Financial Report

2Q of FYE March 2025

Digital Garage

2024.11.7

I. Introduction

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PURPOSE

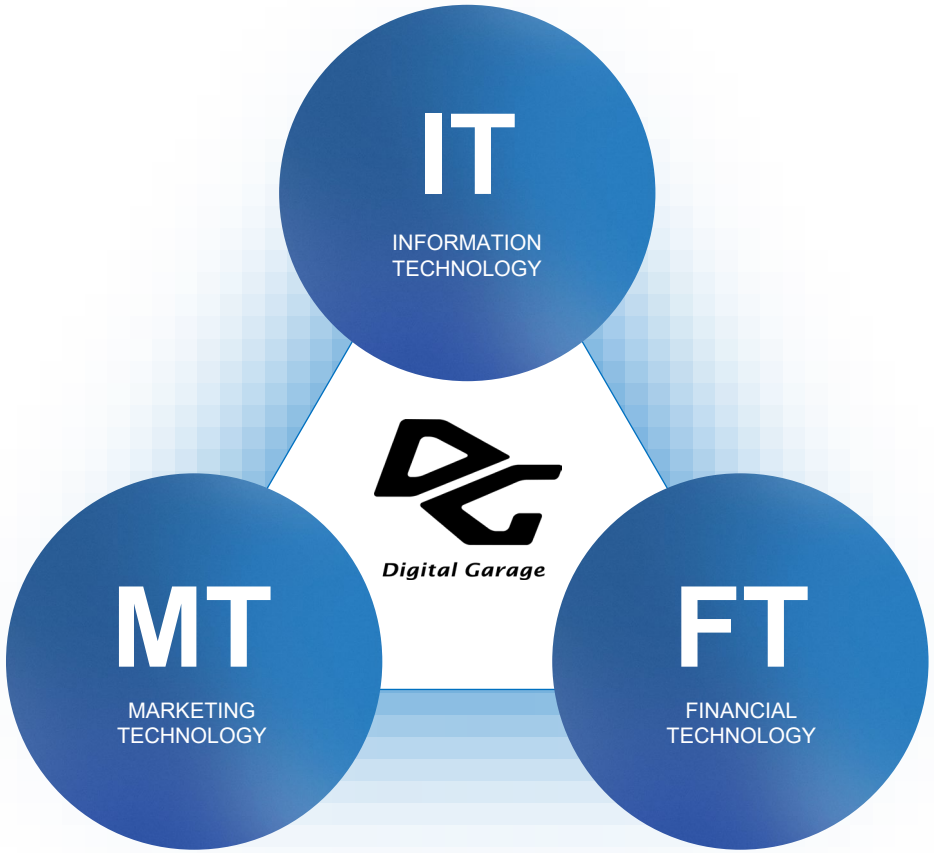
Designing ‘New Context’ for a sustainable society with technology

<VALUES>

First Penguin Spirit

<CORPORATE SLOGAN>

New Context Designer DG

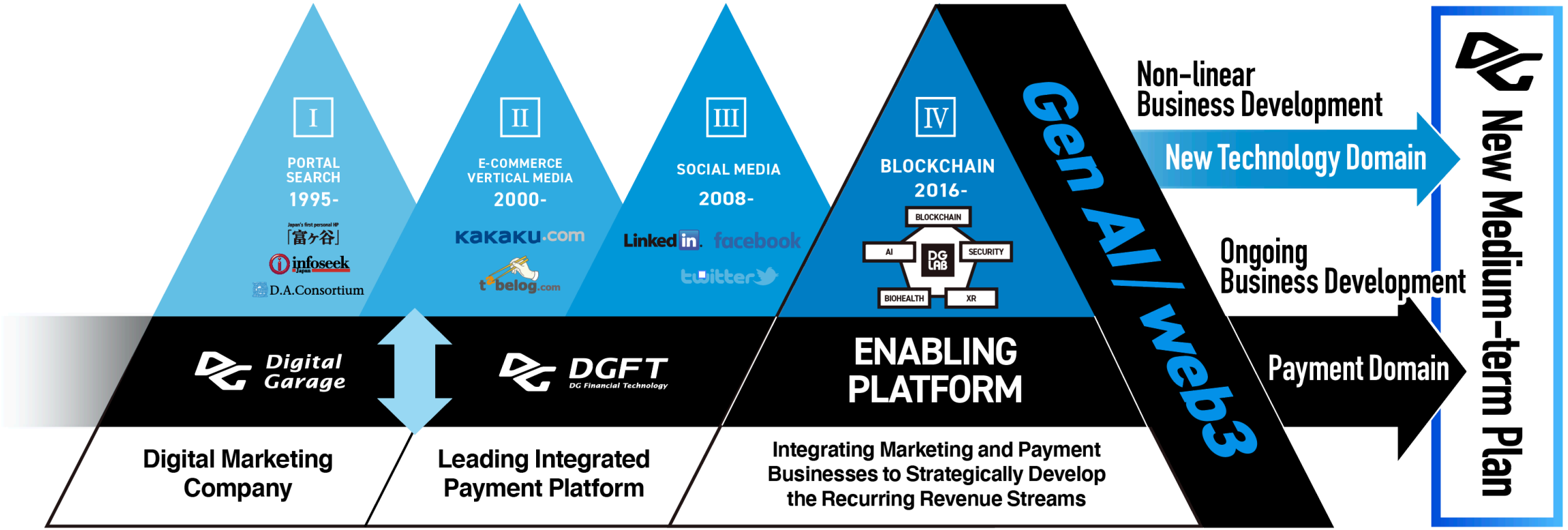


By connecting 3 different technologies in context, Digital Garage has built a structure that captures technological evolution and achieves continuous business growth

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History of DG Group's Contextual Design and Social Implementation

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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Business Segment Formations

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PS segment

Fintech

DGFT
DG Financial Technology

Digital Marketing

Digital Garage

LTI segment

Media (Kakaku.com)

食べログオーダー　BI.GARAGE

Retail Tech　Real Estate　B2B　web3

Mobile & Next Tech

Enabling Businesses / Strategic Partners

SCORE　Commerce　NaviPlus

Scudetto　DG FutureTech

Resona Holdings　auフィナンシャルサービス

ANA　Toshiba Tec Corporation　JCB

GII segment

DG Ventures　DG Incubation　DG Daiwa Ventures　GEN LAB

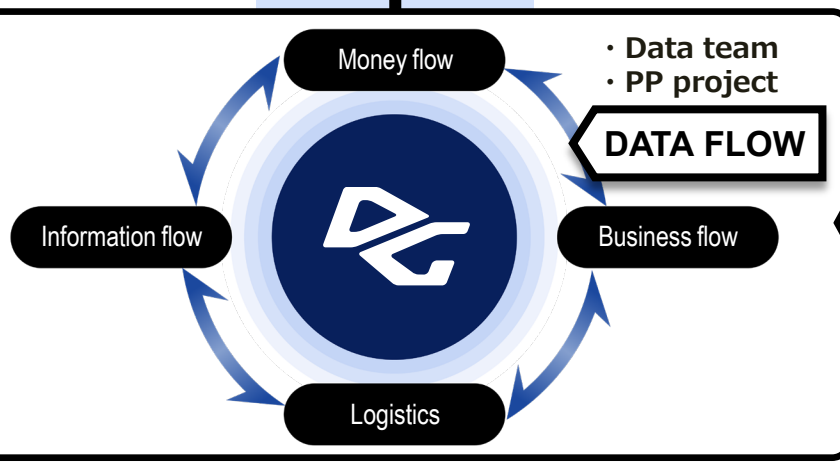
DGUS　DG717

Media & Mobile & Next Tech

kakaku.com

価格.com　食べログ　求人ボックス

Gravity



Startup

Global Incubation Stream

Global Tech & Startup Community

<Tokyo／San Francisco／London>

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Medium-term Plan (FY24.3 – FY28.3): Targets and Progress

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5-year Target	Initiatives
Growth Rate of Pre-tax Profit 5Y CAGR **20 % Over***	■ Diversifying topline by expanding payment monetization through our strategic business groups, acquiring SaaS-based revenues, and collaborating with Kakaku.com, Inc. ■ Expansion of peripheral businesses (enabling businesses) centered on payments
Payment Transaction Volume FY28.3 **15+ T JPY**	■ Accelerating GMV growth through collaboration with specialized alliance partners, including Resona Group, KDDI, JCB, and Toshiba Tec Corporation ■ Expanding the offline payment domain with the “Cloud Pay” unified QR code payment solution
Investment Business Income 5Y Total **30+ B JPY**	■ Making progress to move investments off balance sheet by transferring portfolio to joint fund with Resona Group (10 bn JPY) ■ Aiming to achieve the Medium-term plan target ahead of schedule
Shareholder Return 5Y ordinary dividends **10+ B JPY**	■ Progressive dividend policy driven by sustainable growth in the payment business ■ Increasing ordinary dividend growth rate with the acceleration of strategic businesses ■ Proactive stance towards using investment business income for additional shareholder returns (9 bn JPY of share buyback completed in 2 years)

*Excluding investment business and equity-method profit from Kakaku.com, Inc.

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II. Consolidated Financial Highlights

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Target of This Fiscal Year and Progress of Strategic Actions (FY25.3 2Q)

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Strategy and progress towards FY25.3 guidance: “+20% payment business profit growth” & “+20-25% PS segment profit growth”

NEW Offline Payment

Cloud Pay, a unified QR code payment solution, has been installed in Square

- **Patented “Cloud Pay”** has been installed in Square, initiating **terminal-free payment service “CloudPay Neo”**

1 Telecom

Business Alliance with au Financial Service of KDDI Group

- **System development** underway to provide high quality payment services to **the au economic zone**

2 Financial

Strengthen the Capital & Business Alliance with Resona Group

- Established integrated sales for **payment services** to enhance sales in Kansai region, in addition to metropolitan area

3 Group Media

Promotion of Group Business in Strategic Sectors with Kakaku.com, Inc

- Collaborative efforts made progress in the **“Tabelog” inbound reservation** & payment transaction increase in travel domain

4 Value-chain Enhancement

Completed the 100% acquisition of SCORE. Co., Ltd. that provides BNPL services

- **Expanding development into a larger B2B market**, **in addition to existing B2C BNPL** (Buy Now Pay Later)

5 Development Enhancement

M&A of competent system company to expand development resources

- 100+ engineers joined the group, **accelerating capability for in-house new business development**

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Summary of 2Q FY 25.3

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Quarterly Results

- **Despite the recognition of non-cash accounting losses in the consolidated results, the core payment business, the revenue base, showed robust performance**

PS	On track for +20% full-year growth	Payment business saw a +23% profit increase in 2Q alone; Marketing business recorded one-off revenue
	Payment transaction volume increased +20%	Growth in General Retail, Financial Accounts, & Restaurants, and QR code payments expanded in offline areas
LTI	Equity-method profit increased +24%	Driven by Kakaku.com Inc. with its strong Tabelog & recruitment media
GII	3.6 bn JPY investment business income	Made progress in transferring the investment portfolio to the joint fund with Resona Group

Topics

- **PS: Cloud Pay, a common QR code payment solution, is expanding in the offline area**
  - Our **patented "Cloud Pay"** has been installed in **Square**, providing QR code payments for domestic merchants
  - **Full-scale launch of "CloudPay Neo"**, **a strategic business for next gen**, to drive penetration in key markets
- **LTI: Several new strategic businesses are now on track for growth from the launch phase**
  - Expanding business in **real estate, food & beverage, B2B payments, retail, & travel sectors** with **payment business as a platform**
- **GII: Aiming to achieve the medium-term investment business income target of 30 bn JPY ahead of plan**
  - Taking measures to move investments off balance sheet, including **a shift to fund-type investments**, to reduce the consolidated earnings volatility

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Consolidated Financial Highlights – Segment Profit

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Unit: M JPY	FY24.3 2Q YTD	FY25.3 2Q YTD	Difference	% change	Summary
Consolidated profit before tax	8,266	**-12,530**	-20,797	-	• Profit decrease due to fair value valuation loss of Blockstream & rapid yen appreciation • Valuation loss on fair value that does not involve cash outflows • PS & LTI in line with plan, & we are **on track to achieve full-year guidance**
PS	3,572	**4,065**	+493	+13.8%	• **+24% profit increase in 2Q alone**, exceeding our initial expectations due to the recognition of one-off revenue
Payment	2,867	**3,311**	+444	+15.5%	• **Payment transaction volume increased +20%**, driven by growth in general retail, financial accounts, restaurants, & travel, as well as new merchant acquisitions • **+20% growth expected to continue in 2H**, as the impact of client loss runs its course
Marketing	705	**817**	+111	+15.8%	• Organizational restructuring for further integration with the payment business
LTI	558	**1,029**	+471	+84.5%	• Robust profit growth of Kakaku.com boosted **equity-method profit by +24%** • Several strategic businesses have entered growth phase, with major clients' adoption & collaboration progressing
GII	5,502	**-10,236**	-15,738	-	• Despite the valuation loss on Blockstream, other investment portfolios remained stable • **A shift to fund-type investments** to reduce earnings volatility
Headquarters/ adjustments	-1,366	**-7,389**	-6,023	-	• Valuation loss on Blockstream securities held by headquarters

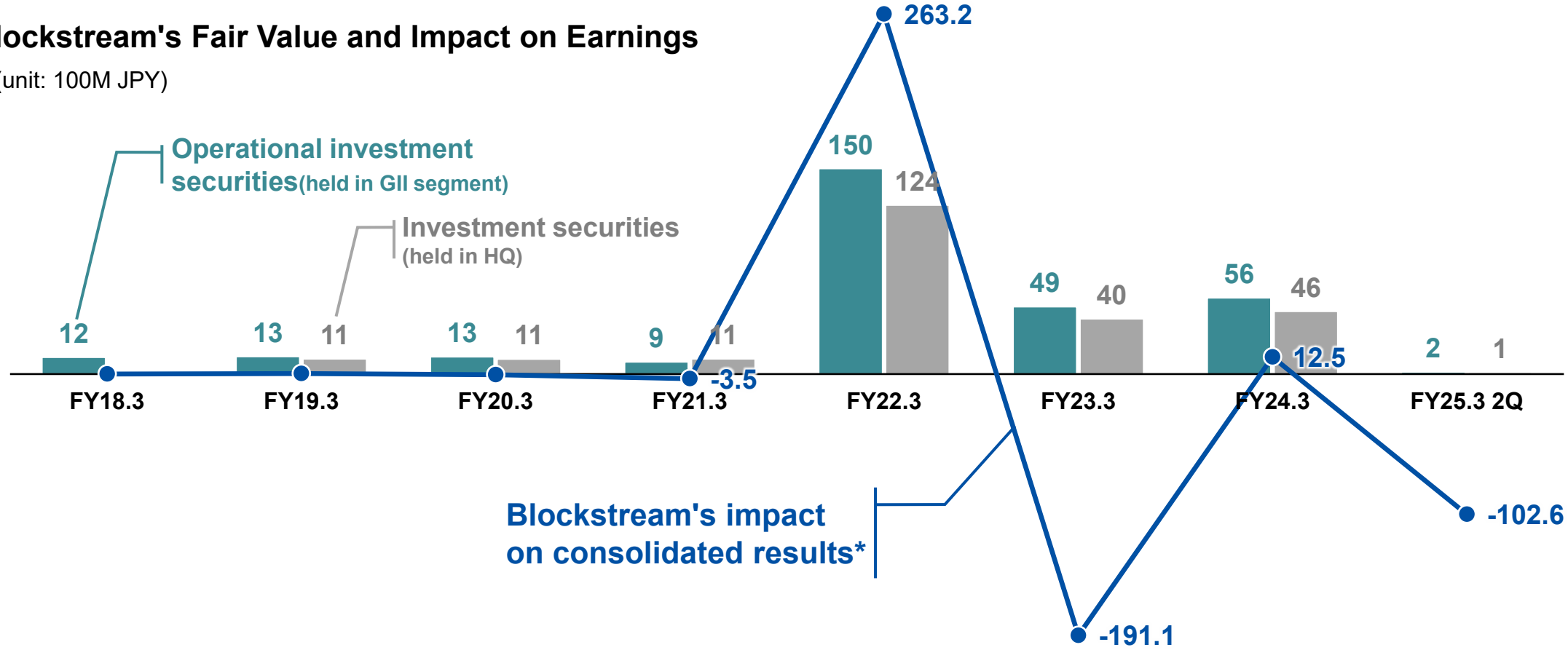
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Blockstream’s Fair Value & Impact on Consolidated Results

- Blockstream, an investment destination in the cryptocurrency domain, has had its fair value fluctuate greatly in the past, greatly affecting consolidated results
- In 2Q, a valuation loss on the securities was recorded, therefore the **impact on earnings is expected to be limited**

Blockstream's Fair Value and Impact on Earnings

(unit: 100M JPY)



*The impact on consolidated results is the sum of ‘revenue/loss on operational investment securities’, ‘finance income/costs’ & ‘share of profit of investments accounted for using equity method’

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KPI Highlights

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Basic business profit	Basic business profit showed stable +6% growth, excluding investment business and one-time gains/losses
Payment transaction volume	“Offline” growth driven by General Retail with strong inbound consumption; “Online” continued double-digit growth
Investment business income	¥3.6 bn cash-in due to progress in portfolio transfer to a joint fund with the Resona Group

	Unit	FY24.3 2Q YTD	FY25.3 2Q YTD	Difference	% Change
Basic Business Profit	M JPY	**1,681**	**1,782**	+101	+6.0%
Transaction Volume	100M JPY	**29,672**	**35,585**	+5,914	+19.9%
Online Payment	100M JPY	**21,300**	**23,811**	+2,511	+11.8%
Offline Payment	100M JPY	**8,371**	**11,774**	+3,403	+40.7%
Investment-related KPIs					
Investment Business Income *1	M JPY	**2,509**	**3,613**	+1,104	-
New Investment *2	M JPY	**736**	**359**	-377	-

*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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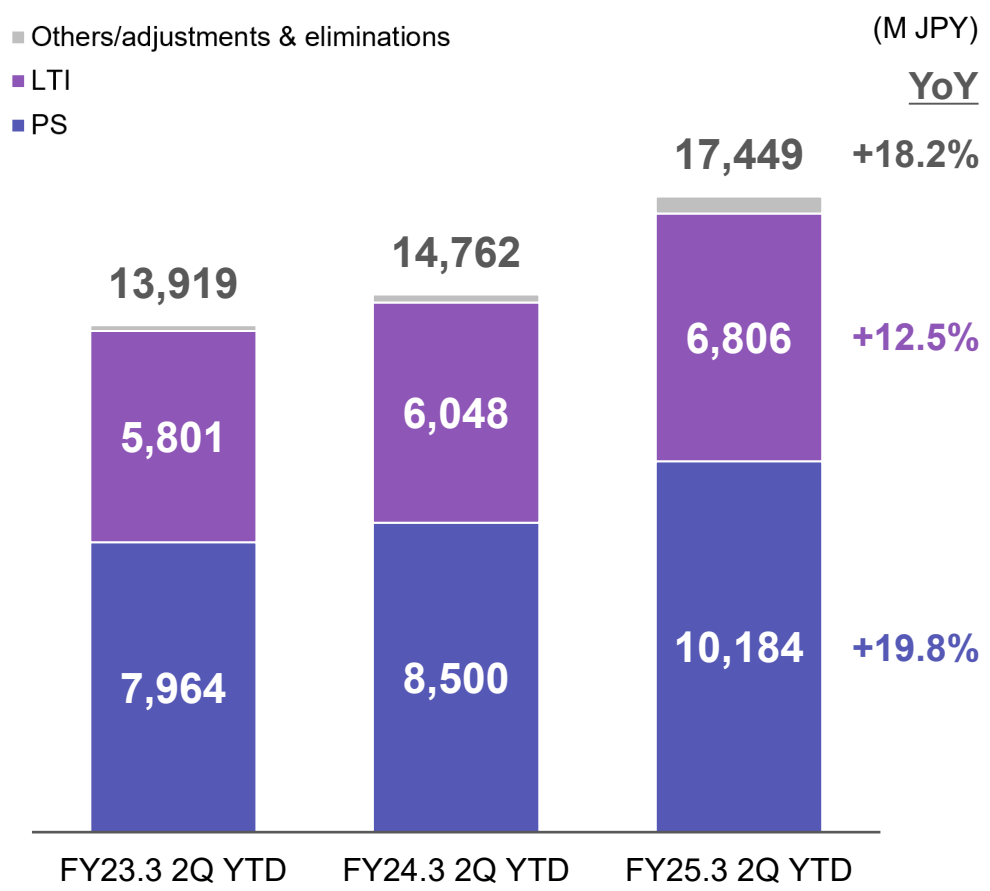
Basic Business Revenue and Profit*

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

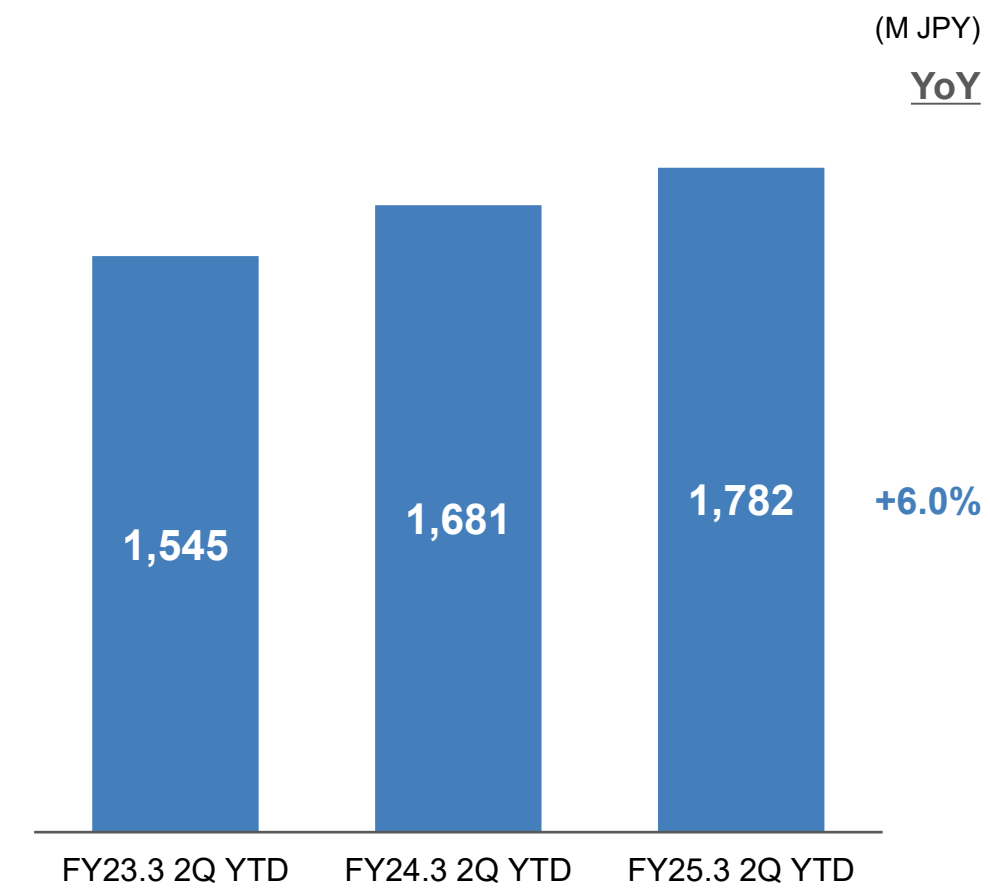
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- Stable basic business revenue/profit, offsetting upfront investments in new businesses
- Steady growth in PS segment focused on payments and aiming to accelerate growth by monetizing new businesses

Basic Business Revenue



Basic Business Profit



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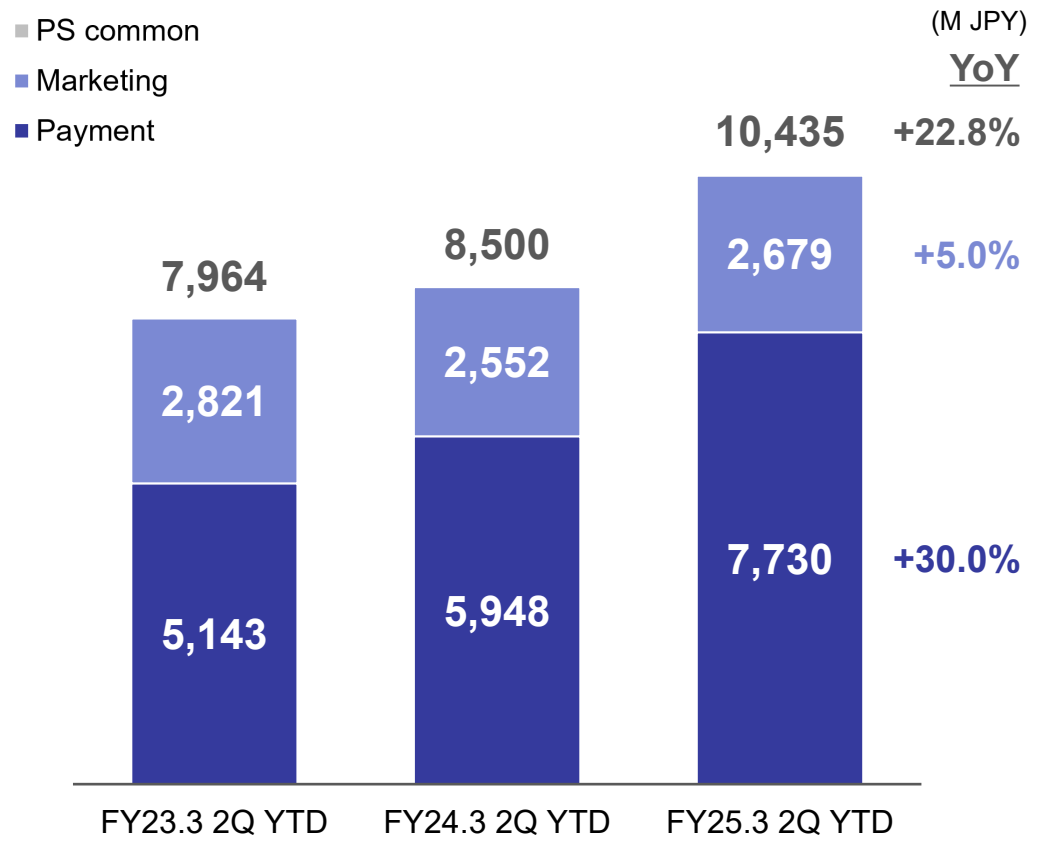
III. Segment Performance Highlights

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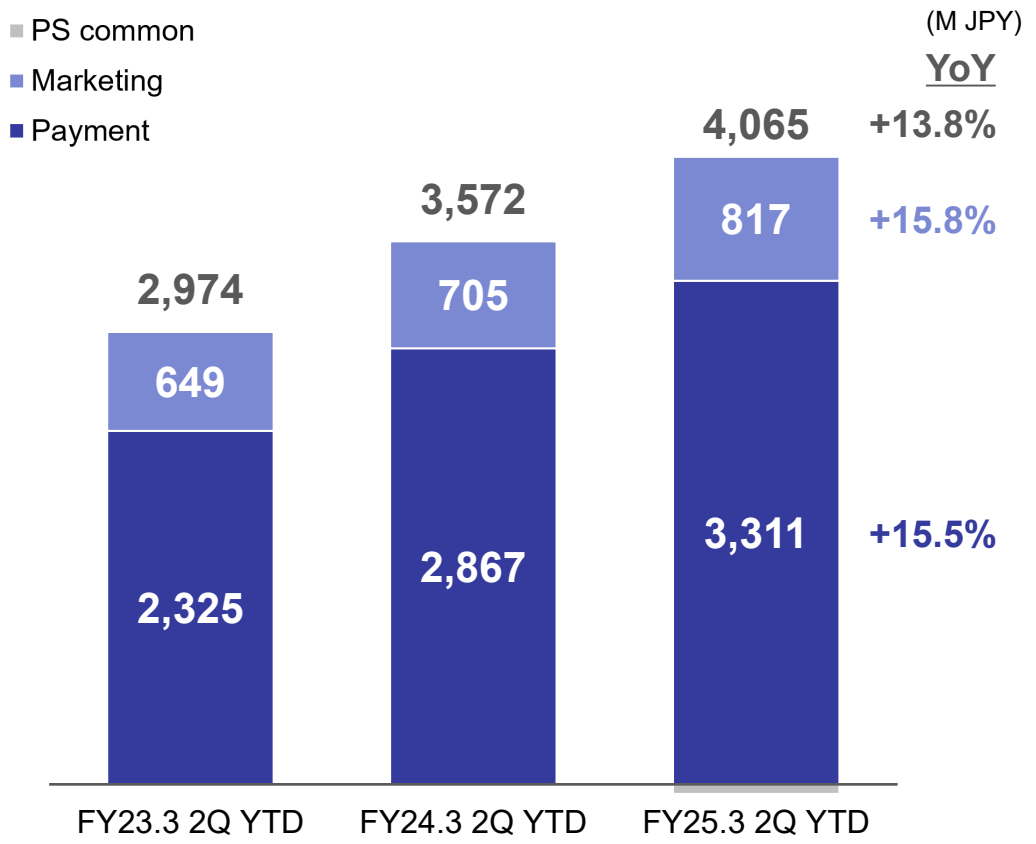
Segment Performance – Platform Solution

- **+24% profit increase in 2Q alone**, steady payment business and one-off revenue in marketing business
- Payment business on track to achieve +20% profit growth, with higher growth expected in 2H as the client loss runs its course

Segment Revenue



Segment Profit



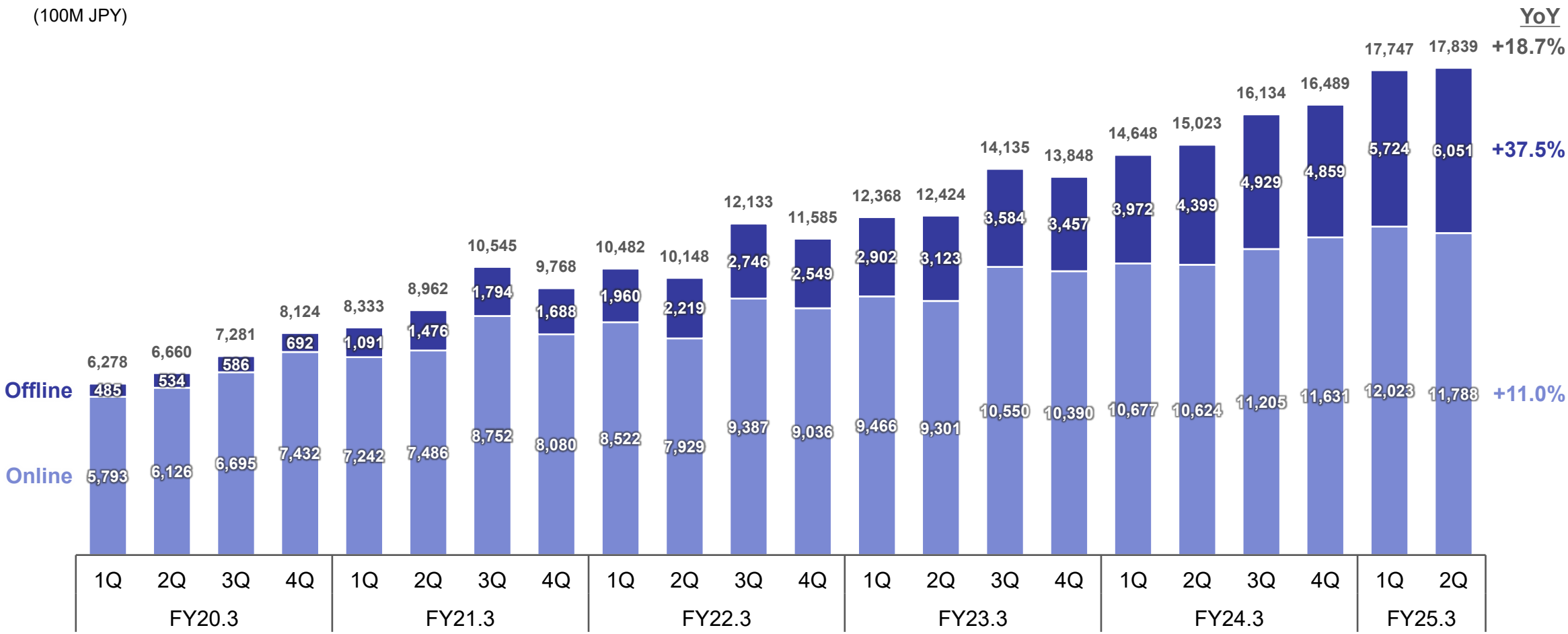
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Payment Transaction Volume

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- Online: Transaction growth in broader industries such as financial accounts and travel; focus on initiatives to accelerate growth in the e-commerce domain
- Offline: Continued strong growth of +37.5% YoY driven by general retail, food & beverage, hobby and sports domain

(100M JPY)

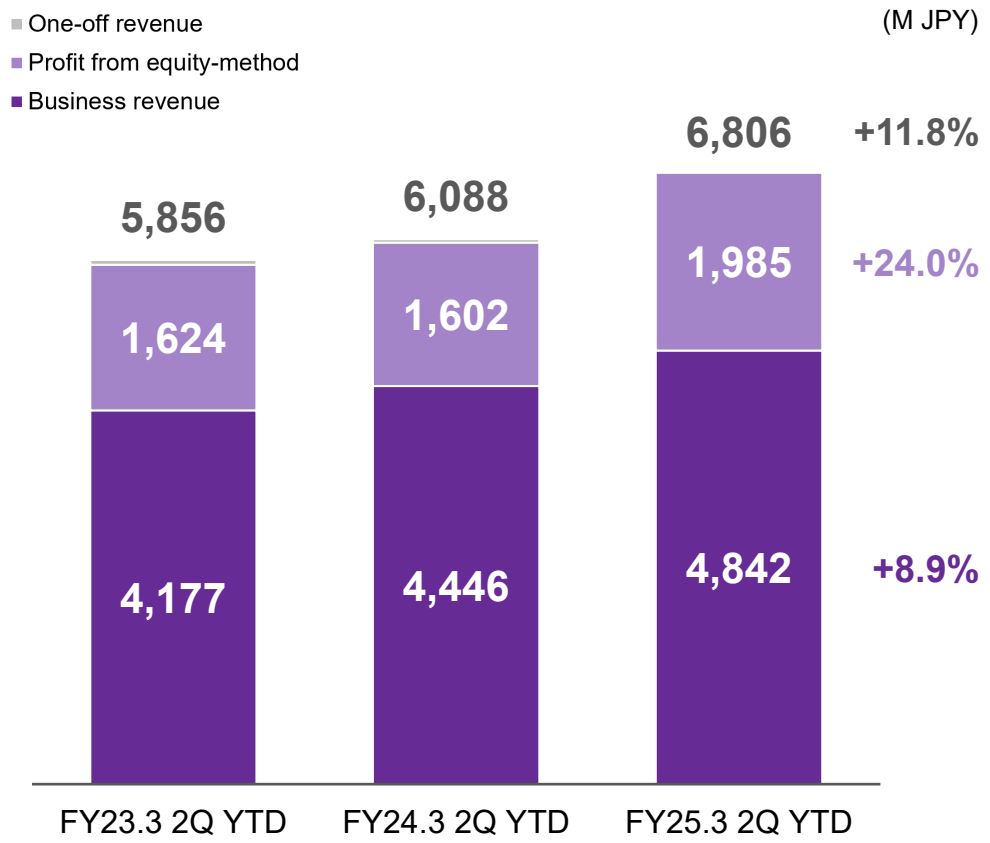


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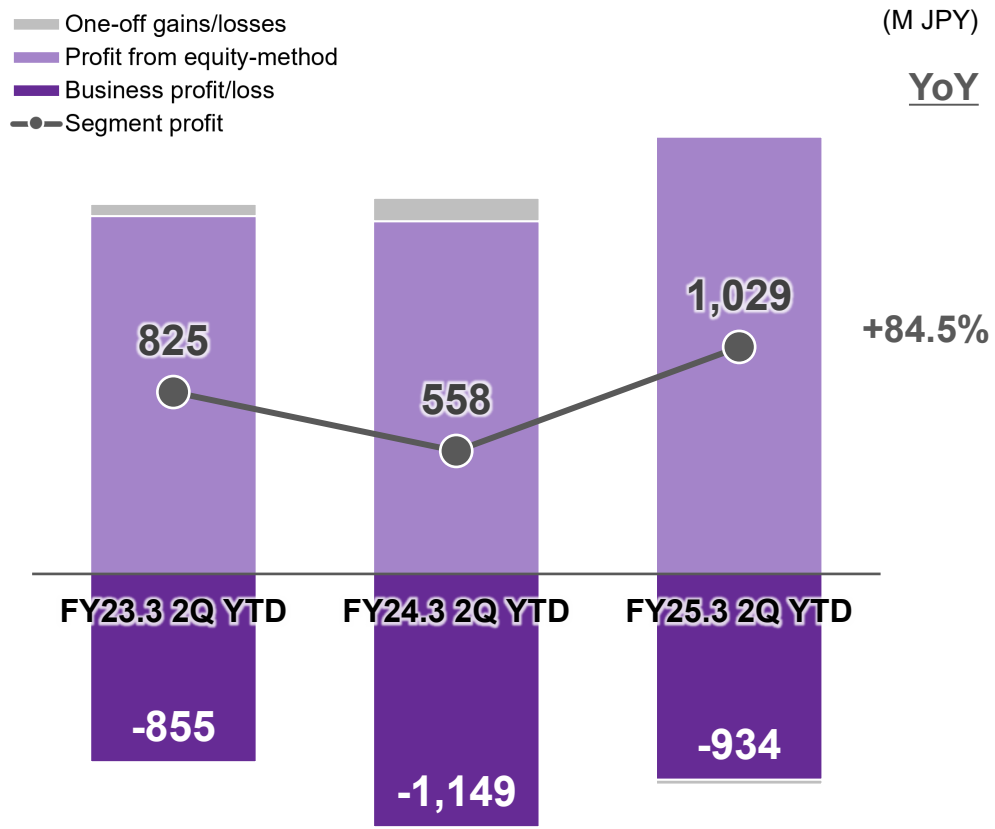
Segment Performance – Long-term Incubation

- Equity method profit increased +24% driven by Kakaku.com, while strengthening collaboration initiatives will accelerate joint business development
- Continued upfront investments in several new strategic businesses linked to payments for medium to long-term growth

Segment Revenue



Segment Profit

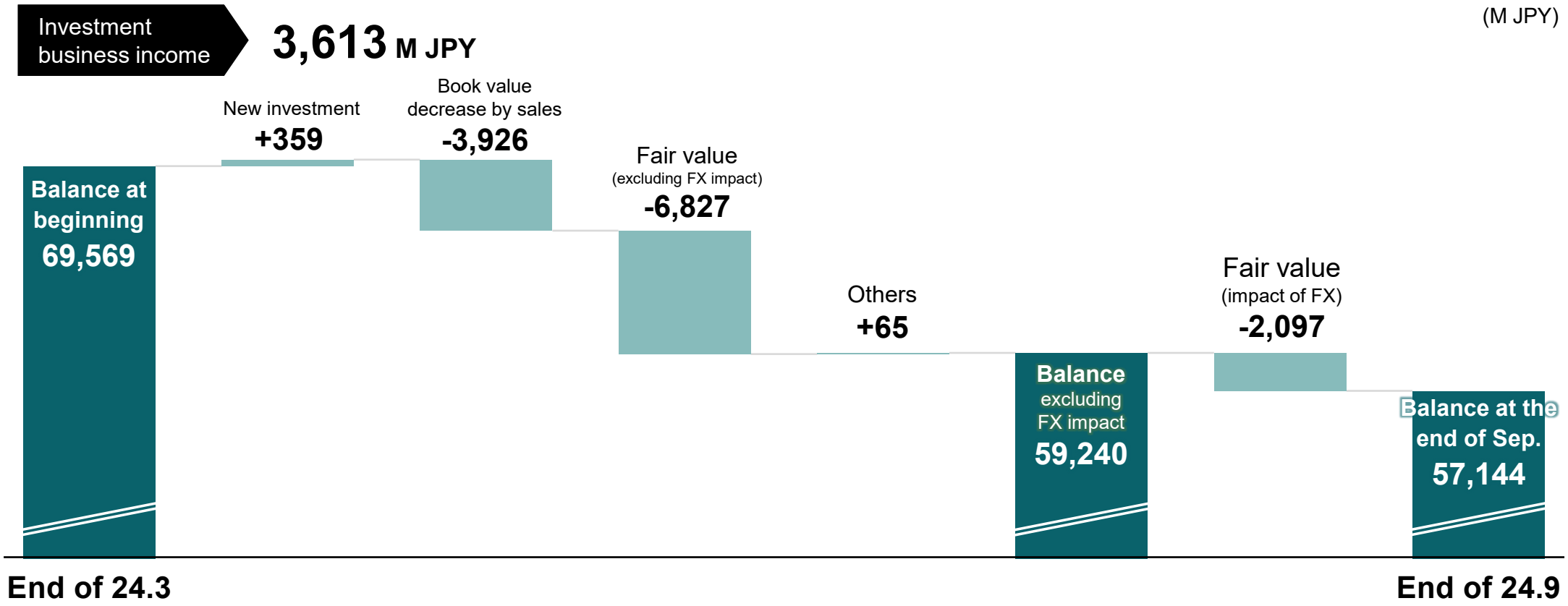


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Segment Performance – Global Investment Incubation

- ¥3.6 bn investment business income, progressing in the investment portfolio transfer to the joint fund with Resona Group
- Valuation loss on Blockstream & rapid yen appreciation led to 57.1 bn balance at the end of September, a steady progress in off-balancing initiative

Operational Investment Securities Increase/Decrease



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IV. Business Progress

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Progress Summary / Good Start to Achieving a 20%+ Full-year Growth Rate

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II LTI segment

<KPI>

New business revenue growth (2Q alone - YoY)	Pre-tax profit growth (2Q alone - YoY)
+64%	+84.5%

Business Highlights

kakaku.com
- 2Q YTD **equity-method profit: +24%**
- Rapid growth in inbound reservations

New business
- Multiple businesses **on track for gworth**

Musubell Pangaea Delivery DGFT 請求書カード払い

Group Synergy
- Increased payment transaction in Tabelog's **inbound reservation** & **travel domain**
- Payment transaction volume from new business showed **strong growth of +363% YoY**

I PS segment

<KPI>

Payment Transaction Volume (LTM)	Payment transaction volume growth (LTM -YoY)	Pre-tax profit growth (2Q alone - YoY)
¥6.8trn	+18.3%	+24.1%

Business Highlights

au フィナンシャルサービス (KDDI Group)
- **Commenced design and development** of payment services for **the au economic zone**

RESONA リそなグループ
- Established joint sales structure through mutual secondment of 12 employees
- **Strengthen payment sales in the Kansai region in addition to the Tokyo metropolitan area**

Square
- **Started providing QR code payment solution to "Square,"** a major U.S. PoS/payment company

Cloud Pay Neo
- **Deployment of "CloudPay Neo,"** a new payment service that realizes multiple payments without the need for terminals

III GII segment

<KPI>

Investment business income (2Q YTD)	Operational investment securities (End of Sep.)
¥3.6bn	¥57.1bn

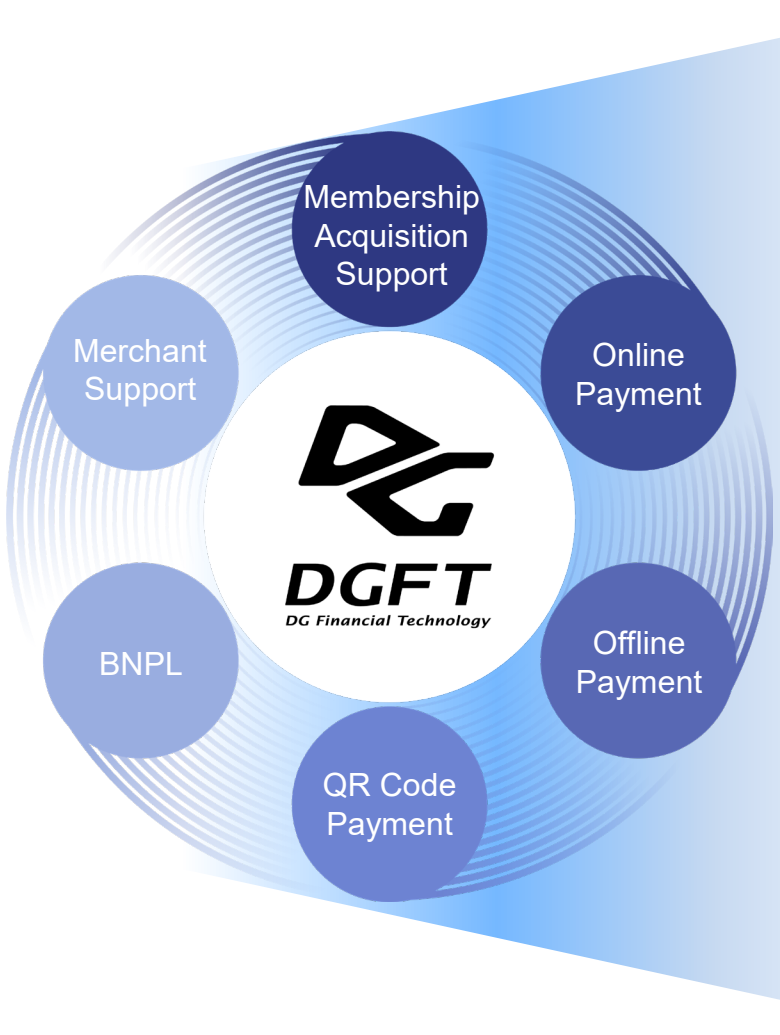
Business Highlights

Non-cash valuation loss
- **Write-off** on Blockstream
- **FX loss** due to the strong yen

Sale of securities
- **3.6 bn investment business income** including the transfer to the joint fund with Resona HD

Group Synergy
- A new department established to enhance business **co-creation with startups**
- An executive officer assigned to the dept

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Business Domain	Growth Engine	Result
Membership Acquisition Support	Affiliate advertising consulting capabilities & technology utilization	Annual Revenue **¥17.5bn**
Online Payment	Further domain expansion by the collaboration with KDDI group, etc	Annual GMV **¥4.7trn**
Offline Payment	Collaboration with Toshiba Tec Corporation & ANA group, etc.	Annual GMV **¥2.2trn**
QR Code Payment	Growth acceleration by Could Pay series	3y CAGR **+88%**
BNPL	Product enhancement to enter into B2B domain	3y CAGR **+11%**
Merchant Support (website building, security etc.)	Marketing talents collaboration and unified data infrastructure development	Annual Revenue **¥6.3bn**

*Annual results: Oct 2023 – Sep 2024 3Y CAGR：FY22.3 to FY24.3 QR code payment: CAGR of GMV BNPL: CAGR of revenue

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Launched "Cloud Pay" for Square

Square × DGFT DG Financial Technology

Seven QR Code Payment Brands in Japan available, reaching cumulative approx. 200 million user accounts

PayPay / au PAY / d払い / R Pay / Pay / Alipay / 微信支付 WeChat Pay

Cloud Pay **Patented**

Japan's largest unified QR code payment solution

- Payment can be made with one unified QR code
- Centralized management of contracts and fund settlements

Square

One of the largest B2B platforms

- Adopted by millions of merchants worldwide
- Service launched in Japan in 2013.

Launch of industry-specific payment solutions of "CloudPay Neo"

Cloud Pay Neo

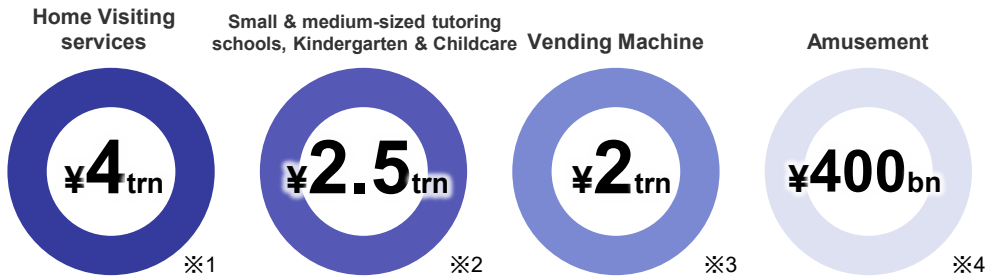


Easy to use a variety of payment methods by simply reading a QR code with the smartphone's standard camera

VISA / Mastercard / JCB / American Express / Diners Club / Apple Pay / G Pay

PayPay / d払い / au PAY / R Pay / Pay / コンビニ（スコア後払い）

Targeting approx. 9 trn JPY markets in total, where cashless penetration is low

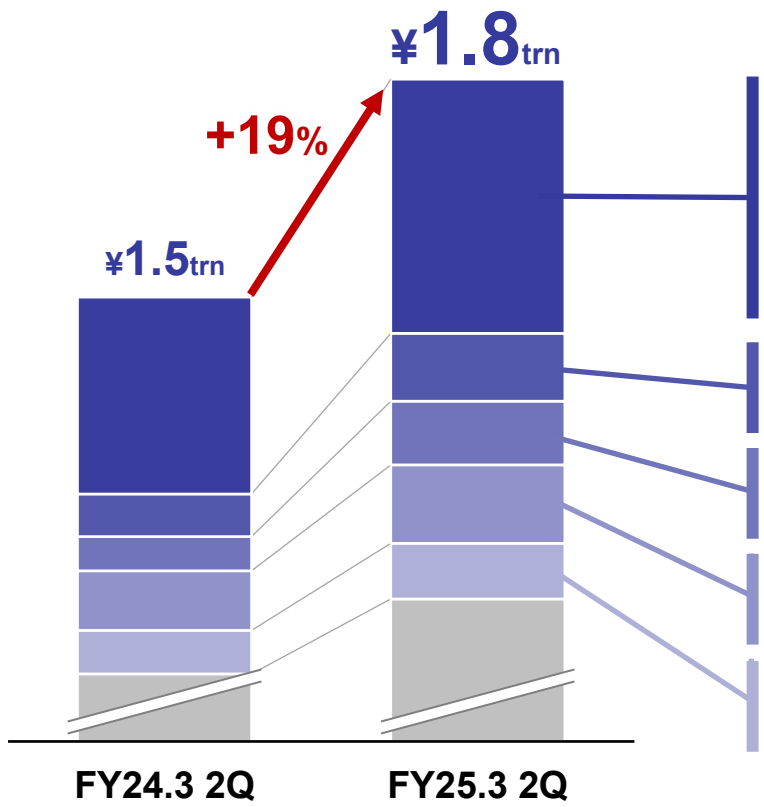


*1: "Nikkei NEEDS Industry Commentary Report: Housing Service" (Nikkei Inc.) / "Door-to-Door Sales Revenue Trends" (Japan Direct Marketing Association) / "Home Renovation Market 2023" (Yano Research Institute Ltd.) / Our estimate from "Corporate Research Report: Aqualine <6173>"(FISCO Ltd.)
*2: Our estimate from "Survey on Children's Learning Expenditure" (Ministry of Education, Culture, Sports, Science and Technology) / "Survey on Childcare and Early Childhood Education Market" (Yano Research Institute Ltd.)
*3: Our estimate from "Survey of Selected Service Industries" (Ministry of Economy, Trade and Industry) / "Contactless Technology Implementation Strategy" (Nikkei Business Publications, Inc.) *4: Our estimate from "Survey Report on the Amusement Industry" (Japan Amusement Industry Association)

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Payment transaction volume increased in Retail / Securities Trading / Restaurant, etc.

Payment Transaction Volume by Sector



Top sector	YoY	Main factors
General Retail	+29%	• Cashless penetration led to increased use in **supermarkets and other merchants** • **Inbound consumption** drove transaction in department stores
Entertainment	+59%	• Increase in **major hobby website**
Securities/FX trading	+86%	• Growth driven by **new NISA** & rising stock prices
Restaurant	+31%	• Increase in **mobile order** volume
Food & Beverage	+44%	• **Stock demand** for extreme weather & disasters

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Promoting the planning, development and nurturing of new businesses in three key areas that are highly synergistic with payments: “industry specific DX”, “B2B payment/financial” and “next gen technologies”

Revenue from new business groups **increased by +64% YoY** and maintained high growth following the full-scale launch of multiple projects

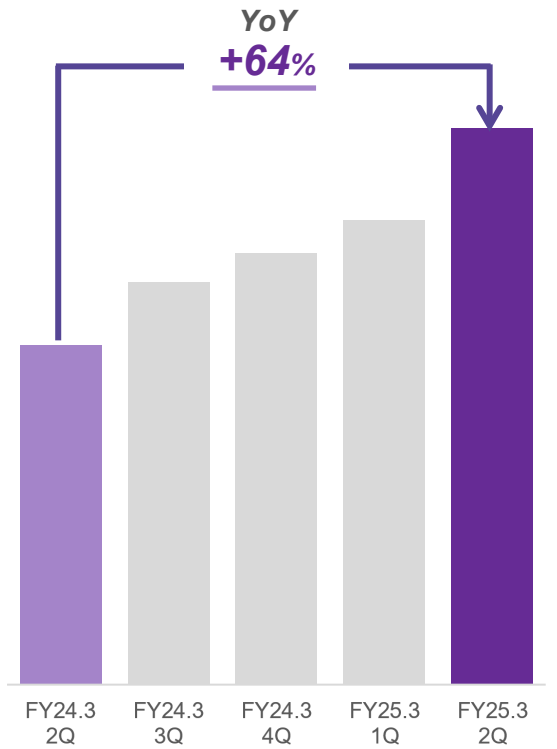
The payment transaction volume (GMV) generated by new businesses also **increased +363% YoY**, contributing to the expansion of the GMV

Progress of Key New Business

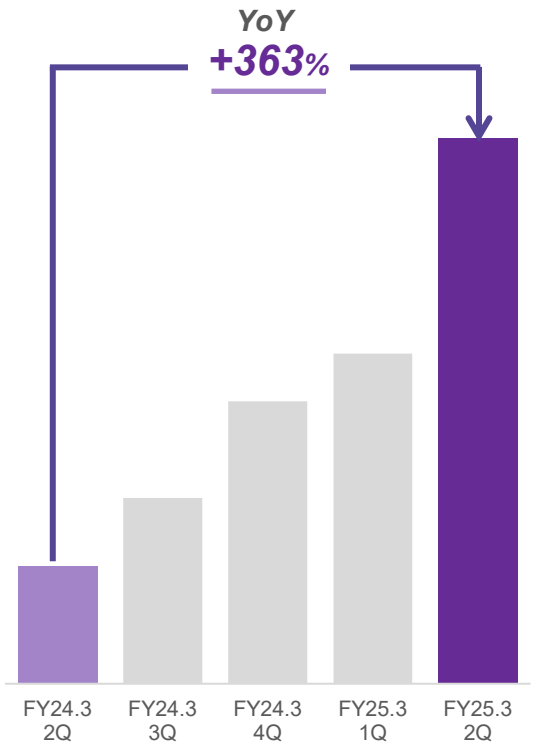
Several strategic business moved from the launch phase to the growth phase

	Progress	Revenue growth in 2Q alone(YoY)
Real estate DX Musubell	■ Steady expansion in the adoption of major real estate companies ■ Provision of “Musubell for Real Estate Agents” to HOUSE DO, which has 700+ franchisees nationwide	151%
Food & beverage, & Retail DX Pangaea Delivery	■ Large-scale installation at “SAPPORO DRUGSTORE” ■ Started development of online ordering solution (white label) with payment embedded.	261%
B2B payment DGFT 請求書カード払い	■ 2Q transaction volume increased 289% YoY ■ Launched services through partners such as Resona HD, RACOON FINANCIAL, and cars	141%

New Business - Revenue



New Business – Payment Transaction Volume



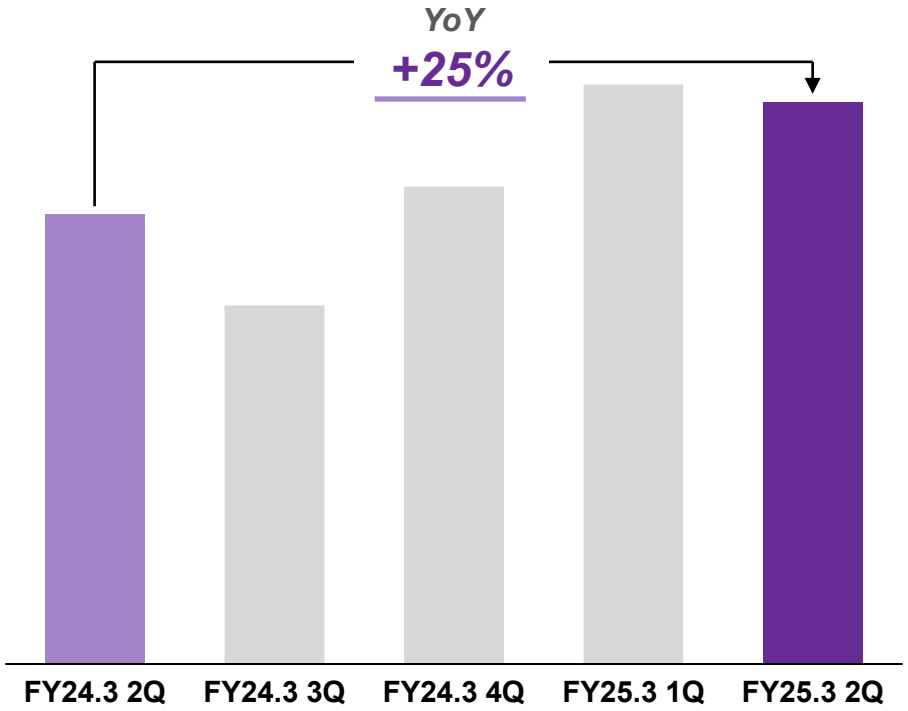
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Steady growth in group payment transaction volume, including travel
Tabelog's multilingual reservation service for overseas travelers saw a monthly user increase after the full-scale launch

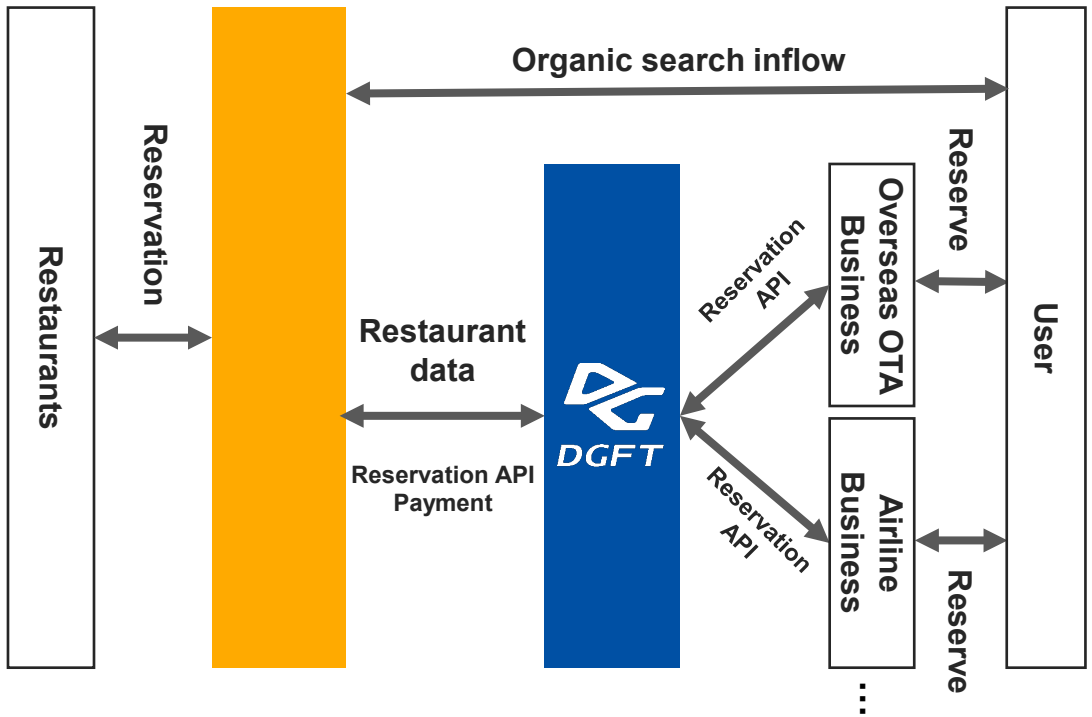
With the full-scale launch of the "Tabelog Multilingual Edition", with **37,700 restaurants installed, the largest number*** among those services, the number of inbound online reservations continues to grow steadily. Group payment transaction volume, including travel, grew +25% YoY

* As of Sep 2024

<Kakaku.com group – DGFT payment volume>



<Overview of Tabelog inbound reservations & future flow>

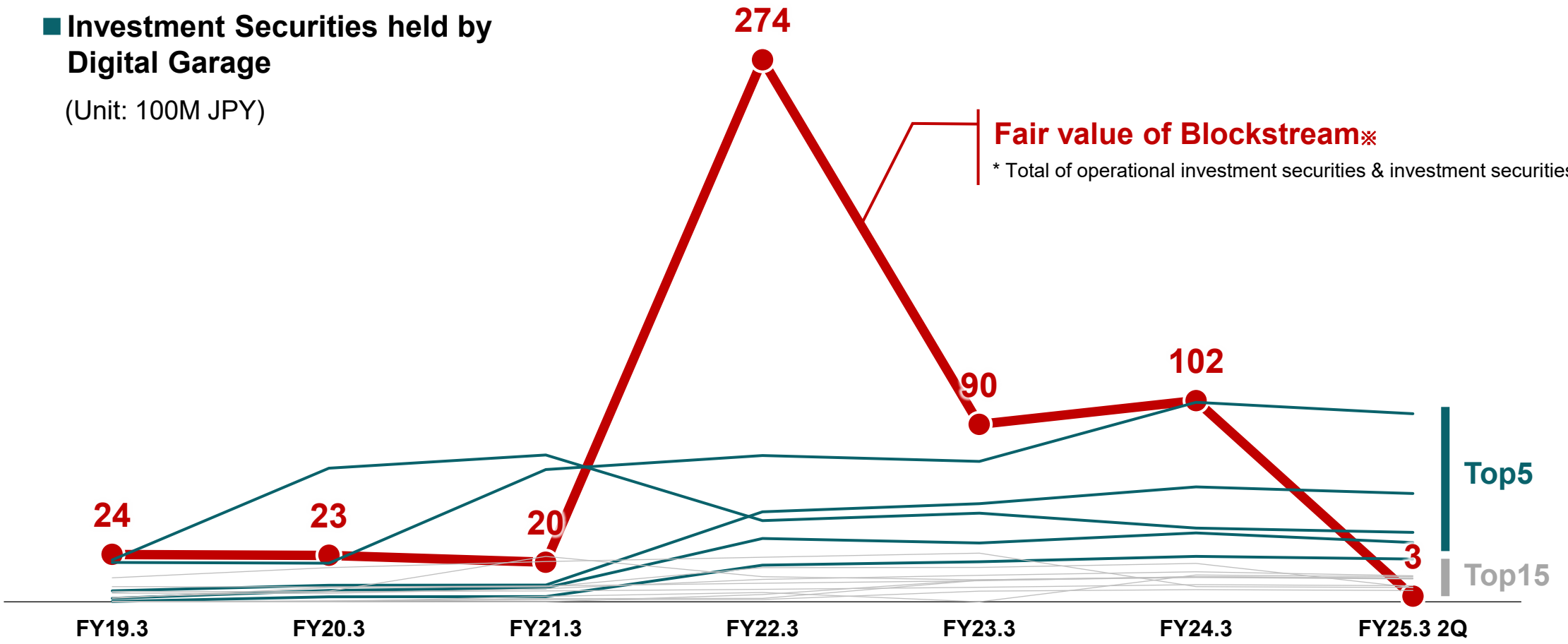


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Blockstream's fair value fluctuates significantly affected by crypto asset market, & a valuation loss was recorded in 2Q & the balance was reduced to an almost negligible amount
Expects volatility to be limited as there are no other portfolio companies that have experienced such fair value fluctuations

Investment Securities held by Digital Garage

(Unit: 100M JPY)

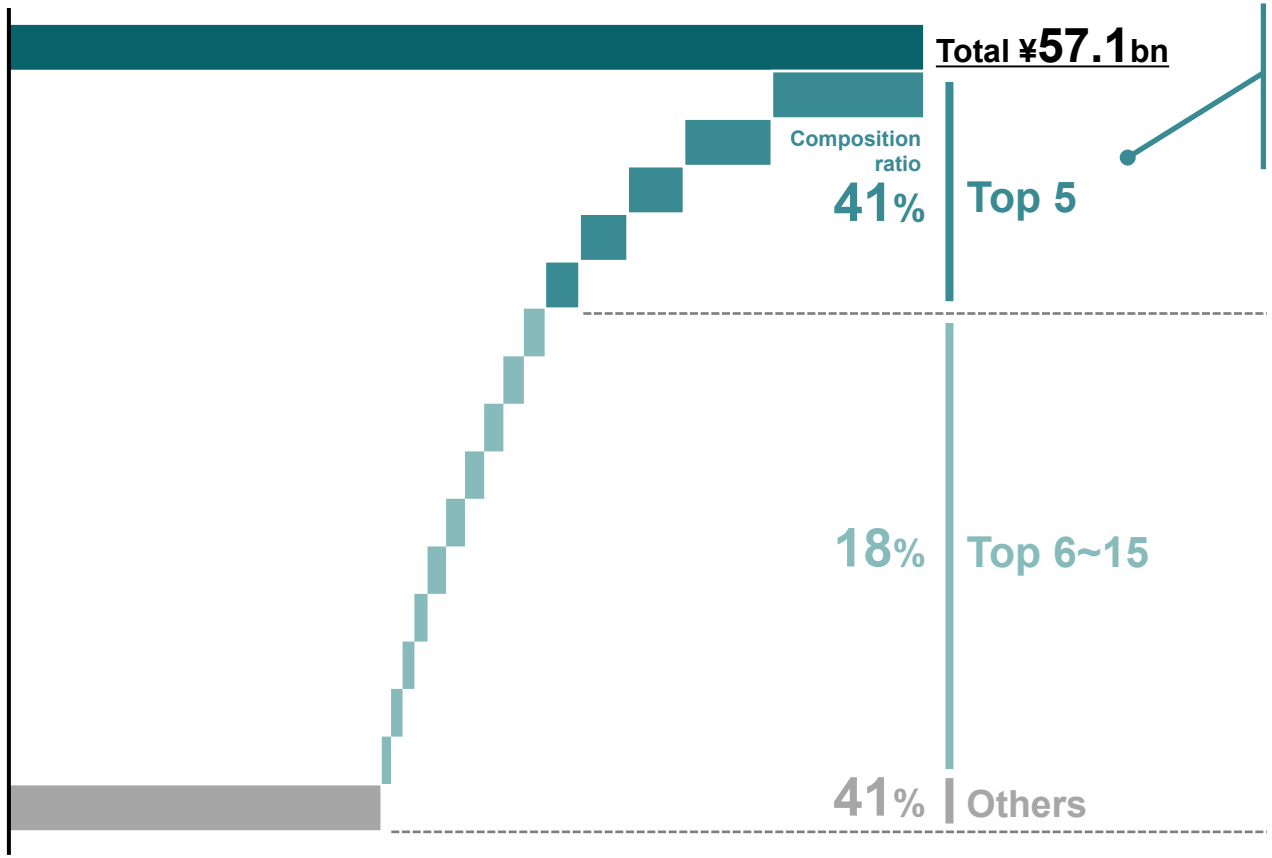


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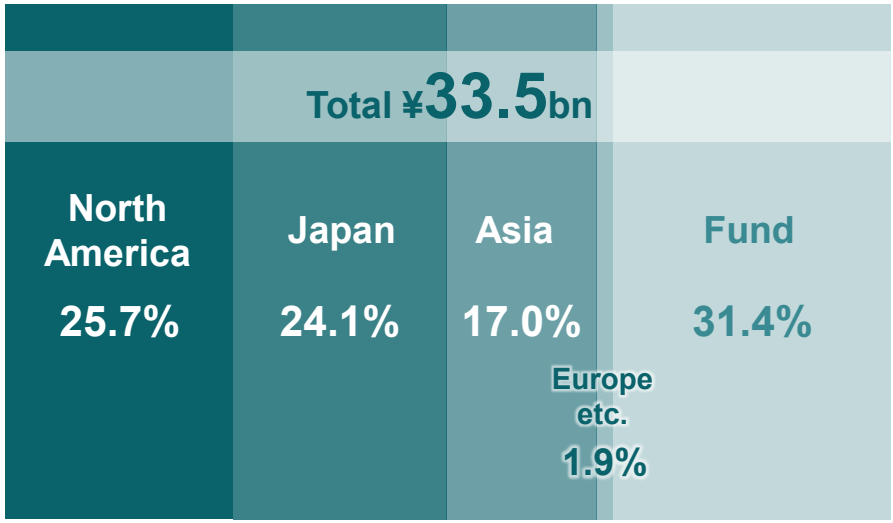
Our investment portfolio consists of 250+ companies
Continuous & focused monitoring of top-tier investments, while other investments are diversified in terms of value and area

Investment Composition (end of Sep. 2024)



- ✓ Continuous & focused monitoring of business progress & performance, & financial forecasts, etc.
- ✓ Consider off-balancing with top priority

Geographical composition for 6th place &below



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Investment Policy Going Forward

Aiming to achieve the medium-term investment business income target of ¥30 bn ahead of plan

1. Accelerate the reduction & off-balancing of operational investment securities

➡ Mitigated impact of fair value fluctuations on consolidated results

2. Selective on-balance sheet investments* focused on business/tech collaborations

➡ Pursuing the growth of our business through business co-creation, in addition to capital gains

3. A shift from on-balance sheet investment to fund-type investment

➡ Group-wide utilization of the information & networks obtained via fund management

*Direct investment that is recorded on our consolidated balance sheet

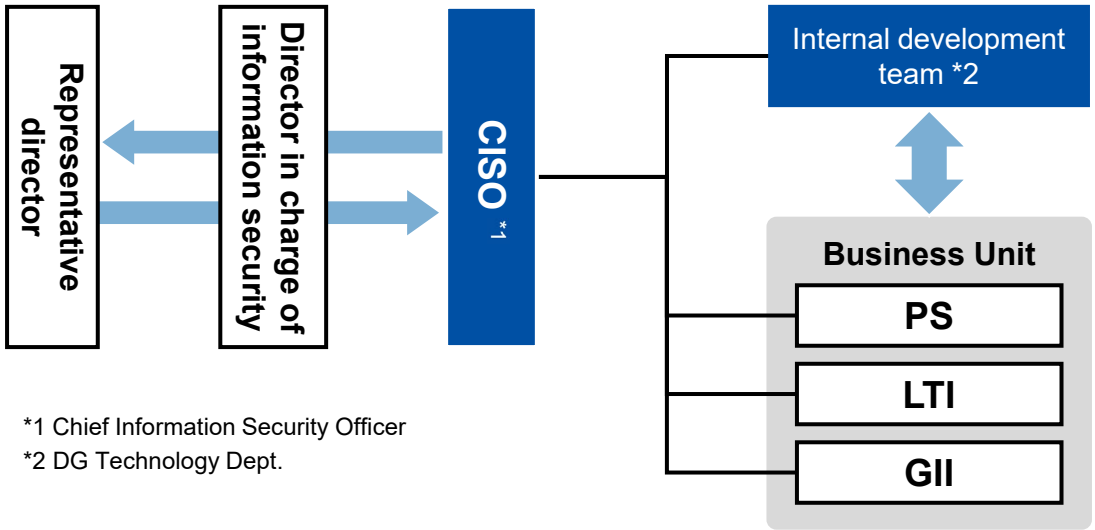
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V. Sustainability Initiatives

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Action 1 Enhanced Security System

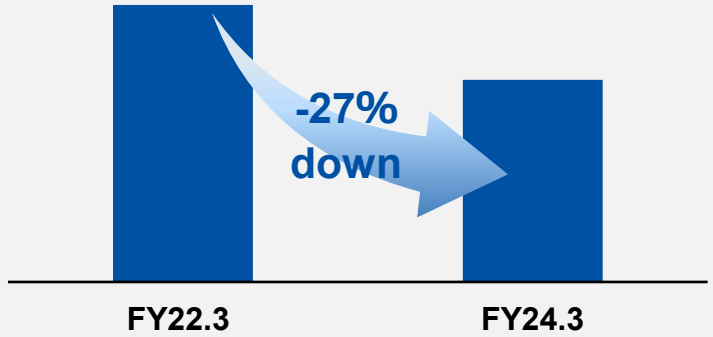
Improve effectiveness of risk management by establishing an independent CISO*1 and a security measures structure led by the representative director



*1 Chief Information Security Officer
*2 DG Technology Dept.

Action 2 GHG Reduction Targets

Greenhouse Gas Reduction (Scope 1&2)



GHG Reduction Target

~2030	**Scope 1&2 Emissions** **50% reduction*** * Compared to FY22.3
~2050	**Scope 1~3 Emissions** **Achieve carbon neutrality** (Essentially zero emission)

Action 3 Publication of Integrated Report

Integrated report that contains sustainability information is scheduled to be published by the end of 2024, on our IR website (https://ir.garage.co.jp/en/)

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Reference Materials

Business Segment Classification

Digital Garage

Digital Garage Group

Long-term Incubation Segment

New services/products to drive payment platform expansion

Non-linear business to implement next-generation technologies in society

- Industry-specific DX services
- New Fintech
- Next-gen Media

kakaku.com
Musubell
DGFT請求書カード払い
アプリペイ
Pangaea Delivery
CRYPTO GARAGE
BI.GARAGE

Platform Solution Segment

Core business built around the payment platform

- Payment service provider
- Payment-related functions that add value
- Marketing and CRM solutions for the financial sector

DGFT DG Financial Technology
Scudetto
SCORE
NaviPlus
Commerce
DG FutureTech
ANA DIGITAL GATE
TDP
りそな決済サービス

Global Investment Incubation Segment

Investing in and supporting startup companies focused on next-generation technologies and collaborating with DG Group

- Investment incubation
- Supporting startup companies
- Fund management

DG Ventures
DG Incubation
DG Daiwa Ventures
DGUS
GEN LAB

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Business Portfolio Optimization 1st Quarter

Digital Garage

Restructured marketing business to drive growth in PS segment

Background

- ✓ PS specializes in the payment/Fintech business and accelerates the expansion of payment platforms and other business foundations
- ✓ Commerce marketing is shifting from contract advertising to data-driven marketing as the trend towards eliminating third-party cookies continues

<LTI> Long-term Incubation

Industry-specific commerce marketing

Integration of new business development and data-driven marketing

<PS> Platform Solution

Restructuring of marketing business

Partial transfer of business

Financial Domain Specific Marketing CRM Solutions

Focus on the Payment / Fintech Area
Accelerate expansion of payment platform by enhancing collaboration with payment business partners

<GII> Global Investment Incubation

Collaboration with startup companies developing next-gen technologies, including Fintech

See the excel data sheet for reclassified segment results prior to FY2024.3

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Segment Performance / Forecast for FY25.3 after Reorganization

Digital Garage

- PS Segment expects +20-25% growth, reflecting recovery from a one-time loss and strong business trends
- Full-year profit growth forecast for payment business unchanged at 20%, with stable business expansion and ongoing projects expected to contribute in the second half of the year

Unit: M JPY	FY 24.3 Before Change	FY 24.3 After Change	FY 25.3 Full-year Forecast	FY 25.3 Growth Rate*
PS segment profit	6,787	**7,168**	**8,600~9,000**	**+20~25%**
Payment	5,662	**5,662**	**6,800**	**+20%**
Marketing	1,137	**1,518**	–	–

* Compared to the numbers after change

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Reference Materials (1): Supplementary Data

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Consolidated Financial Highlights – Segment Profit 2nd Quarter Alone

Digital Garage

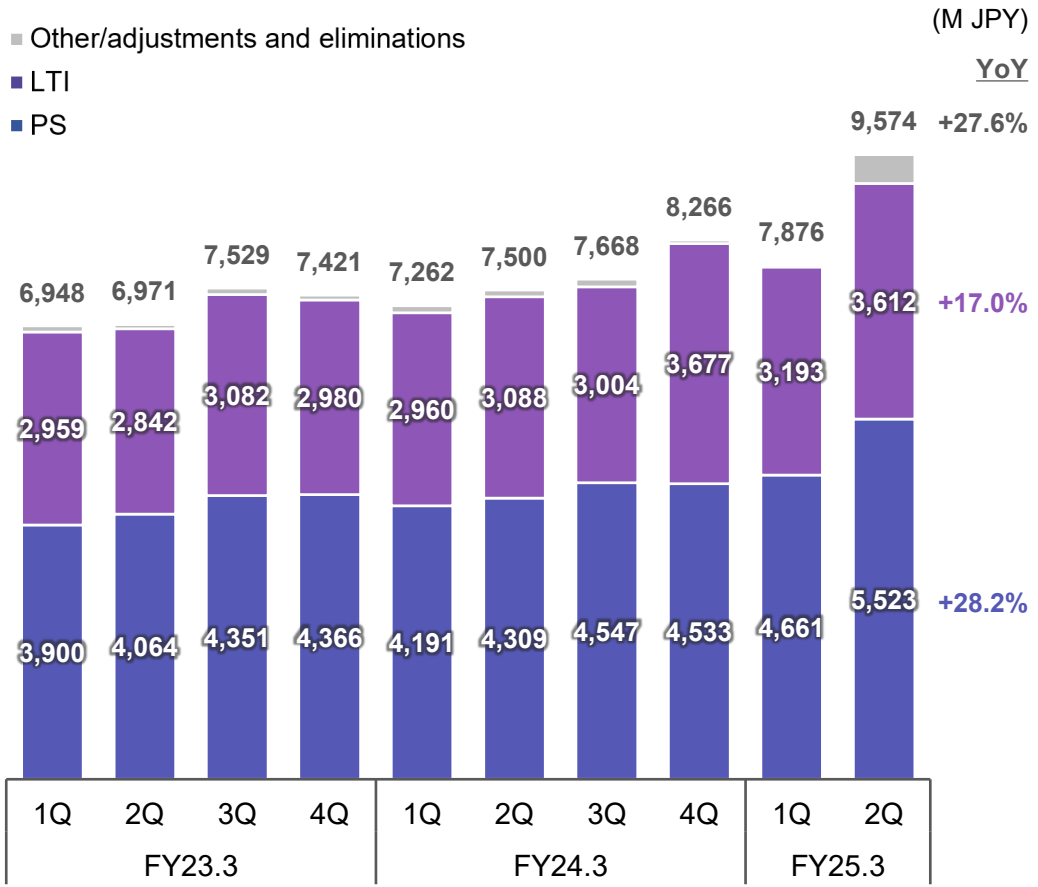
Unit: M JPY	FY24.3 2Q YTD	FY25.3 2Q YTD	Difference	% change	Summary
Consolidated profit before tax	2,087	**-17,274**	-19,361	-	• Profit decrease due to fair value valuation loss of Blockstream & rapid yen appreciation • Valuation loss on fair value that does not involve cash outflows • PS & LTI in line with plan, & we are **on track to achieve full-year guidance**
PS	1,877	**2,329**	+453	+24.1%	• **+24% profit increase in 2Q alone**, exceeding our initial expectations due to the recognition of one-off revenue
Payment	1,456	**1,792**	+336	+23.1%	• **Payment transaction volume increased +20%**, driven by growth in general retail, financial accounts, restaurants, & travel, as well as new merchant acquisitions • **+20% growth expected to continue in 2H**, as the impact of client loss runs its course
Marketing	421	**562**	+141	+33.5%	• Organizational restructuring for further integration with the payment business
LTI	370	**523**	+153	+41.5%	• Robust profit growth of Kakaku.com boosted **equity-method profit by +24%** • Several strategic businesses have entered growth phase, with major clients' adoption & collaboration progressing
GII	853	**-13,778**	-14,631	-	• Despite the valuation loss on Blockstream, other investment portfolios remained stable • **A shift to fund-type investments** to reduce earnings volatility
Headquarters/ adjustments	-1,012	**-6,349**	-5,336	-	• Valuation loss on Blockstream securities held by headquarters

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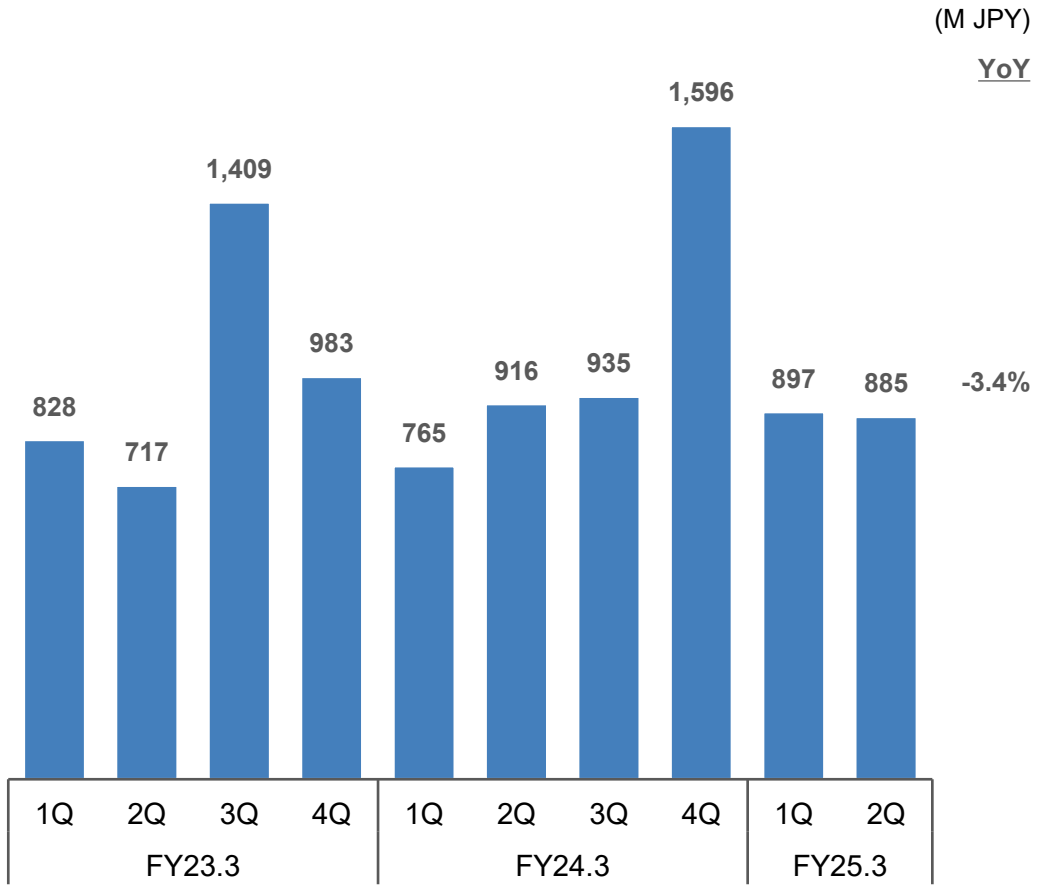
Basic Business Revenue and Profit (Quarterly)

- Stable basic business revenue/profit, offsetting upfront investments in new businesses
- Steady growth in PS segment focused on payments, with aim to accelerate growth by monetizing new businesses

Basic Business Revenue



Basic Business Profit



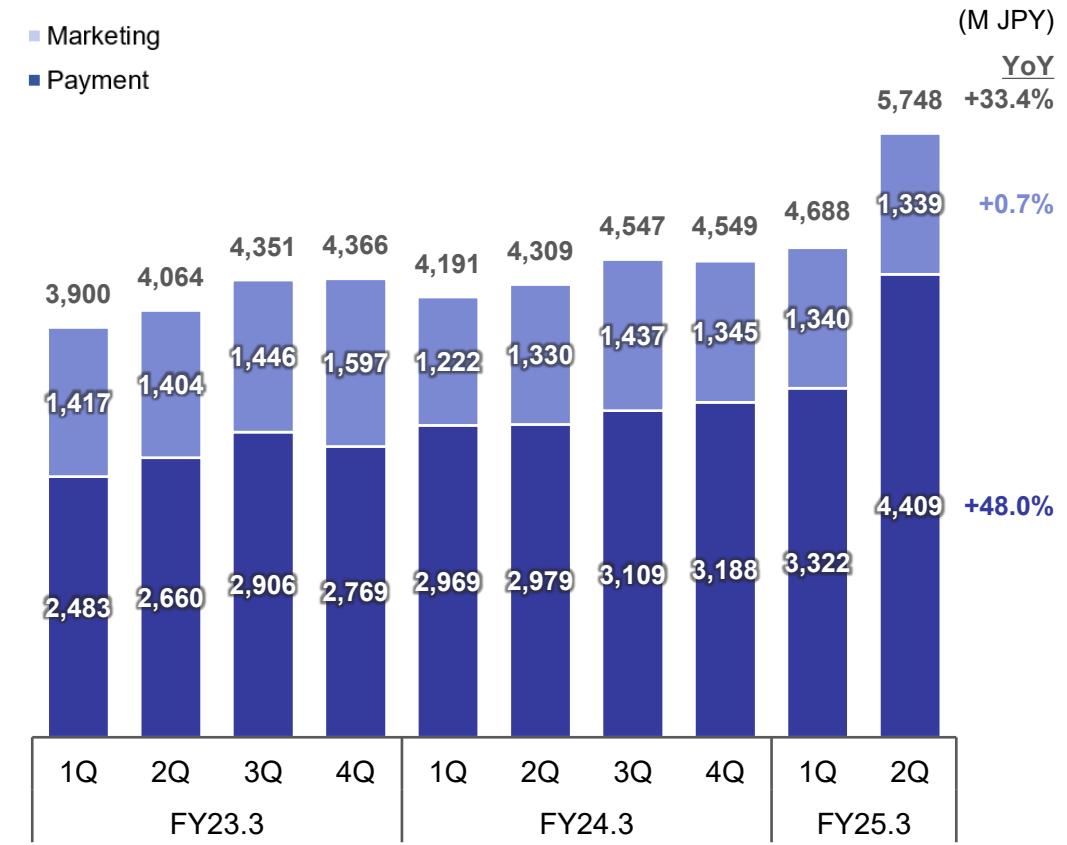
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Quarterly Performance – Platform Solution Segment

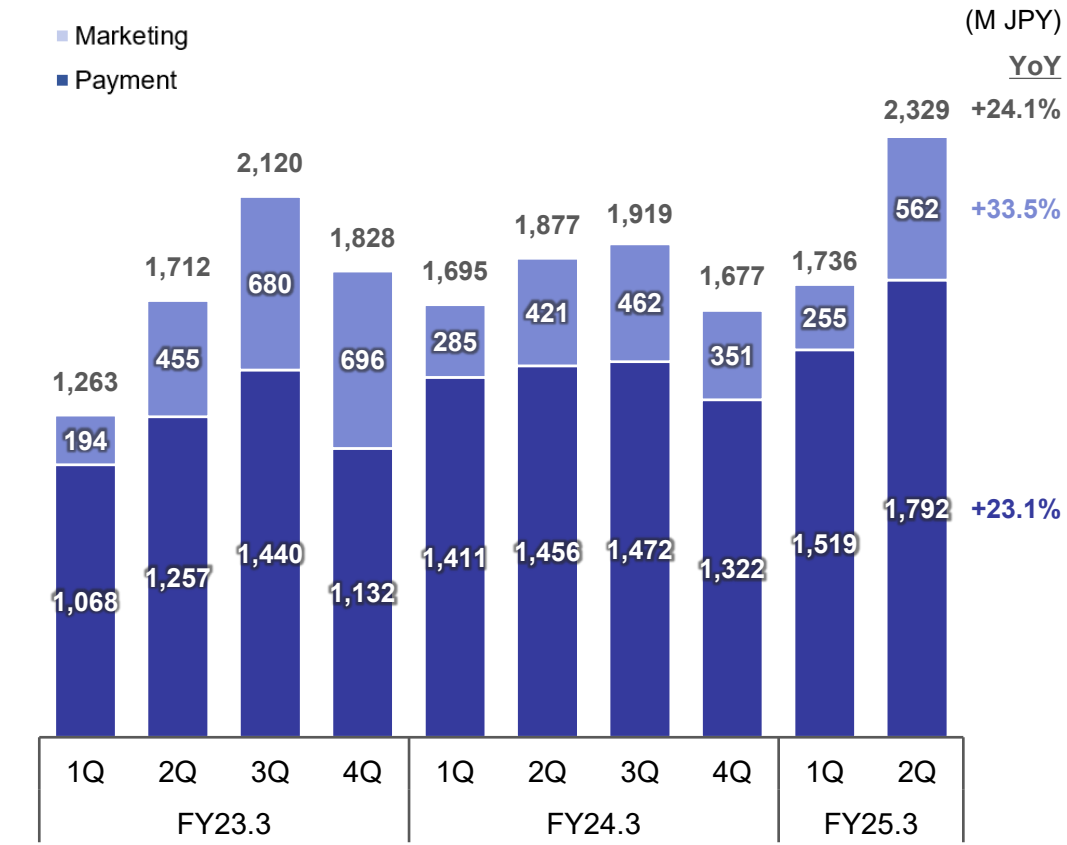
Digital Garage

- Payment business on track to achieve +20% profit growth, with higher growth expected in 2H as the client loss runs its course
- Restructuring of the marketing business to improve collaboration with payment business and accelerate growth

Segment Revenue



Segment Profit

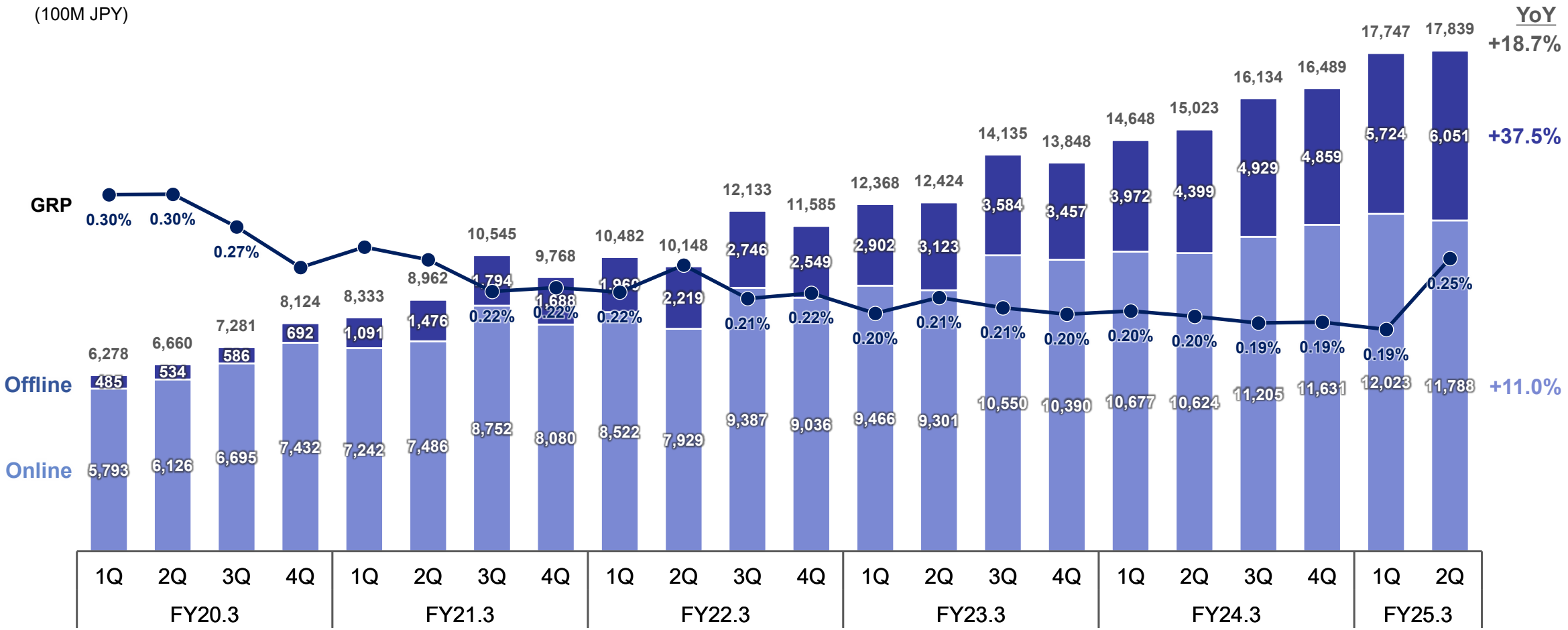


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Payment Transaction Volume

Digital Garage

- Online: Transaction growth in broader industries such as financial accounts and travel; focus on initiatives to accelerate growth in the e-commerce domain
- Offline: Continued strong growth of +37.5% YoY driven by general retail, food & beverage, hobby and sports domain



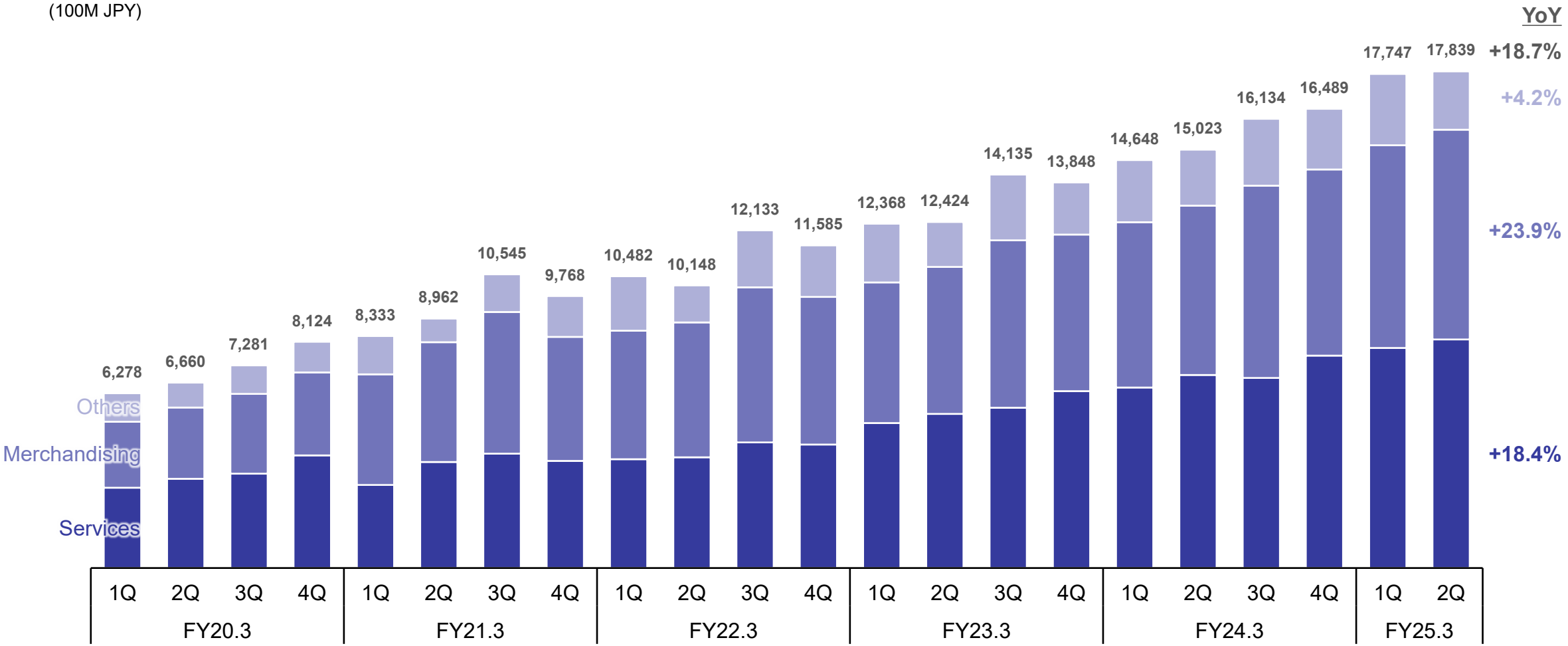
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Payment Transaction Volume – Trend by Merchandising and Services

Digital Garage

- Services: Increase in broad category, including Travel, Financial Accounts, Food & Beverage, Telecom Services, & Ticket Bookings
- Merchandising: Continuous merchant acquisitions mainly in General Retail (supermarkets, department stores, etc.) through alliances

(100M JPY)



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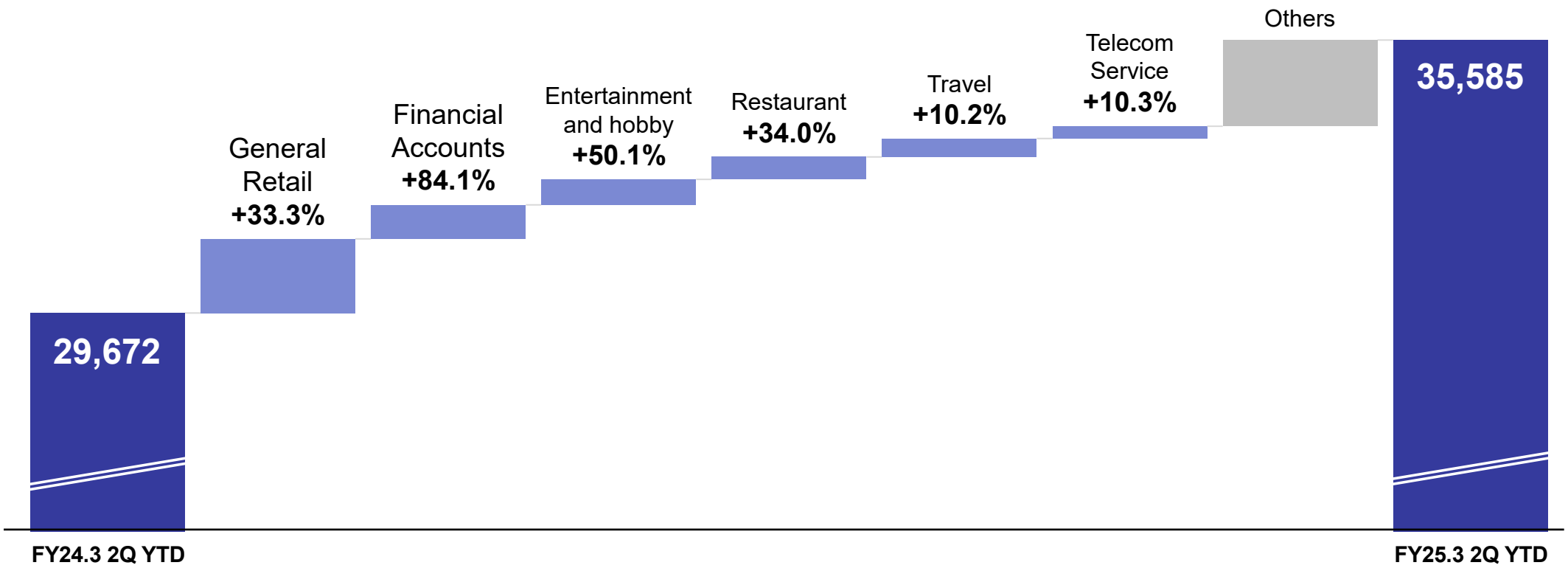
Payment Transaction Volume – Trend by Sector

- Successful alliance strategy mainly with Toshiba Tec Corporation led to steady growth in General Retail and Hobby, etc.
- Financial Accounts strong mainly due to NISA tailwinds; food delivery drove increase in Restaurant

Payment Transaction Volume: Increase/Decrease by Sector

(100M JPY)

*% compared to the previous year

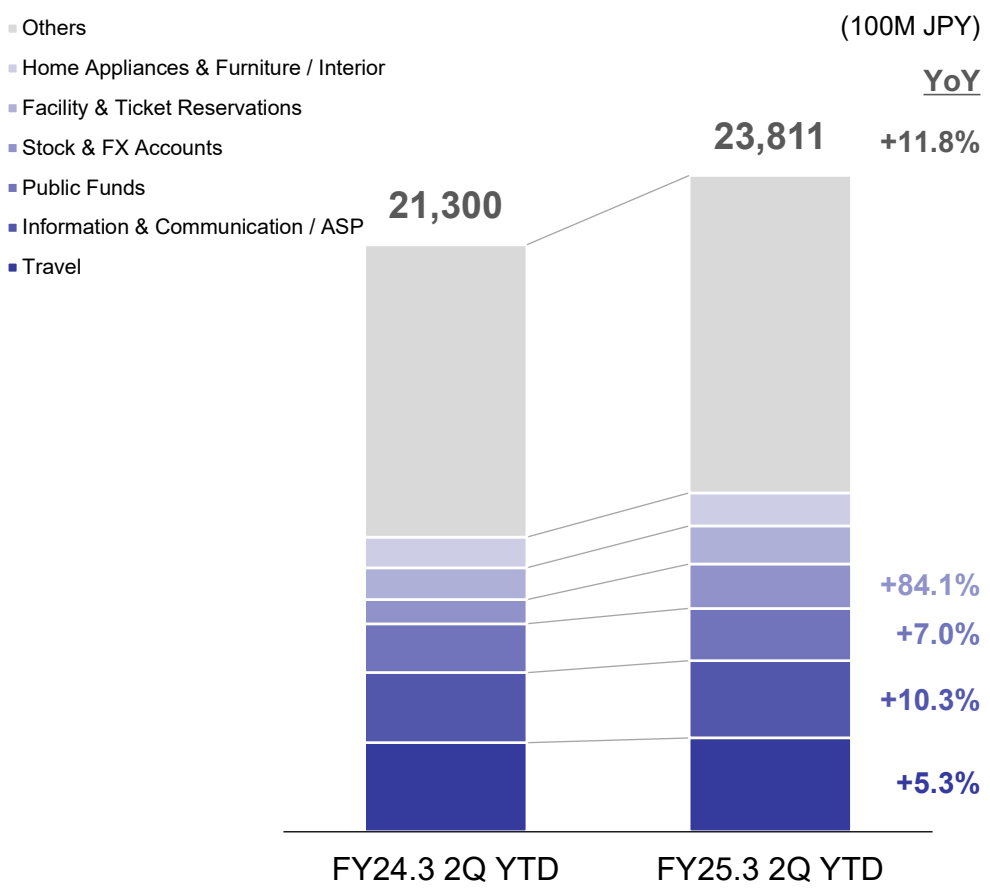


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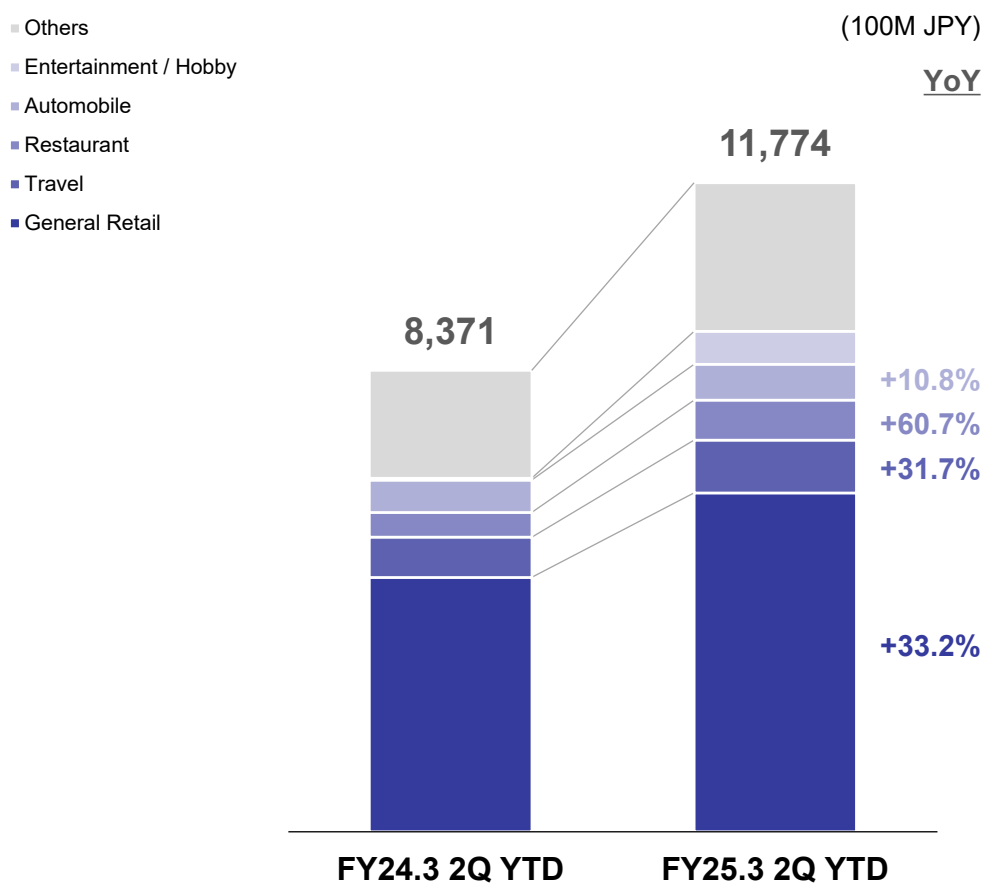
Payment Transaction Volume – Online and Offline Trend by Sector

- Online: Growth in broad industries, especially services, public funds, and other non-merchandize transactions
- Offline: Successful alliance strategies have enabled us to acquire more large retailers and increase payment volume

Online Payment



Offline Payment



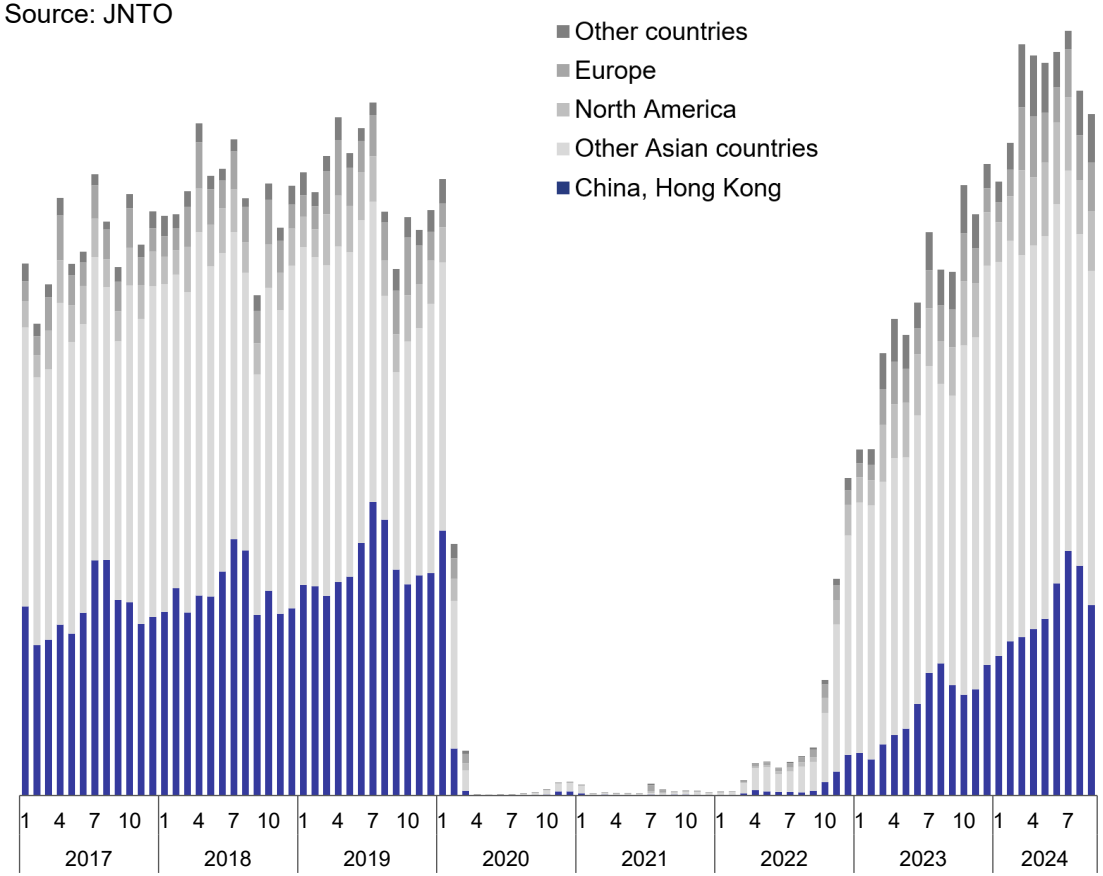
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Inbound-related Payment

- The number of foreign visitors surpassed the pre-COVID levels, with visitors from Greater China recovering 2019 levels
- Alipay/WeChat Pay reached a record high in terms of payment transaction volume

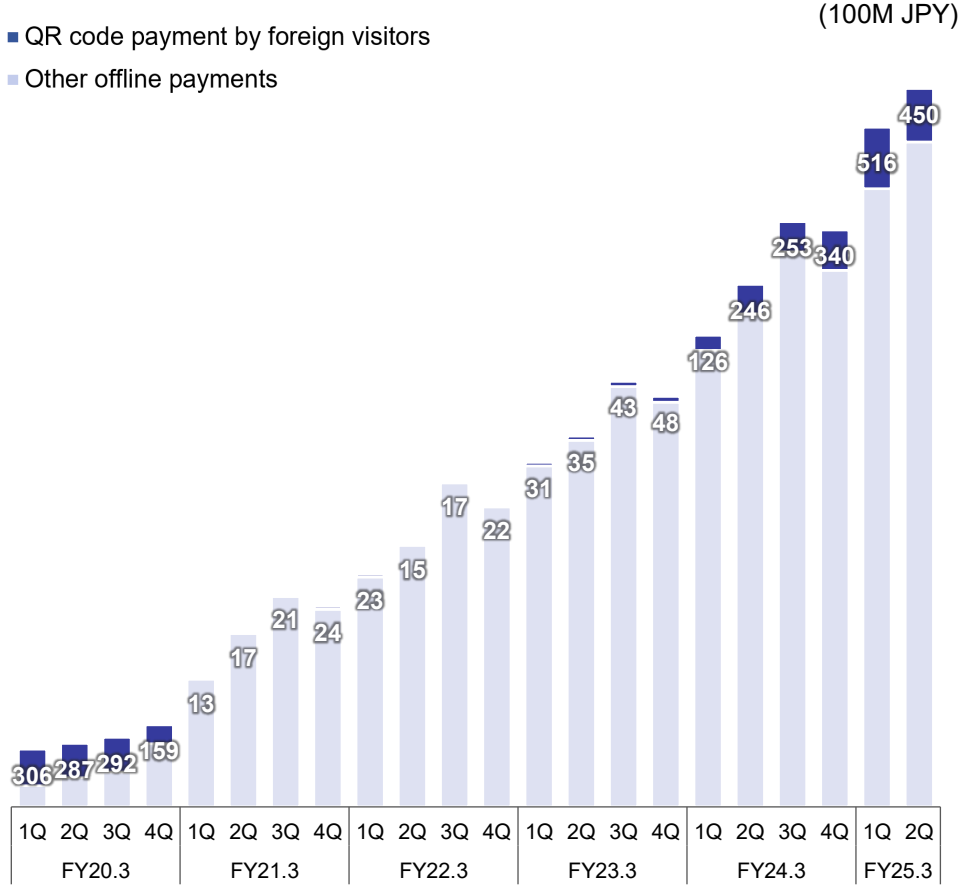
The Number of Foreign Visitors to Japan (by Area)

Source: JNTO



Offline Transaction Volume

(100M JPY)

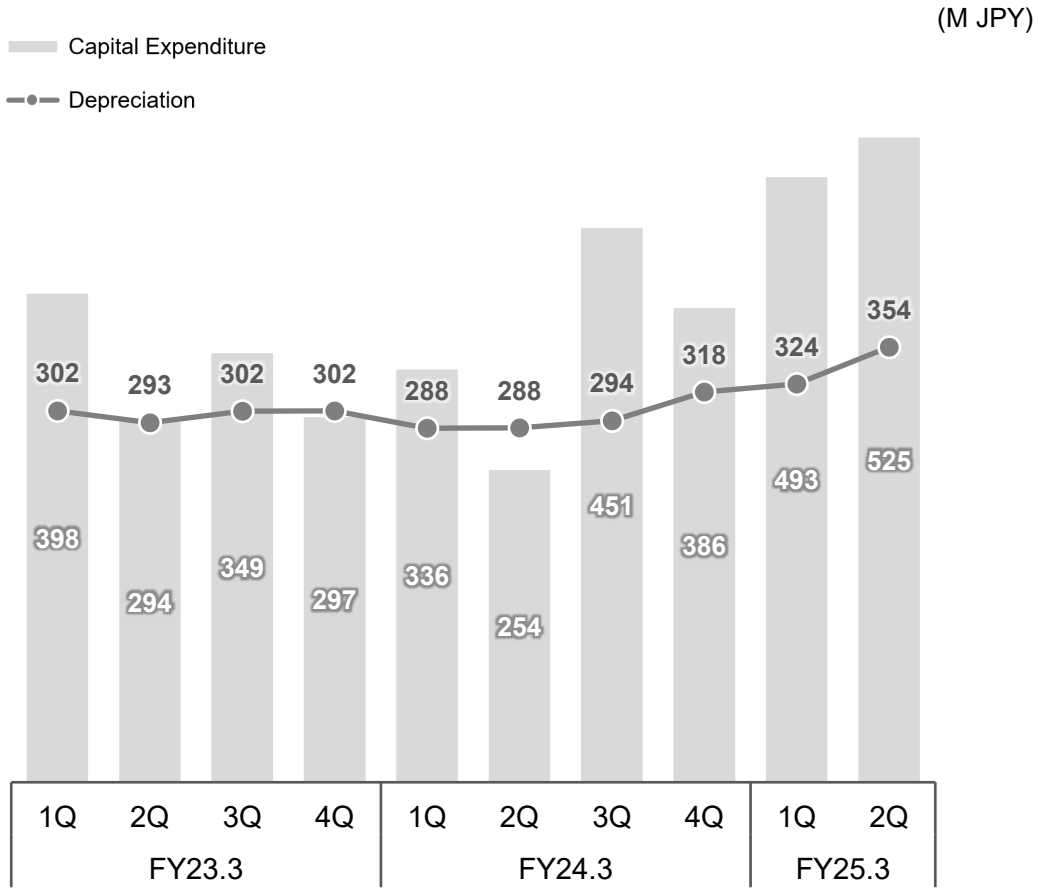


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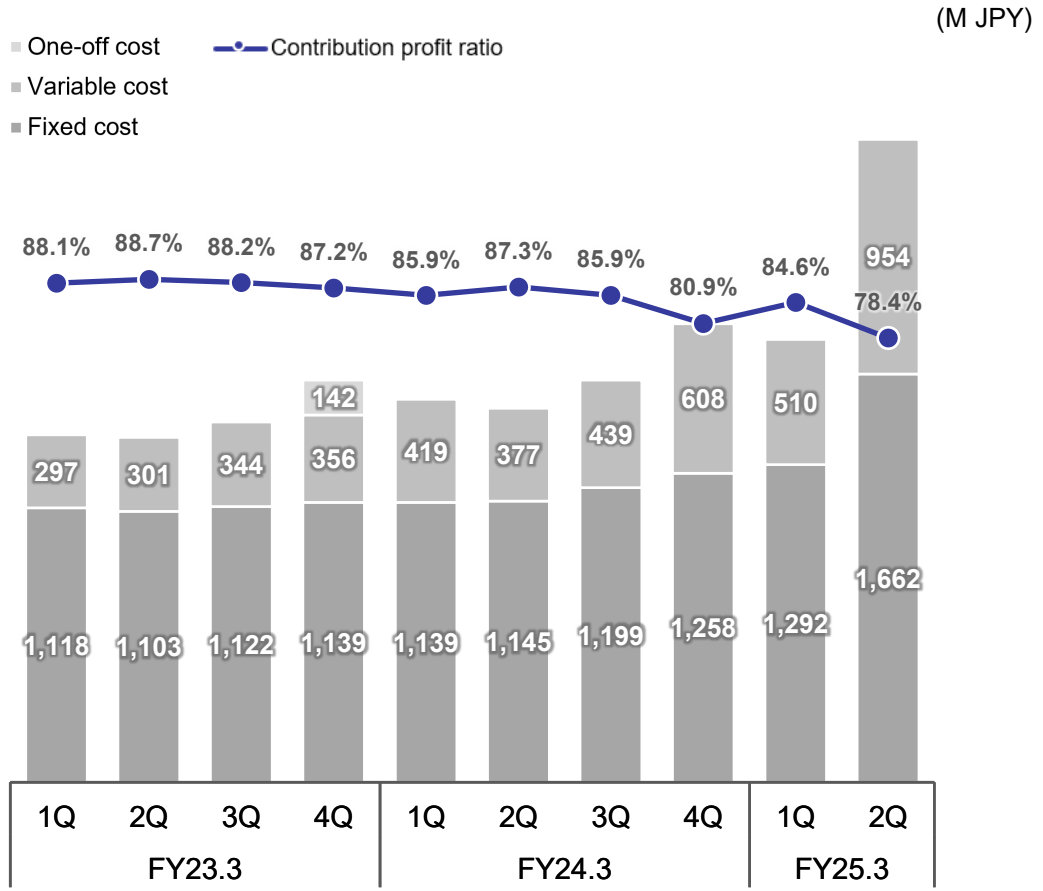
Capital Expenditures and Expenses Related to Payment Business

- Continuous investment in payment systems to ensure stable 24/7 operation and robust security
- Fixed costs is increasing gradually due to operational redundancies, & the contribution margin ratio is expected to remain at current levels

Payment-related Expenditures/Depreciation



Payment-related Costs/Marginal Profit Ratio

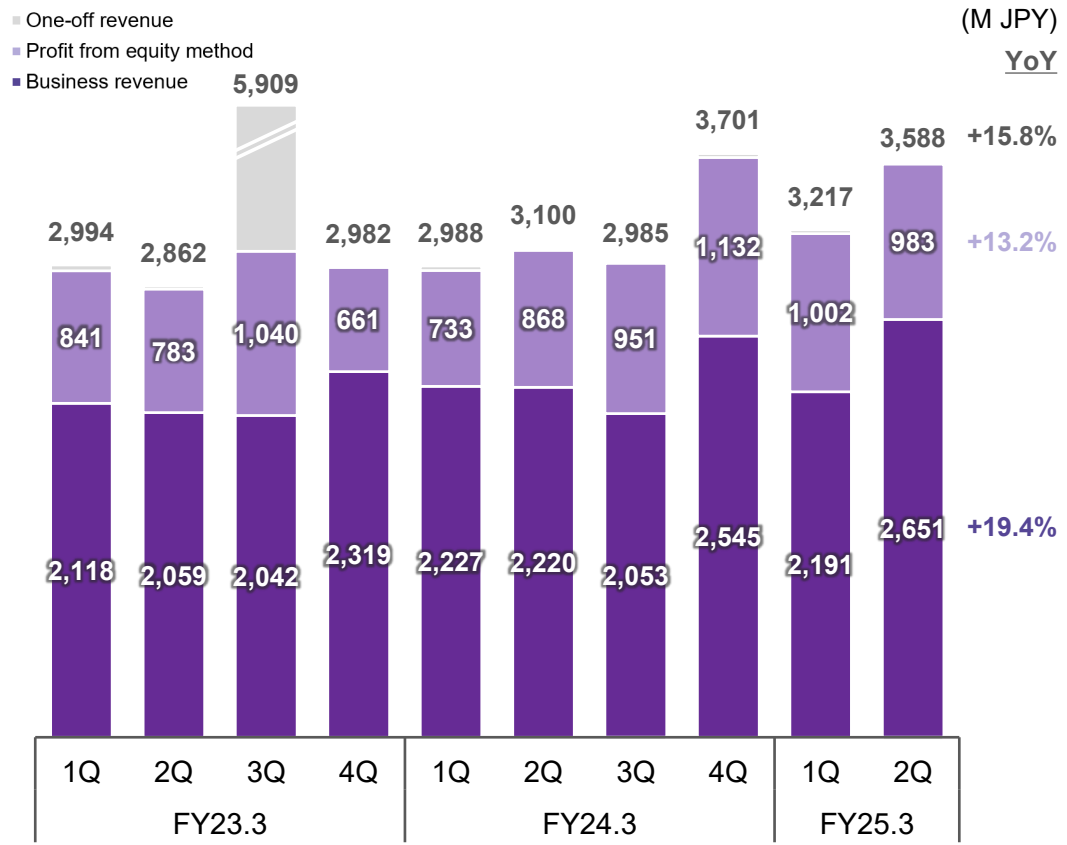


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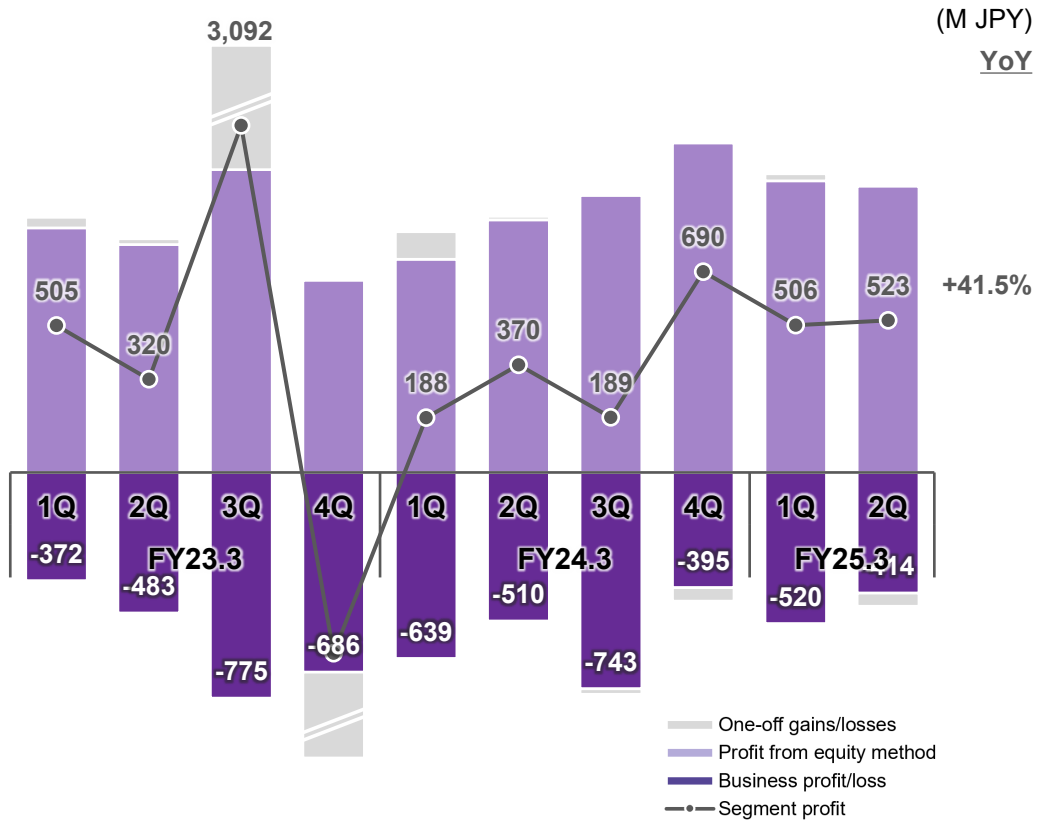
Segment Performance (Quarterly) – Long-term Incubation

- Profit from the equity method investments increased +13% driven by Kakaku.com, while accelerating joint business development with a stronger collaboration initiative
- Continued upfront investment in new businesses linked to the payment business for the medium and long-term growth

Segment Revenue



Segment Profit

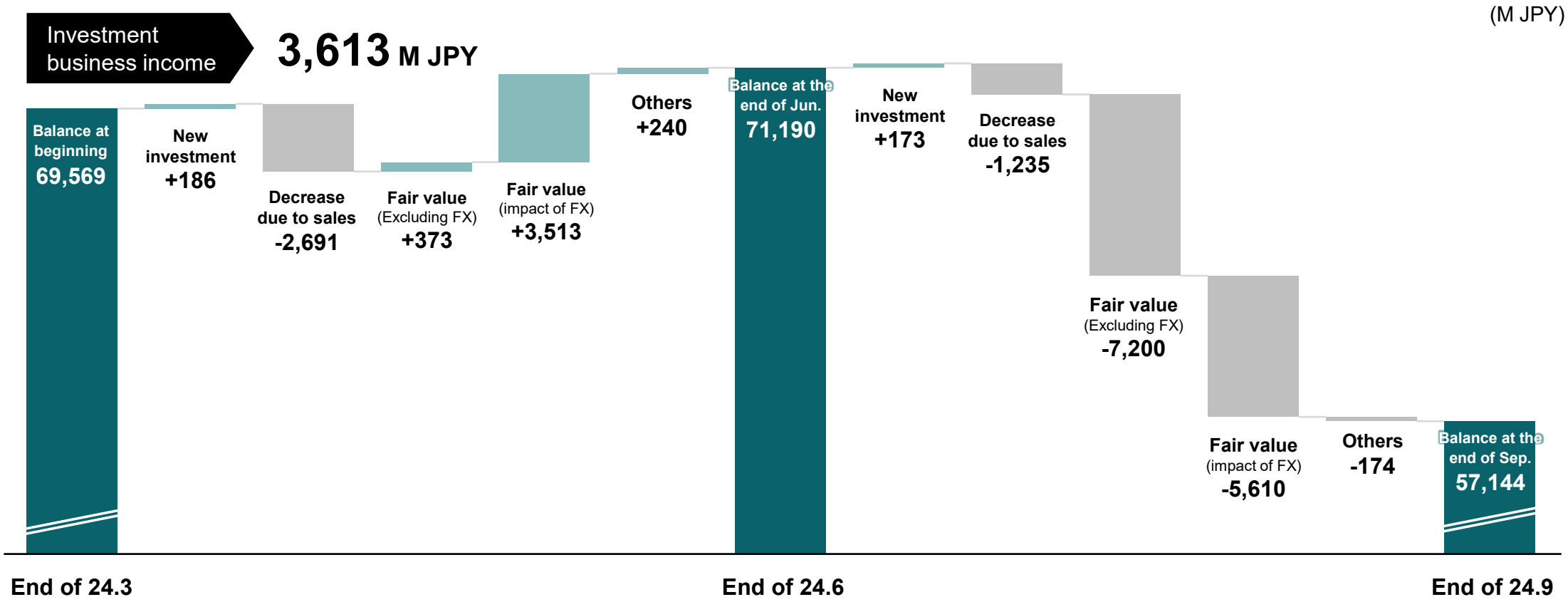


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Segment Performance (Quarterly) – Global Investment Incubation

- ¥3.6 bn investment business income, progressing in the investment portfolio transfer to the joint fund with Resona Group
- Valuation loss on Blockstream & rapid yen appreciation led to 57.1 bn balance at the end of September, a steady progress in off-balancing initiative

Operational Investment Securities Increase/Decrease

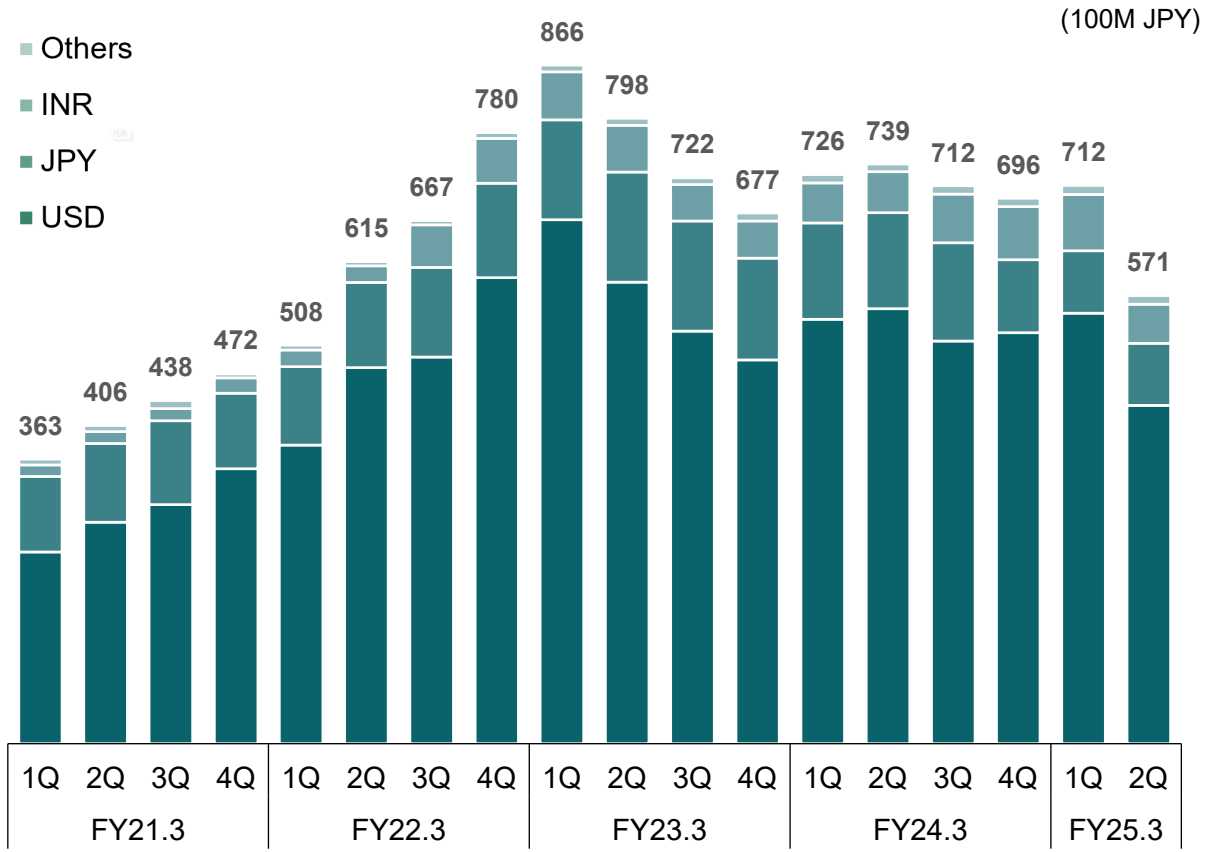


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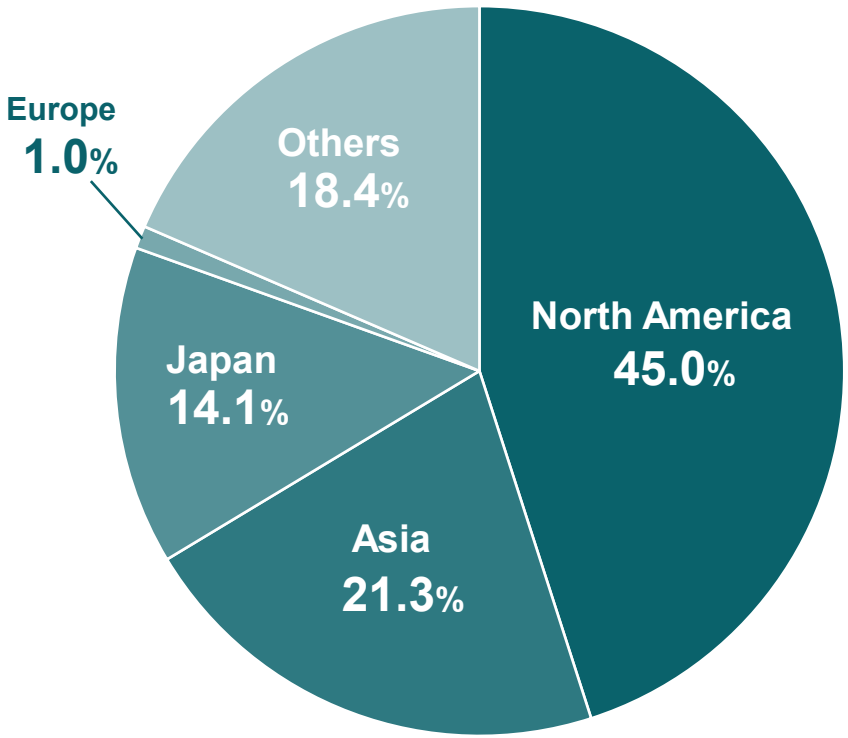
Operational Investment Securities / by Currency and Area

- In 2Q, the fair value of operational investment securities decreased due to valuation loss on specific investments and the rapid appreciation of the yen against other currencies
- Diversified investment portfolio by area includes North America, as well as Asia and Japan

Operational Investment Securities (currency basis)



Investments by Area



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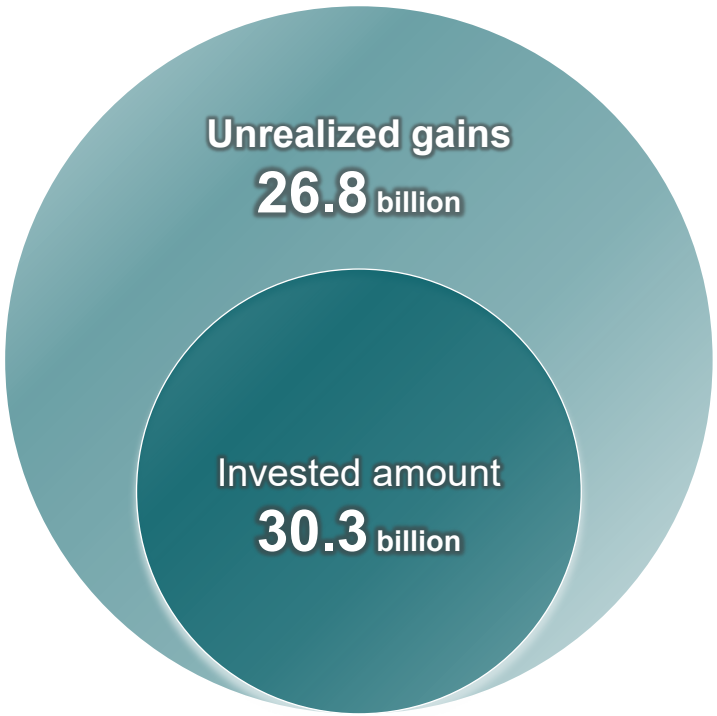
Breakdown of Operational Investment Securities

Digital Garage

- Unrealized gains account for approx. 50% of the fair value of operational investment securities at the end of Sep 2024
- Diversified portfolio with 250+ startups and LP investments, primarily seed and early-stage companies

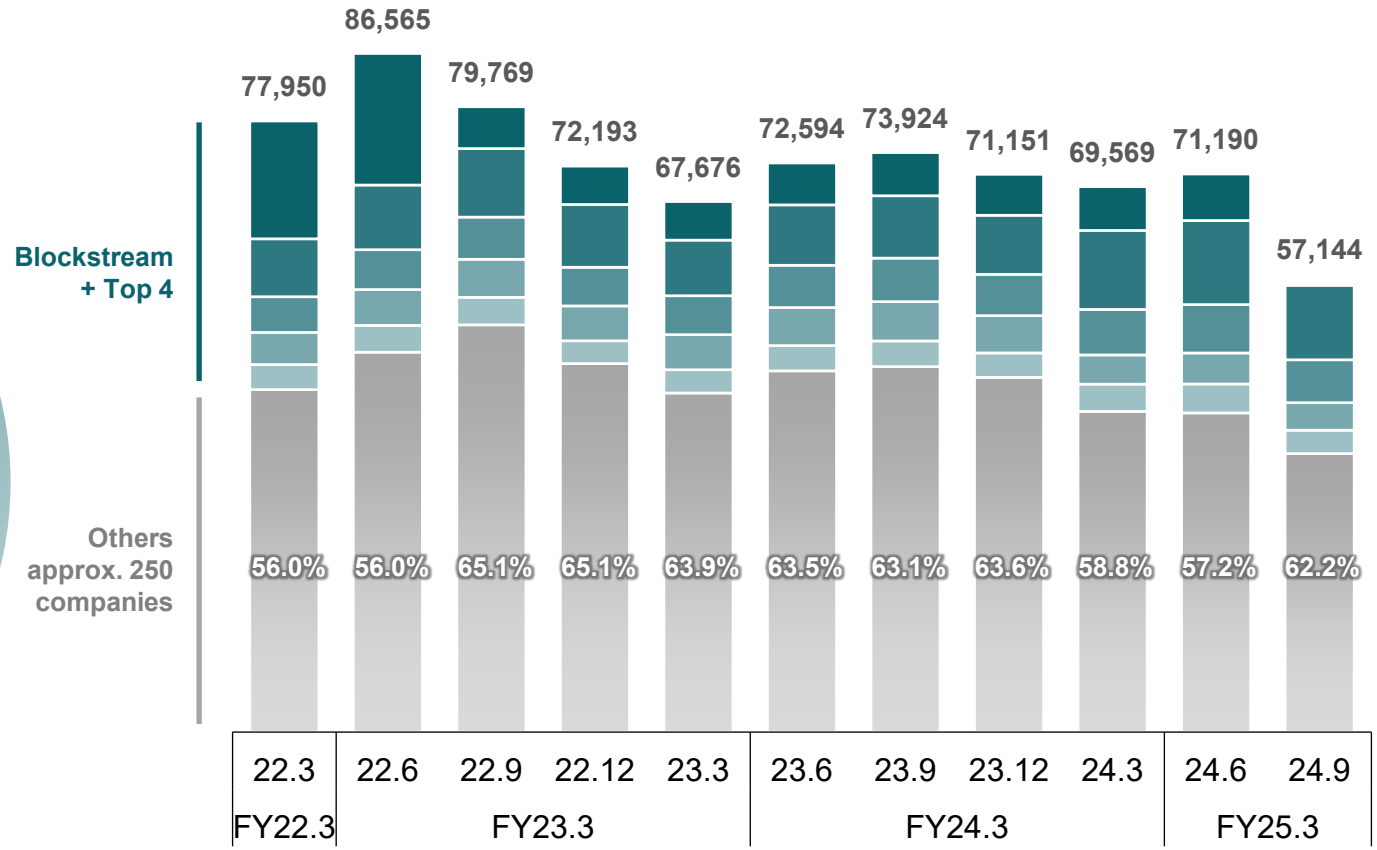
Breakdown

Total Fair Value
57.1 billion



Balance of the Top 5 Companies in the Portfolio

(M JPY)



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Consolidated Statement of Financial Position (IFRS)

Digital Garage

JPY in Millions	End of FY24.3	End of FY25.3 2Q	Increas/ Decrease	Reason for change / Remarks
Current assets	**152,094**	**139,612**	**-12,483**	
Cash and cash equivalents	49,571	53,072	+3,502	
Trade and other receivables	30,154	27,141	-3,013	Payment business-related item
Operational investment securities	69,569	57,144	-12,425	Exit and change in fair value of investee companies in GII segment (including FX effects)
Non-current assets	**79,337**	**79,890**	**+553**	
Property, plant and equipment	14,990	14,515	-474	
Intangible assets	5,625	7,036	+1,411	
Investments accounted for using equity method	33,965	35,235	+1,270	Acquisition of 20% stake in Resona Kessai Service Co., Ltd.
Other financial assets	14,974	11,904	-3,070	Change in fair value of investee companies (including FX effects)
Total assets	**231,431**	**219,501**	**-11,930**	
Current liabilities	**104,401**	**114,327**	**+9,925**	
Bonds and borrowings	55,706	53,715	-1,991	
Trade and other payables	42,568	54,703	+12,135	Payment business-related item
Non-current liabilities	**34,892**	**28,092**	**-6,800**	
Bonds and borrowings	11,633	9,636	-1,997	
Other financial liabilities	7,426	6,816	-610	
Deferred tax liabilities	14,312	10,172	-4,141	
Total liabilities	**139,293**	**142,419**	**+3,125**	
Total equity attributable to owners of parent	**89,251**	**74,278**	**-14,973**	
Share capital	7,846	7,872	+26	
Capital surplus	5,385	5,482	+97	
Treasury shares	-975	-5,137	-4,162	
Other components of equity	1,613	1,157	-455	
Retained earnings	75,382	64,904	-10,479	
Non-controlling interests	**2,887**	**2,804**	**-83**	
Total equity	**92,138**	**77,083**	**-15,055**	

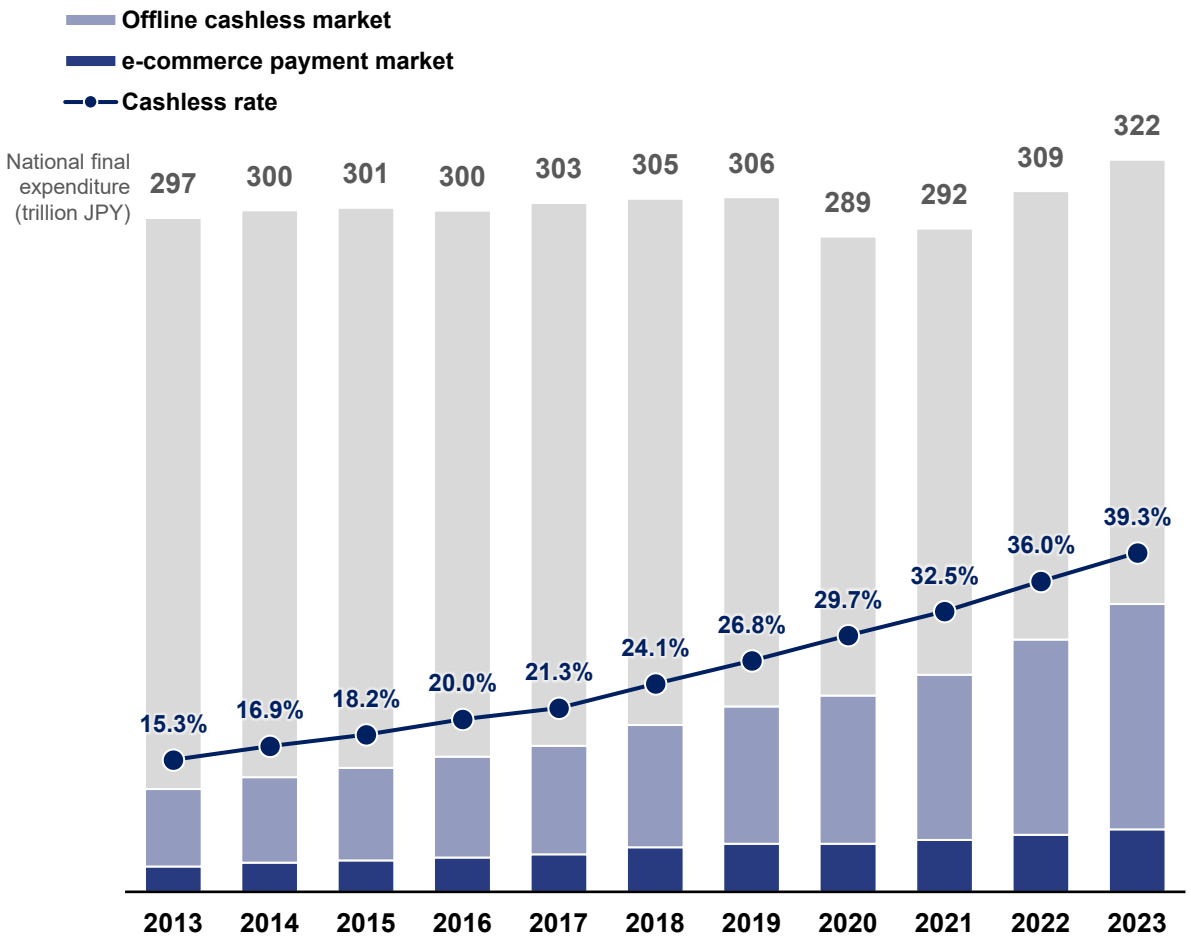
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Reference Materials (2): Business Model

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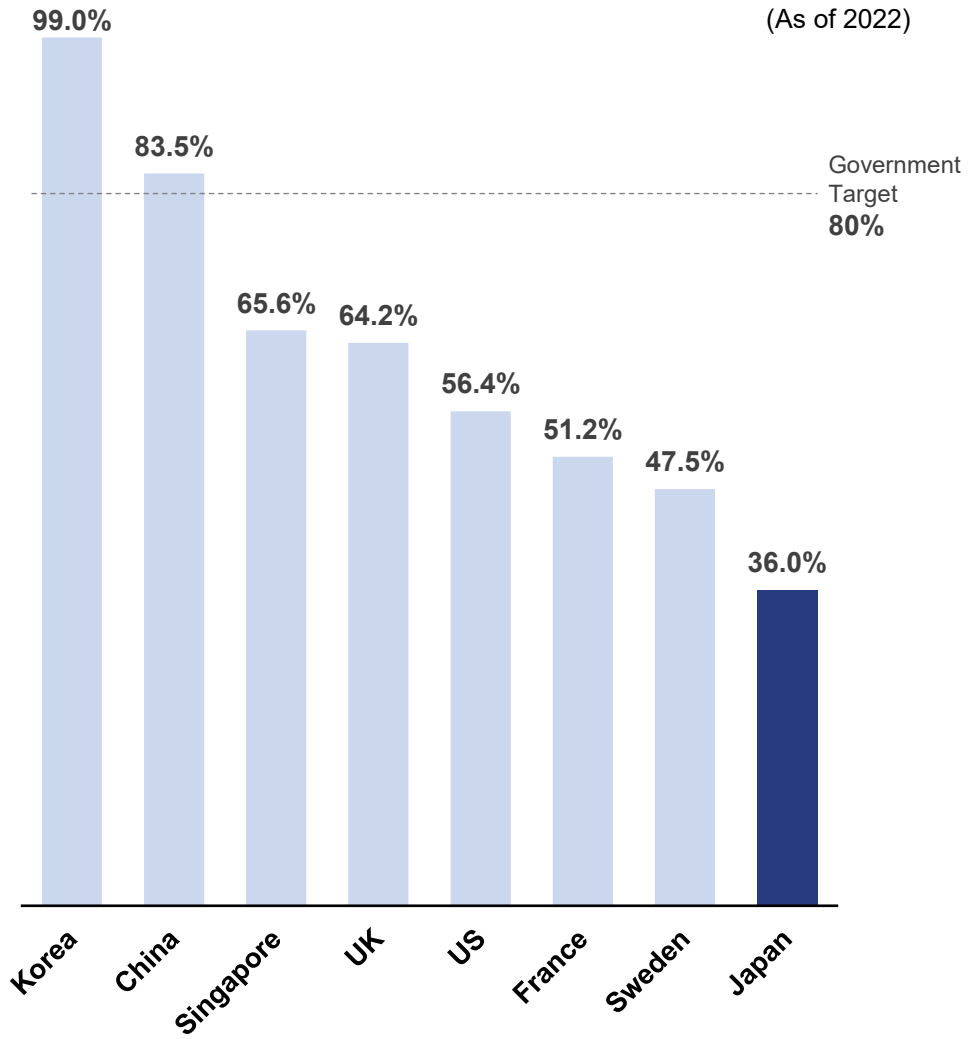
B2C Cashless Market

Cashless Market Size



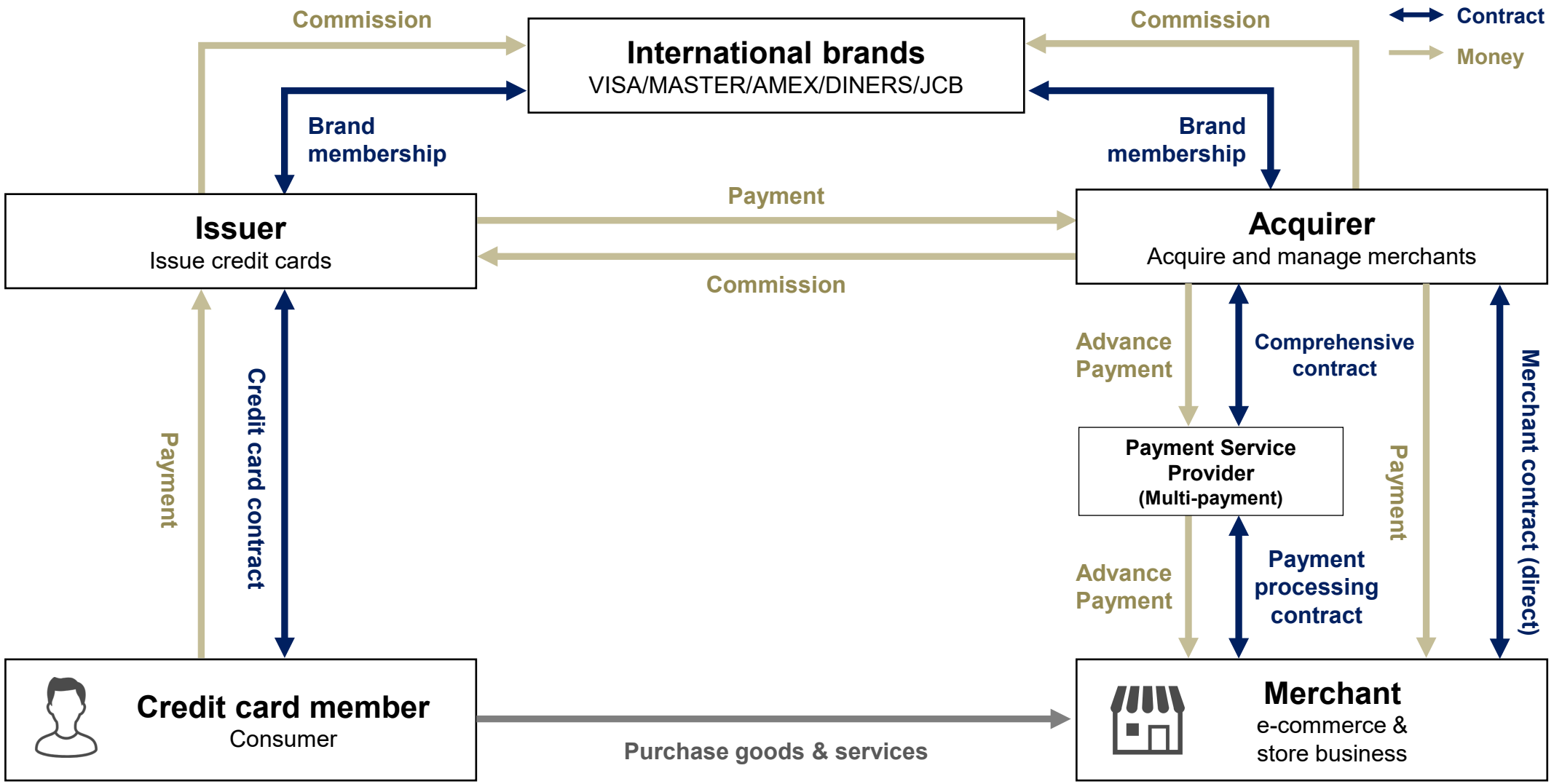
Source: Cabinet Office "Annual Report on National Accounts 2022"
METI "Market Survey on Electronic Commerce 2022"
METI "Cashless Roadmap 2023"
METI "Cashless Vision"

Cashless Rate by Country



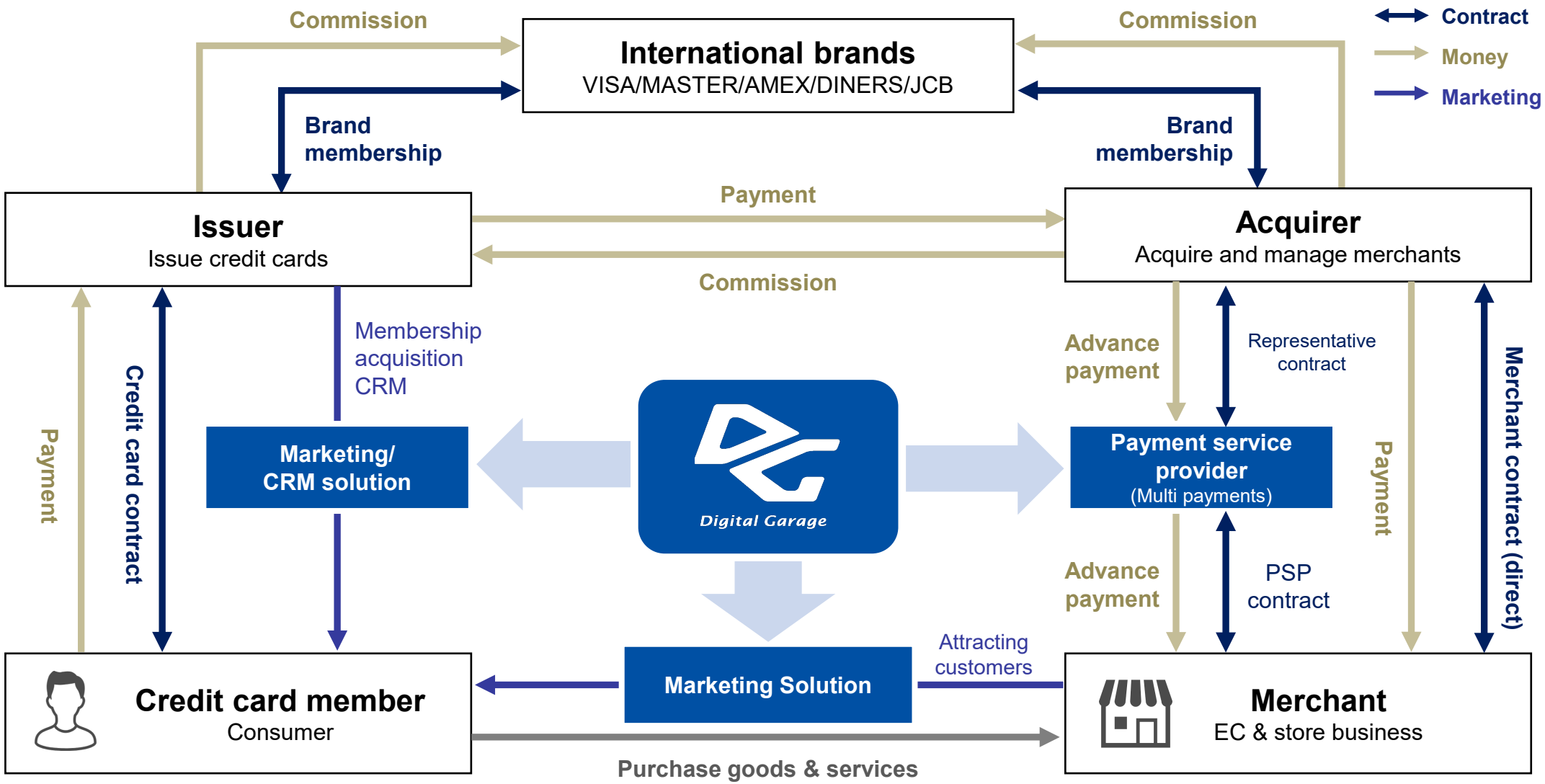
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The Structure of Credit Card Industry



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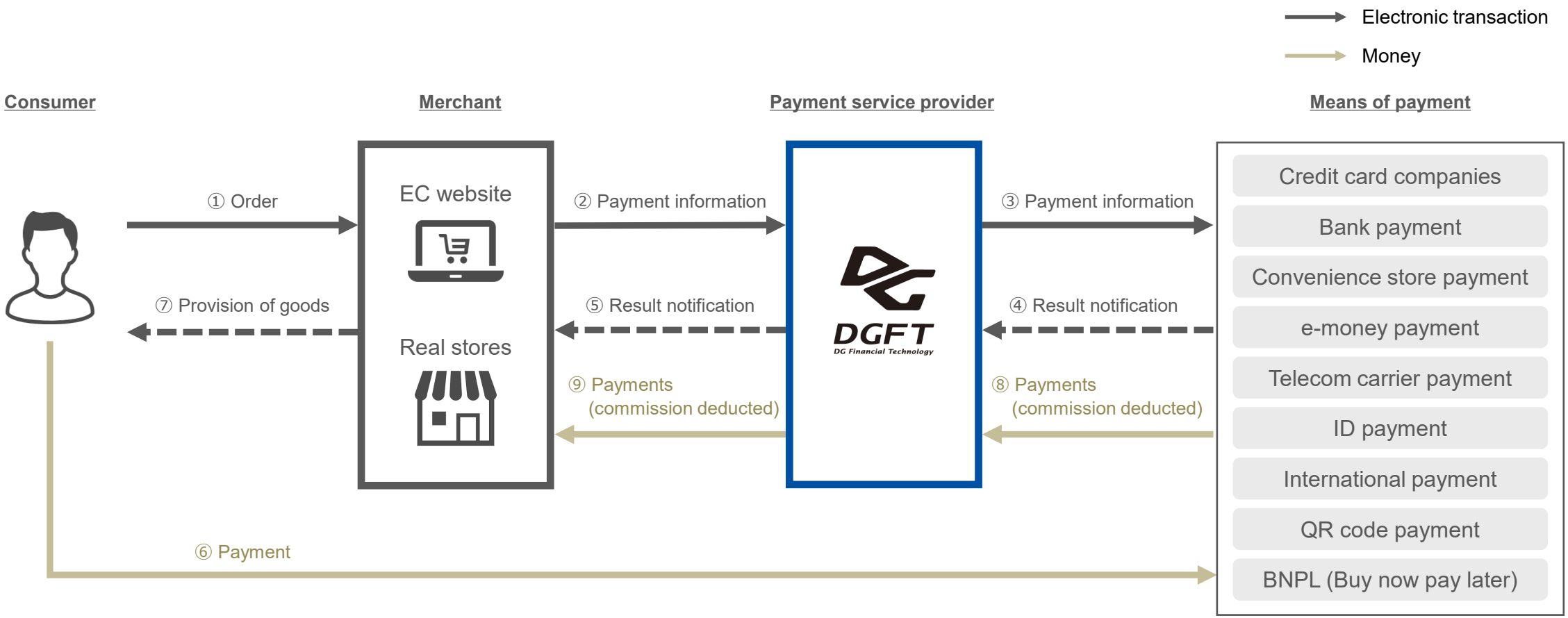
The Structure of Credit Card Industry



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Structure of Payment Service Provider

An intermediary service between merchants (e-commerce & real 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

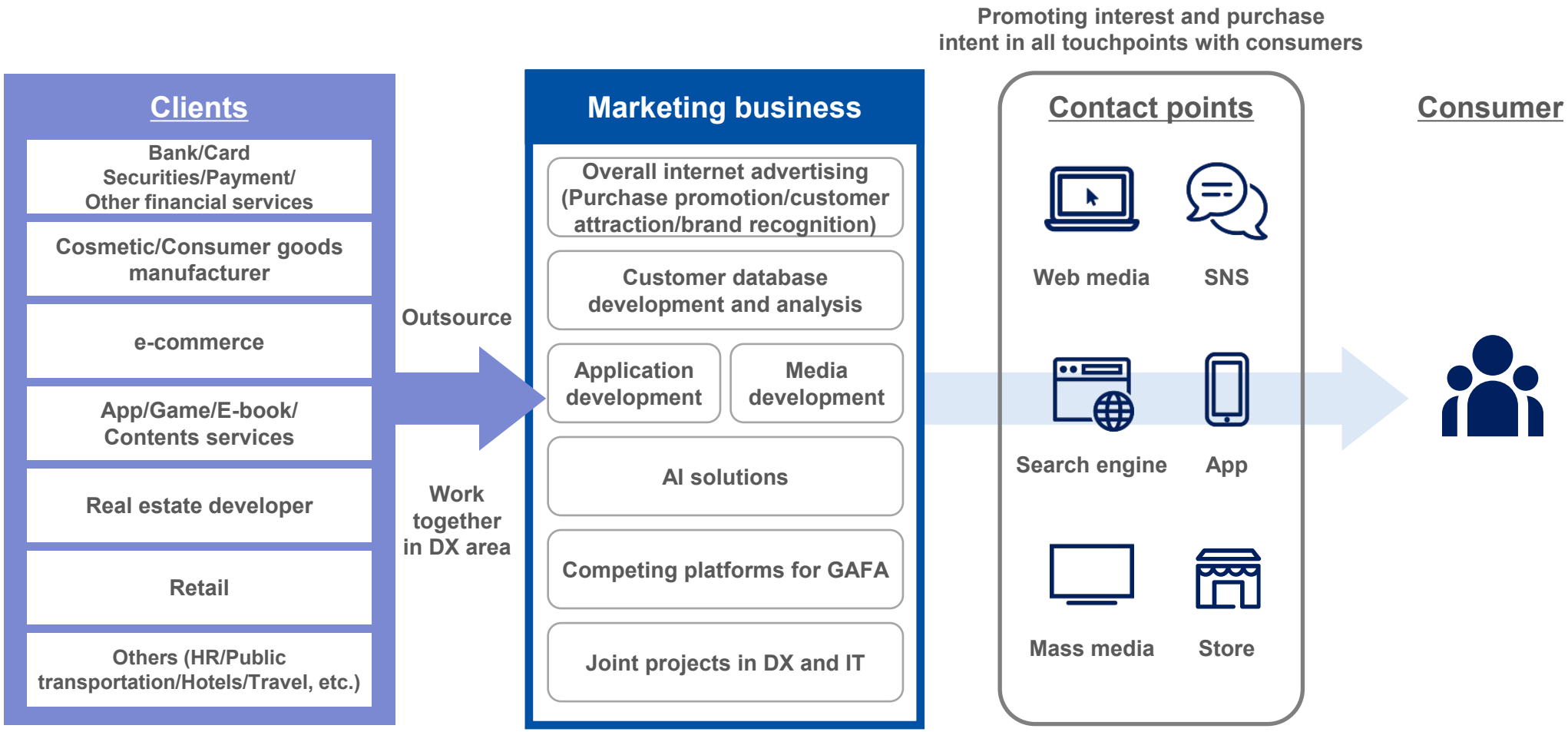


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Digital Marketing

Digital Garage

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



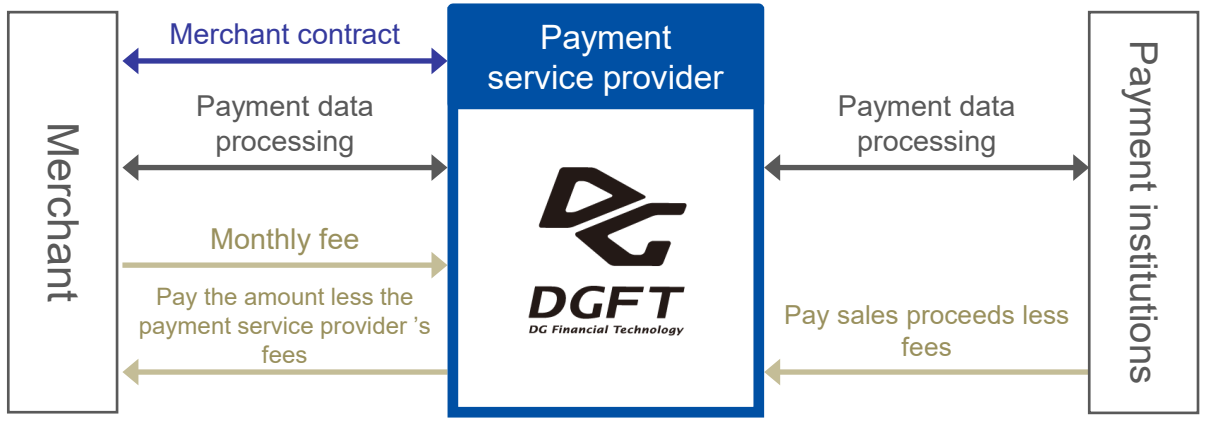
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Contract Type of Payment Service Provider

Storage agency type （Representative contract）

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

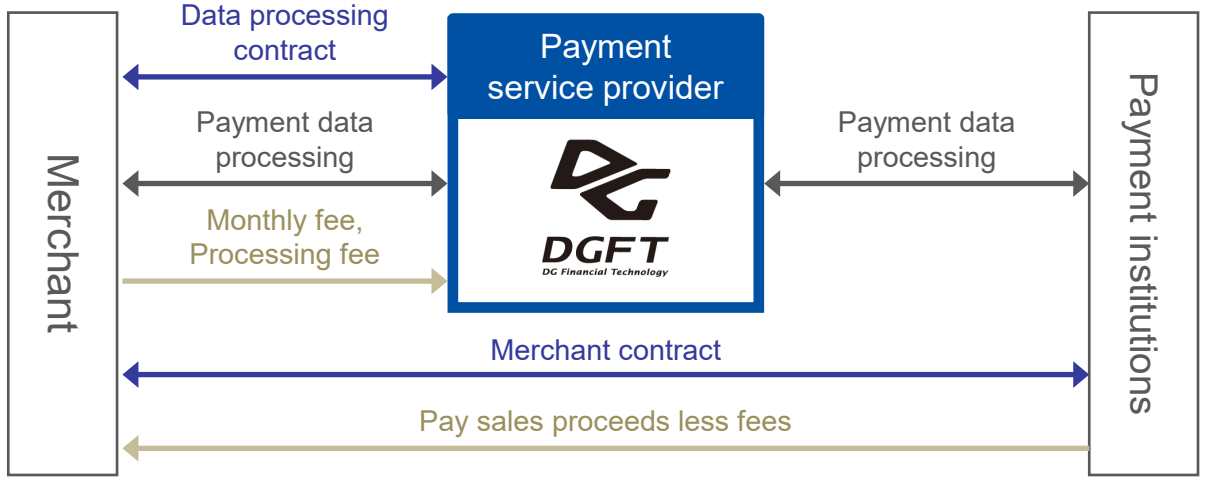
- We handle all contracting procedures with payment providers such as credit card companies and financial institutions
- Monthly sales proceeds are deposited to the merchant in a lump-sum payment from our company
- Single point of contact for payment
- Streamline operations such as payment management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

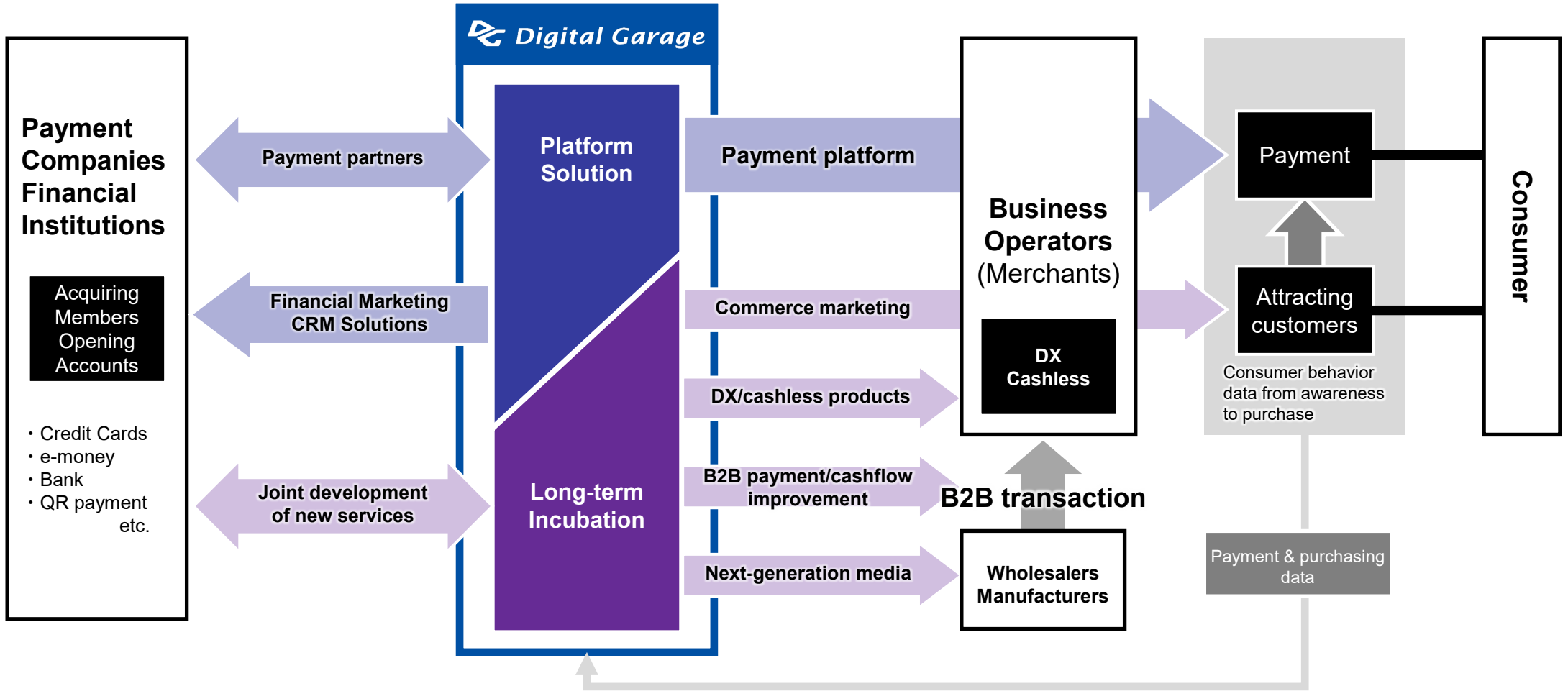


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Multi-layered Business and Revenue Opportunities Related to Payments

Digital Garage

- Stable platform that continuously generates consistent revenues, mainly from payments
- Creating multi-layered revenue opportunities with existing businesses and DX/ Fintech/ Next-generation media, etc.

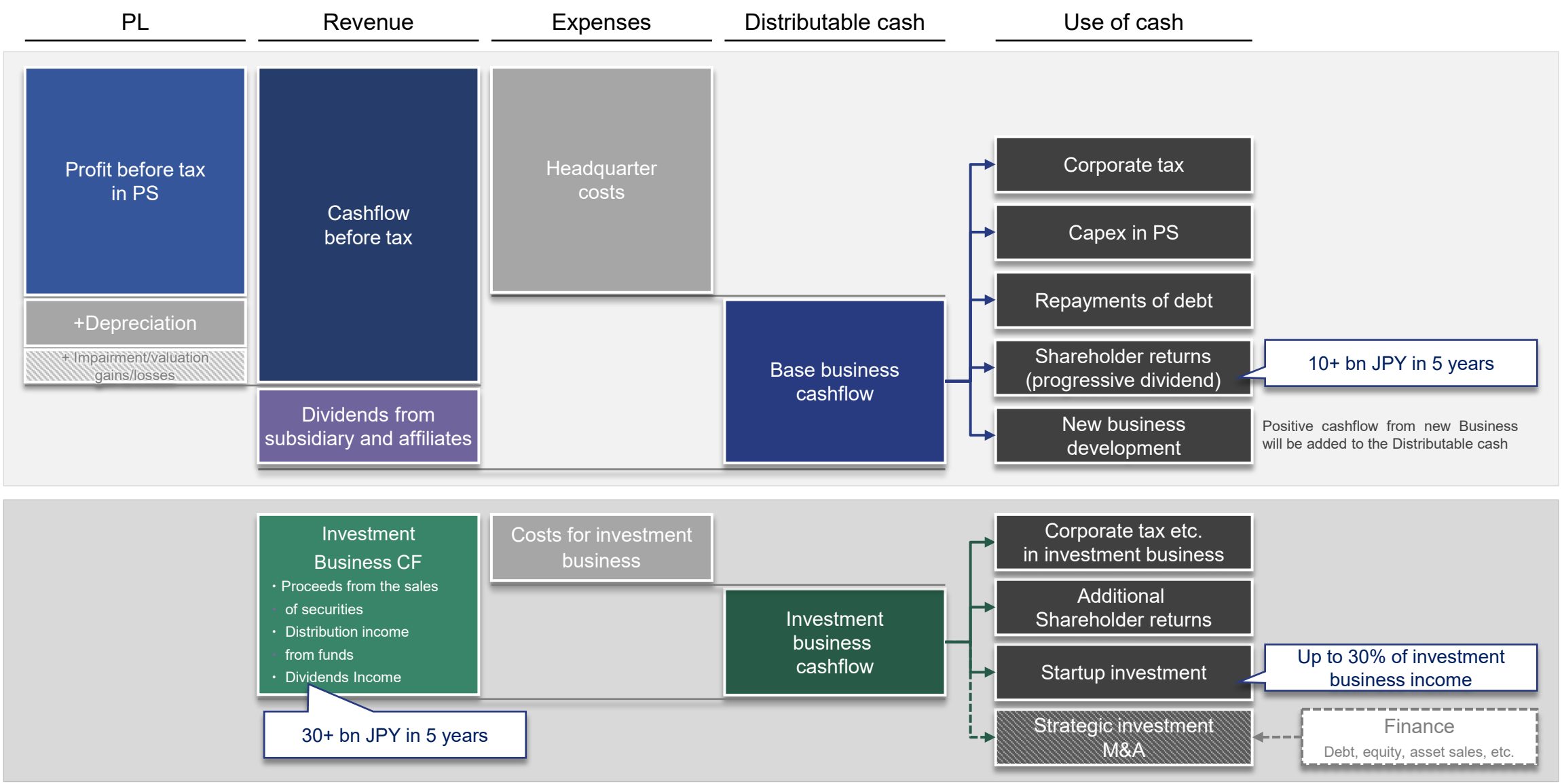


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Reference Materials (3):
Cashflow Allocation / Shareholder Return

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Cashflow Allocation



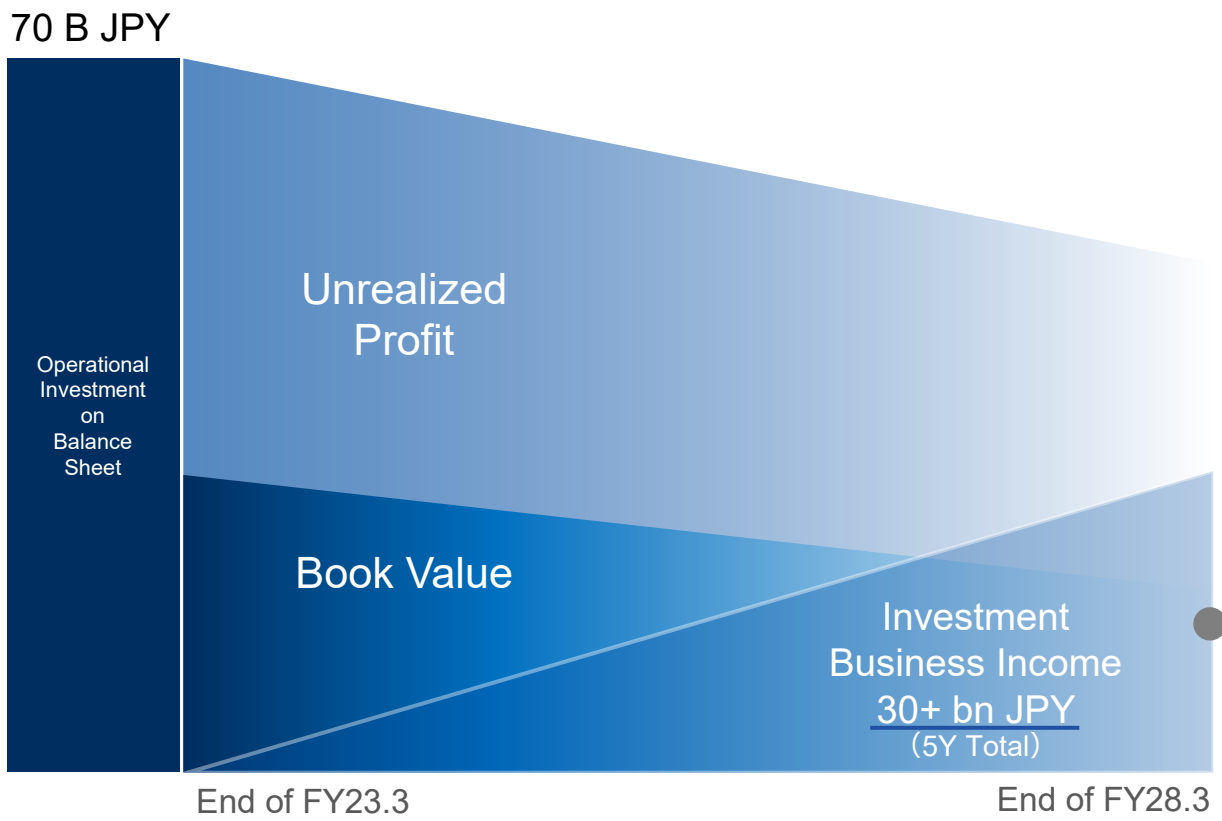
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Financial Strategy for Investment Business

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- 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 Cashflow



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Shareholder Return Policy

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	Policy	Distributable resources
Stable Dividend	Long-term stable dividends on a progressive dividend basis	Base Business Cashflow
Accelerating Dividend Increase	Increasing dividend growth rate by launching new businesses	
Additional Return	Special dividends/share buybacks based on portfolio sales progress	Income from sales/distributions in the investment business

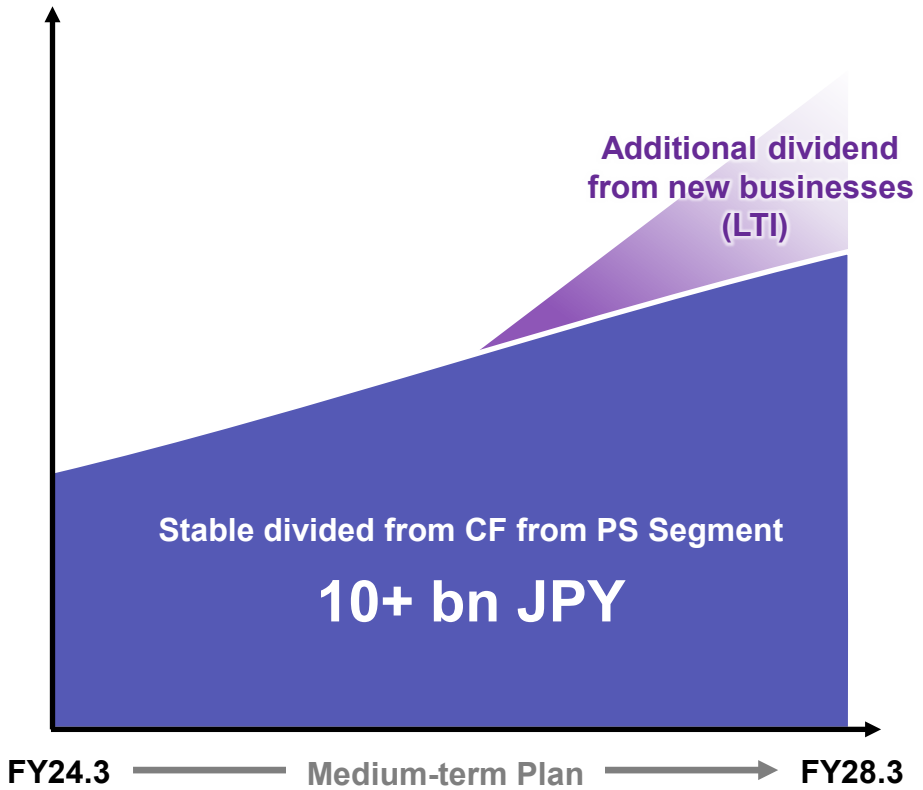
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Shareholder Return Policy

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- Dividends Policy: Progressive dividend based on PS cashflow & additional dividends by cashflow from new business
- Consider additional returns (special dividends, share buy-back) from CF from the investment business as active options

Shareholder Return by Base Business CF



Shareholder Return Policy

Additional Return from Investment CF		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 cashflow through launch of strategic businesses	Dividend payout ratio 30+%
	1st layer (PS)	Plan to pay progressive dividends from cashflow of PS Segment, which is expected as continuous profit growth	

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