payments for 12 major foreign payment providers, supporting global companies to enter the Japanese market**
- **Offering payment services to DGFT merchants in overseas markets through these partnerships**

## Support global companies' Japan entry by partnering with the world's 12 leading payment service providers(PSPs)

**Europe**

adyen

3 companies

DGFT
DG Financial Technology

**Asia**

EXIMBAY

3 companies

**North America**

worldpay from FIS

5 companies

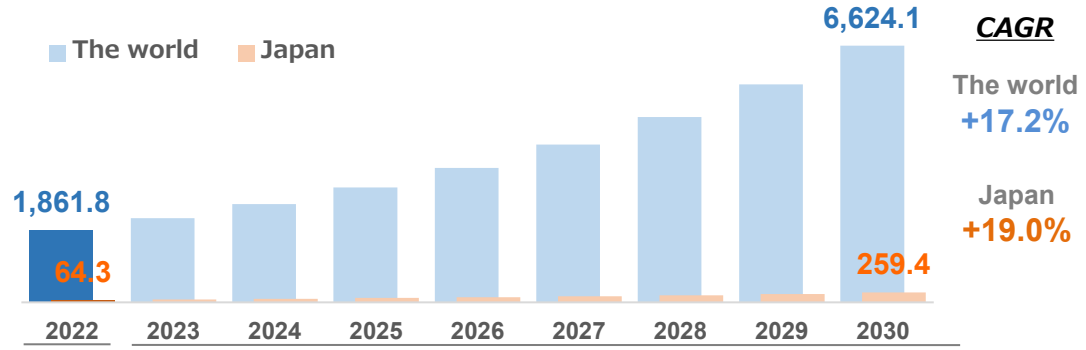
**South America**

d·local

1 company

**Market Size of Payment Orchestration（M USD）**

<Source: 360i Research>

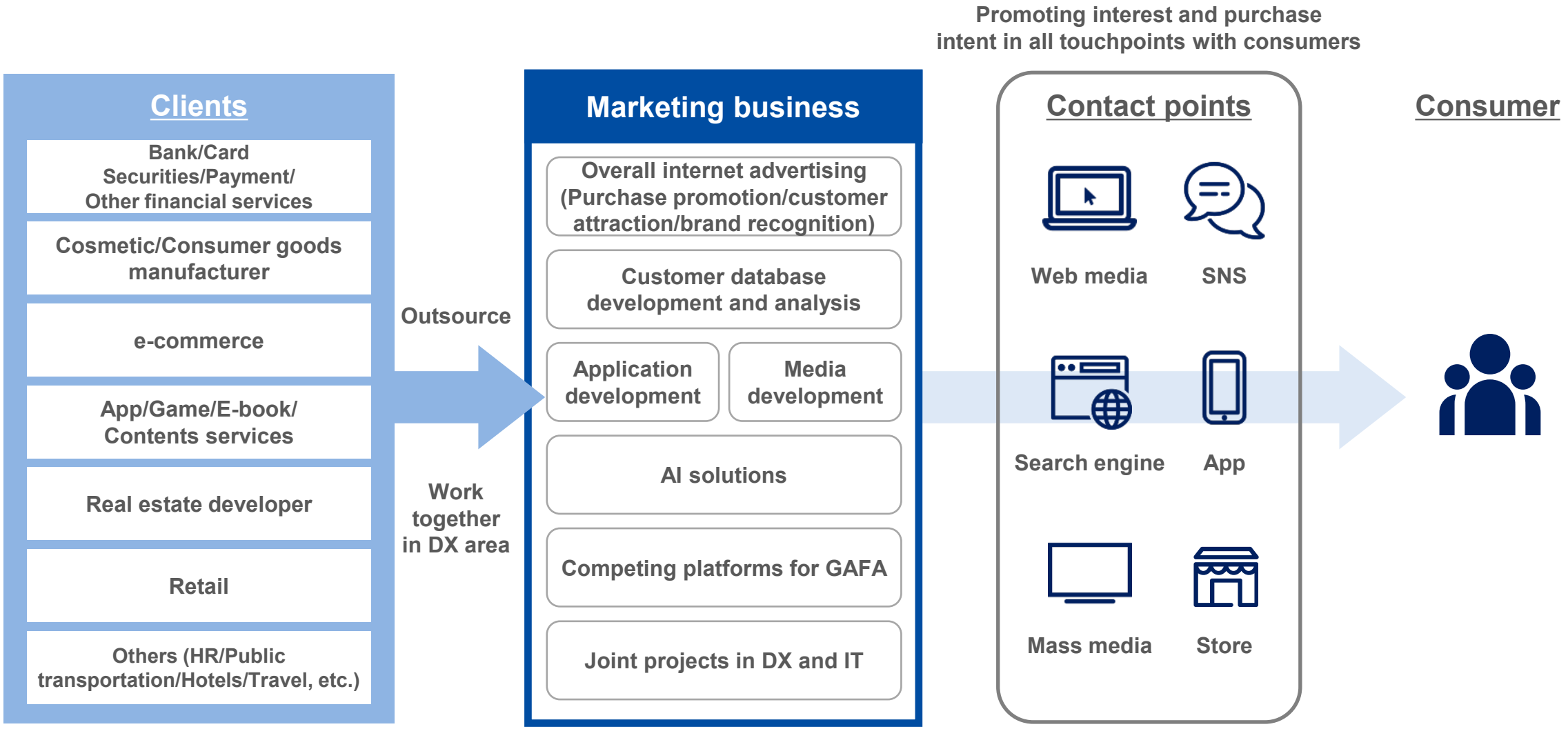




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# Business Model: Marketing Business

- **Supporting clients' business growth through comprehensive digital marketing services**
- **Providing solutions utilizing CRM and data, and Fintech solutions linked to payment business**

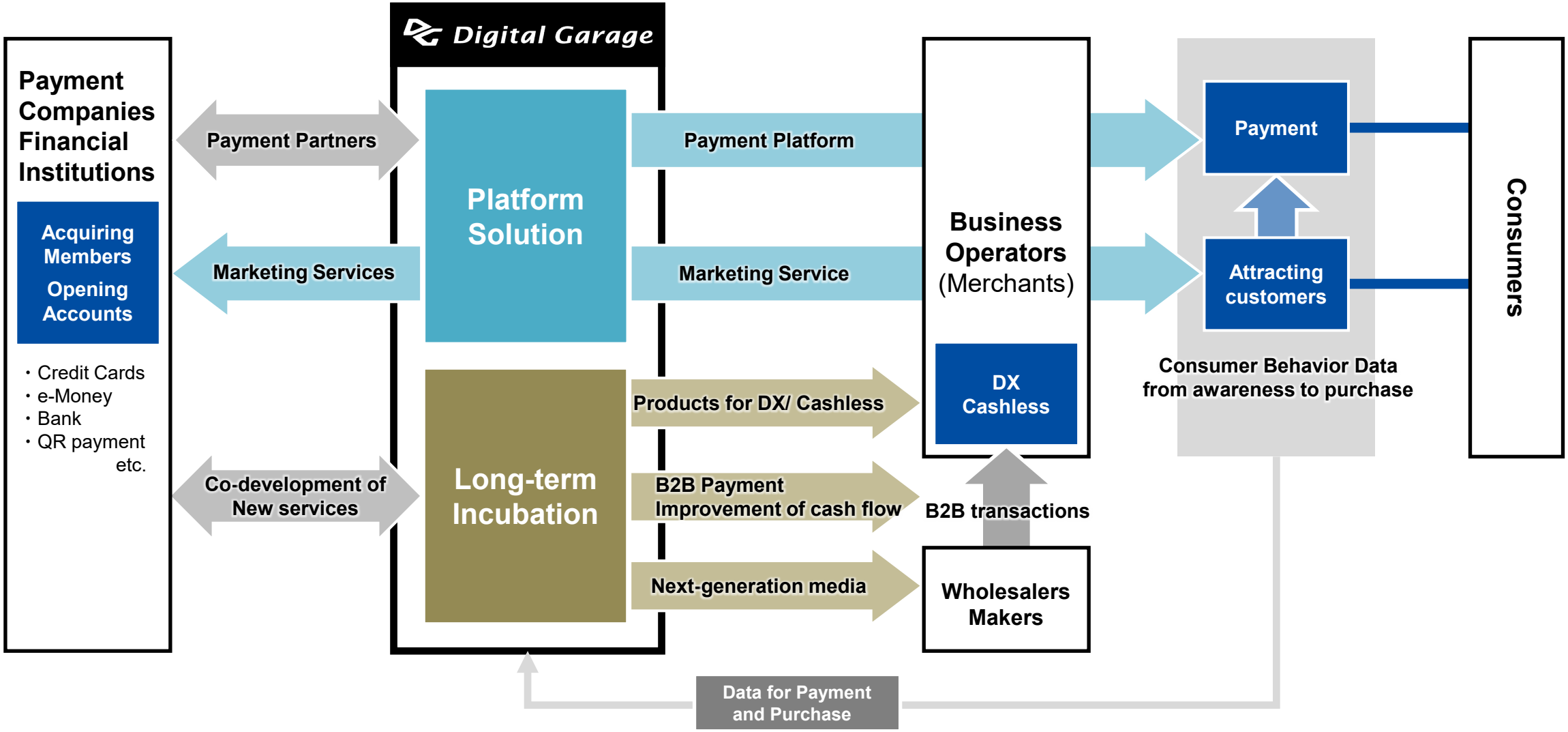




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# Multi-layered Businesses and Profit Opportunities with Payment

- Platforms that continuously generate stable revenues, mainly from payments
- Aim to generate multi-layered profit with DX/ Financial FinTech/next generation media in addition to existing business





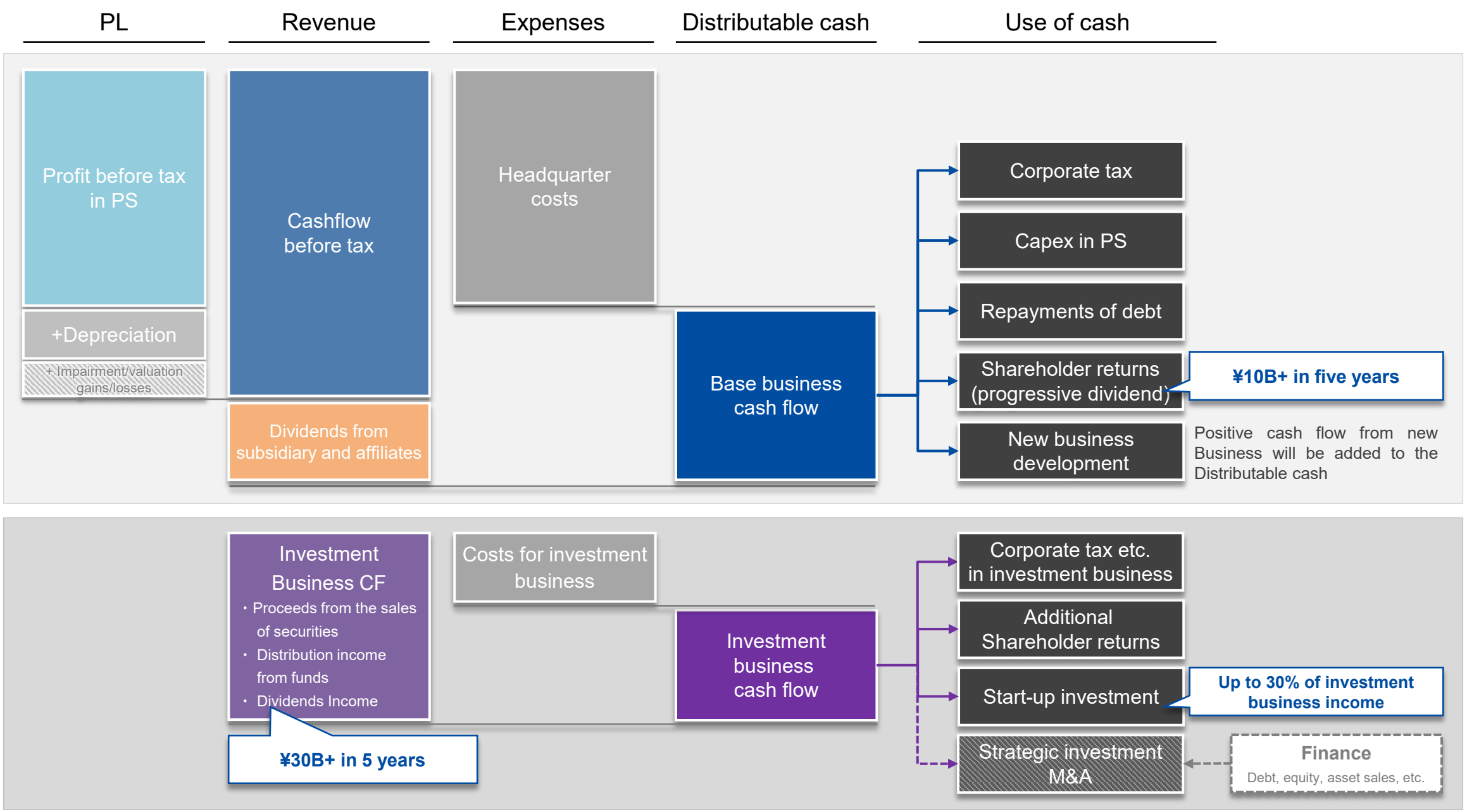
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# Reference Materials(4):
# Cash Flow Allocation / Shareholder Returns

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# Overview of Cashflow Allocation

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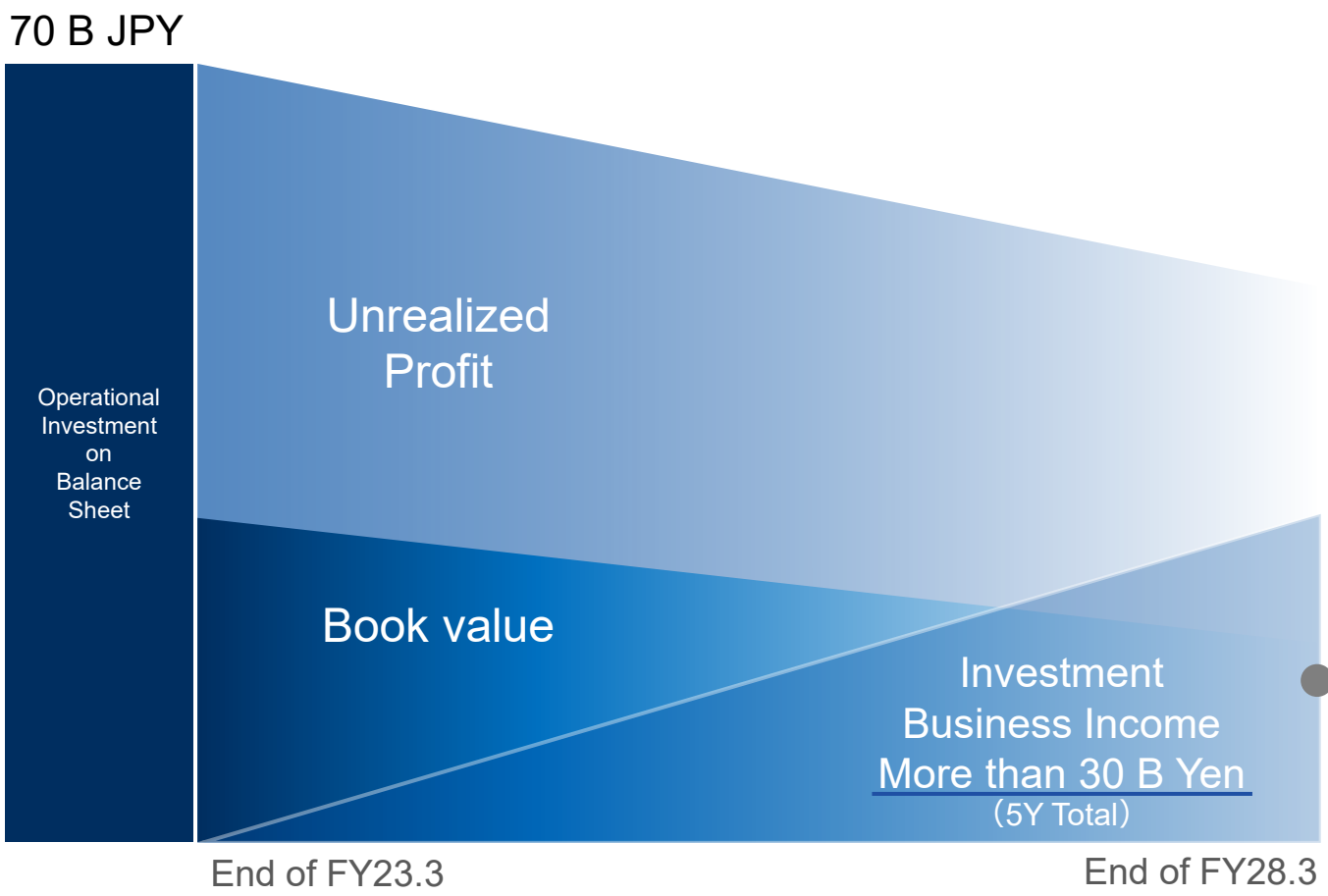


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# Financial Strategy for Investment Business

- **Promote the sales of shares directly held by DG to generate investment EXIT income (proceeds from sales, etc.)**
- **Carefully select new investments, and plan for investing through funds for income purposes to diminish the balance**
- **Clarify the use of investment EXIT income and make strategic decisions on growth investment and additional returns, including new business development**

## 5Y Picture of Direct Investment and Income from Sales




## Usage of Investment EXIT Cash Flow

Investment Business CF

(Operating costs, after tax)

✓ **Investment in Growth**
(New Business Development)

Make strategic decisions based on business environment and opportunities

✓ **Consider Additional Shareholder Return**

✓ **Reinvestment in Startups and Managed Fund**

Up to 30% of Investment Business Income

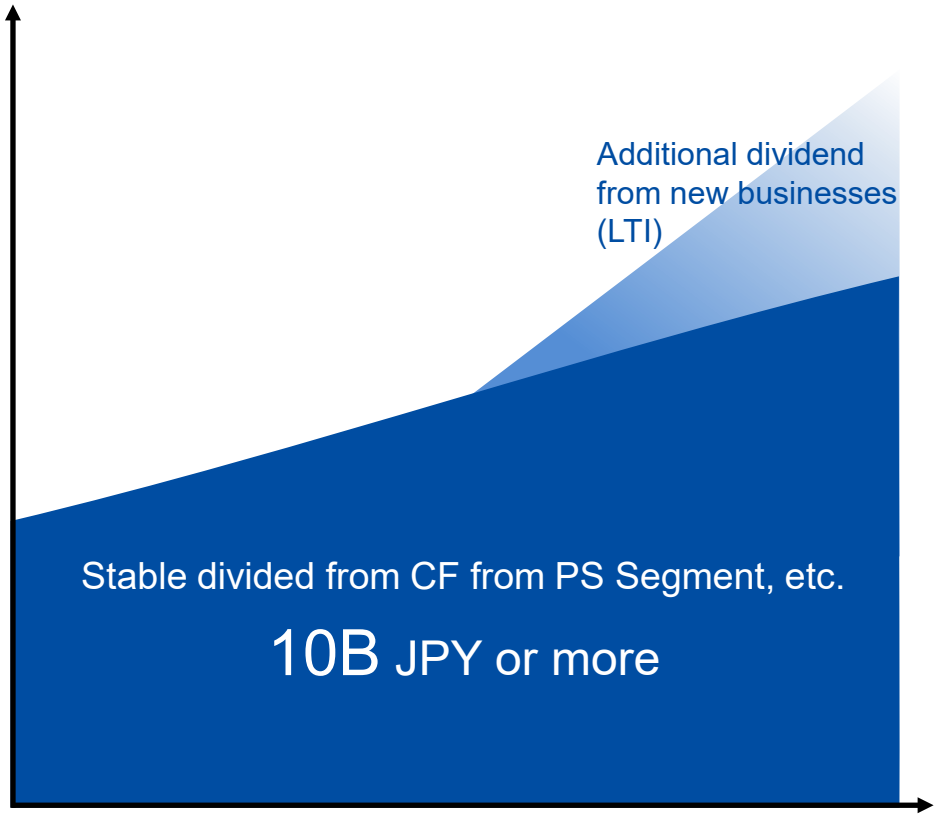
✓ **Strategic Investments**
(M&A・Capital alliance)


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# Shareholder Return Policy

- **Dividends Policy: Progressive dividend based on PS cash flow & additional dividends by cashflow from new business**
- **Additional returns (special dividends, share buy-back) through CF from the investment business are active options**

## Shareholder Return based on Base Business CF




## Shareholder Return Policy

**Additional Return from Investment Business**

Investment for growth or additional shareholder returns will be determined, considering business environment and investment opportunities

**Base Business CF**

**2nd Layer (New businesses)**

Aim to increase dividends by generating cash flow through launch of strategic businesses

**1st layer (PS)**

Plan to pay progressive dividends from cash flow of PS Segment, which is expected as continuous profit growth

Annual single-year Policy

Dividend payout ratio

30% or more


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# Digital Garage Group

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