

Financial Report

1Q of FYE March 2024



2023.8.9

I . Business Model and Strategy of DG





PURPOSE

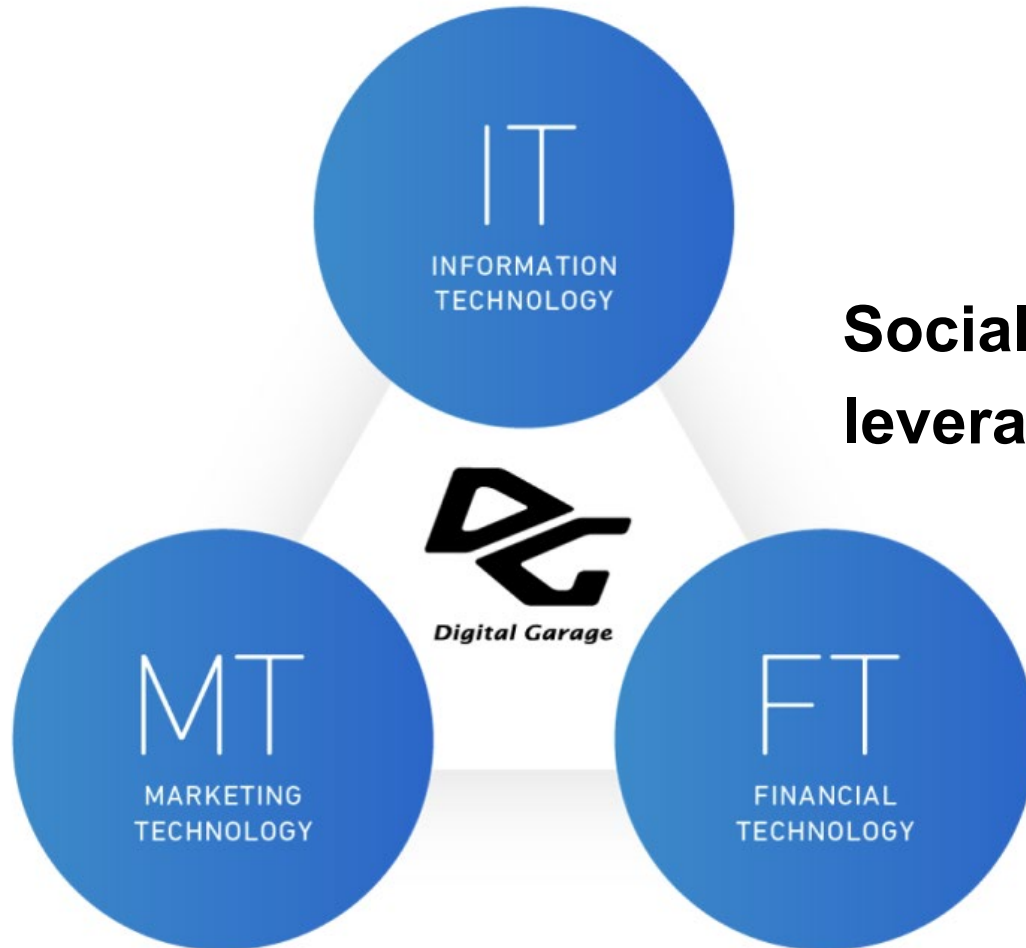
**Designing 'New Context' for a sustainable society
with technology**

<VALUES>

First Penguin Spirit

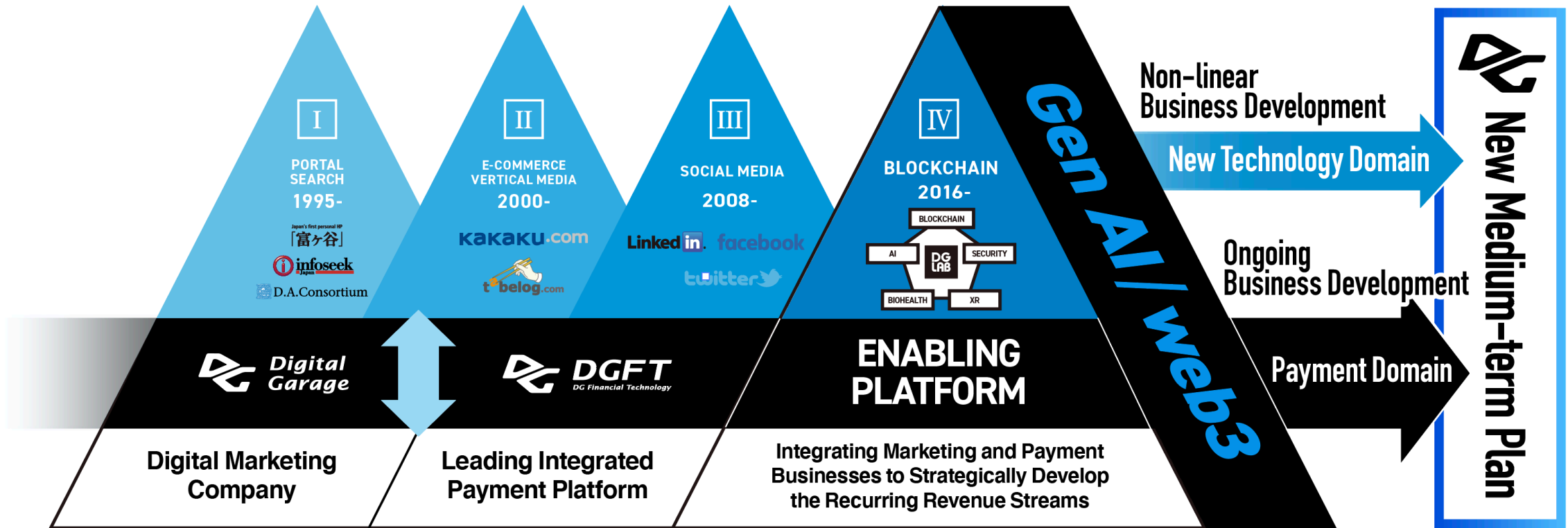
<CORPORATE SLOGAN>

New Context Designer DG

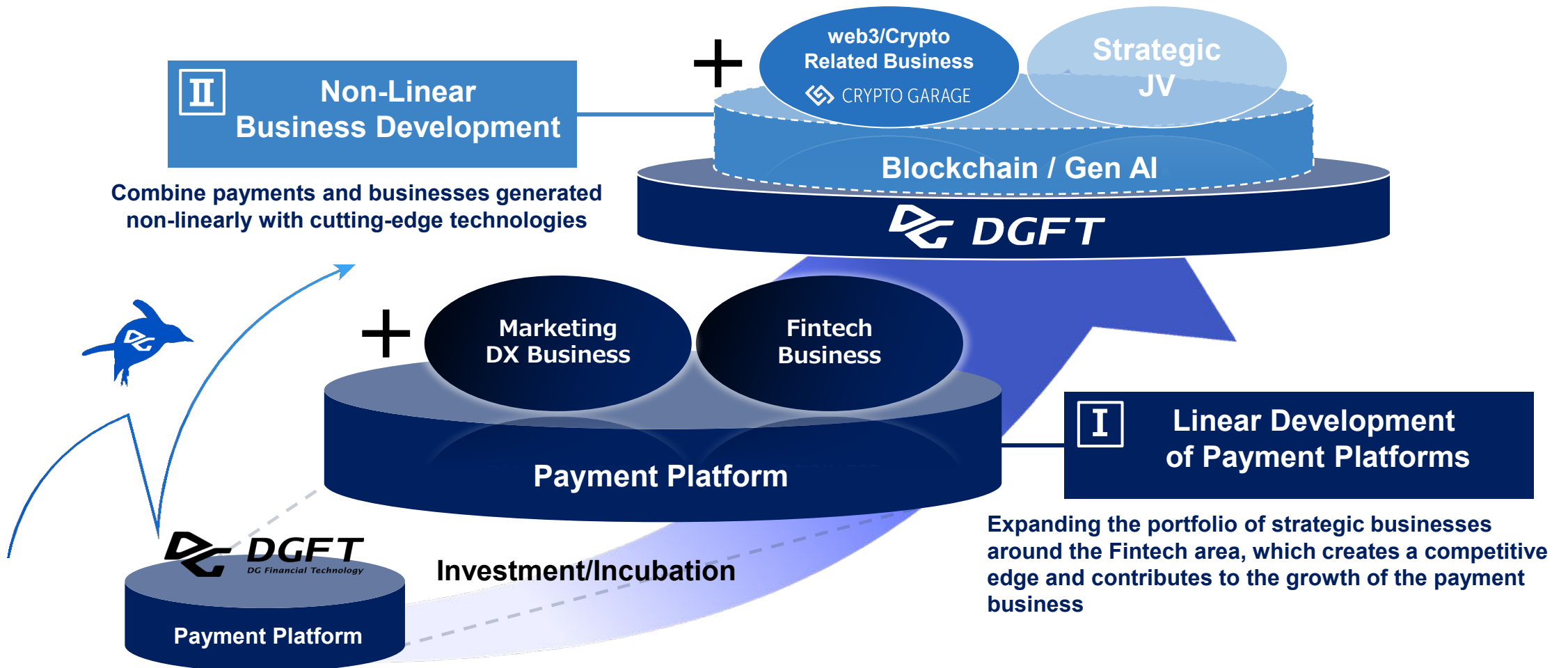


**Social implementation of new business context,
leveraging three technologies : IT, MT, and FT**

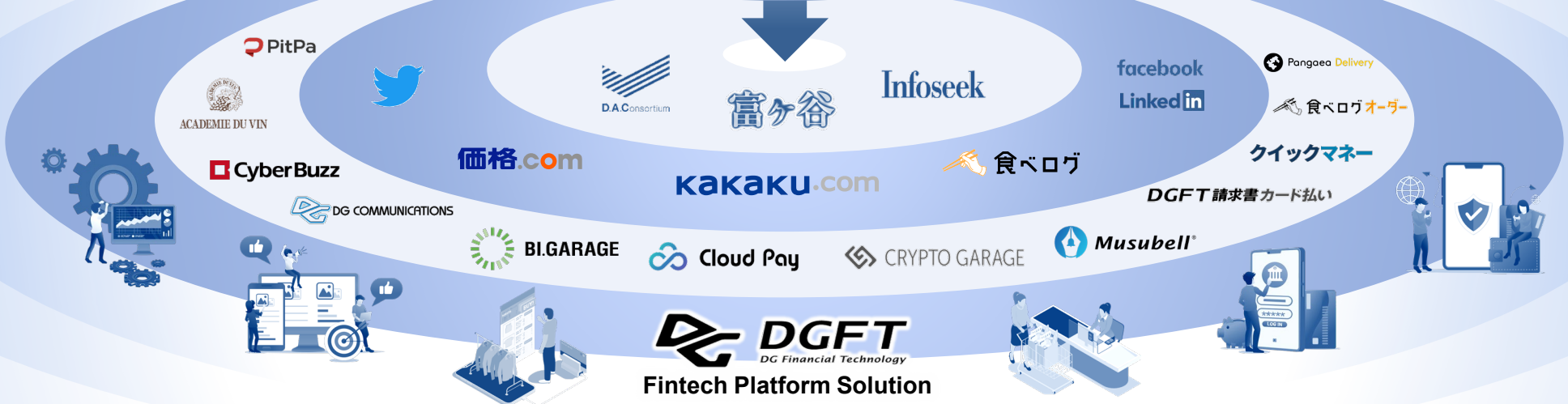
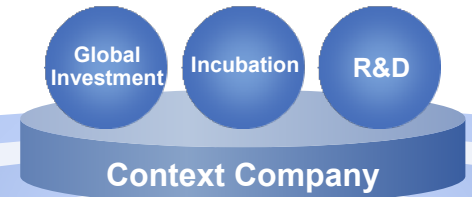
Since its establishment in 1995, DG has been developing the latest internet business deploying cutting-edge technologies based on marketing and payment. Our next-generation focus will be on Gen AI / web3, etc.



- I** Continue “DG FinTech Shift” strategy centered on our payment platform. Increase recurring revenue stream.
- II** Social implementation of next-generation technologies / Develop non-linear businesses through Blockchain, Gen AI, etc.



Designing 'New Context' for a sustainable society with technology



< Digital Ecosystem Context Design >

Pursue business growth with sustainable value creation driven
by expanding Digital eco-system with internet-business incubation & providing Fintech Platform Solution

II . Consolidated Financial Results Highlights



1Q Consolidated Financial Performance

- **Consolidated profit before tax** for FY24.3, a starting year of Medium-term Plan, was **6.2B JPY** (-44.8% YoY)
- Though consolidated profit before tax decreased mainly due to the decrease of fair value gain by foreign exchange rate compared with the previous year's 1Q, **the performance of PS segment and cash generation in GII segments are progressing steadily** aligning with target of Medium-term Plan.
 - ▶ PS : Driven by payment business, profit before tax increased by **23.7% YoY** with steady growth toward achieving the target of FY24.3.
 - ▶ LTI : Early-stage investment into new businesses continues, aiming to create new business domains.
 - ▶ GII : **Cash inflow of 2.2B JPY was generated** from the sales of holding shares and cash distribution from funds.

Progress of Medium-term Plan

- ✓ **B2B Payment service, “DGFT Invoice Card Payment,” has been expanding steadily.**
 - ▶ “Tabelog Shiire” by Kakaku.com and Resona Group started to offer, following JCB, Orico, and Diners.
- ✓ **“CloudPay Neo”, a device-free cashless payment service, has been launched.**
- ✓ **Partner program in “Musubell,” DX engagement platform for next-generation in real estate industry, has been launched to drive innovation throughout the real estate industry.**
- ✓ **Strategic business JV for “Users Engagement” was established with Kakaku.com, leveraging next-generation technology. (July, 2023)**

2023 Aug	Musubell®	<ul style="list-style-type: none"> Launched Partner Program in “Musubell”, DX Engagement Platform for next-generation real estate to drive innovation throughout the real estate industry
Aug	Cloud Pay Neo	<ul style="list-style-type: none"> Launched “CloudPay Neo,” a device-free cashless payment service
Jul	DGFT 請求書カード払い	<ul style="list-style-type: none"> Launched “DGFT Invoice Card Payment,” B2B payment services, at some branches of Resona Bank.
June	DGFT 請求書カード払い	<ul style="list-style-type: none"> Added B2B payment services to the service menu of “Tabelog Shiire”
May	DGFT 請求書カード払い	<ul style="list-style-type: none"> Started to provide “DGFT Invoice Card Payment for Invoice Issuers,” a rapidly-growing early payment collection scheme for SMBs
May	kakaku.com	<ul style="list-style-type: none"> Signed MOU to establish a joint company for smart e-commerce businesses integrated with next-generation technologies
Apr	DGFT 請求書カード払い	<ul style="list-style-type: none"> Expanded “DGFT Invoice Card Payment,” B2B payment services, to individual business operators and freelancers Launched “DGFT Invoice Card Payment,” B2B payment services, to customers of Orico Launched “DGFT Invoice Card Payment,” B2B payment services, to Diners Club members
Apr	CRYPTO GARAGE	<ul style="list-style-type: none"> Launched Digital Asset Custody and OTC trading services by Crypto Garage

Consolidated Financial Results Highlights – Profit by Segment

- PS grew steadily driven by the payment business toward achieving FY24.3 growth target of 15% or more.
- LTI continues early-stage investment, aiming for medium to long-term growth.
- GII showed steady progress with targeted cash generation except for the decrease of fair value gain compared with the previous year 1Q by foreign exchange rate.

Unit : M JPY	FY23.3 1Q	FY24.3 1Q	YoY Increase/Decrease	Overview
Consolidated tax before profit	11,204	6,179	-5,025 (-44.8%)	<ul style="list-style-type: none"> • Profit decreased due to the backlash of fair value loss by foreign exchange rate, recoded in 1Q of the last fiscal year. • Performance of PS and cash-generation in GII grew steadily.
PS	1,214	1,502	+288 (+23.7%)	<ul style="list-style-type: none"> • Profit grew steadily by 23.7%, toward achieving FY24.3 plan (15% or more growth). • The transaction volume grew significantly, focused on the establishment of collaboration with marketing business.
LTI	553	380	-173 (-31.3%)	<ul style="list-style-type: none"> • Early-stage investment into new businesses continues, aiming to create middle-term profit. • Development for Fintech-related businesses has been progressing.
GII	8,527	4,649	-3,878 (-45.5%)	<ul style="list-style-type: none"> • Cash inflow of 2.2B JPY was generated from the sales of holding shares and cash distribution from funds. • Profit decreased due to the decrease of fair value gain by foreign exchange rate compared with the previous year's 1Q.
Others/ Adjustments and Eliminations	910	-352	-1,261	<ul style="list-style-type: none"> • Fair value of shares denominated in foreign currency held by HQ decreased due to the decrease of fair value gain by foreign exchange rate.

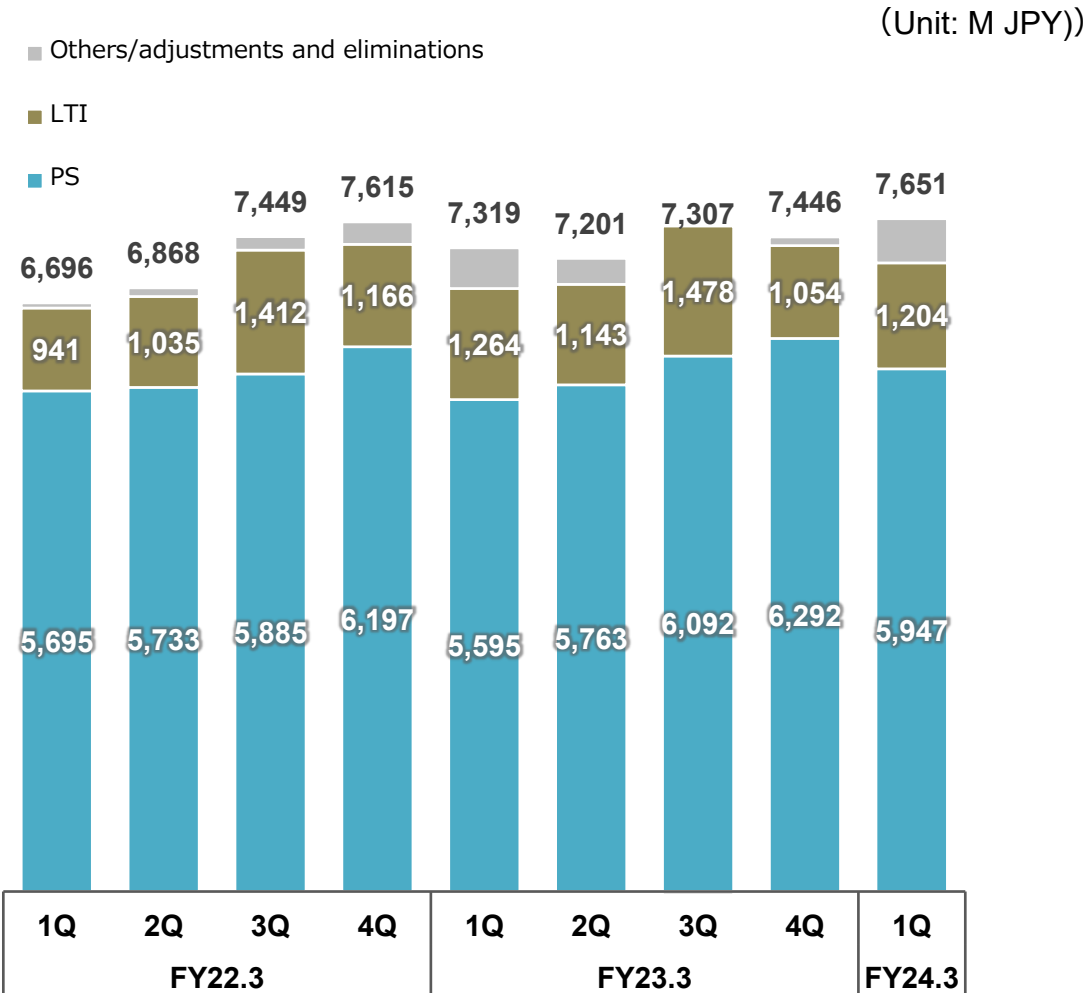
- The transaction volume grew steadily in both online payment with successful alliance strategy and offline payment driven by travel industry.
- Cash inflow of 2.2B JPY was generated from the sales of holding shares and cash distribution from funds.

KPIs	Unit	FYE23.3 1Q	FYE24.3 1Q	YoY	YoY % Change
Transaction volume	100M JPY	12,368	14,648	+2,281	+18.4%
Online Payment	100M JPY	9,466	10,677	+1,211	+12.8%
Offline Payment	100M JPY	2,902	3,972	+1,070	+36.9%
KPIs for Investment-related					
Operational Investment Securities	M JPY	86,565	72,594	-13,971	-
Investment Business Income※	M JPY	236	2,185	+1,949	-
New Investment	M JPY	864	1,078	+215	-

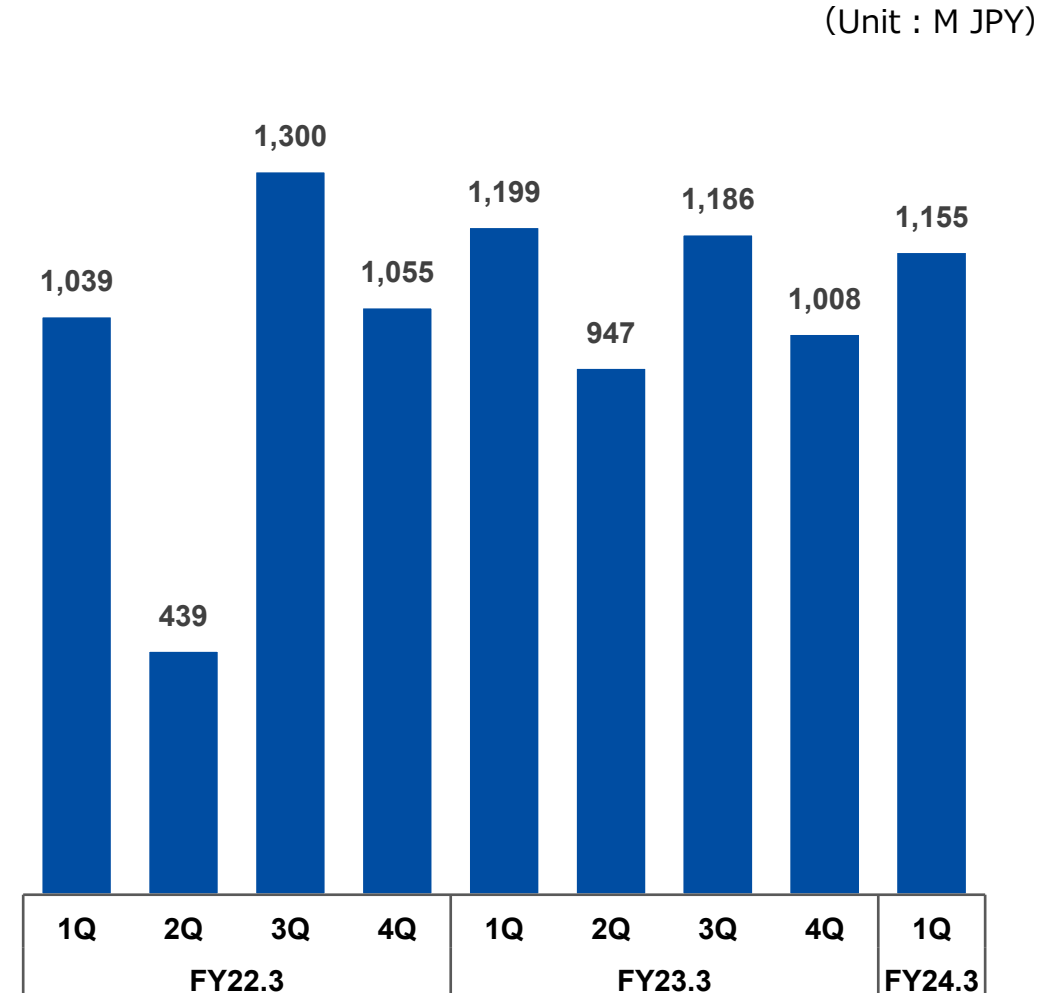
※ Investment Business Income: Total of profit from the sales of holding shares and profit distribution from funds.

- “Performance in recurring businesses” remained steadily excluding one-off gains/losses and investment businesses.
- PS maintains continuous and stable growth, while focusing on creating new business in the LTI segment with the goal of accelerating growth in the medium term.

Revenue (excluding one-off gains/losses, and investment)



Profit before Tax (excluding one-off gains/losses and investment)



III. Segment Performance Highlights

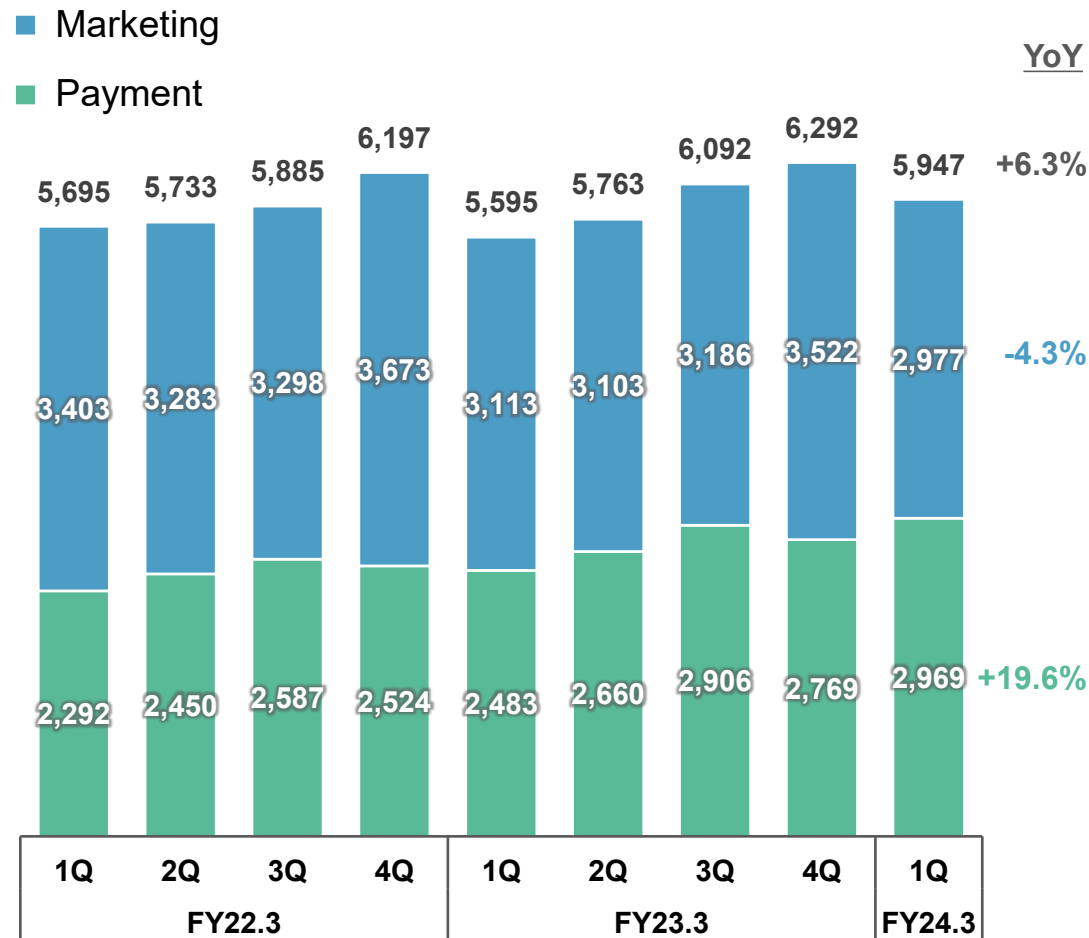


Performance by Segment – Platform Solution

- Profit before tax in payment business increased by 32% steadily in both online and offline payments.
- Marketing business is driving efforts to strengthen and integrate with the payment business.

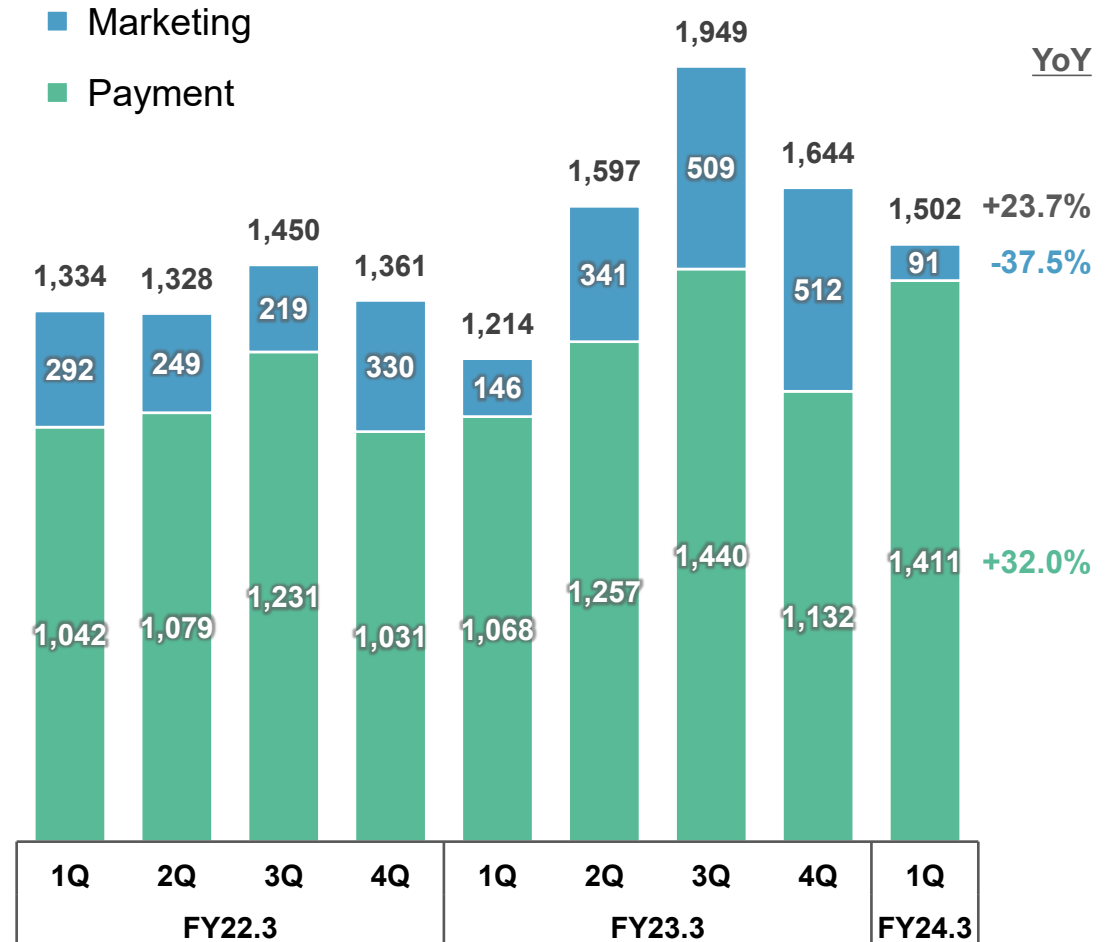
Segment Revenue

(Unit : M JPY)



Segment Profit

(Unit : M JPY)

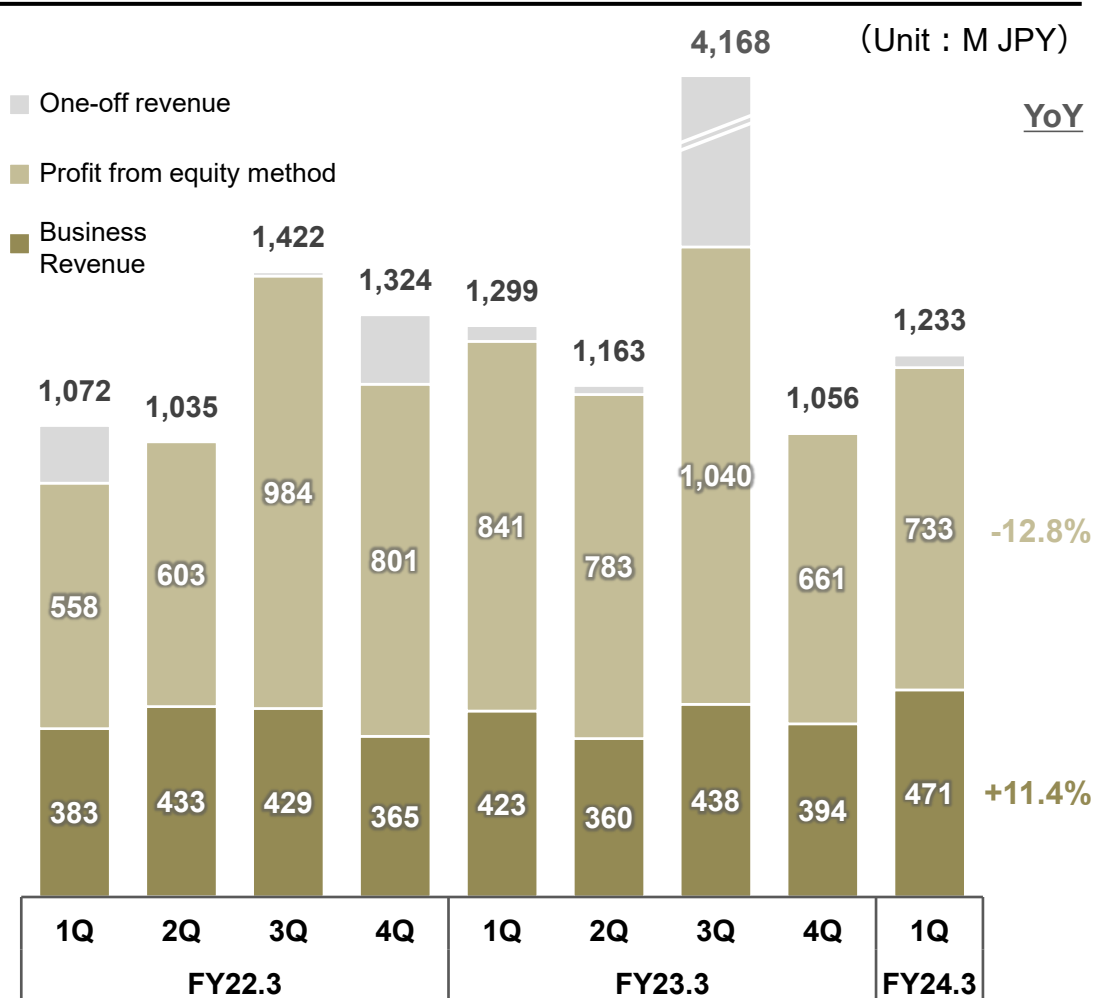


Performance by Segment – Long-term Incubation

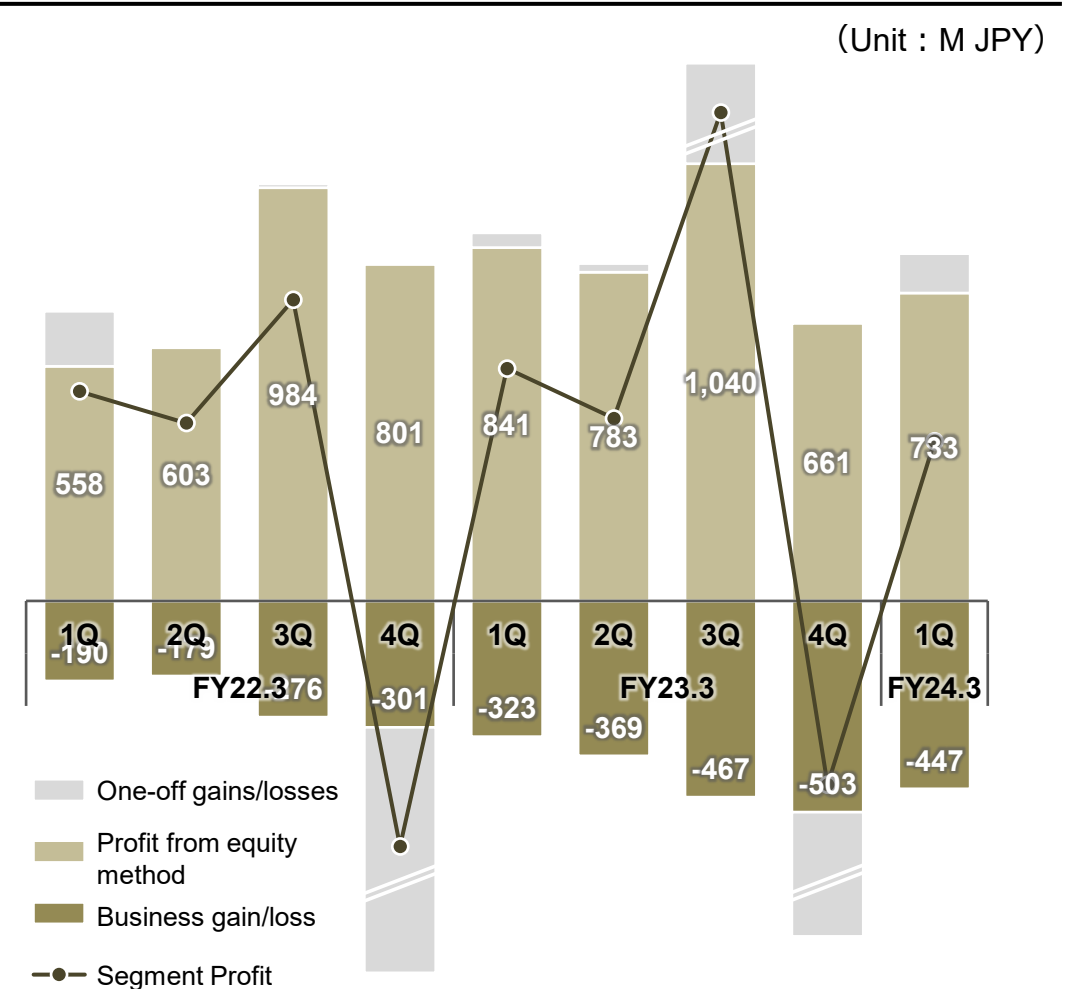
Long-term Incubation

- Early-stage investment into new businesses continues, aiming for medium to long-term growth.
- “Tabelog” and “Kyujin-box” of Kakaku.com grow steadily.

Segment Revenue

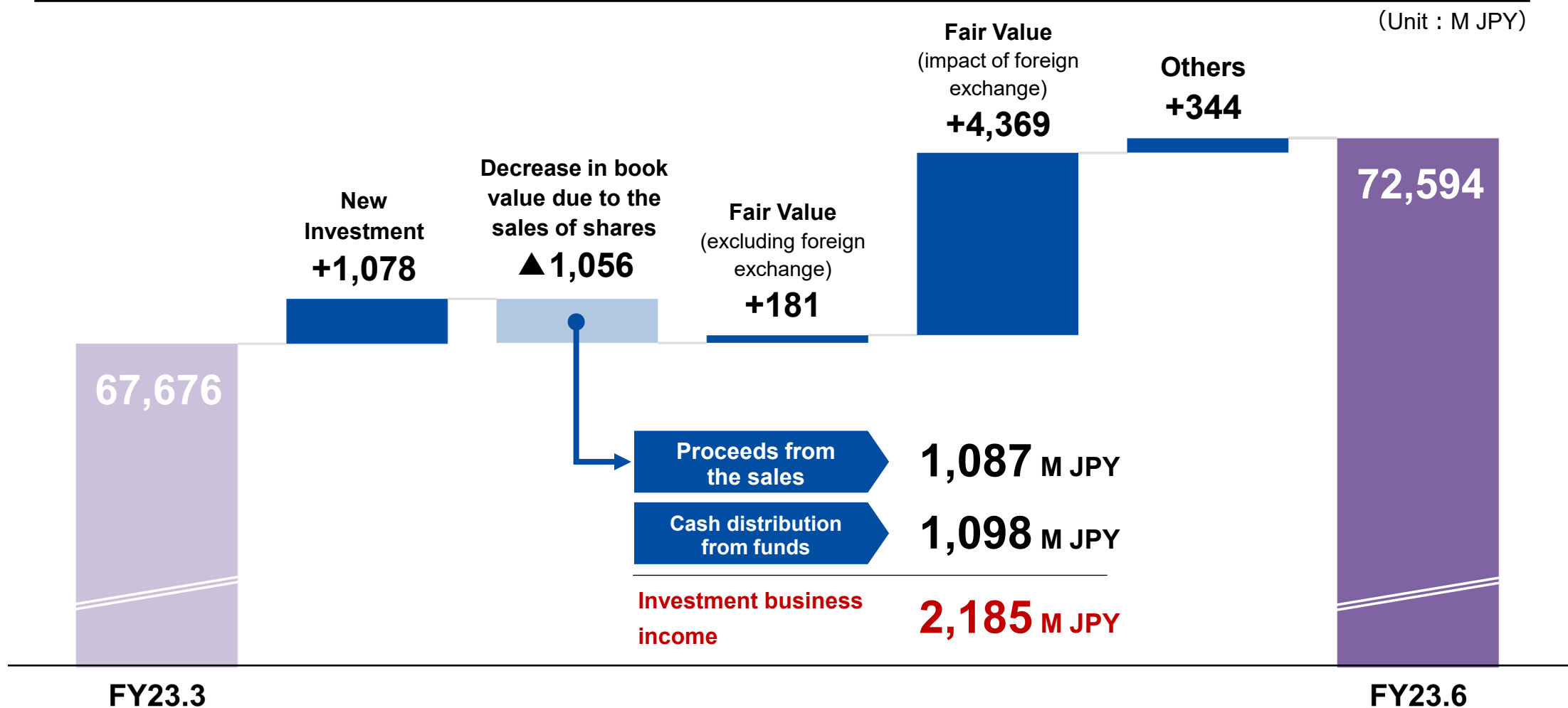


Segment Profit



- Cash inflow of 2.2B JPY was generated from the sales of holding shares and cash distribution from funds, accelerating to achieve Medium-term Plan.
- The balance on operational investment securities increased by 4.9B JPY YoY due to increase of fair value by JPY depreciation.

Operational Investment Securities Details of Increase/Decrease



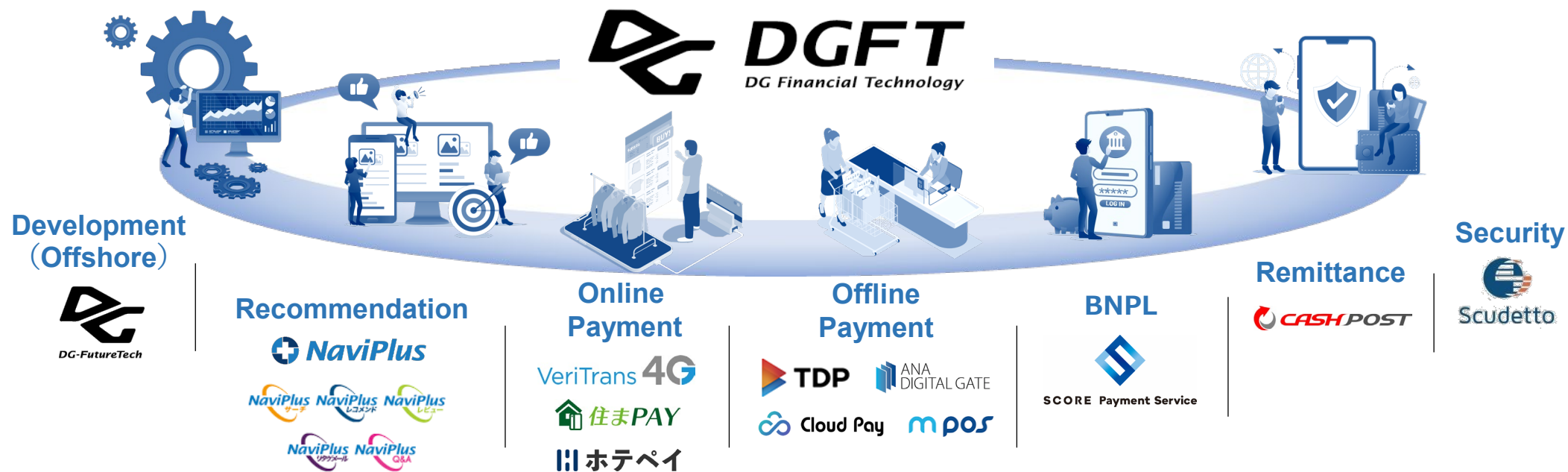
IV. Payment Business / Business Overview and Updates of DGFT



Innovation across Payment

DG Financial Technology, Inc. (DGFT), a wholly-owned subsidiary of Digital Garage managing the group's core payment service, was formed in Feb. 2021 through reorganization of VeriTrans and ECONTEXT.

Leveraging its highly available, functional and stable payment platform, DGFT will strive to design 'New Context' for a sustainable society and lead the creation of a new Fintech-based financial ecosystem.









A wholly-owned subsidiary of DG, managing the DG group's core payment business
 Provide payment solution for various needs of clients, covering both online and offline merchants

Company Profile

Company Name	DG Financial Technology, Inc.
Head Office	Shibuya-ku, Tokyo
Capital	1.6845 B JPY
Business Areas	Payment Information Processing Service Agency Payment Service Money Transfer Service
Registered Businesses	Electronic Payment Services (Director of the Kanto Finance Bureau No.25) Funds Transfer Service Provider (Director of the Kanto Finance Bureau No00094) Business Operator for handling Credit Card Numbers, etc.
Certification	PCIDSS Version3.2.1 ISO/IEC27001 Privacy Mark   
Participating Organizations	PCI Security Standards Council, LLC Japan Credit Association Japan Collection Agencies Association. Japan Multi-payment Network Promotion Association Japan Payment Service Association EC Payment Forum

Overview of DGFT's Payment Business (FYE Mar 2023)

<h3>Payment Transaction Volume (JPY)</h3> <table border="1"> <tr> <td>Yearly Total</td> <td>Offline</td> <td>Online</td> </tr> <tr> <td>5.3Tn</td> <td>1.3Tn</td> <td>4.0Tn</td> </tr> </table>	Yearly Total	Offline	Online	5.3Tn	1.3Tn	4.0Tn	<h3>Number of Payment Transactions</h3> <table border="1"> <tr> <td>Yearly Total</td> <td>Offline</td> <td>Online</td> </tr> <tr> <td>980Mil</td> <td>390Mil</td> <td>590Mil</td> </tr> </table>	Yearly Total	Offline	Online	980Mil	390Mil	590Mil
Yearly Total	Offline	Online											
5.3Tn	1.3Tn	4.0Tn											
Yearly Total	Offline	Online											
980Mil	390Mil	590Mil											
<h3>Number of Merchants (as of Mar 2023)</h3> <table border="1"> <tr> <td>FYE Mar. '23</td> <td>Offline</td> <td>Online</td> </tr> <tr> <td>954K</td> <td>837K</td> <td>117k</td> </tr> </table>	FYE Mar. '23	Offline	Online	954K	837K	117k	<h3>Status of Systems (FYE Mar 2023)</h3> <table border="1"> <tr> <td>System Uptime</td> <td># of available Payment methods</td> <td># of partnered Financial Institutions</td> </tr> <tr> <td>99.99%</td> <td>40+</td> <td>1,000+</td> </tr> </table>	System Uptime	# of available Payment methods	# of partnered Financial Institutions	99.99%	40+	1,000+
FYE Mar. '23	Offline	Online											
954K	837K	117k											
System Uptime	# of available Payment methods	# of partnered Financial Institutions											
99.99%	40+	1,000+											
<h3>Major subsidiaries and Affiliates</h3>													
 <p>Marketing tools for e-commerce</p> <p>Shareholder</p> <p>DGFT: 100%</p>	 <p>India-based tech support & engineering service</p> <p>Shareholder</p> <p>DGFT: 100%</p>	 <p>Fraud detection solutions for Payment</p> <p>Shareholder</p> <p>DGFT: 100%</p>	 <p>Multi-payment and mileage program provider</p> <p>Shareholder</p> <p>ANA: 51% DGFT: 49%</p>	 <p>Multi-payment solution for POS</p> <p>Shareholder</p> <p>Toshiba Tec: 51% DGFT: 49%</p>	 <p>BNLP payment solutions</p> <p>Shareholder</p> <p>Nissen: 51% DGFT: 49%</p>								

Handle 40+ major payment methods, ranging from credit cards to convenient-store payment
 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+, WeChatPay, PayPal, Union Pay
Web Account Transfers	About 290 Financial institutions in Japan (Major banks, Internet banks, Local banks, Shinkin banks)
Others	VeriTrans BNLP, Credit cards for multi-currency, Eikyufumetsu Point System

Major Payment Products

<p>Multi-payment service for online merchants</p>	<p>Patent-pending</p> <p>Multi-QR Code payment service for offline merchants</p>	<p>QR Code multi-payment service for offline merchants</p>
<p>Account transfers over emails and cash receipt at Lawson stores</p>	<p>Payment services for hotels & hospitality industry, integrated reservation systems</p>	<p>Credit card payment solution for real estate industry (rents and initial fees)</p>
<p>Payment and financial solutions specifically designed for funeral</p>	<p>Patented</p> <p>Credit card payment solution for telephone ordering</p>	<p>e-mail link payment</p> <p>Payment solution to provide payment URLs by emails.</p>
<p>Barcode payments for PoS</p> <p>One-stop installation of ID Payment to PoS terminals</p>	<p>OmniPAY</p> <p>One-stop payment solution to manage both online and offline payments</p>	<p>Fraud-detection Service</p> <p>Security solutions for fraud prevention and detection (ACI, ReD Shield, Sift, etc.)</p>

Manage IT system risk through redundancy (2 data centers) with in-house system monitoring and operation
 Achieve agility and cost competitiveness by building in-house engineering team and utilizing development base

System Overview

1 Active-Active Configuration

- 2 data centers with equivalent capabilities in different locations
- 800km+ distance between the 2 data centers increases tolerance to natural disaster and BCP

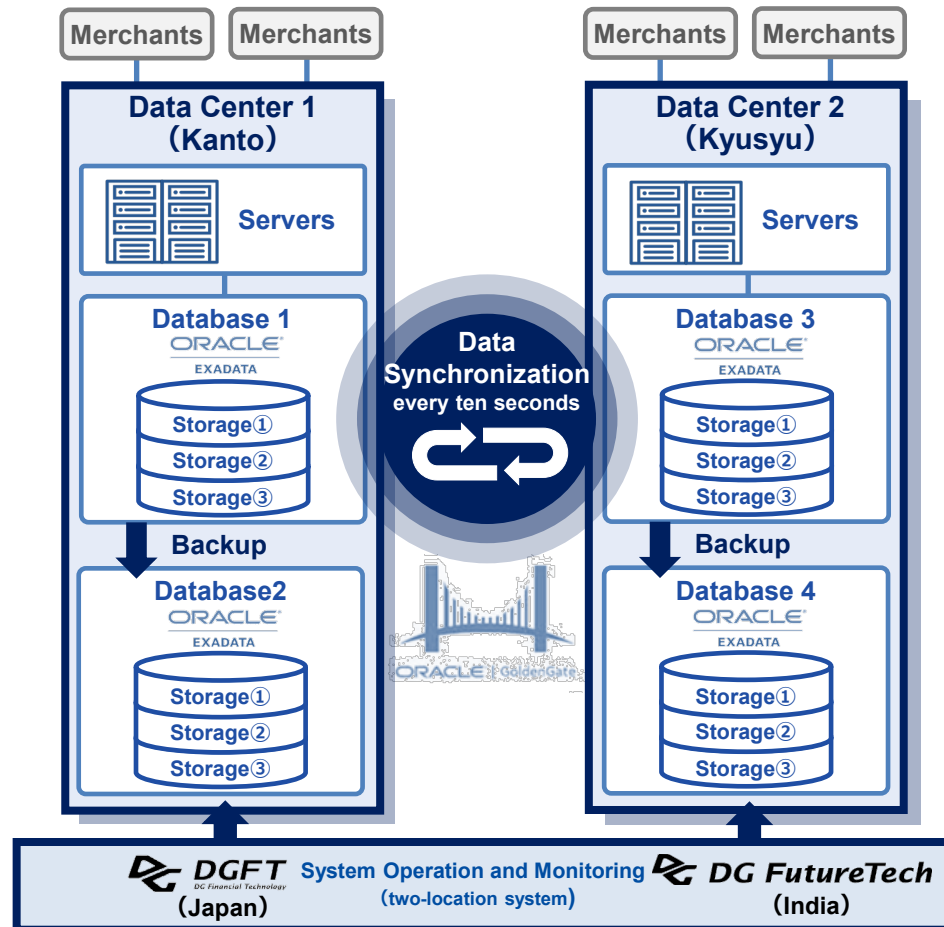
2 Bi-directional data Sync

- Bi-directional data sync between the 2 data centers (every 1-10 sec.)
- Stable operation with no downtime if one of the 2 data centers remains up and running

3 Multi-layered Redundancy

- Data-tire with 12-layer mirrors structure (DB: 4 units×Storage:3 units for each)
- Redundancy structure to minimize system incident and outage

Overview of DGFT Payment System



Operation Overview

1 System Operation Structures

- 24/7 system monitoring and operation from in Japan and India
- Achieve quick response time and cost competitiveness by building in-house engineering team and also utilizing offshore location

2 Monitoring System

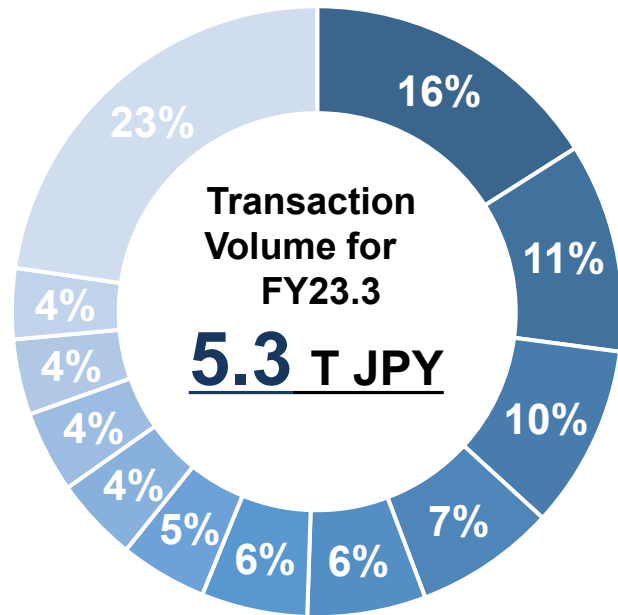
- Automated real-time monitoring of entire payment systems
- Quick changeover to manned responses once surveillance alert is detected

<System Downtime for FYE 23. 3>
 Achieved the lowest industry rate due to robust structure with well-controlled operations and monitoring system

20 seconds per year
 (Uptime:99.9994%)

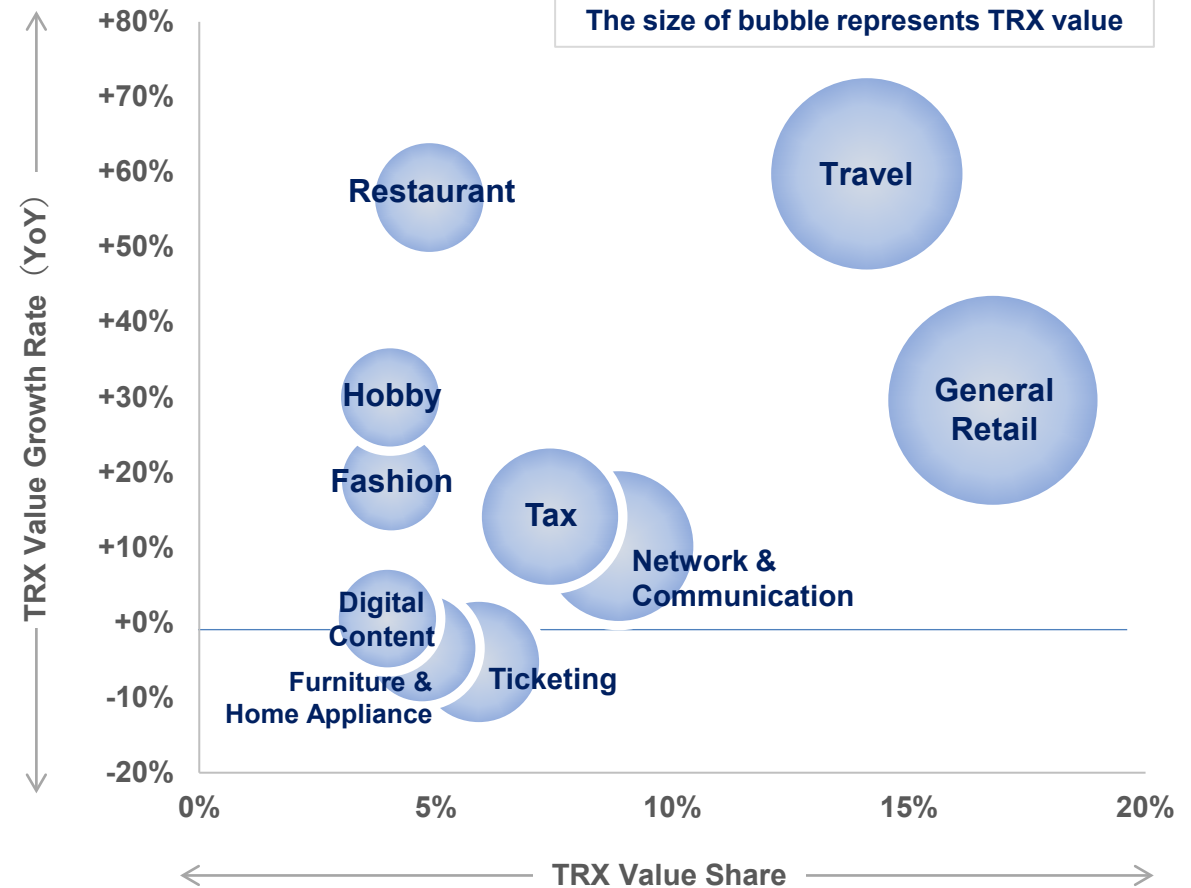
Possess diversified client portfolio less influenced by business segment of a certain customer or sector
 Provide consulting service to various firms in different sectors leveraging deep knowledge and track records

Payment Transaction Volume by Industry (% , FY23.3)



- General Retail
- Network & Communication
- Tax
- Digital Content
- Fashion
- Food & Beverage
- Travel
- Ticketing
- Furniture & Home Appliance
- Restaurant
- Hobby
- Others

Transaction Volume in Top 10 Industries and Growth Rate (1Q of FY24.3)



**Create strong partnerships with leading payment, financial, and retails companies in Japan
Jointly develop efficient sales partnership and new businesses to address emerging market needs**

Strategic Partners (Capital Alliance Partners)

Capital and Business Alliance

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



Resona Group
りそなホールディングス
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)

Toshiba Tec Corporation

Capital and Business Alliance

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



Capital and Business Alliance

Joint-development of new payment services such as "Ceremony Pay"
(Holding 1.7% of DG shares)

JV Partners

全日空商事株式会社
ALL NIPPON AIRWAYS TRADING CO.,LTD.

JV Partner

Jointly operate payment JV for hospitality Industry



JV Partner

Jointly operate BNPL JV for EC businesses



Business Partner

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

Business Partner

Provide payment service on an OEM from DGFT

Business Partner

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

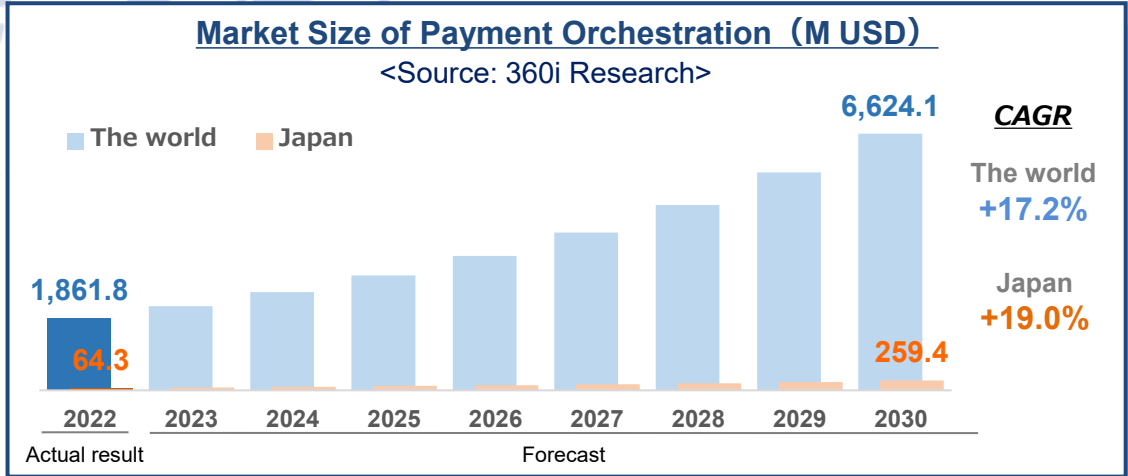
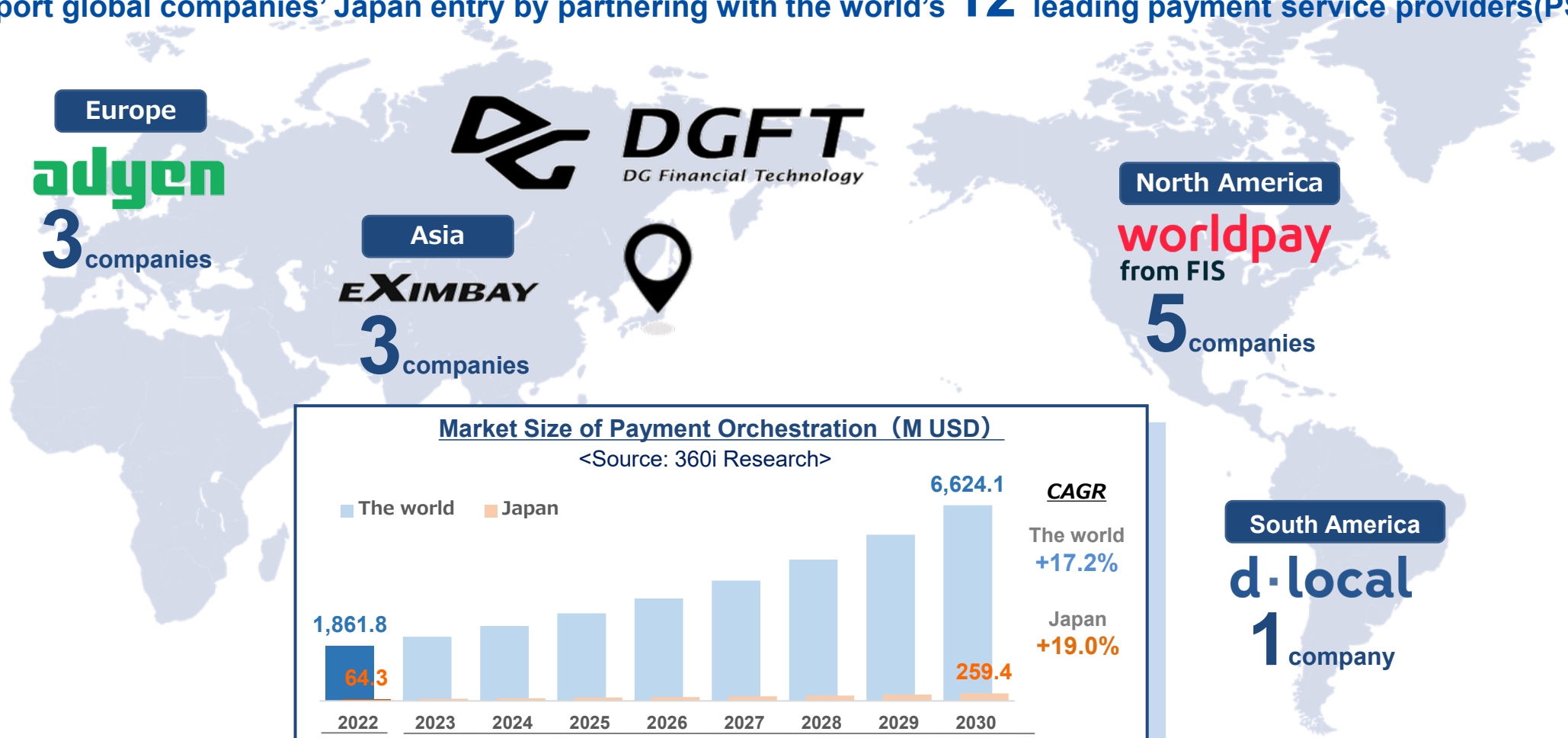
Business Partner

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

Business Partners

Provide Japan-local payment solution to leading global 12 PSPs and support global firms' Japan entry
 Plan to expand DGFT's businesses globally by leveraging the partnership with the leading PSPs

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



V. Strategic Initiatives / Incubation of New Businesses

Launched “CloudPay Neo,” a device-free QR-code-based cashless payment service

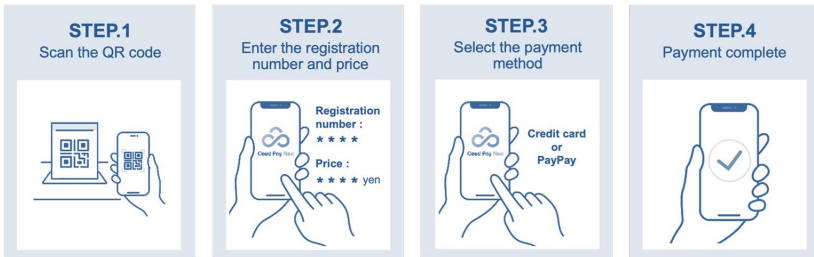
Multi-payment services for all payment methods including credit cards, PayPay, au Pay, Alipay and Apple Pay

Product Overview

A device-free QR-code-based cashless payment service utilizing consumers' smartphones

Service Offerings

Cashless payments available only with a single QR Code



Payment Method (Plan)

Support major payment methods, including ID Payment & Credit Cards

Credit Card



ID payment PayPay au PAY d払い Pay R Pay

International payments



Others



Cloud Pay Neo

Device-free, easy and quick to install next-generation cashless payment service with simple scanning of QR code

Patent Pending

Target Market & Future Plan

Capture the needs for cashless payments previously difficult to address due to the need of terminals

Target Market

Food Delivery

<Market Size>

approx. **3.0**Tn
Cashless Payment %
60% (estimate)

Electrical works

<Market Size>

approx. **1.6**Tn
Cashless Payment %
5% (estimate)

Stadium

<Market Size>

approx. **1.0**Tn
Cashless Payment %
10% (estimate)

Home care

<Market Size>

approx. **0.5**Tn
Cashless Payment %
15% (estimate)

Small Enterprises

<Market Size>

approx. **122**Tn
Cashless Payment %
40% (estimate)

Mid Enterprises

<Market Size>

Approx. **397**Tn
Cashless Payment %
60% (estimate)

Future Plan

- 1. Recurring Payment Function:** Automates the second and subsequent payments and streamlines payment operations
- 2. Multilingual support:** Responds to inbound needs by switching language automatically based on User Agent
- 3. System Integration:** Automatically display the price to “CloudPay Neo” by integrating external systems

“Digital Asset Businesses” and “web3 Service” for next-gen finance based on emerging tech

Expand service offerings for institutional clients and promote web3 projects with global leading companies

Digital Asset Businesses for Enterprises

Digital asset settlement and financial service for the digital asset exchanges and enterprises

Current services

SETTLENET Intermediary & settlement for digital asset trading

SETTLENET CUSTODY Digital asset custody for enterprises

SETTLENET OTC Digital asset OTC (trading) for enterprises

Main topics

- Commercial launch of SETTLENET**
Launched SETTLENET to major Japanese crypt asset exchange and the oversea businesses
- New digital asset services for enterprises**
Launched digital asset custody services and OTC (sales of digital asset) for institutional clients



CRYPTO GARAGE

 Digital Garage



東京短資株式会社
THE TOKYO TANSHI CO., LTD.

NOMURA

Registered Crypto Asset Exchange Business

“Crypto Business Enabler”
Support enterprises to build digital asset businesses, leveraging deep expertise in finance and Blockchain technology

web3 Business

web3 DevOps services and solutions for the enterprises promoting projects

Services

 **mahola api** Blockchain Back-end services

 **mahola wallet** Custody-typed Key Management

 **web3 development** web3 system development

Main topics

- Establishment of DevOps service for web3**
Launched “mahola”, DevOps tools and managed services for enterprises developing web3 projects
- Collaboration with global leading companies**
Promoting joint development of web3 projects with major global companies and system integration for web3 projects

“Musubell”, Japan’s leading DX engagement platform for next-gen real estate transaction

Accelerate DX of entire real estate industry by promoting Open Innovation with industry-leading companies

Real Estate DX Businesses

Leading real estate focused vertical SaaS serving 150 locations of the major real estate companies

Services

 不動産DXプラットフォーム **Musubell**® for 新築 for the New Condo

 不動産DXプラットフォーム **Musubell**® for 仲介 for Real Estate Agent

 不動産DXプラットフォーム **Musubell**® for 物件調査 for Property Survey

Implemented Companies

Introduced by leading real estate businesses
Sales grew 350% (YoY)



Musubell

“Real Estate DX Platform”
Provide digital solutions, centered on e-contract, to modernize end-to-end real estate transactions

Open Innovation led service growth

Engagement Platform

The Partner Program to accelerate DX of the real estate industry with industry-leading companies

Overview of Partner Program

The 2 programs to foster partnership for building new services to address pain points in the real estate industry

1	DX Partner	Enhance usability by system integration with “Musubell”
2	Innovation Partner	Led innovation though data/tech integration with “Musubell”

1st Partner Program/Future Focus Area

KASIKA

DX Partner

Service Provider:  Cocolive

- System connection with Cocolive’s marketing automation service focusing on real estate
- Improve operational efficiency through unified management of customer data

Focus Area

Mortgages

Insurance

Commercial Real Estate Rent

Rent Management

“Open Network Lab” – Japan's first accelerator program for seed/early-stage startups

Through our Seed Accelerator Program, create an ecosystem for social implementation of new technologies

Investment



**Onlab & ESG I
“Earthshot Fund”**

- The fund works with Onlab to invest in program recipients and graduates as well as the other ESG-related startups.
- Based on the knowledge of ESG investing/management learned from the global players, the fund helps the portfolio startups to implement and apply ESG management.

ESG Management 101
for startup entrepreneurs



Investment

ESG Support

Seed Accelerator Program

< Japan's first seed accelerator established in 2010 >



**Open Network Lab
Seed Accelerator**

- Onlab, Japan's first seed accelerator program launched in 2010, has invested in over 140 startups and supported and nurtured their businesses since then.
- Onlab has produced numerous successful startups, including unicorns, those who did IPO, and did M&A in the US.
- Onlab also works with DG717 in San Francisco to support startups challenging global markets.

Examples of successful startups from Onlab



Latest Onlab Seed Accelerator startups



Social implementation

Open Innovation



Open Network Lab
Open Innovation

**Selected for “Be Smart Tokyo”
- a Tokyo Gov. program to
implement smart services**

Overview

- A business co-creation program in which startups and large companies work together to implement the new technologies in society.
- A total of 312 startups from around the world applied to the program.

Examples of the sectors



The cutting-edge tech's R&D lab “Digital Architecture Lab” and initiative of next-generation AI

DG717 as Strategic HQs for Incubation/R&D in the U.S. and launched STARTUP STUDIO “GenLab,” specializing in Generative AI



Overview

This lab fosters social impact in which everyone can participate through research and development of next-generation technologies, collaboration with startups and major companies, community building, and collaboration with DG projects through industry-government-academia collaboration.

Leadership



Joichi Ito

Digital Garage
Member of Board of Directors
Chief Architect
- President of the Chiba Institute of Technology
- Member of Digital Society Planning Council, web3 Research Group, Digital Agency
- Head of Corporate DX Promotion Committee, Japan Association of Corporate Executives



strengthen initiatives through industry, academia, and government collaboration

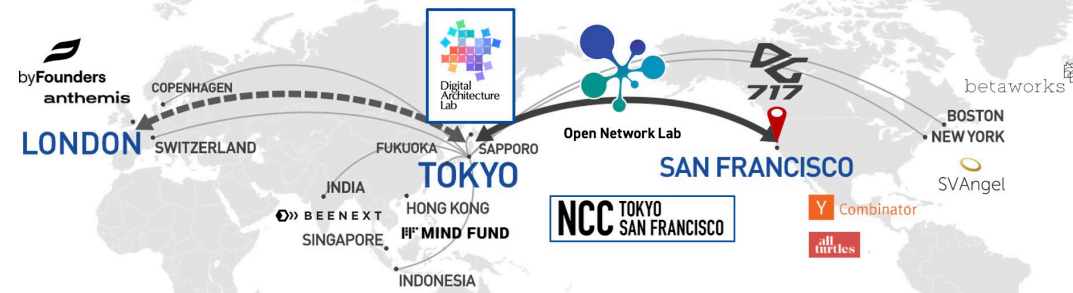
DG717

<Global Incubation/R&D HQs>

Incubation Center, “DG717” located in the main street in San Francisco as Global Incubation /R&D HQs, promoting business and R&D with major partner companies, startups, research institutions and IT industry pioneers.



Keep evolving the unique deal sources developed since DG’s founding in North America and Japan, Asia, and Europe



<Origination>, <Incubation>, and <Implementation> of new technologies on a global scale



Overview

- STARTUP STUDIO to support for startups that create new value through Generative AI and its related technologies in collaboration with pioneers and top research institutions in the technology/IT industry.
- DGUS plans to establish a Generative AI-focused fund in conjunction with “GenLab” to invest in and incubate startups from around the world.

Leadership



Daniel Riedel
Executive Director, “GenLab”
ex-CEO, NCS



Brady Forrest
Founder,
Ignite Talks



Hiroki Mitsuhashi
President,
Digital Garage US

VI. Sustainability





Investment in ESG-related startups and funds globally Events and providing information about ESG and impact investments

ESG Investments

■ Aurelia Foundry I, L.P. (DG Ventures) NEW



Venture Capital Fund for Space & Climate Deep Tech

<Core Investment Areas>

- Space Infrastructure + OSAM
- Climate Tech, Health care +

<GP Member> Ariel Ekblaw



She graduated with a B.S. in Physics, Mathematics and Philosophy from Yale University and designed a novel space architecture habitat for her MIT PhD in autonomously self-assembling space structures. Her research work and the labs she leads build towards future habitats and space stations in orbit around the Earth, Moon, and Mars.

■ ESG-related startups portfolio



Events and Publications

■ Presented at European ESG and Impact Funds events

<Co-host session with >

Presenting examples of initiatives shown in the company's Impact Report with Tommy Andersen.

<Latitude59>

Introduced ESG and impact-related investment case studies at a large European startup event.



■ Publishing ESG contents in Onlab Journal <https://onlab.jp/journal/>



データが導く都市×交通のカーボンクレジット。Spatial Pleasureは未来の都市開発を担えるか | Meet with Onlab Grads Vol.40



スタートアップのESG経営支援、Onlabが取り組む活動とは | Onlab ESG



カーボンオフセットに植林×テクノロジーを使って取り組むスタートアップ紹介

Establishment of Sustainability Committee

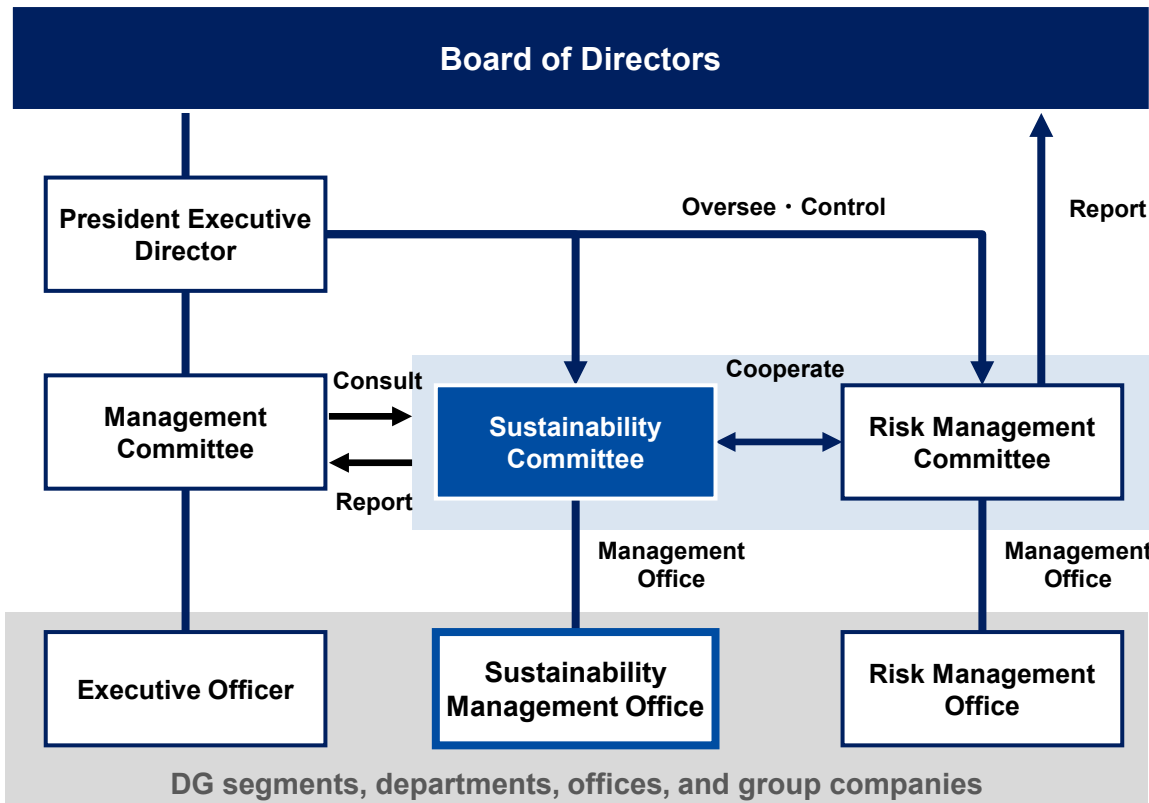
New committees and specialized departments was established to further promote sustainability management (June 1, 2023)

DG Group's Main Priorities

Effective Utilization of Human Capital
Improvement of Working Environment

Information Security
Privacy Protection

Building on Ecosystem with Startups



Promotion of Structure for Sustainability Management

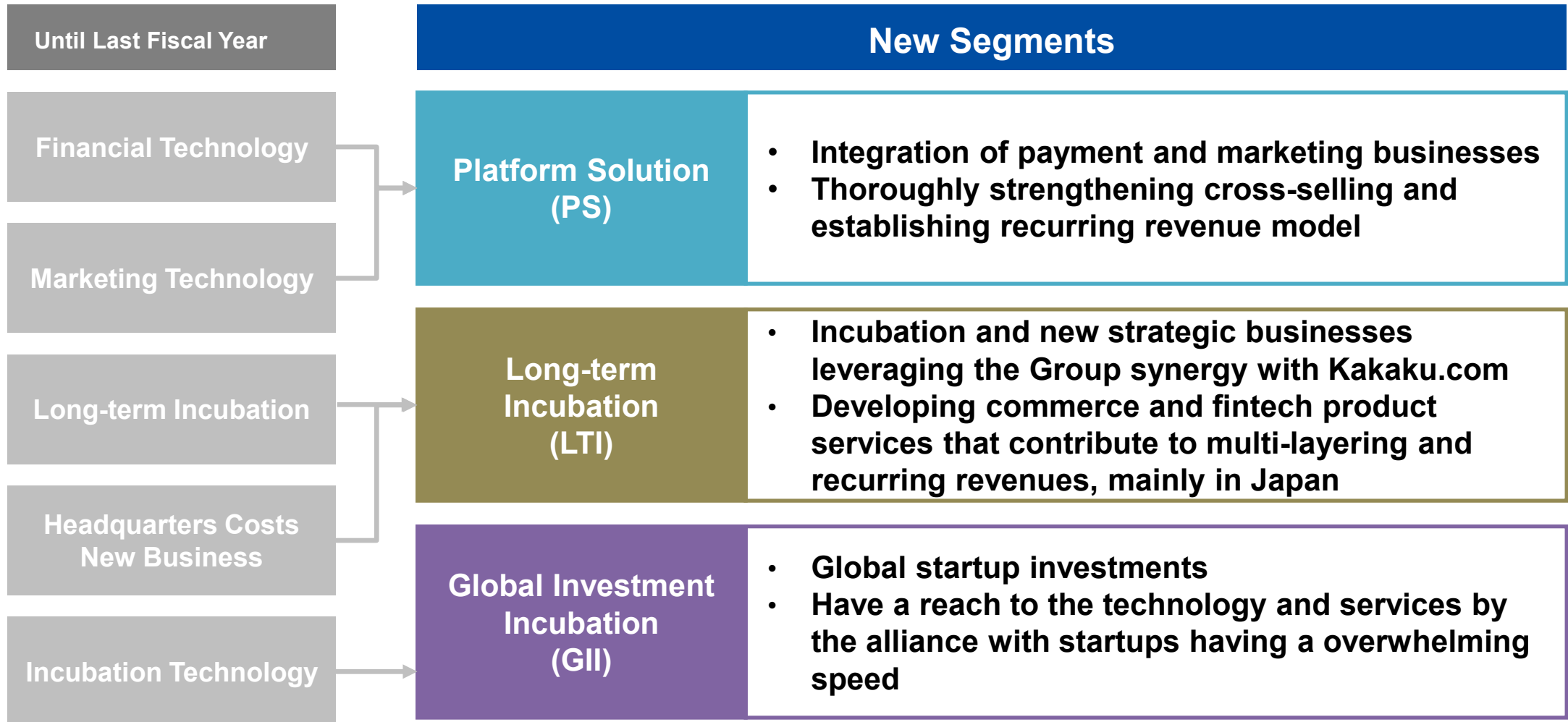
- ✓ Established sustainability committee and sustainability management office to further promote sustainability management.
- ✓ Under the supervision of president executive director, accelerating sustainability management of the Group.
- ✓ The outside directors, who have profound expertise about sustainability, join as advisory.

Reference Materials

Reference Materials①: Supplementary Data



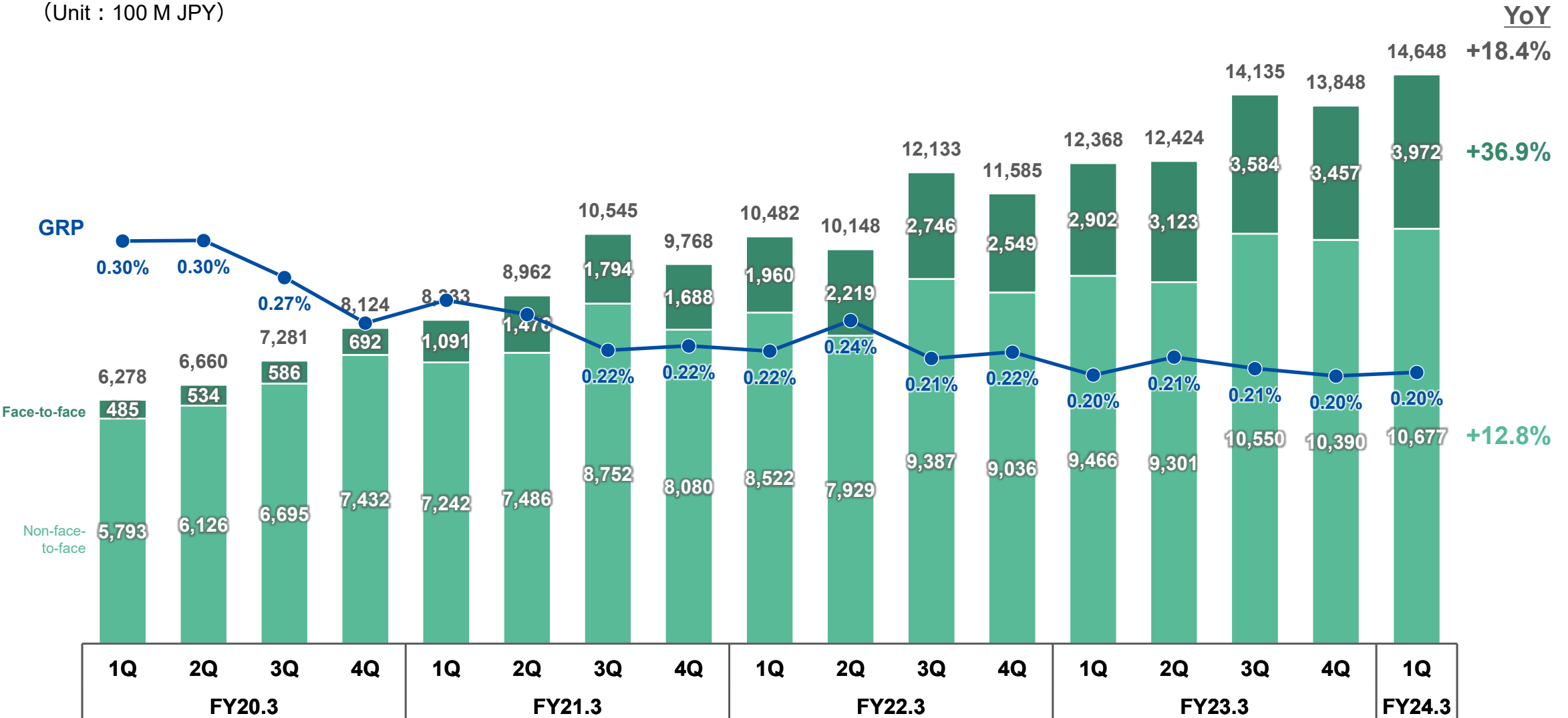
- Consolidated business segments to further accelerate its business strategy, integrating payments and data as well as marketing.
- Consolidated new businesses and next-generation media business, aiming for vertical launch by leveraging DG Group's business assets as strategic businesses for enhancement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



Payment Transaction Volume – Trends for Non-face-to-face and Face-to-face Payments

- Non-face-to-face area: Kept stable growth due to diversified customer portfolio with less impact from COVID-19
- Face-to-face area: Grew significantly due to increased number of merchants driven by successful alliance strategy

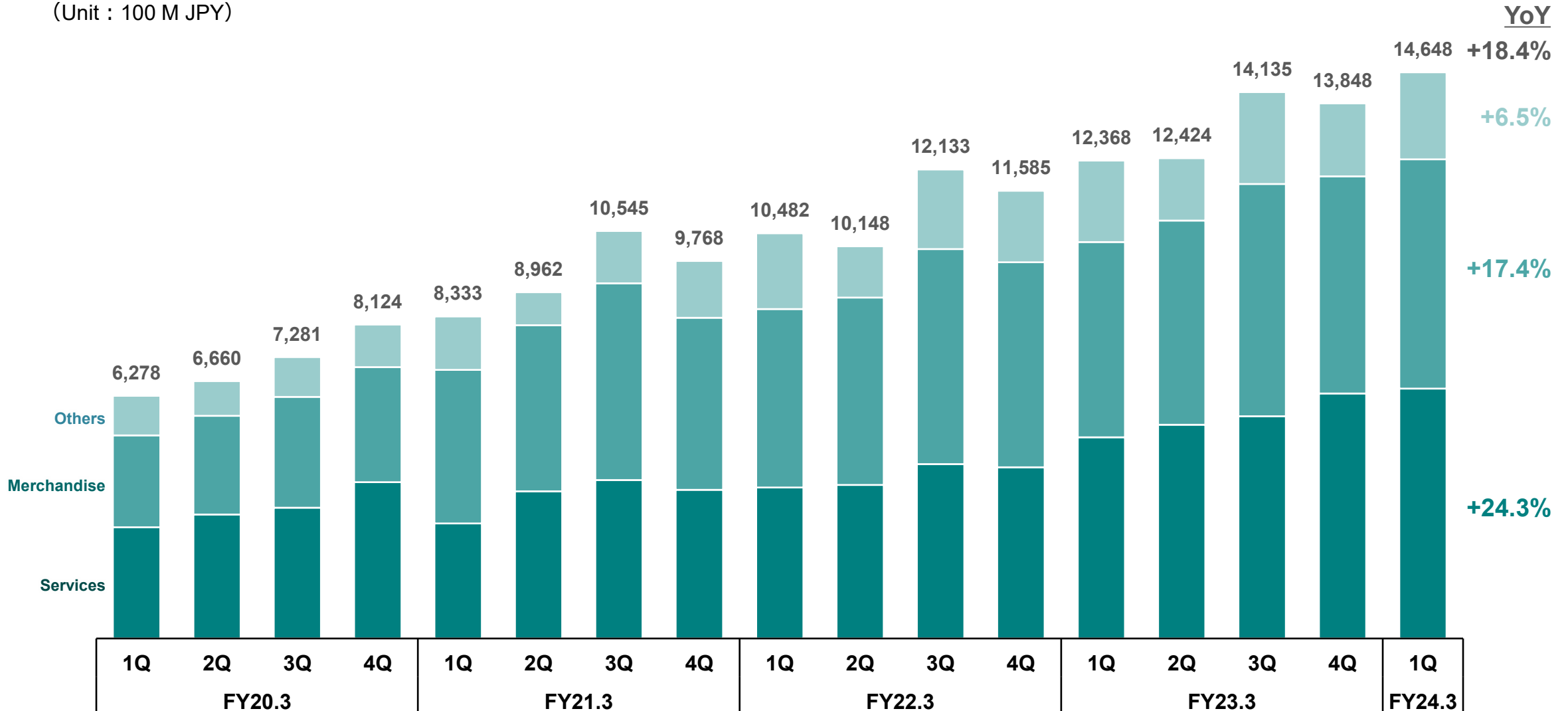
(Unit : 100 M JPY)



Payment Transaction Volume – Trends for Merchandise and Services

- **Service area:** Grew significantly from FY23.3 despite a temporary stagnation in travel industry due to COVID-19
- **Merchandise area:** Continued to acquire merchants successfully, especially general retail (supermarkets and department stores, etc.) by alliance strategy

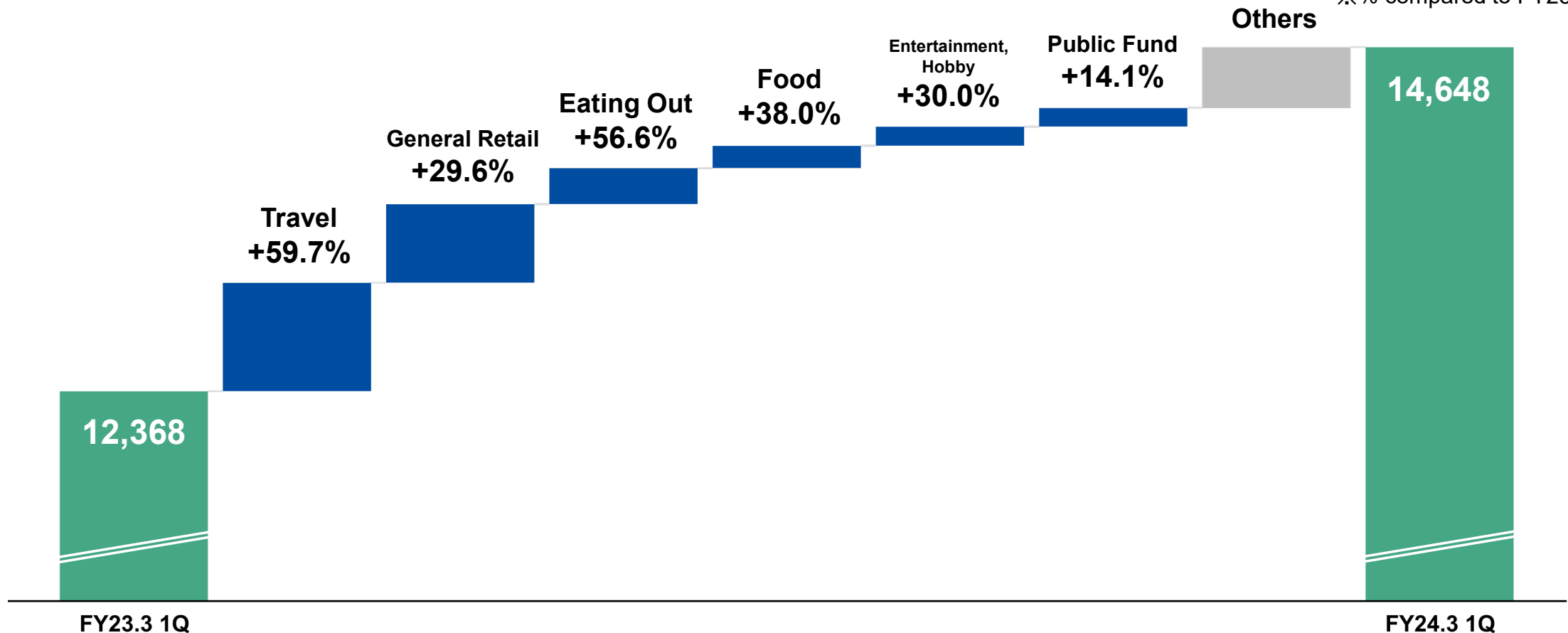
(Unit : 100 M JPY)



- Transactions in travel and food services recovered due to containment 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

(Unit : 100 M JPY)
 ※% compared to FY23.3

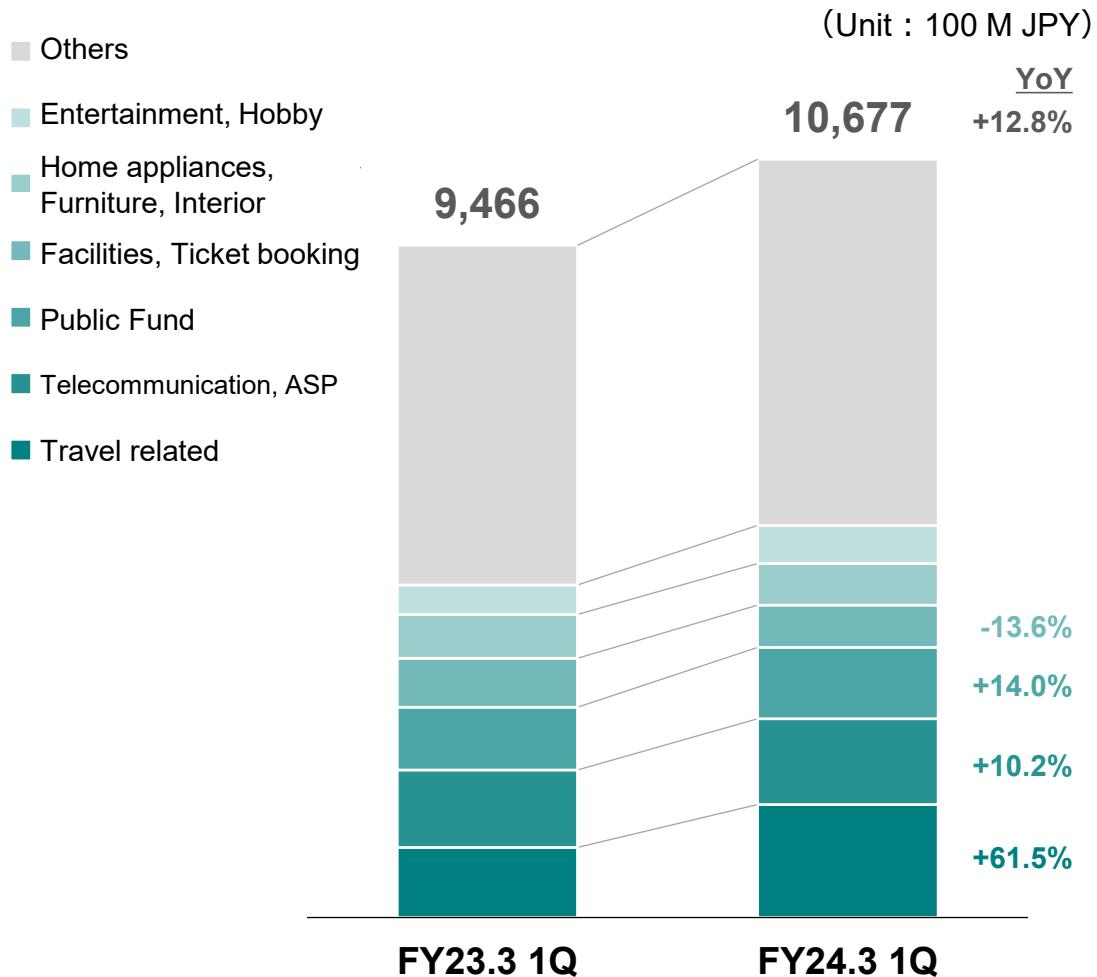


Payment Transaction Volume – in Non-face-to-face and face-to-face by Industry

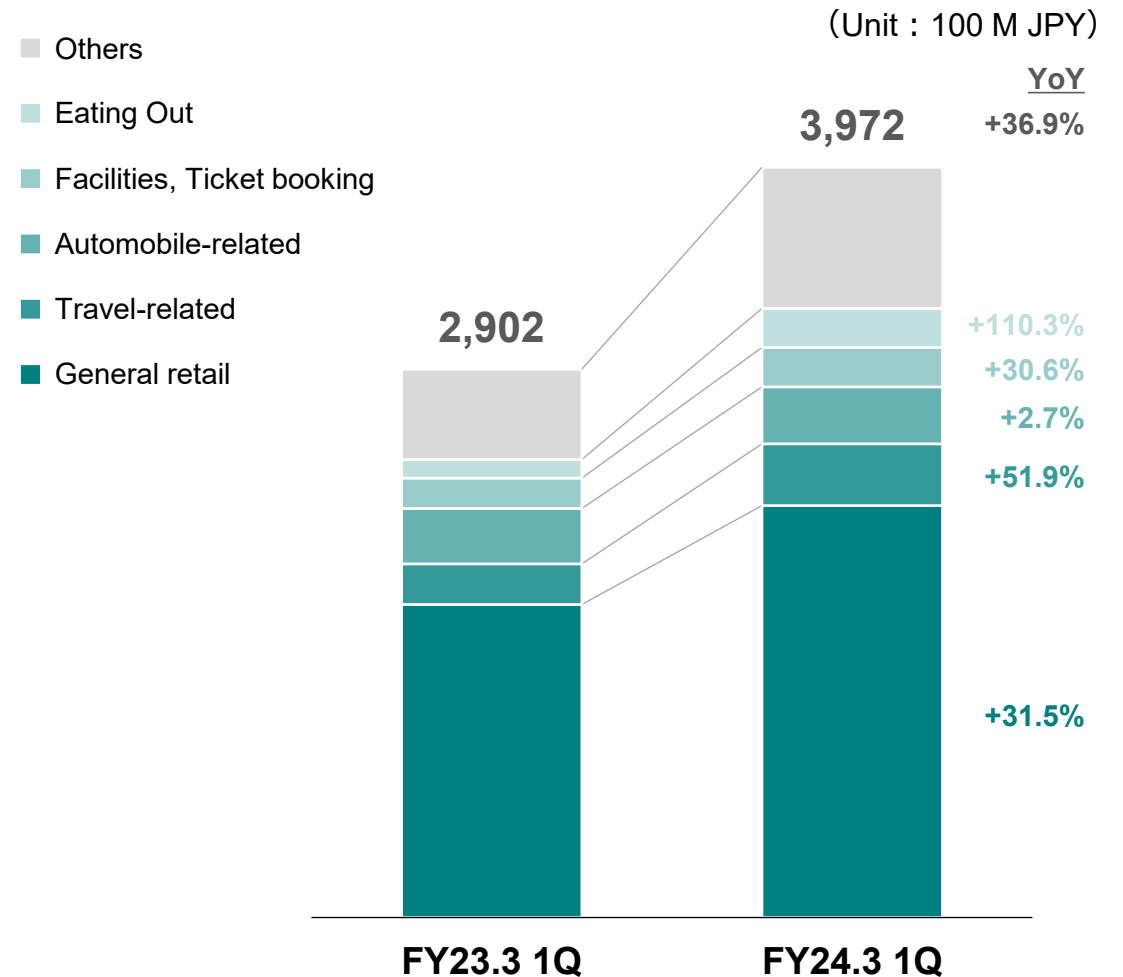
Platform Solution

- **Non-face-to-face area:** Transaction volume increased in wide range of industries, centered on travel industry, in which the Company has strength.
- **Face-to-face area:** Transaction volume mainly in general details increased as well as food and facility use-related due to containment of COVID-19.

Non-face-to-face Payment



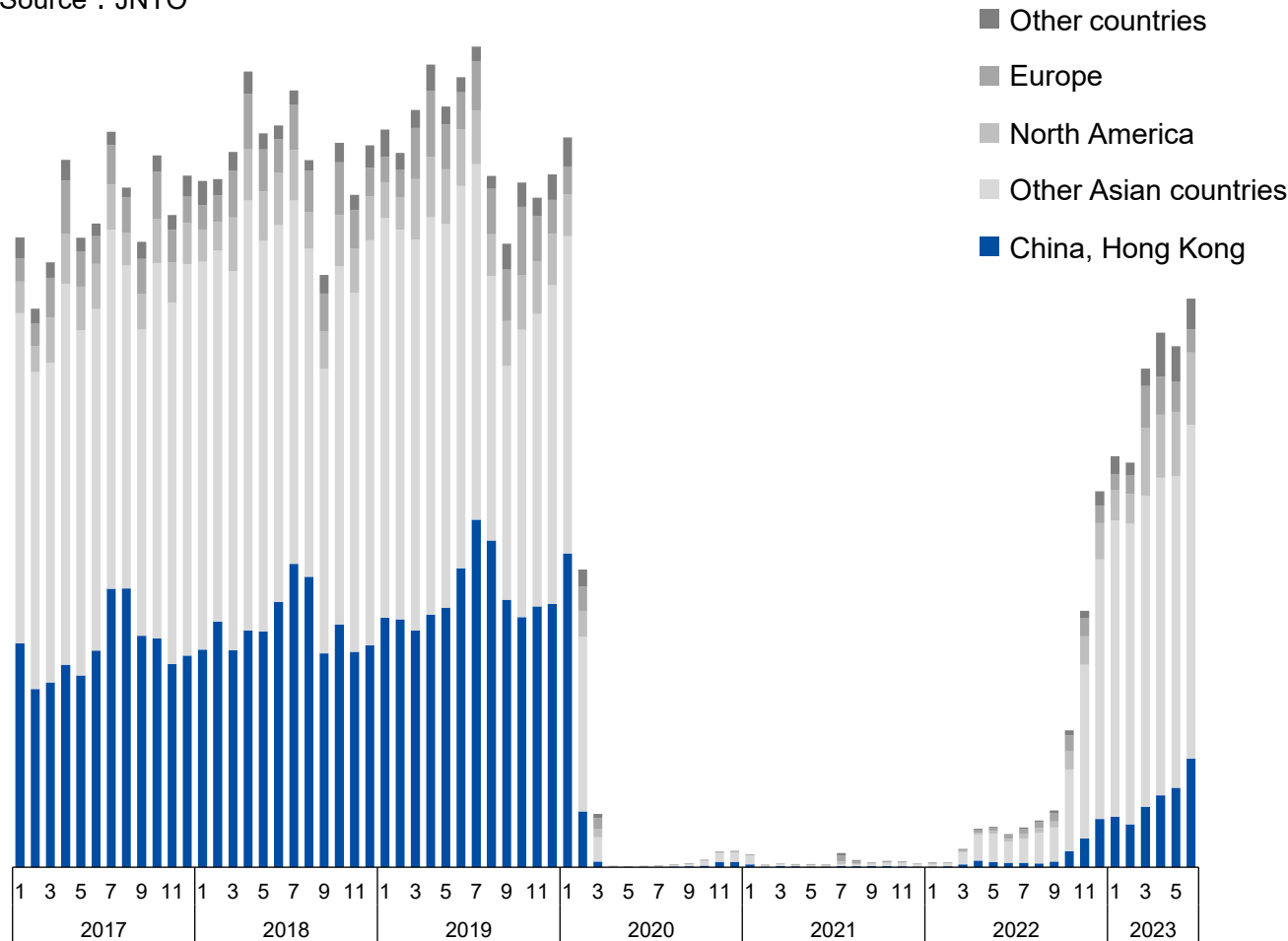
Face-to-face Payment



- Though the number of foreign visitors is on recovery, Chinese visitors with high consumption remains around 30% of pre-COVID level.
- High potential for recovery is expected in Alipay/WeChat Pay services that the Group is dealing with.

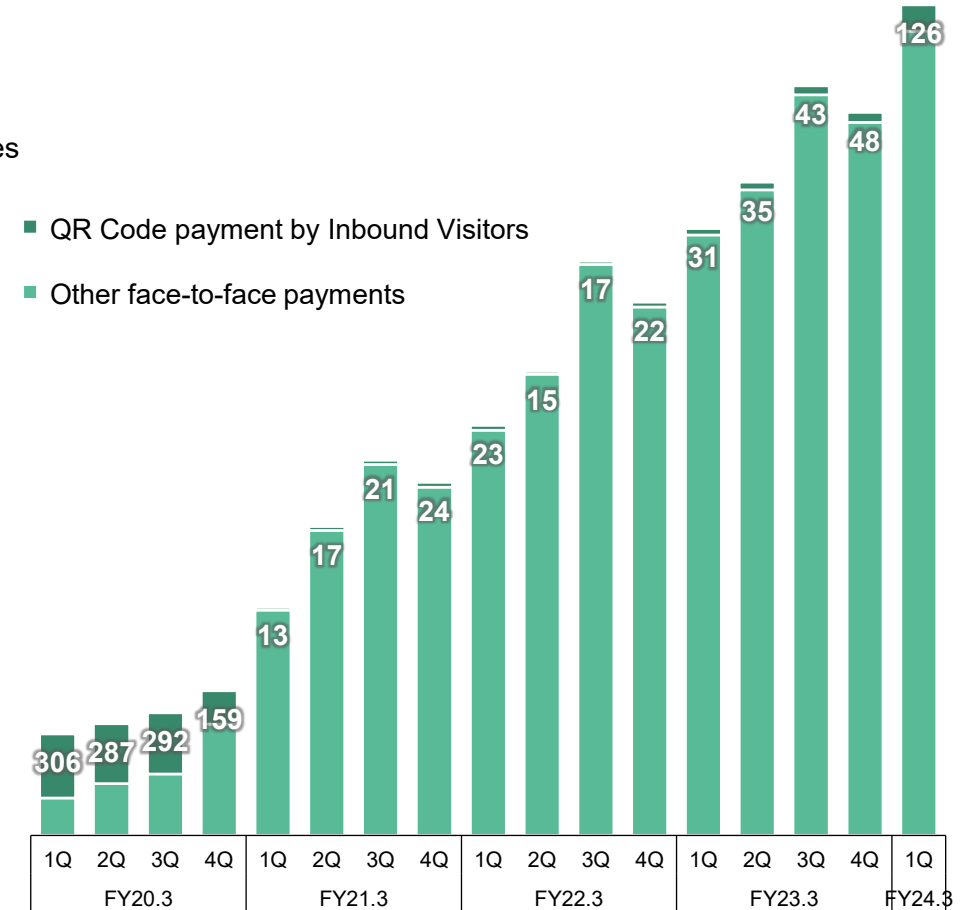
The Number of Visitor Arrivals to Japan (by area)

Source : JNTO



Transaction Amount in Face-to-face Payment

(Unit : 100 M JPY)

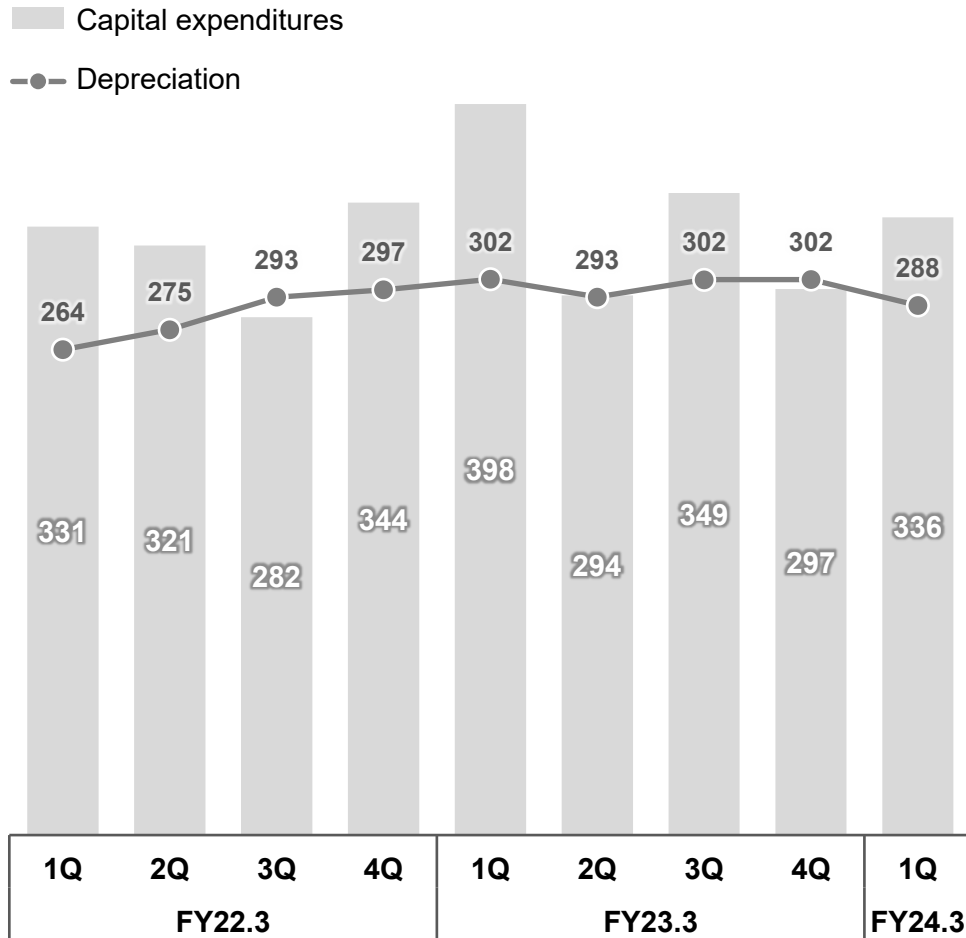


Capital Expenditures and Depreciation related to Payment Business

- 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.

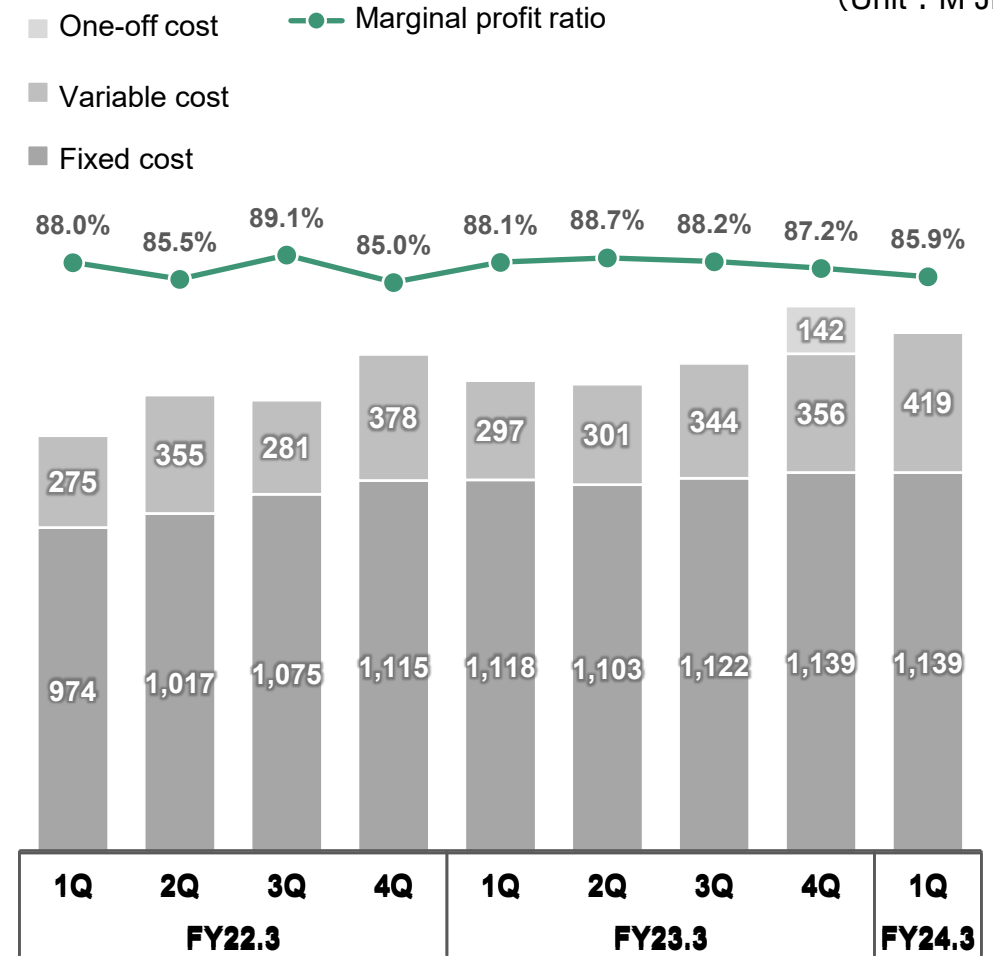
Payment-related Expenditures · Depreciation

(Unit : M JPY)



Payment-related Costs · Marginal Profit Ratio

(Unit : M JPY)

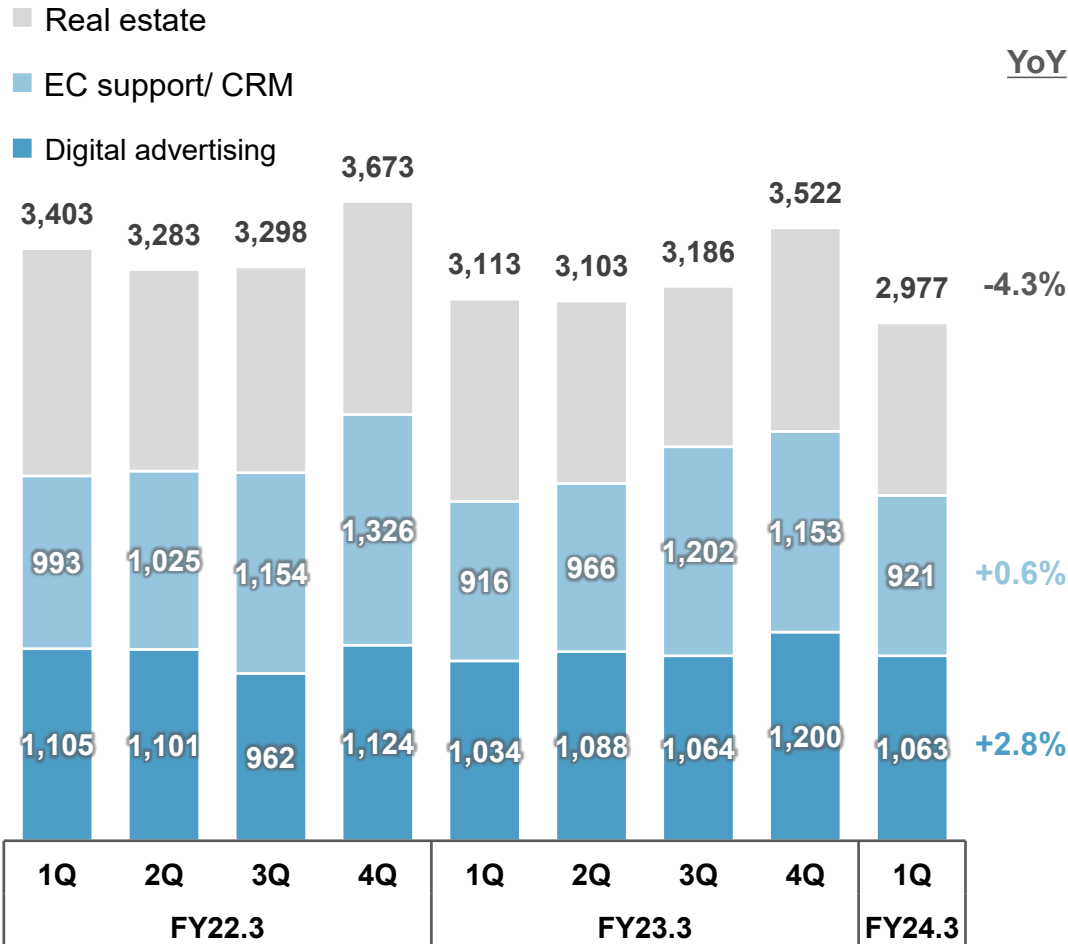


Profit in Marketing Business · Transaction Volume in Digital Advertising

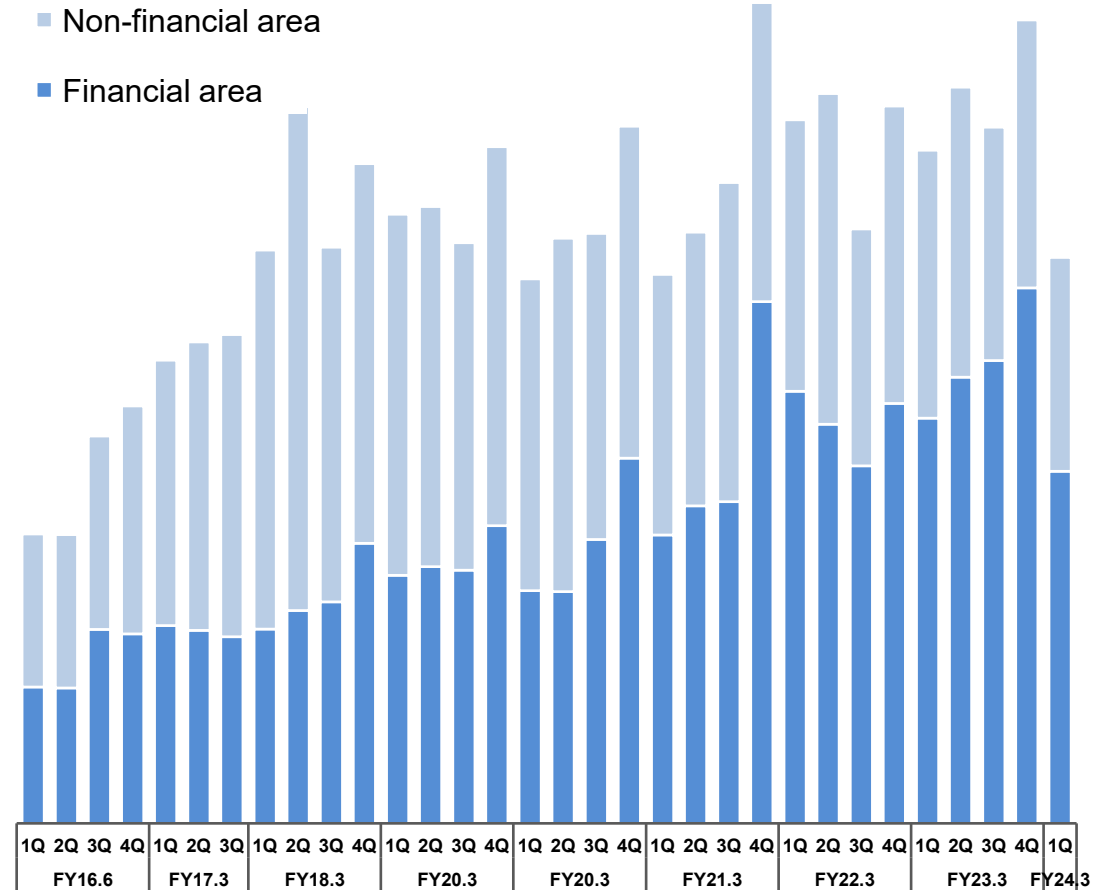
- Digital Advertising, the main stay of the Company's business, continues to transit steadily despite quarterly fluctuation in both profit and transaction volume of the advertisement.
- The transaction volume of advertisement in the financial area in 1Q decreased due to the budgetary austerity of the Company's clients.

Profit in Marketing Business

(Unit : M JPY)



Transaction Volume in Digital Advertising

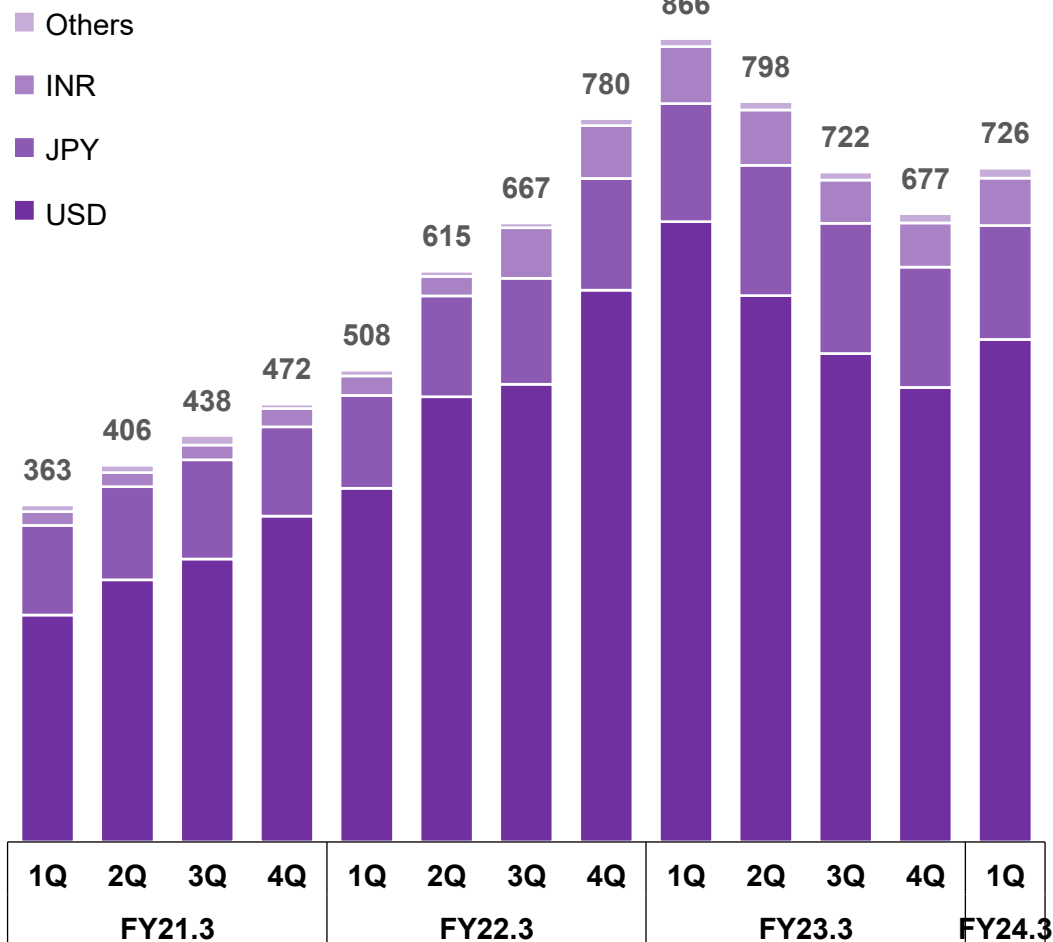


Trends in Operational Investment Securities/by Currency and Area

- Fair value of operational investment securities denominated in foreign currency increased due to JPY depreciation in 1Q.
- Fair value of operational investment securities at the end of June 2023 was 72.6 B JPY. (+4.9 B JPY YoY)

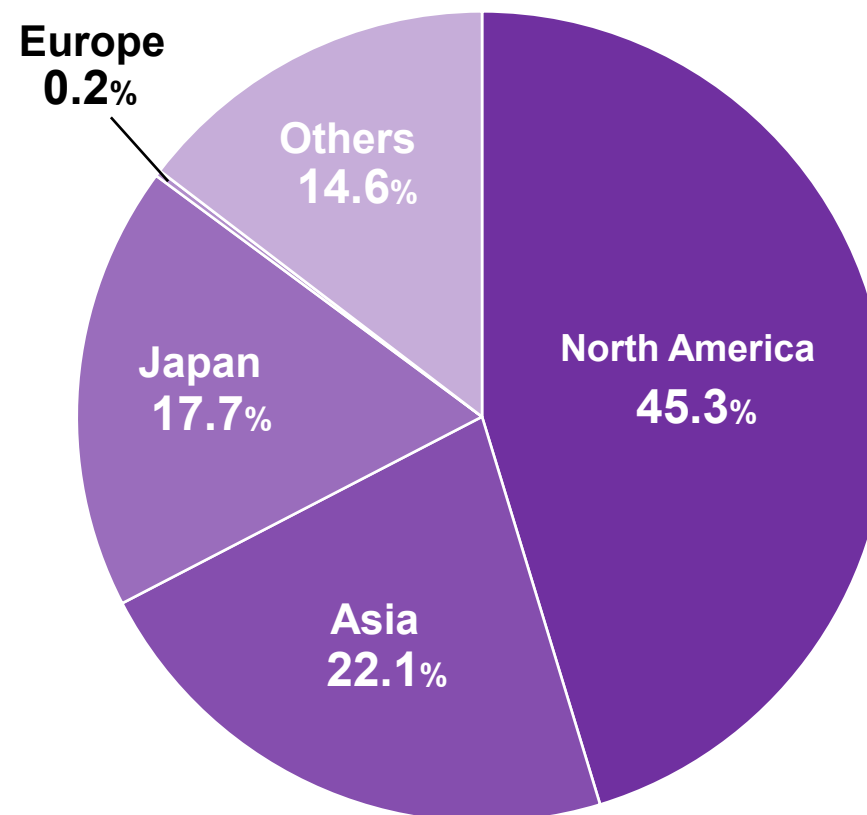
Balance of Operational Investment Securities

(Unit : 100M JPY)



Investees by Area (%)

(Unit : M JPY)

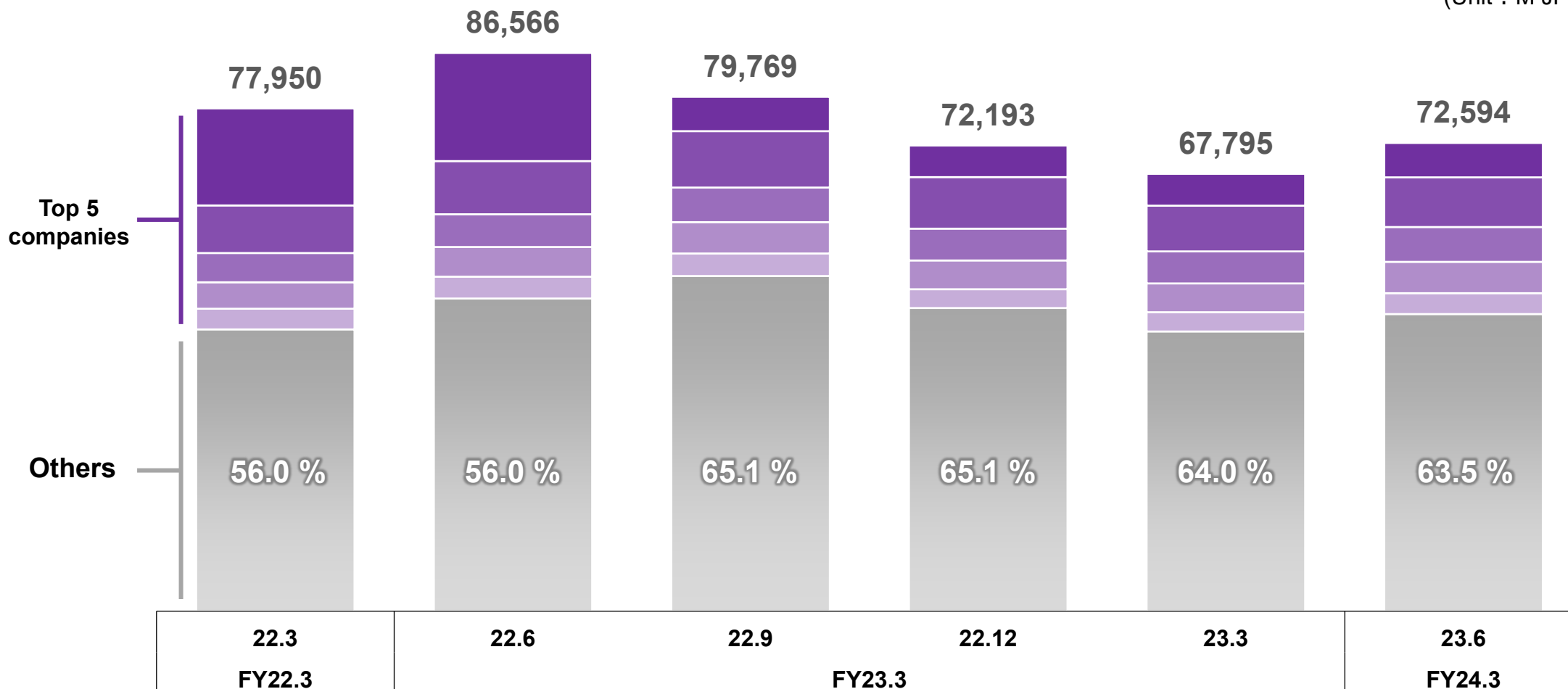


Trends in Top 5 Companies by Balances in Investment

- Have diversified portfolio of 200 or more startups mainly in seed and early stages besides LP.
- Investment balance is expected to gradually decrease due to cash generation by investment exit and strategic selection of new investees.

Shares of Top 5 Portfolio Companies

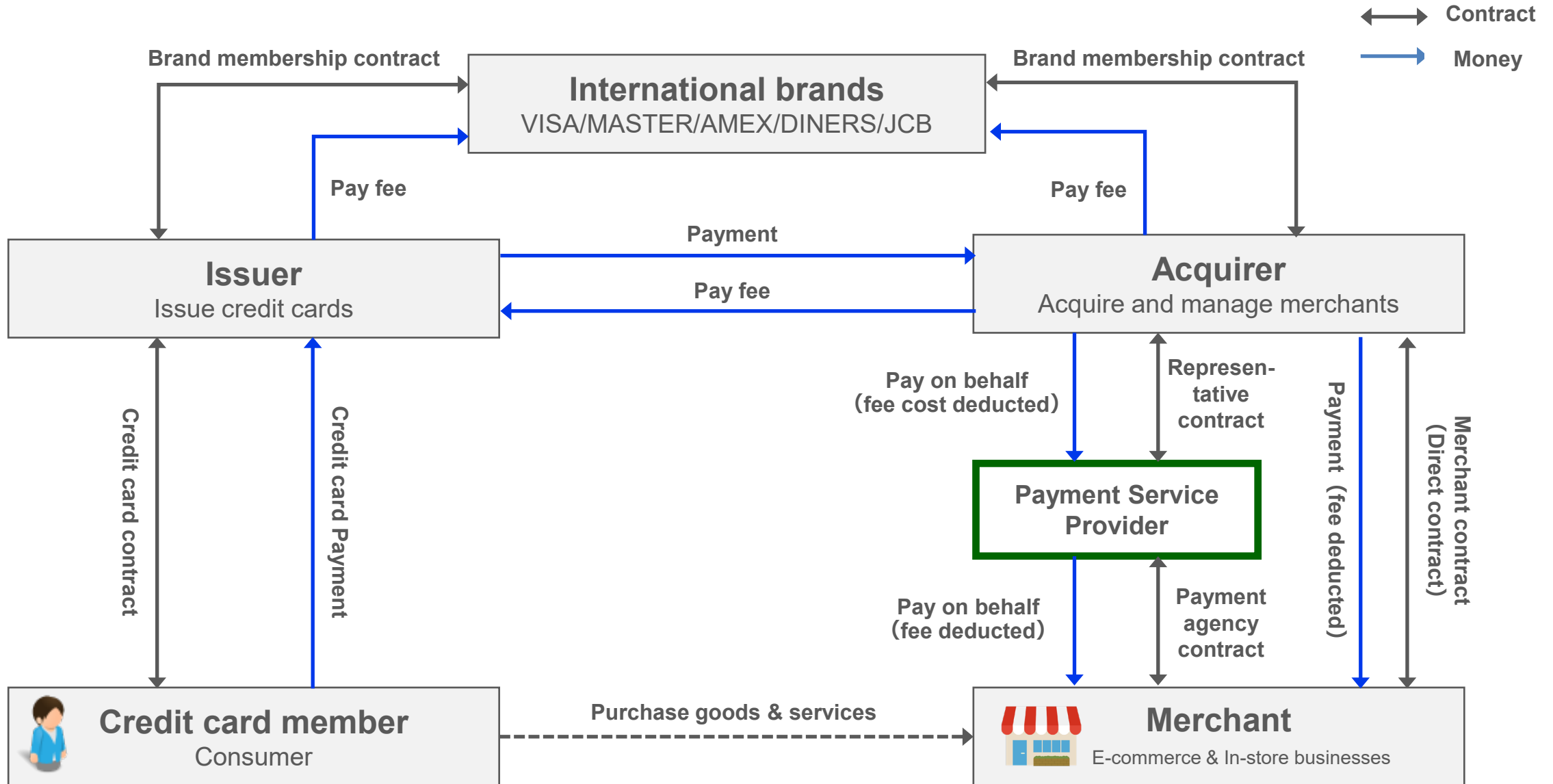
(Unit : M JPY)



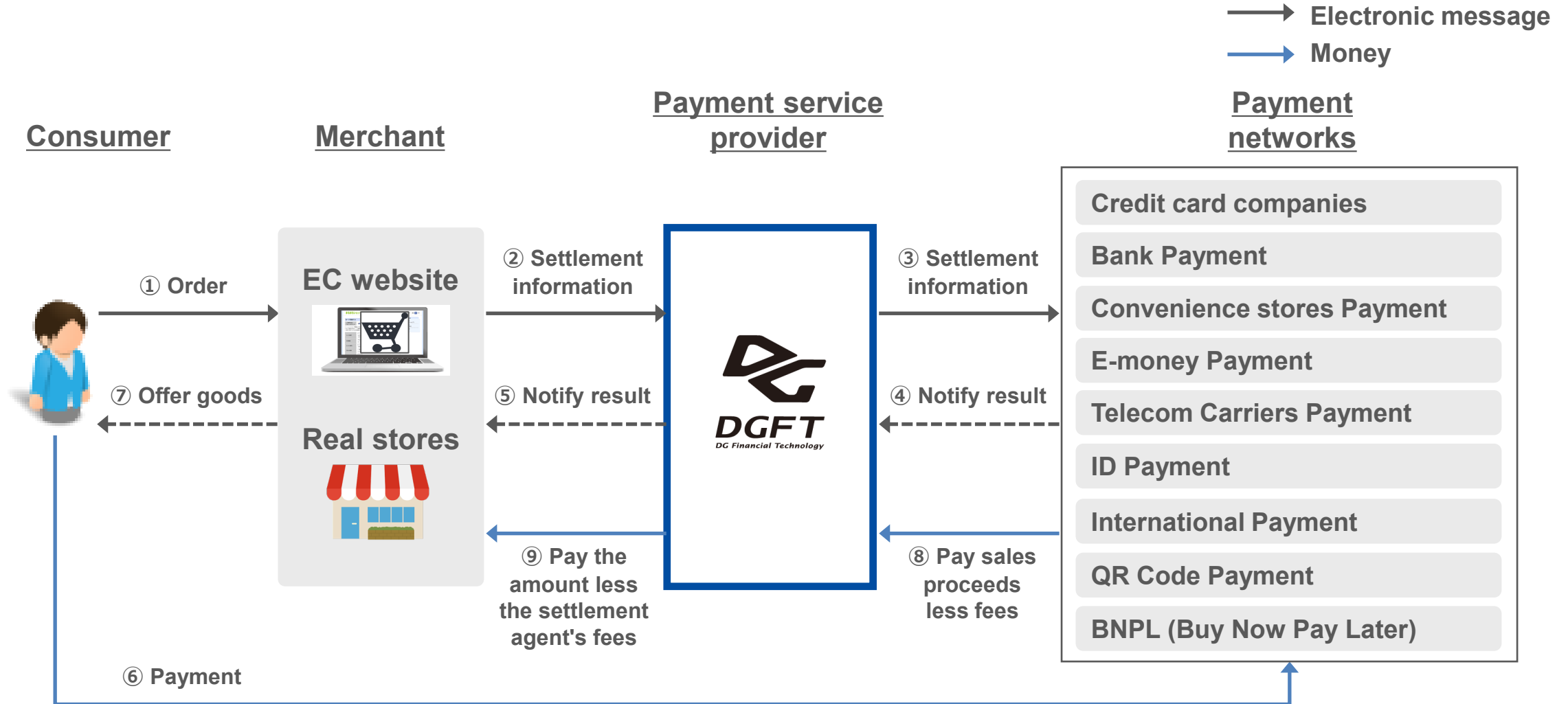
Reference Materials②: Business Model



The Structure of Transactions by Credit Card



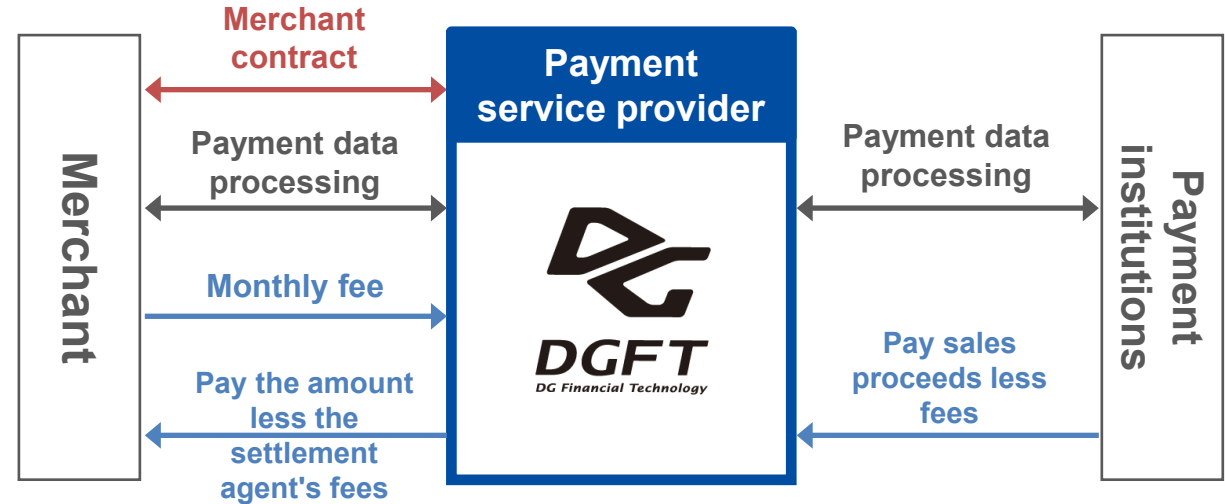
A service that acts as an intermediary between e-commerce site operators and face-to-face merchants and payment service providers such as credit card companies and convenience stores, enabling the introduction of a number of payment methods, including credit card payments, through a single contract and system.



Storage agency type (Representative contract)

Acting as an all-in-one agent for contracting procedures with various 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

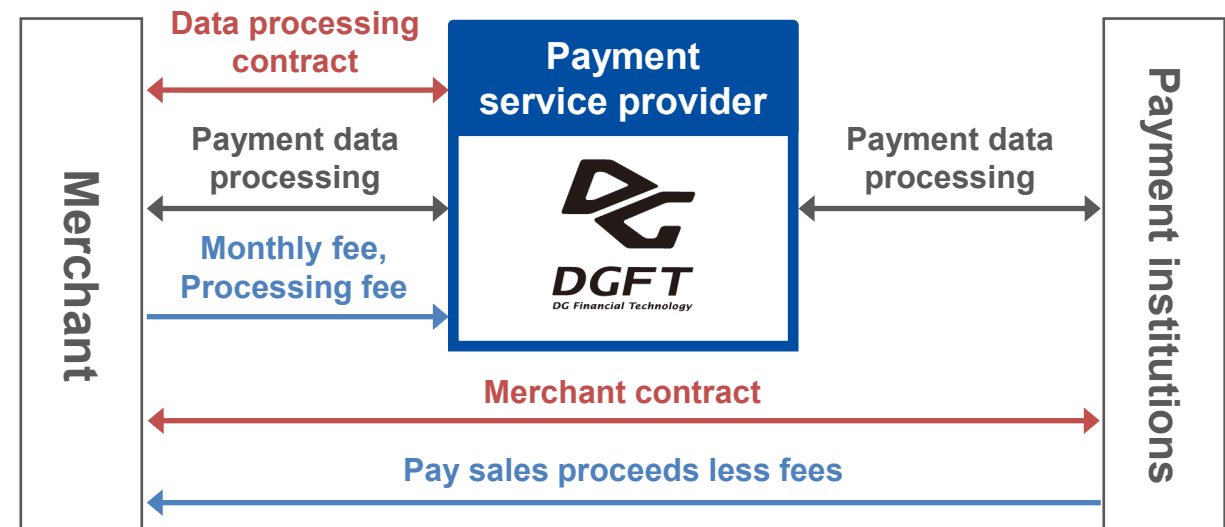


Payment data processing type (Direct contract)

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

→ Electronic message
→ Money

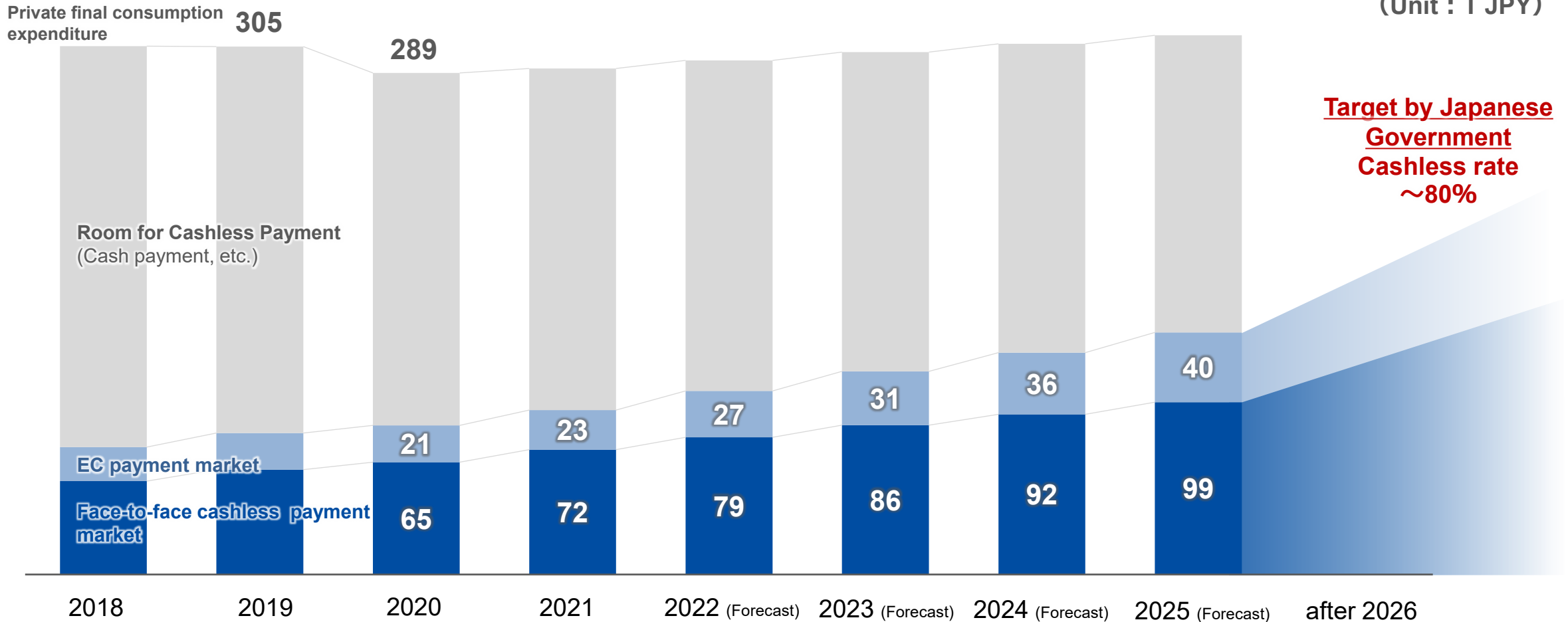


Market Size of Payments for C2C Consumers

Cashless payment markets are expected to grow significantly in both non-face-to-face and face-to-face.

(Unit : T JPY)

**Target by Japanese Government
Cashless rate
~80%**

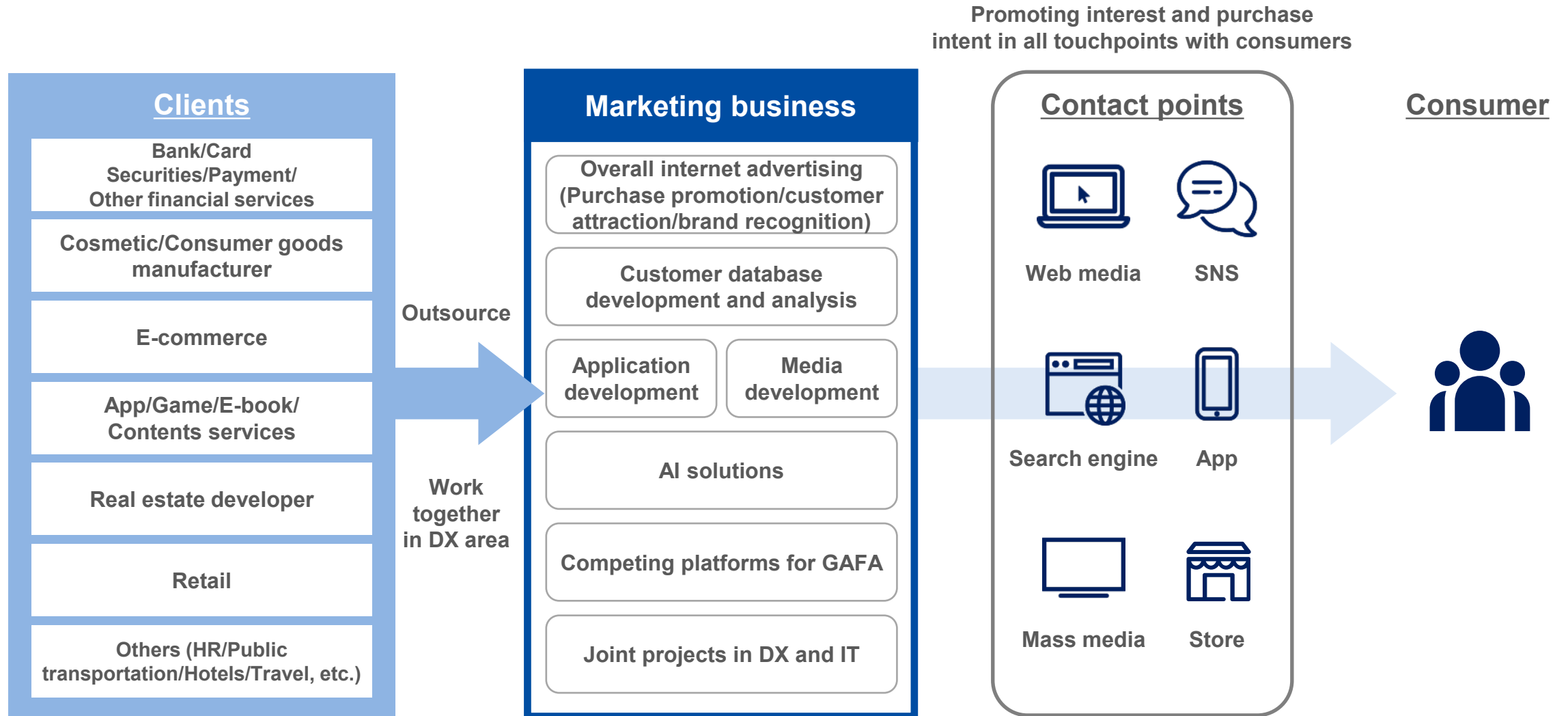


Calculated by the Company referred to the following materials.

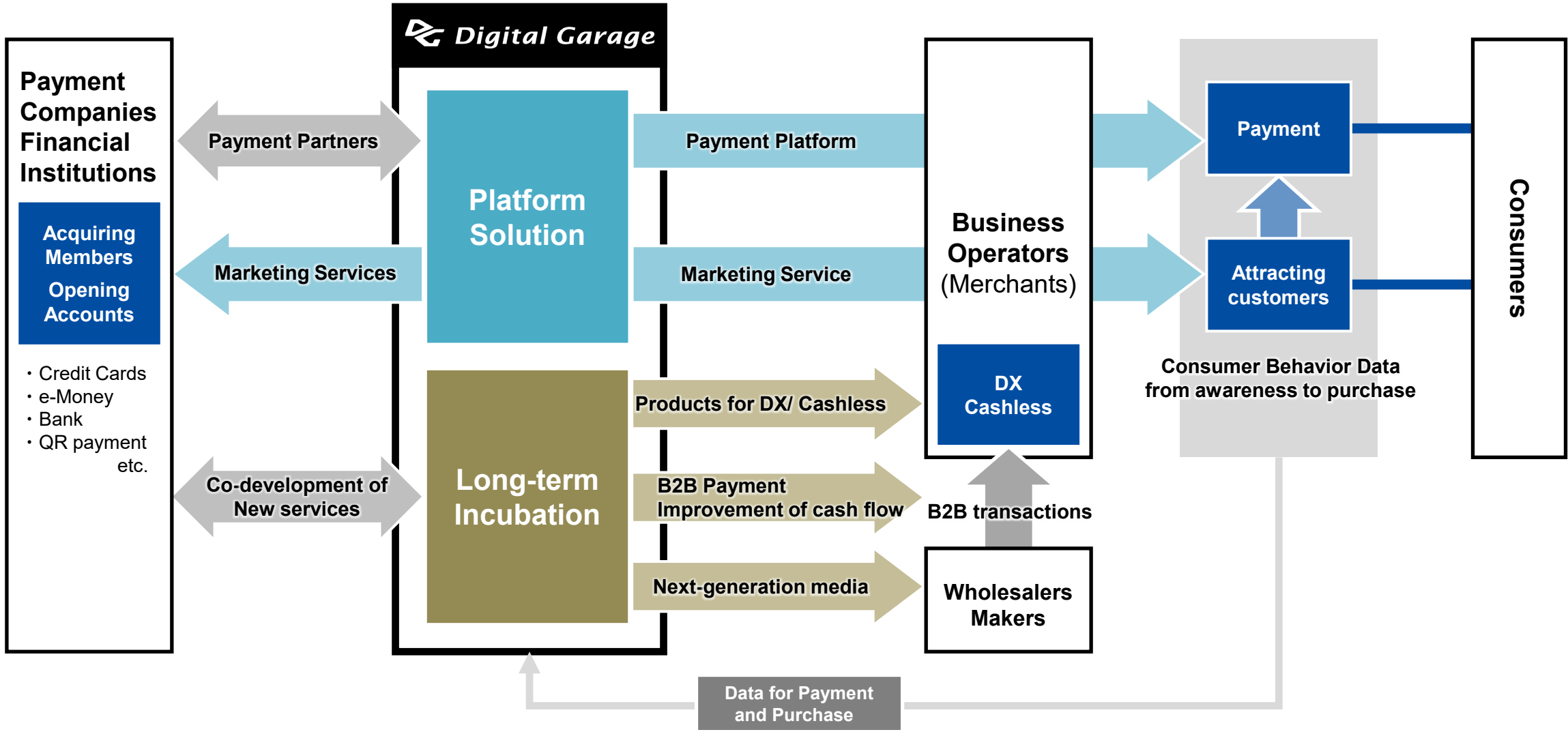
“National Accounts 2021” by Cabinet Office/ “Status of Domestic Cashless Payment Markets and Forecast” by Yano Research Institute Ltd./ “Cashless Roadmap 2022” by METI

“e-commerce Market Survey 2021” by METI / Deloitte Tohmatsu Consulting LLC / MIC Research Institute “Current Status and Future Prospect for Internet Payment Service Providers in EC”

- Supporting client business growth through a comprehensive digital marketing service
- Providing solutions utilizing CRM and data, and Fintech solutions which connect with the payment business



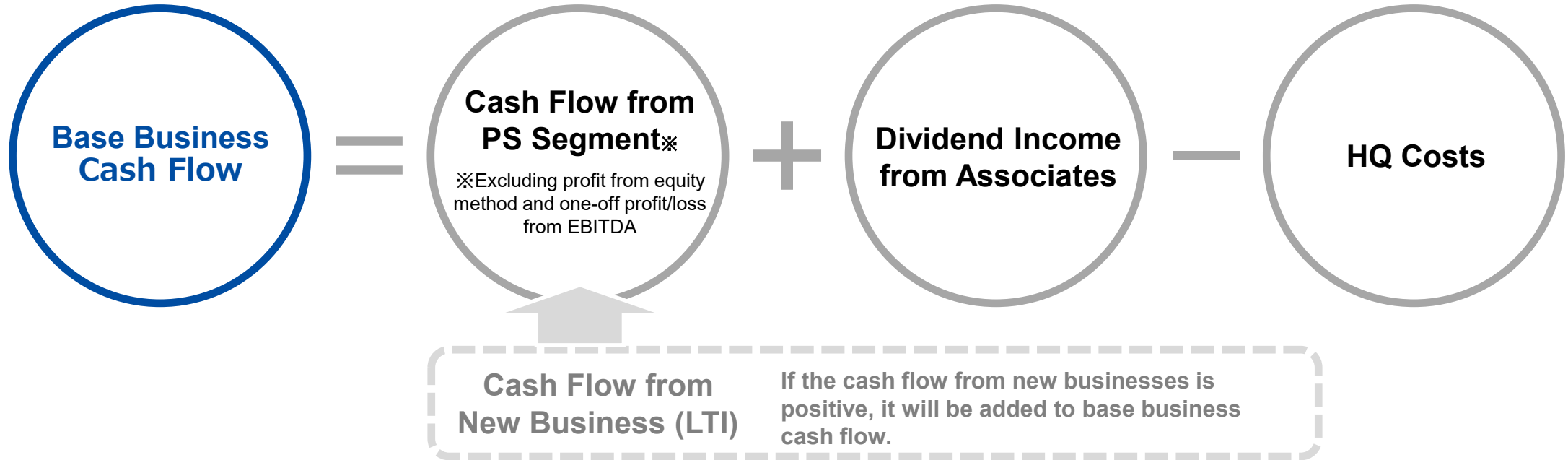
- Establishment of platform to continuously generate stable profits from payment business
- Aiming to generate multi-layered profit opportunities from the existing businesses as well as DX, financial fintech, and next-generation media, etc.



Reference Material③: Cash Flow Allocation / Shareholder Returns



Formula for Calculation from Base Business Cash Flow



Formula for Investment Business Cash Flow



- Segregate resources into recurring cash flow from base business and investment business cash flows
- Plan to allocate resources, considering growth opportunities and financial situations.

Cash Flow Allocation

**Base Business
Cash Flow**

Investment in Existing Business Growth – Maintain and expand revenue base

Investment in New Business Growth – Develop next-generation businesses that create corporate value

Improvement of Financial Structure

Shareholder Returns
 – 5Y dividends total at least 10B JPY
 – Dividend payout ratio of at least 20% or more of base business cash flow

**Investment Business
Cash Flow**

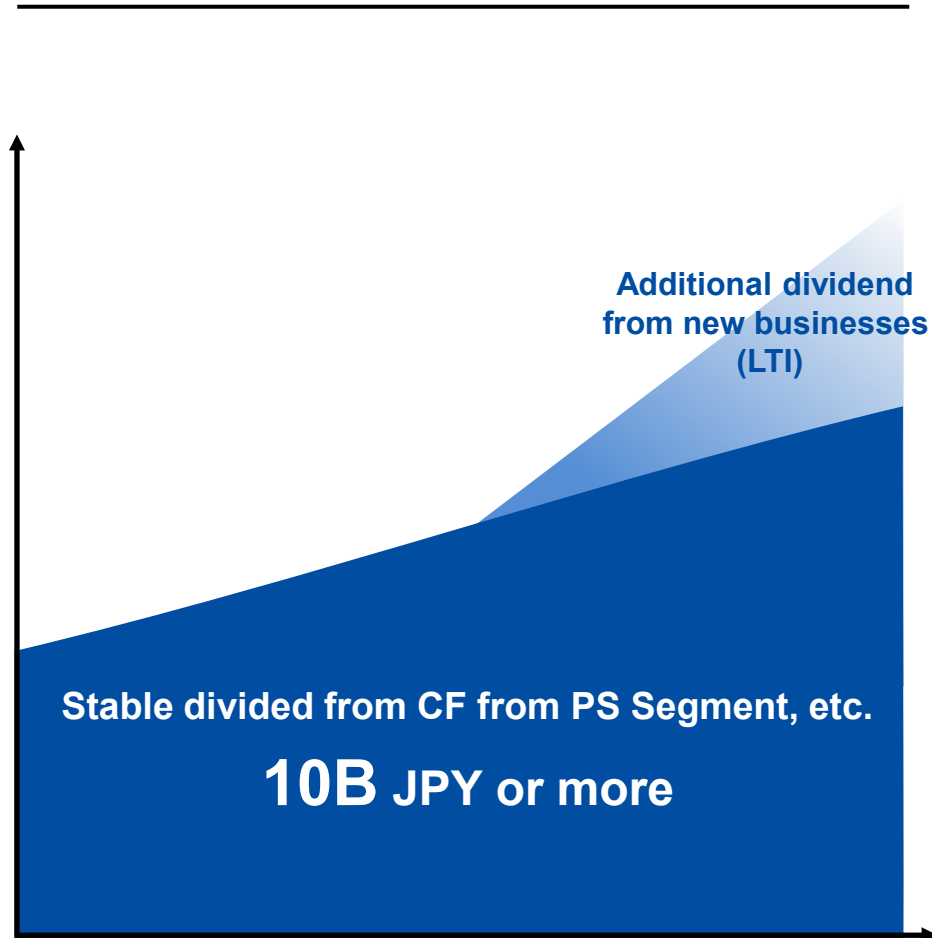
Investment in Growth / Additional Shareholder Returns – Decide strategically, considering business environment and investment opportunities

Investment in Startups – Up to 30% of investment business income

Strategic Investments (M&A · Capital Alliance, etc.)

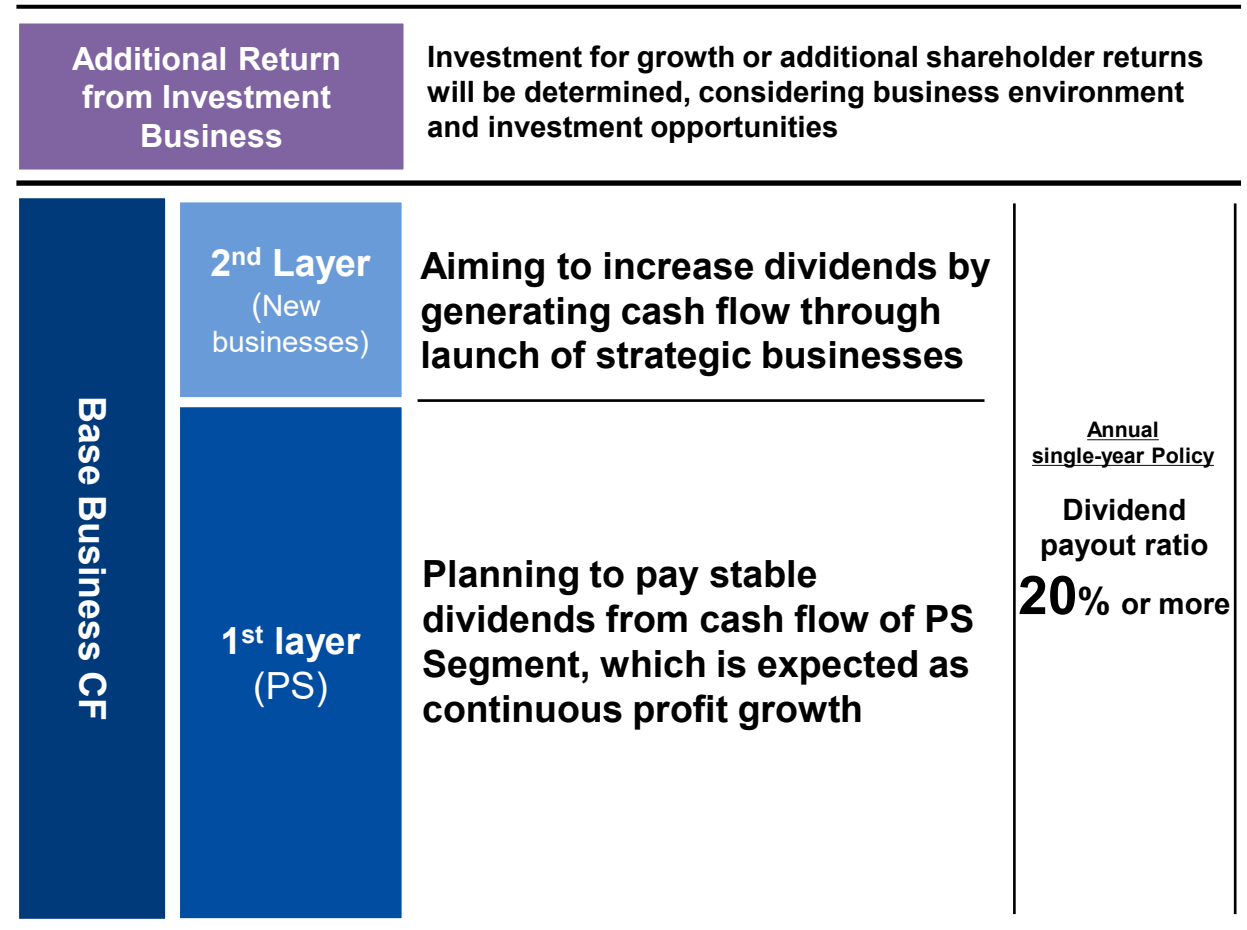
- Dividend Policy: Aiming for additional dividend distribution from new businesses in addition to stable dividend from PS cash flow
- Additional shareholder returns (Special dividends•acquisition of treasury stock, etc.) will be considered positively from investment business CF.

Shareholder return based on base business CF



FY24.3 ——— Medium-term Plan ———> FY28.3

Shareholder Return Policy



The logo consists of a stylized white 'DG' monogram. The 'D' is formed by two overlapping shapes, and the 'G' is a single continuous shape.

Digital Garage Group

Please note that the business forecasts and strategies covered in today's presentation are based on our current evaluation and future results may vary significantly depending on unforeseeable events or circumstances. This announcement is solely for the purpose of the investors relationship and is not for making any solicitation for investment in any securities. This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any securities of our consolidated subsidiaries have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements.