

Financial Report

3Q of FYE March 2024

 *Digital Garage*

2024.2.8

I . Purpose / Business Model





PURPOSE

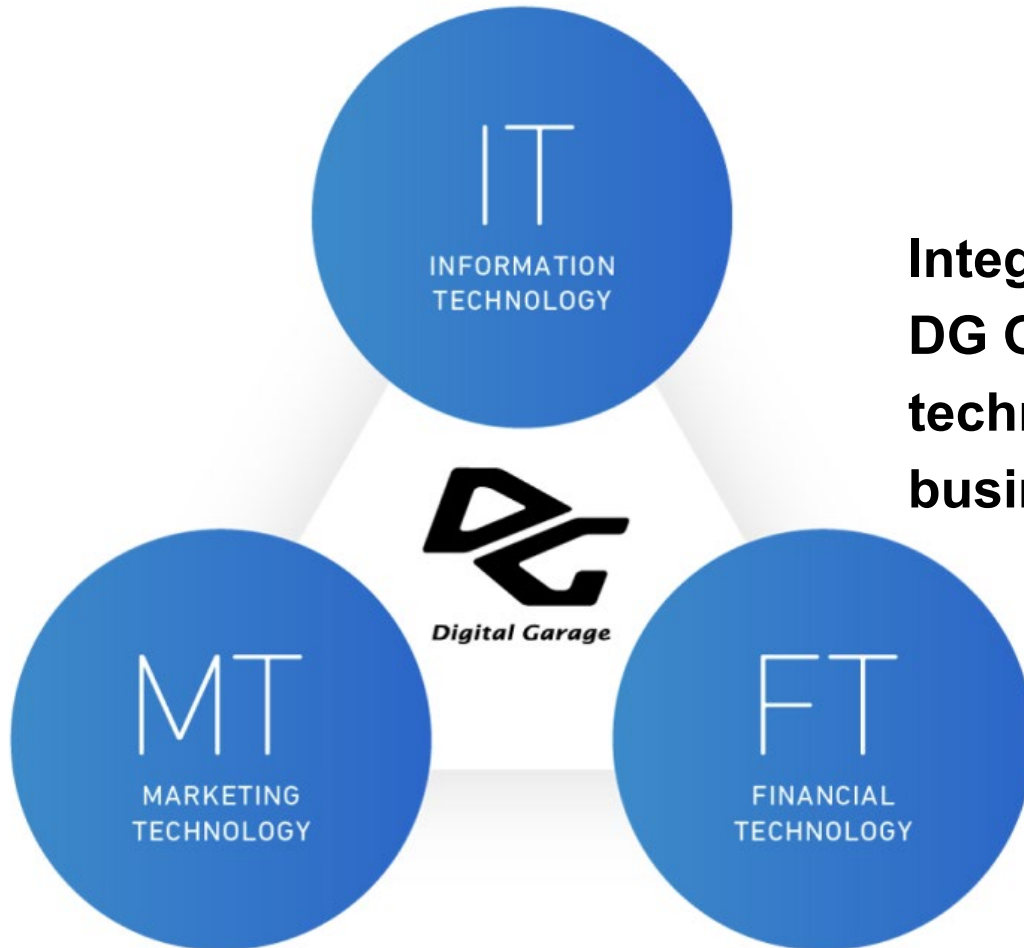
**Designing 'New Context' for a sustainable society
with technology**

<VALUES>

First Penguin Spirit

<CORPORATE SLOGAN>

New Context Designer DG



Integrating three different technologies with context, DG Group has established a structure to capture technological evolution and bring about continuous business growth.

I Linear Development of Payment Platform

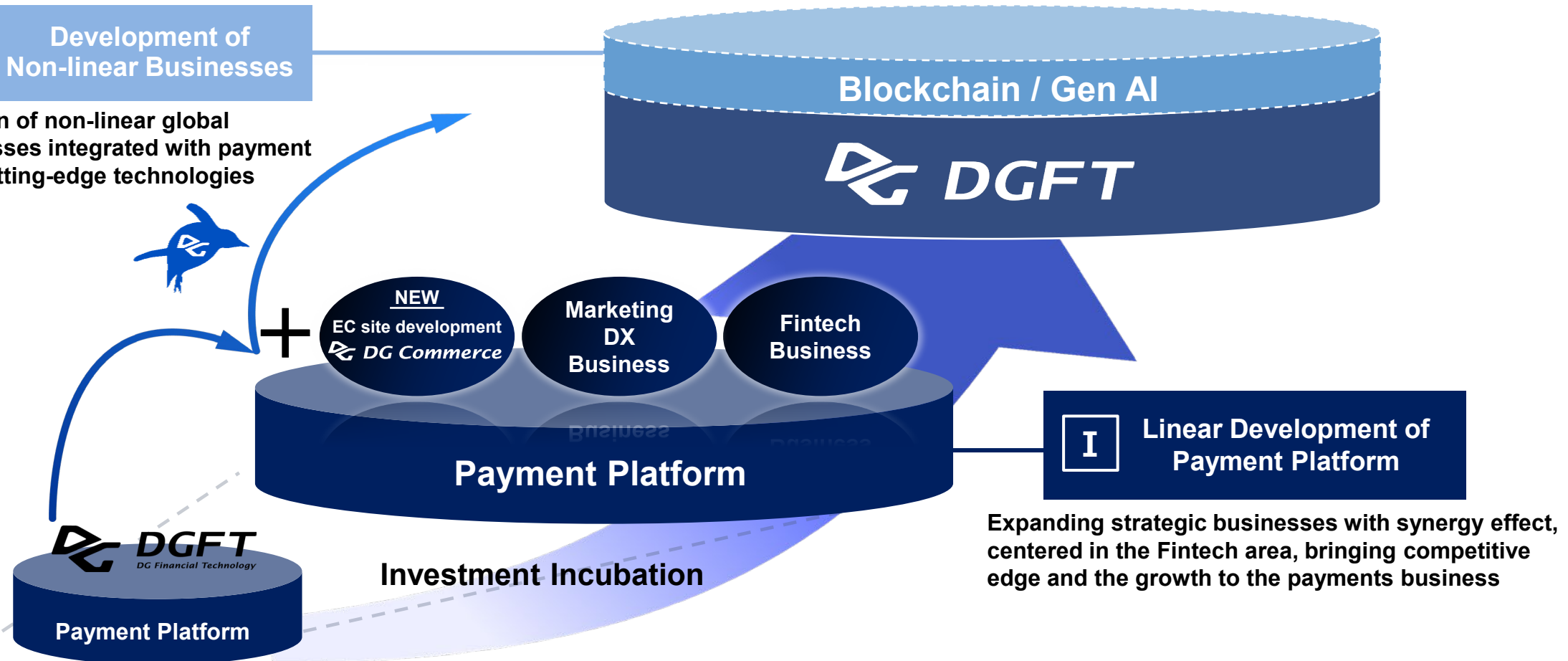
▶ Continue “DG FinTech Shift” strategy centered on payment platform and strengthen recurring revenue stream.

II Development of Non-linear Businesses

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

II Development of Non-linear Businesses

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



II . Consolidated Financial Results Highlights



1 PS grew steadily driven by the payment transaction volume increase in offline business domain. 3Q slowdown was caused by one-off factors.

- ▶ [Payment](#) / 3Q slowdown was caused by one-off factors, such as the churn of a foreign fast fashion e-commerce site. B2B projects grew significantly driven by steady increase in the transaction volume toward achieving the full-year growth target of 15% and more.
- ▶ [Marketing](#) / Advertising business, which is profit-weighted on 4Q, will promote more projects than usual operating toward the end of the fiscal year. The organizational structure change aiming for integration with the payment business is in progress.

2 The capital and business alliance with Resona Group was reinforced, accelerating further **collaboration in the domains of payment and next-generation Fintech** to strengthen the growth strategy over the medium to long-term.

3 Establishment of a joint fund with Resona Group is planned in GII, **making an important progress toward achieving the target of “investment business income of 30B JPY and more”** in the first year of the Medium-term Plan.

4 Consolidated loss before tax for 3Q was caused by the impact of the foreign exchange on the investment businesses, no fundamental impact on DG’s core businesses.

Financial Performance Summary for 3Q

- Consolidated profit before tax for 3Q cumulative period for FY24.3 was **6.1B JPY. (+18B JPY YoY)**
- Made progress in business strategies to achieve the Medium-term Plan despite one-off factors on each segment
- Large-scale alliances (financial and communications, etc.) promoted in PS; Cash generation progressed in GII
 - ▶ PS: Profit before tax in the payment business **grew by 15%**, expected to move smoothly, covering the churn of a project and cost increase due to the system reinforcement.
 - ▶ LTI: **Continued the early-stage investment** in the internal incubation business group with a reactionary decline from the one-off profit (through the sales of shares) recorded in 3Q of FY23.3
 - ▶ GII: Despite the loss for 3Q impacted by JPY depreciation, **2.8B JPY was generated** from sales of shares and cash distribution.

Capital and Business Alliance with Resona Group (announced on December 22, 2023)

- ✓ **Reinforced the capital and business alliance with Resona Group**, which has one of Japan's biggest customer bases centered on SMEs and advocates Super Regional Bank, to promote cashless and DX in Japan together
- ✓ **Strengthen the collaboration in payment and next-generation Fintech businesses**, and promote the alliances in **startup investment and open innovation businesses**
 - ▶ Completed disposal of 2.5M shares of treasury stock (equivalent to 5.25%*) through a third-party allocation on January 9, 2024 and the equivalent to 4.75%* of DG's stock is to be purchased through market purchase.
 - ▶ **Resona Kessai Service**, a payment servicing subsidiary of Resona Group, **is to be operated as DG's equity method associate.**
 - ▶ Plan to **establish a joint investment fund with over 10B JPY in total**, including a partial transfer of DG's investment portfolio

* of total number of issued shares as of the end of December 2023

Consolidated Financial Results Highlights - Profit by Segment

Unit: M JPY	FY23.3 3Q cumulative	FY24.3 3Q cumulative	YoY Increase/Decrease	Overview
Consolidated Profit before tax	-11,858	6,136	+17,994 (-%)	<ul style="list-style-type: none"> • Consolidated financial result showed a substantial increase in profit due to a rebound from the investee's fair value evaluation loss recorded in 3Q of FY23.3 • Each business segment made progress for further growth from the next fiscal year and beyond
PS	4,760	4,992	+232 (+4.9%)	<ul style="list-style-type: none"> • Payment: Moving smoothly toward achieving the full year target of 15% and more in growth despite the churn of a foreign e-commerce site and cost increase in the system reinforcement • Marketing: Expecting to grow in 4Q, a profit-weighted term, and promoting to change the organizational and revenue structures aiming for integrated growth with the payment business
LTI	4,251	1,241	-3,010 (-70.8%)	<ul style="list-style-type: none"> • Continued the early-stage investments in new businesses aiming to generate profits over the medium to long-term • Profit decrease due to one-off gains from the sale of securities recorded in 3Q of FY23.3
GII	-9,603	2,996	+12,598 (-%)	<ul style="list-style-type: none"> • Investment business income has grown to 2.8B JPY, making progress toward achieving the target of 30B JPY. • Profit before tax increased substantially due to the rebound from the fair value evaluation loss recorded in 3Q of FY23.3 despite the loss recorded in 3Q of FY24.3 mainly due to the impact of the foreign exchange.
Others / Adjustments and Eliminations	-11,267	-3,093	+8,174 (-%)	<ul style="list-style-type: none"> • Fair value evaluation loss of holding shares by HQ was recorded in 3Q of FY23.3

- The transaction volume: “Offline payment” continued to grow steadily and “Online payment” maintained a double-digit growth despite the impact from one-off factors.
- Investment business: New investments were strategically selected, and 2.8B JPY of cash generated from the sales of holding shares.

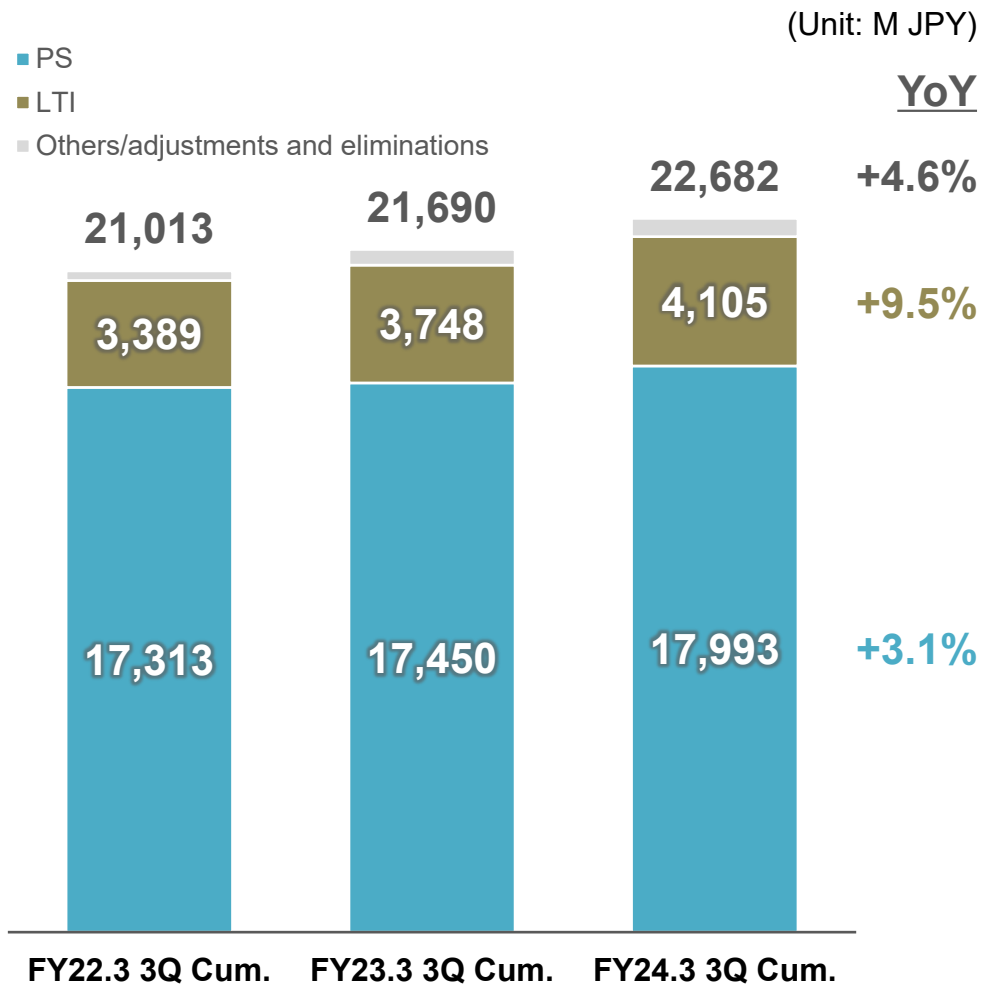
	Unit	FY23.3 3Q cumulative	FY24.3 3Q cumulative	FY24.3 3Q	
				YoY	YoY % Change
Transaction volume	100M JPY	38,926	45,805	+6,879	+17.7%
Online Payment	100M JPY	29,317	32,505	+3,187	+10.9%
Offline Payment	100M JPY	9,609	13,300	+3,691	+38.4%
KPIs for Investment-related					
Operational Investment Securities	M JPY	72,193	71,151	-1,042	-
Investment Business Income ^{*1}	M JPY	2,185	2,795	+610	-
New Investment ^{*2}	M JPY	2,255	948	-1,307	-

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

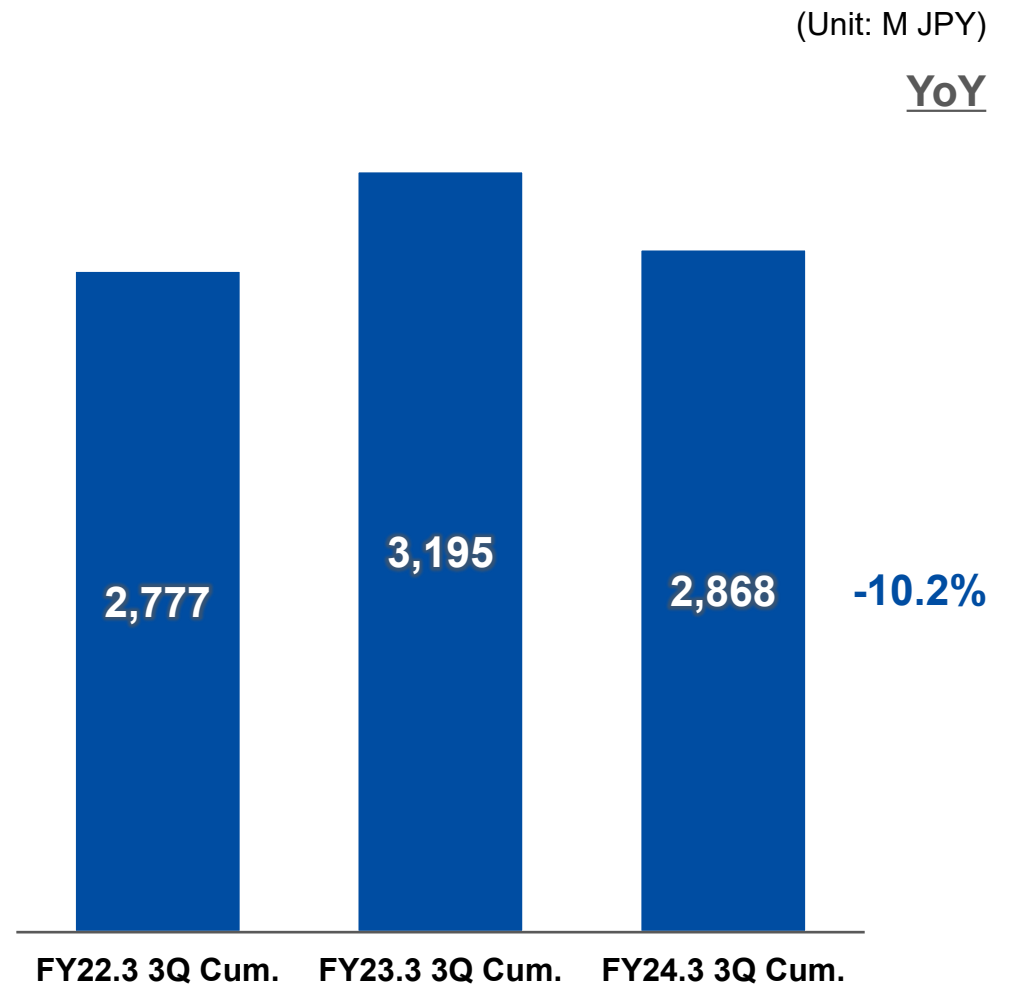
*2 New Investment: New investments in operational investment securities, excluding business related expenditures.

- Full year profit is expected to increase YoY despite lower profit in marketing business and increased HQ costs such as reinforcement of recruiting in 3Q.
- Measures to improve the profitability/profit margin centered on PS are being promoted toward the next fiscal year.

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



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

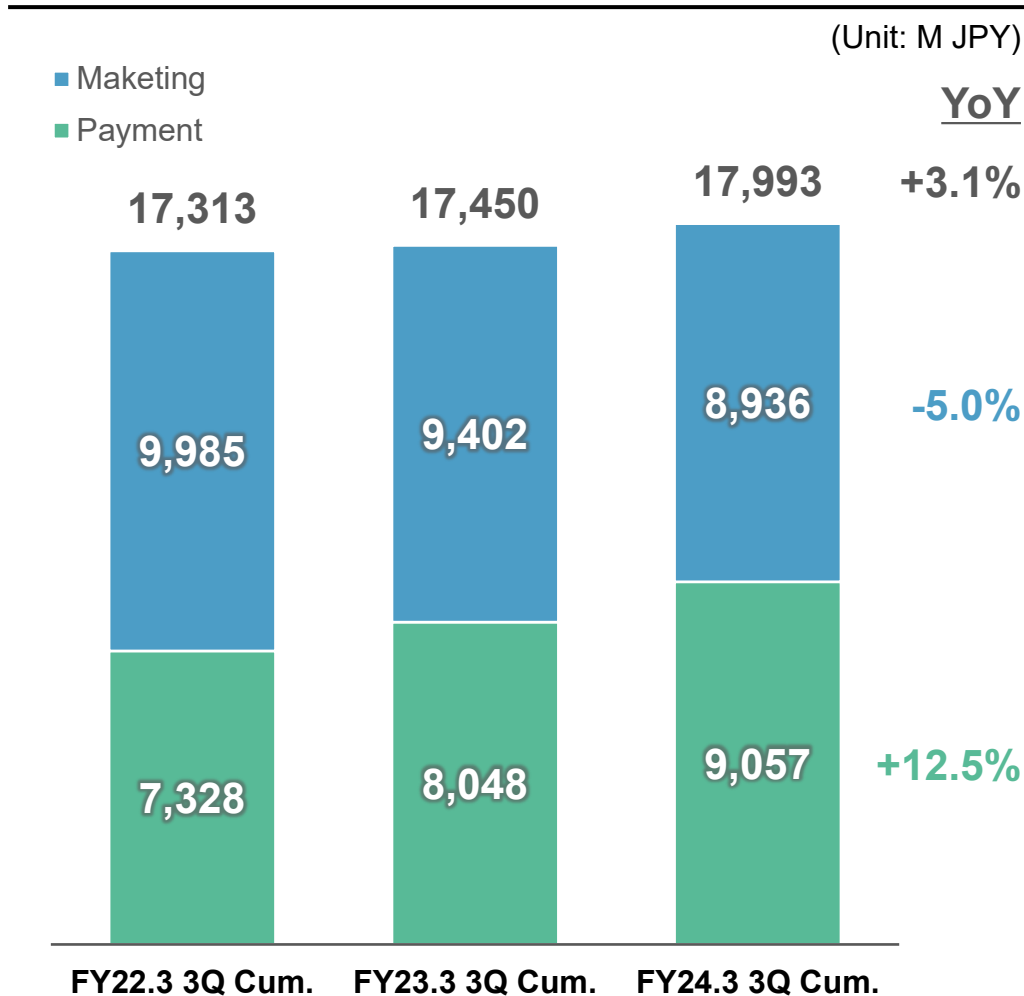


III. Segment Performance Highlights

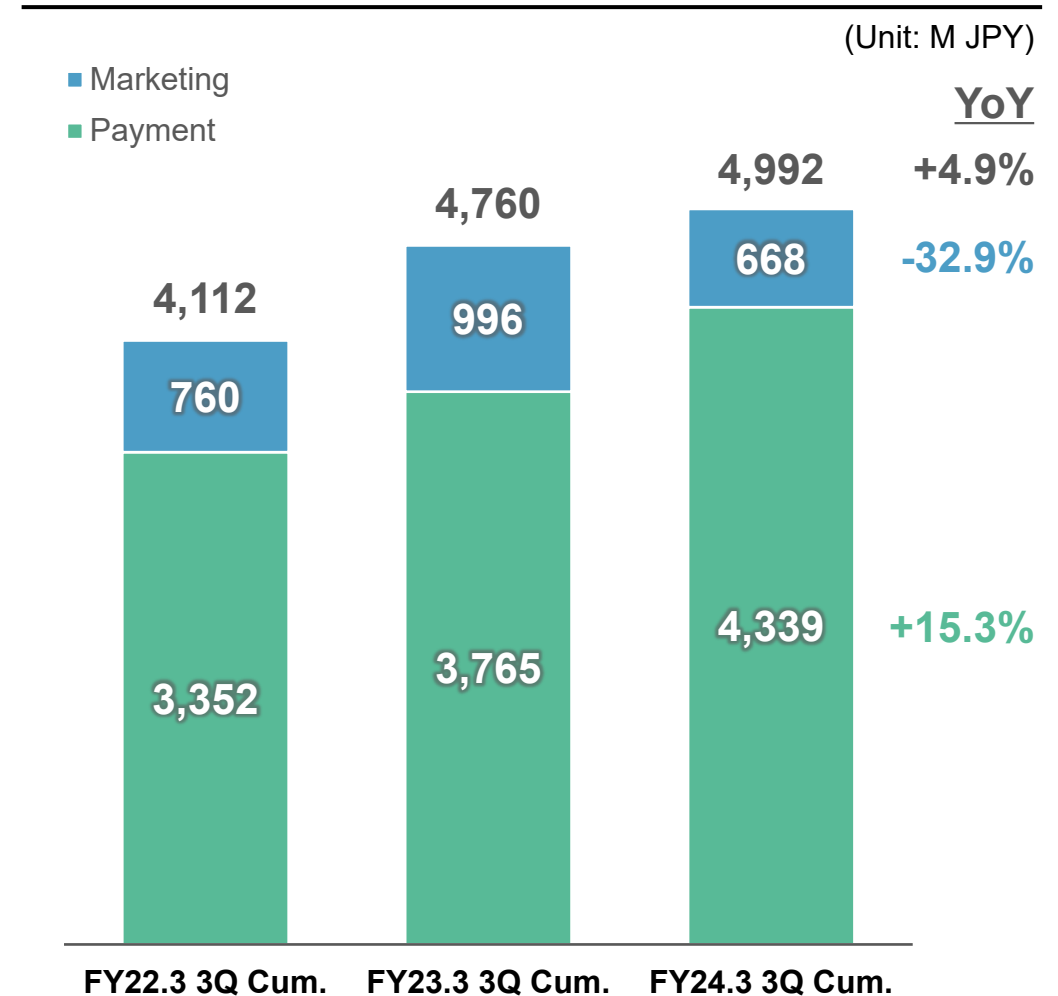


- The payment business grew by 15% in the cumulative profit and moved steadily despite the impact from one-off factors.
- The profit in the marketing business is expected to grow in 4Q due to seasonality with a focus on creation of synergies with the payment business and Kakaku.com.

Segment Revenue



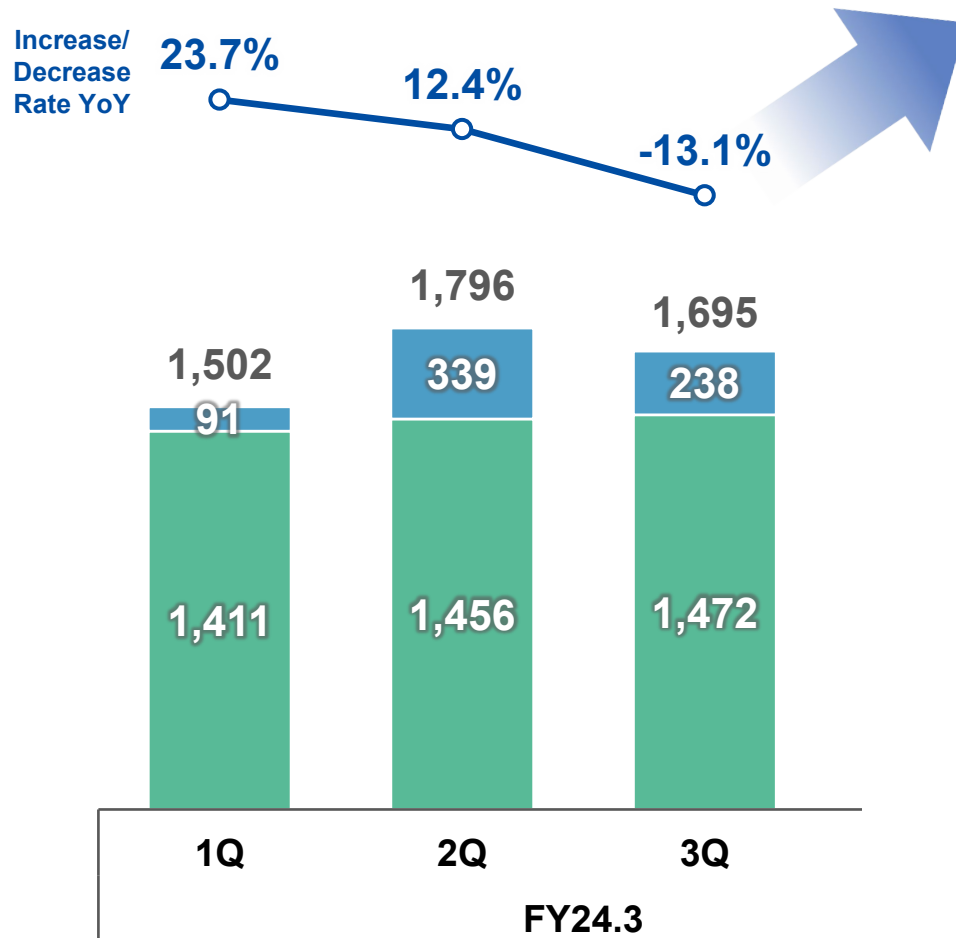
Segment Profit



- PS segment is expected to grow in 4Q due to seasonality despite the slowdown in the profit growth rate in 3Q.
- The strategies have been promoting to achieve the growth rate target throughout the fiscal year and further growth in the next fiscal year onward.

PS Segment Quarterly Profit

(Unit: M JPY)



Outlook for 4Q onward

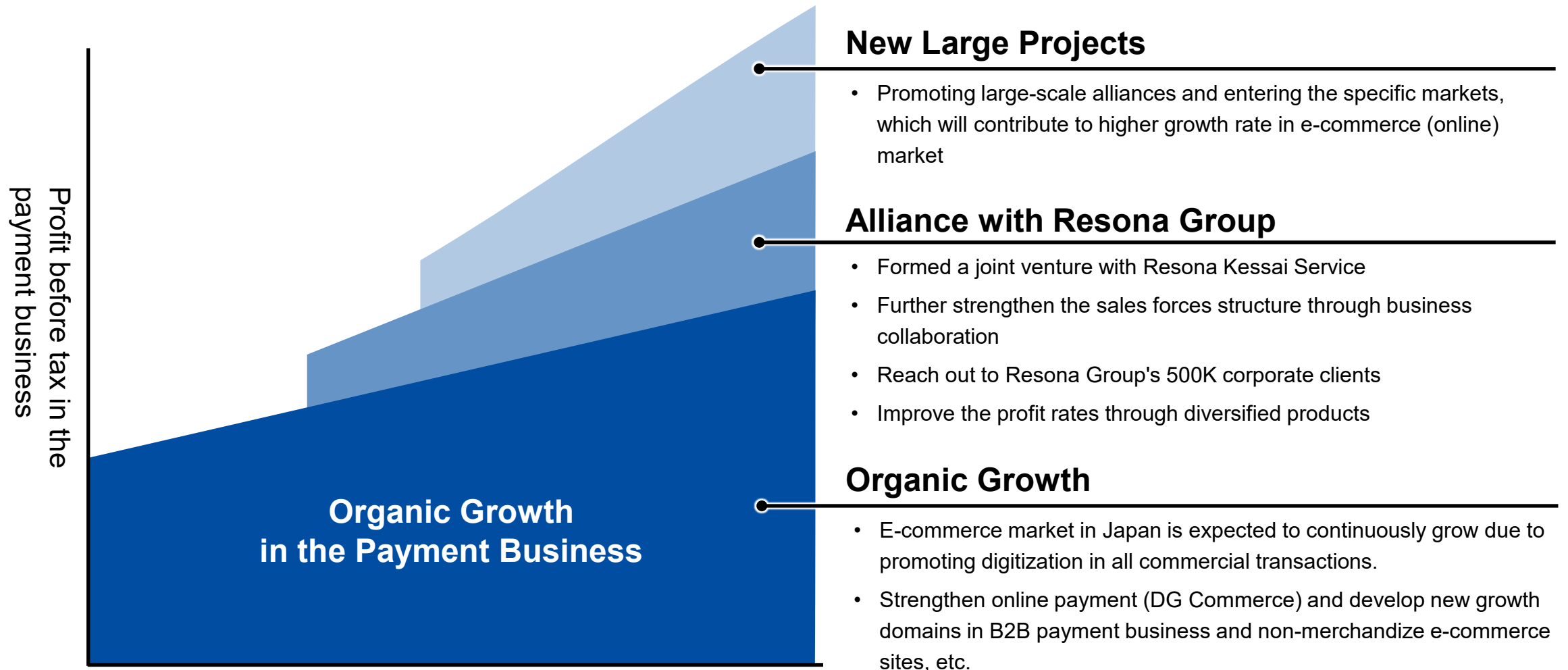
Payment Business

- The growth rate showed a temporary slowdown due to increased HR investment to strengthen the business over the medium to long-term as well as the front-loaded demand for Japan's hometown tax program and the churn of a foreign fast fashion e-commerce site.
- The growth rate is expected to recover in 4Q due to increased revenue in B2B payment business domain and cost control.
- The growth rate is expected to maintain 15% YoY throughout the current fiscal year.

Marketing Business

- Impact from structural change has been completed its cycle and the profit is expected to increase, bottomed out at 3Q.
- Gained collaborative projects with major e-commerce sites and large-scale new projects with credit card companies for 4Q.
- The revenue is expected to be higher than usual due to large entrusted development projects to be delivered in 4Q.
- Aiming for the highest profit in 4Q throughout the fiscal year

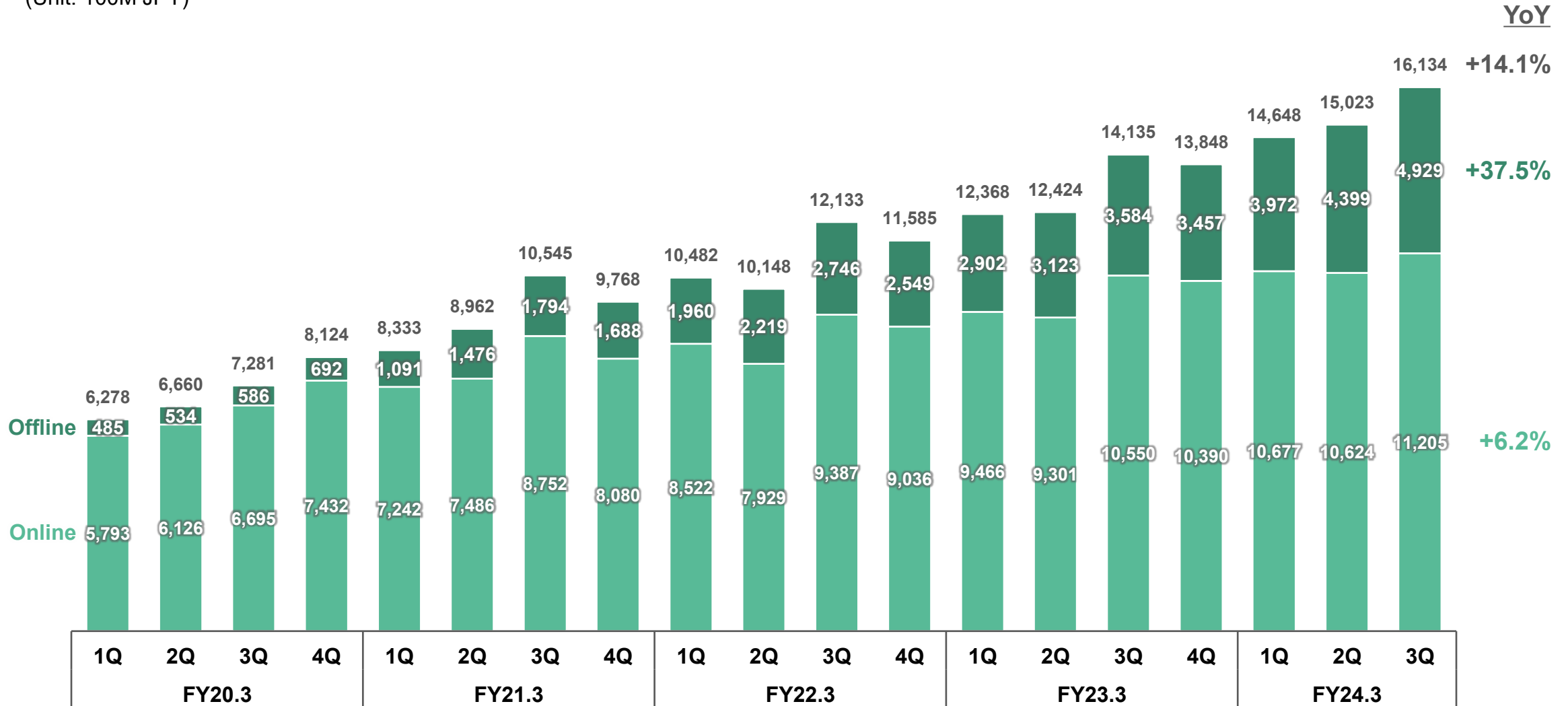
- Quick recovery is expected with stable organic growth and new projects starting from 4Q onward.
- Focus on improving the growth rate in each segment profit through the alliance with Resona Group as well as the plans for major alliances and strategic entry into specific markets.



Performance by Segment - Payment Transaction Volume

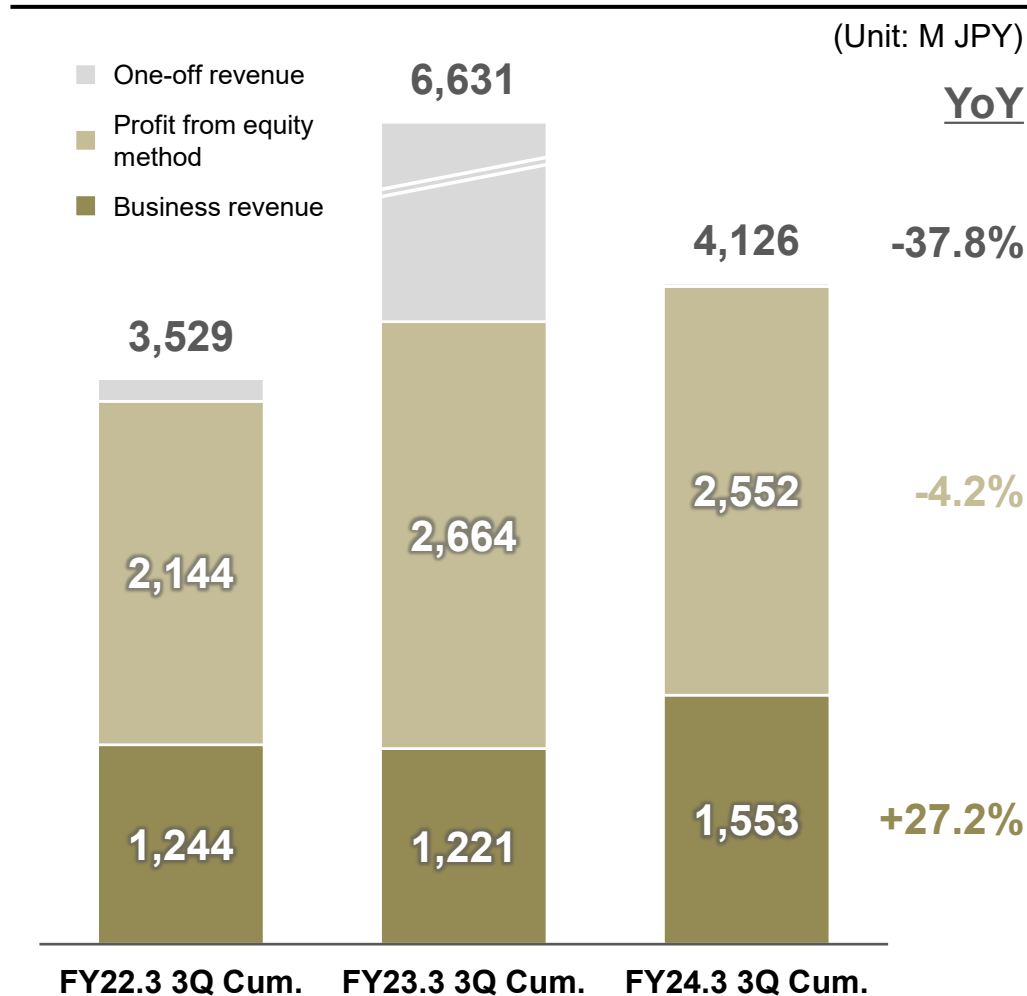
- Online payment domain: Steady growth despite one-off impact, focusing on e-commerce domain with the launch of DG Commerce
- Offline payment domain: Grew significantly due to increased number of merchants driven by successful alliance strategy

(Unit: 100M JPY)

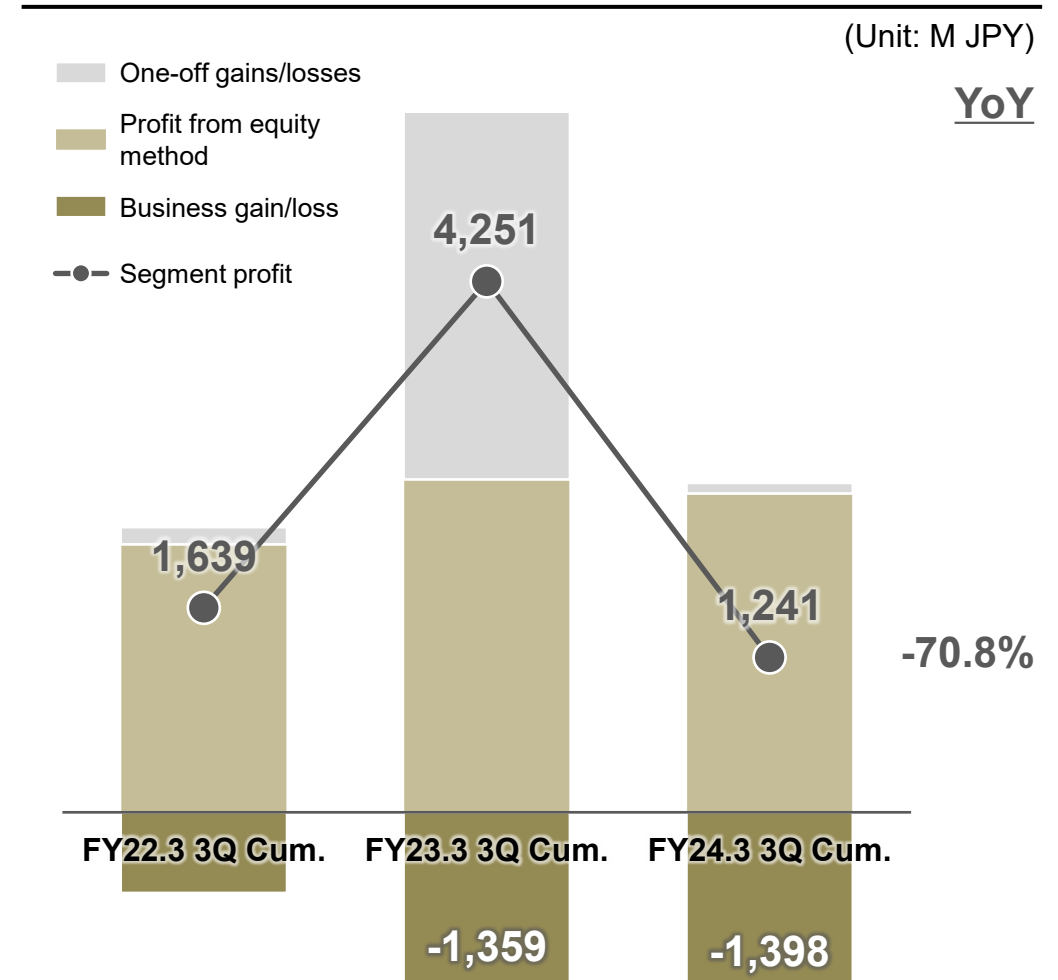


- Early-stage investments in new businesses continues, aiming for the medium to long-term growth of the Group.
- “Tabelog” and “KyujinBox” of Kakaku.com. have been moving smoothly.

Segment Revenue

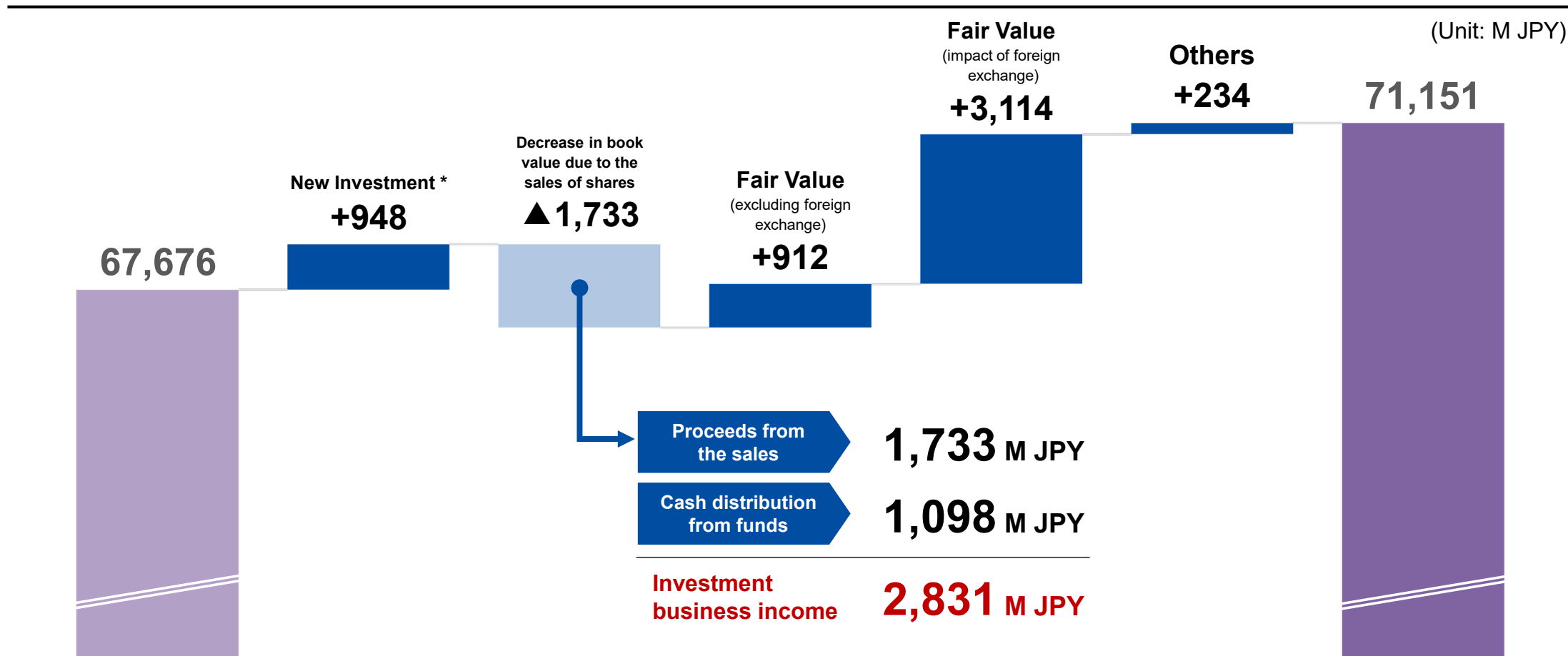


Segment Profit



- 2.8B JPY cash flow was generated through the sales of holding shares and cash distribution from funds, progressing toward achieving the Medium-term Plan.
- The balance on operational investment securities increased by 3.5B JPY compared to the end of FY23.3 due to the increased fair value evaluation by JPY depreciation.

Operational Investment Securities Details of Increase/Decrease



At the end of Mar. 2023

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

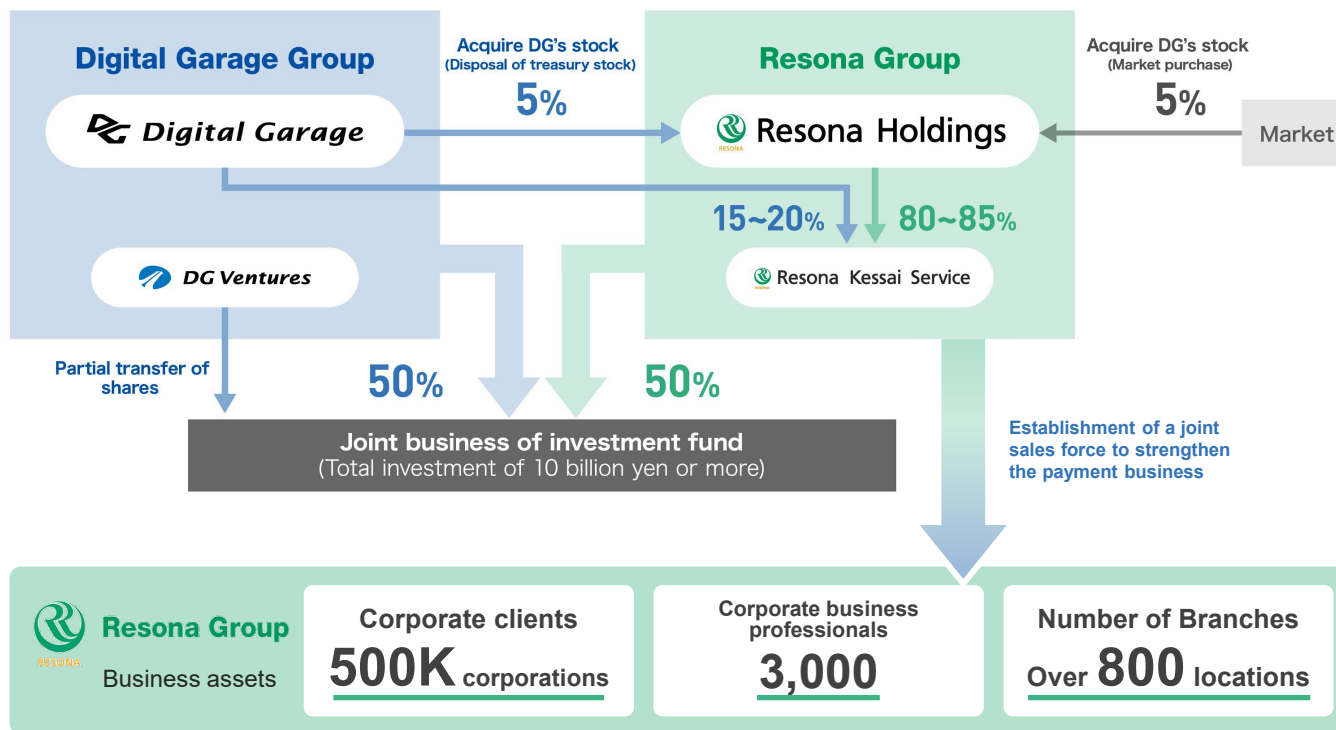
At the end of Dec. 2023

IV. Business Strategy



- Resona HD is to additionally acquire approximately 10% of DG's stock to strengthen the capital and business alliance formed in November 2022.
- Strengthen the alliance in the payment and new Fintech businesses, including establishing of a joint venture with Resona Kessai Service, and start a collaborative business in the investment domain

Overall Picture to Strengthen the Capital and Business Alliance



Overview to Strengthen the Capital Alliance

Additional acquisition of approximate 10% of DG's stock by Resona HD

- Through a third-party allocation (disposal of treasury stock): 2,500K shares (5.25%)
- Through market purchase: 2,261K shares (4.75%)
- ➔ Resona HD's shareholding ratio will be approximate 12% including the acquisition of DG's stock in November 2022.

Overview to Strengthen the Business Alliance

1. Strengthen the payment business

- Establish a joint venture with Resona Kessai Service (RKS) (to operate RKS as DG's equity-method)
- Provide DGFT payment services and establish a joint sales force

2. Strengthen next-generation Fintech business

- Promote "DGFT Invoice Card Payment" and the payment solution for medical institutions
- Accelerate joint development of new next-generation Fintech/DX businesses

3. Joint promotion of investment/open innovation

- Establishment of a joint investment fund with 10B JPY
- Partial transfer and joint ownership of operational investment securities held by DG ventures



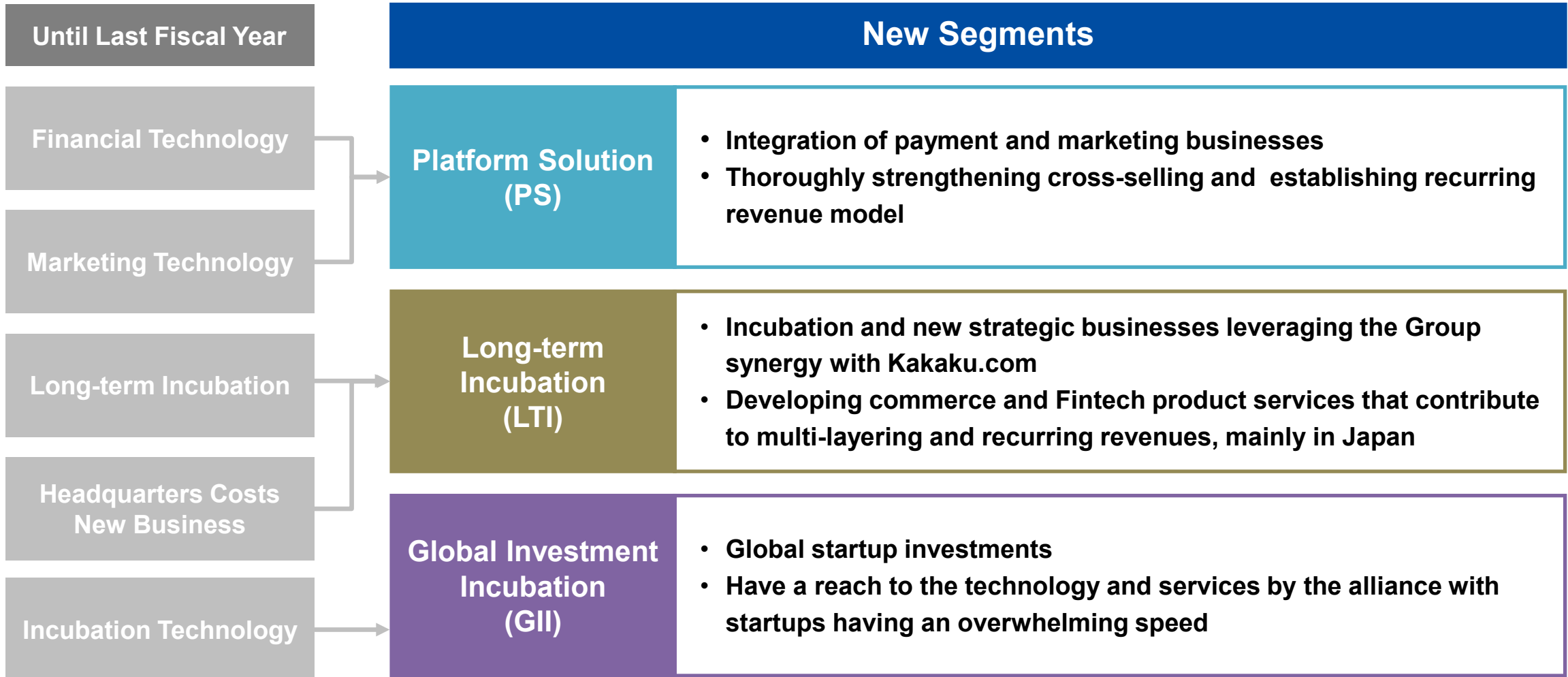
A subsidiary of Resona HD, which operates a payment collection agency, factoring, and payment business with assets of over 300B JPY and more than 2,000 partners. The company offers a variety of financial solutions, including factoring and guarantees, in addition to payment collection services that handle 50M cases annually

Reference Materials

Reference Materials①: Supplementary Data



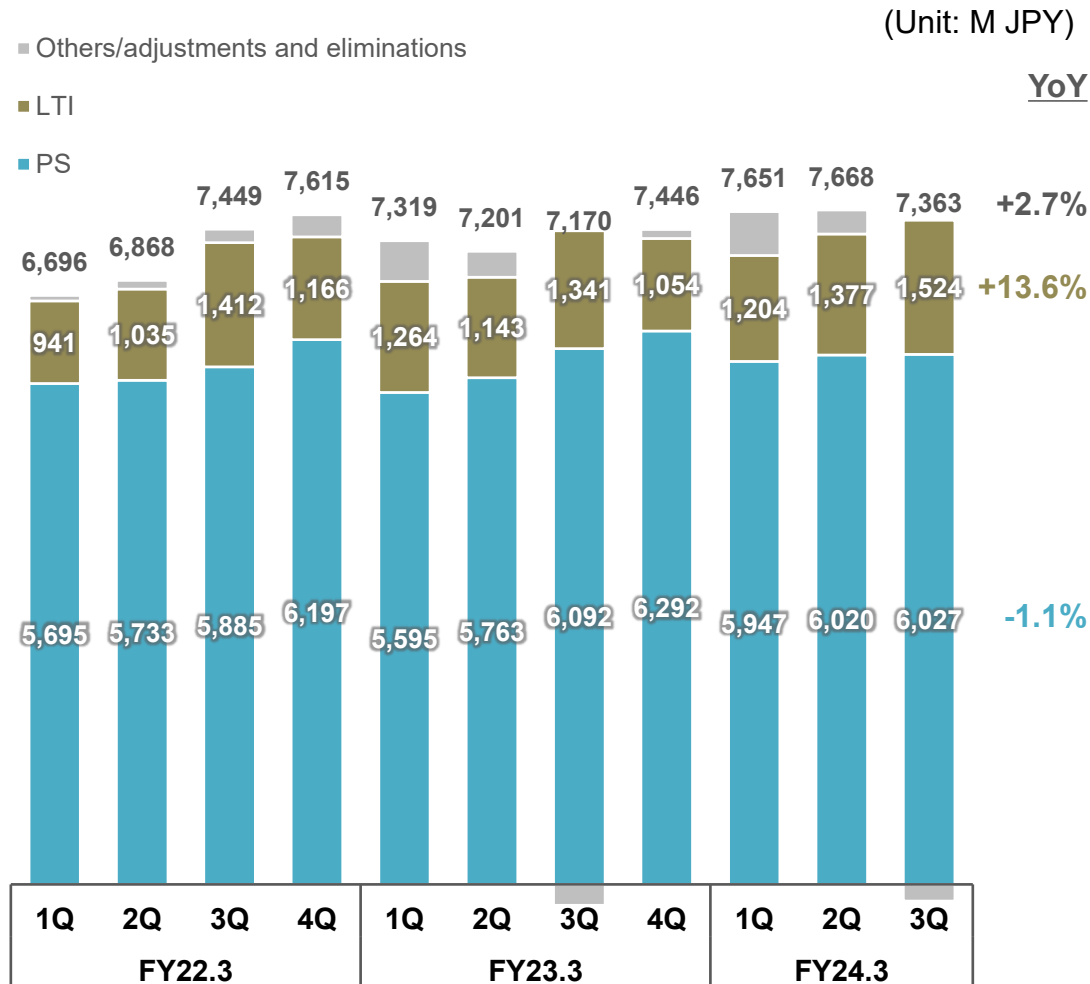
- Consolidated business segments to further accelerate its business strategy, integrating payments and data as well as marketing.
- Consolidated new businesses and next-generation media business, aiming for vertical launch by leveraging DG Group's business assets as strategic businesses for enhancement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



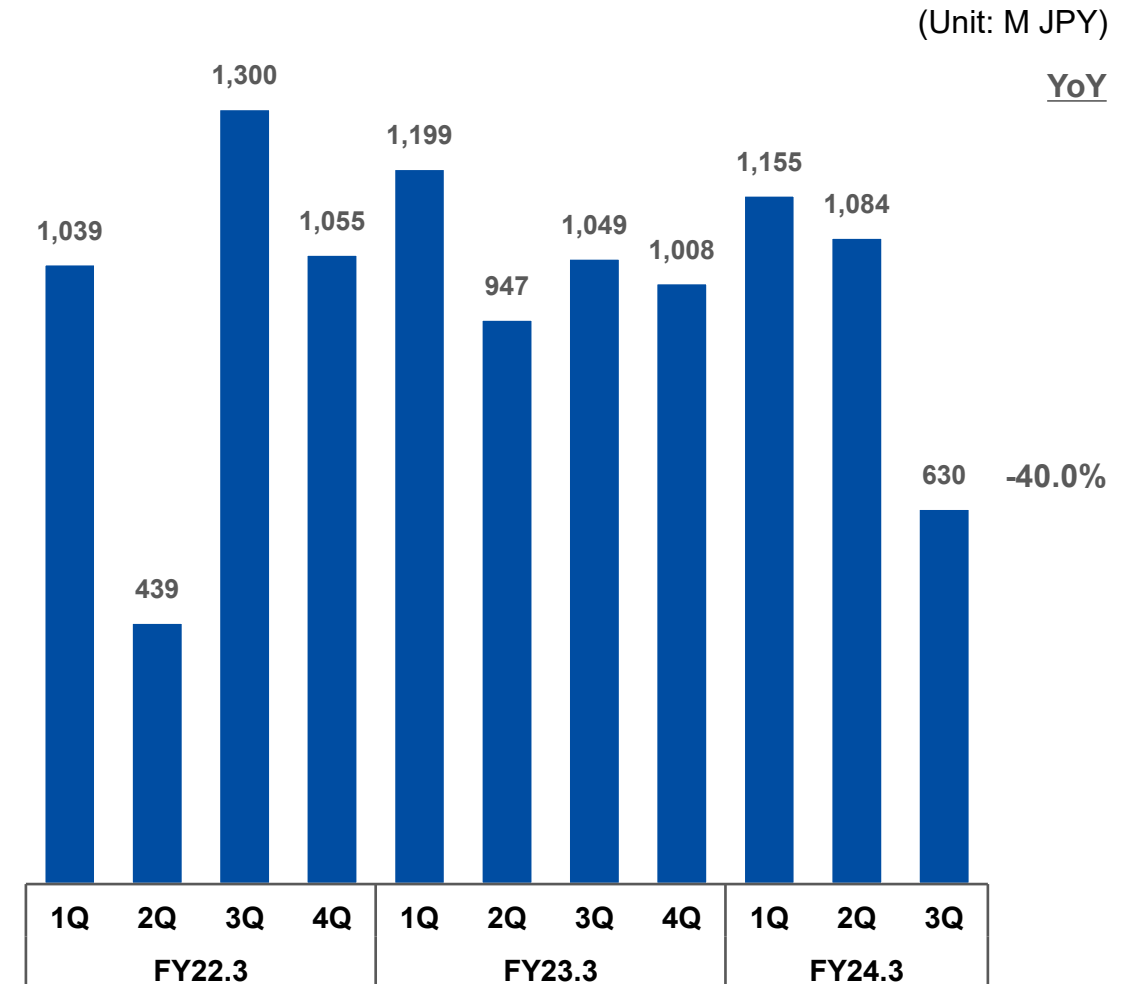
Quarterly Performance Trend (excluding one-off gains/losses and investment businesses)

- Full year profit is expected to increase YoY despite lower profit in marketing business and increased HQ costs such as reinforcement of recruiting in 3Q.
- Measures to improve the profitability/profit margin centered on PS are being promoted toward the next fiscal year.

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



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

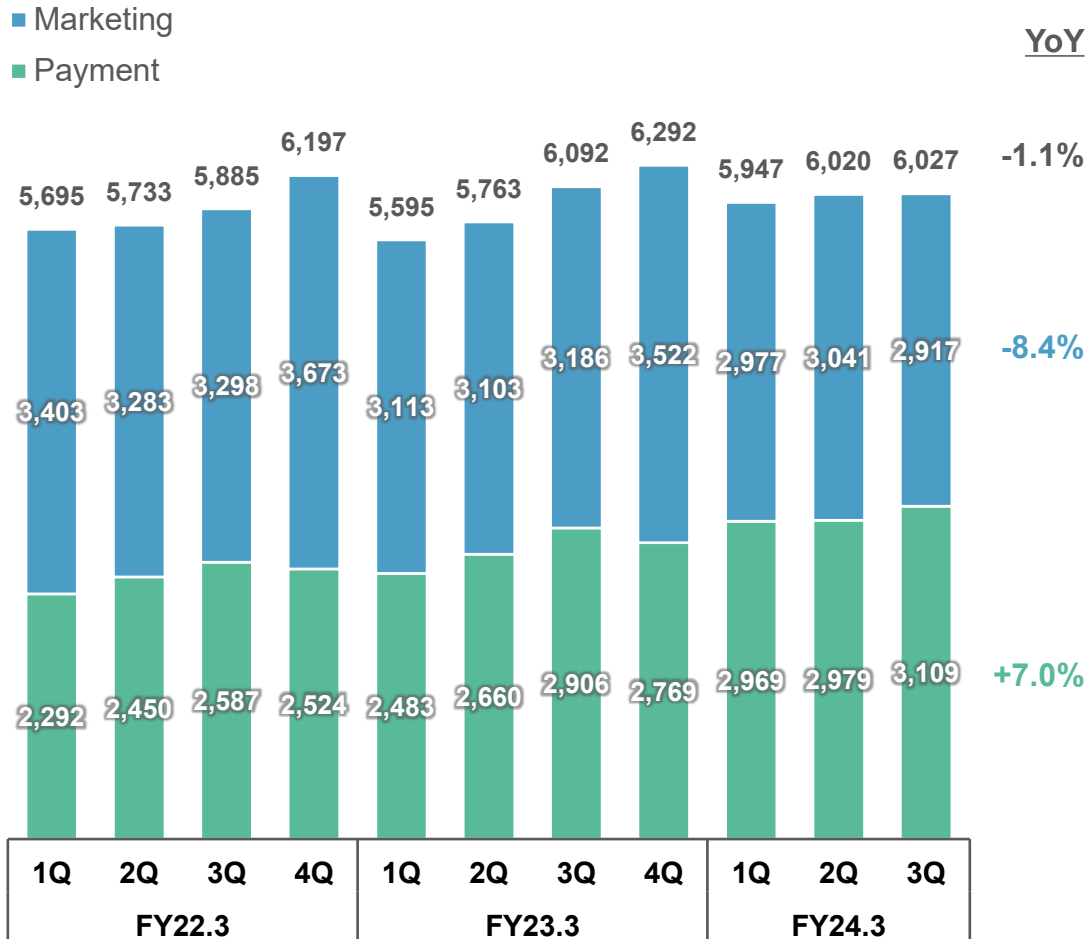


Performance by Segment (Quarterly) – Platform Solution

- The payment business showed steady progress despite the impact from one-off factors.
- The profit in the marketing business is expected to grow in 4Q due to seasonality with a focus on creation of the synergies with the payment business and Kakaku.com.

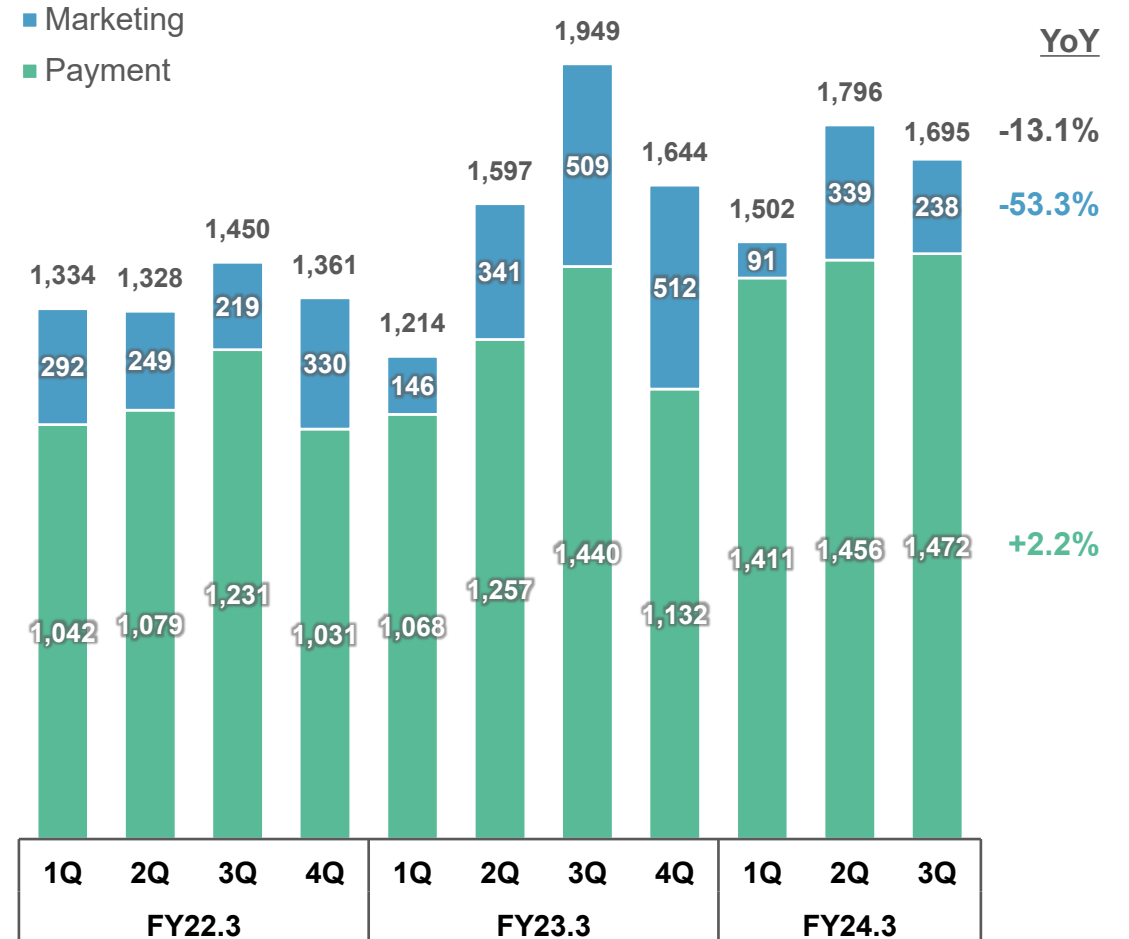
Segment Revenue

(Unit: M JPY)



Segment Profit

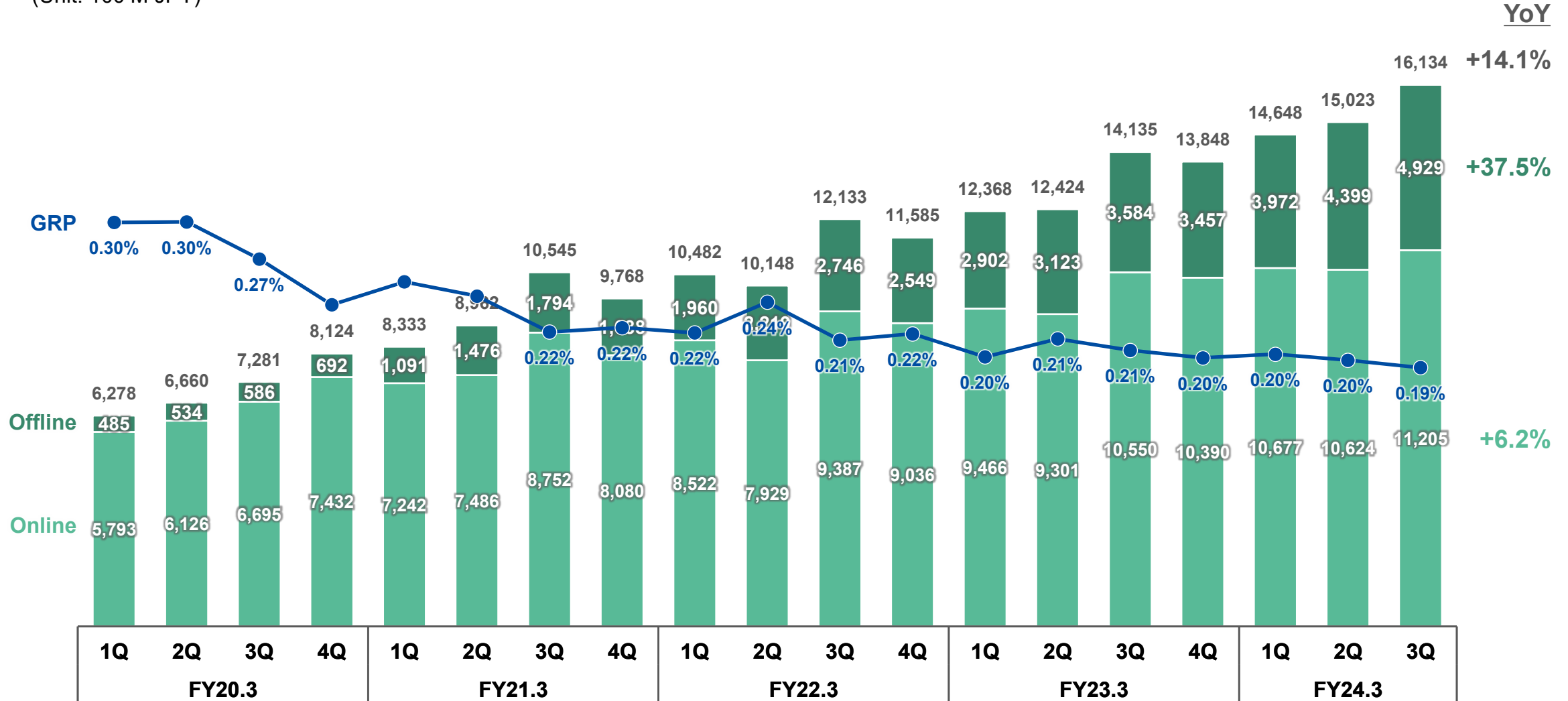
(Unit: M JPY)



Payment Transaction Volume – Trends for Online and Offline Payments

- Online payment domain: Steady growth despite one-off impact, focusing on e-commerce domain with the launch of DG Commerce
- Offline payment domain: Grew significantly due to increased number of merchants driven by successful alliance strategy.

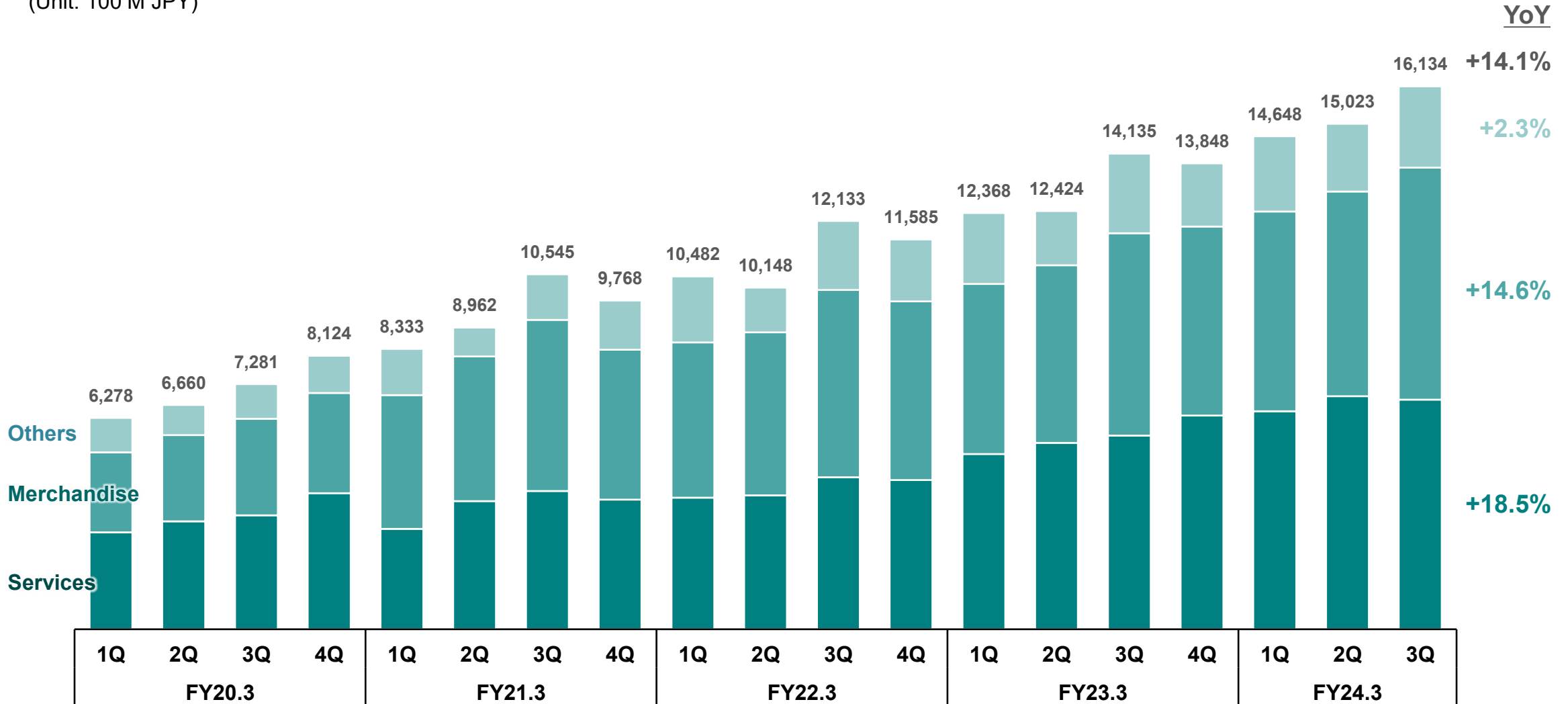
(Unit: 100 M JPY)



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)

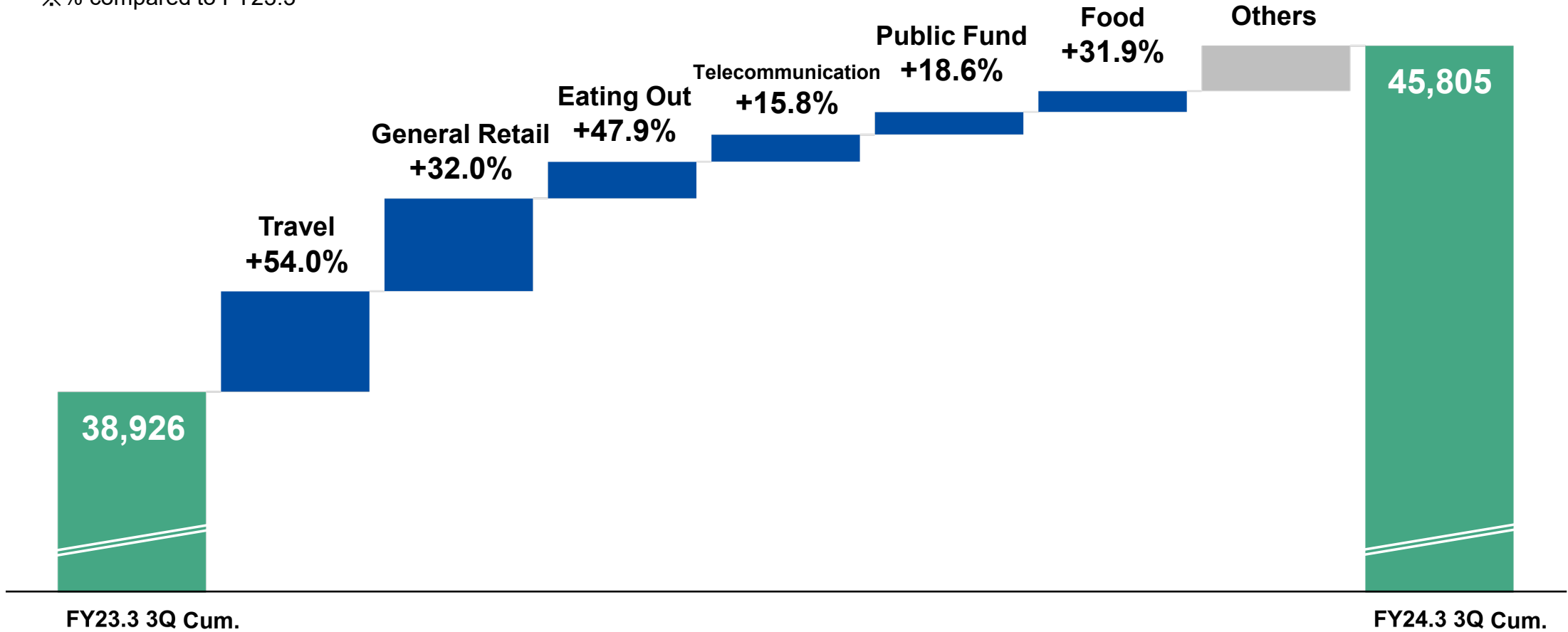


- Transactions in Travel and Eating out industries recovered due to containment of COVID-19.
- The number of new merchants increased due to successful alliance strategy, including with Toshiba Tec.

Payment Transaction Volume: Increase/Decrease by Sector

(Unit: 100M JPY)

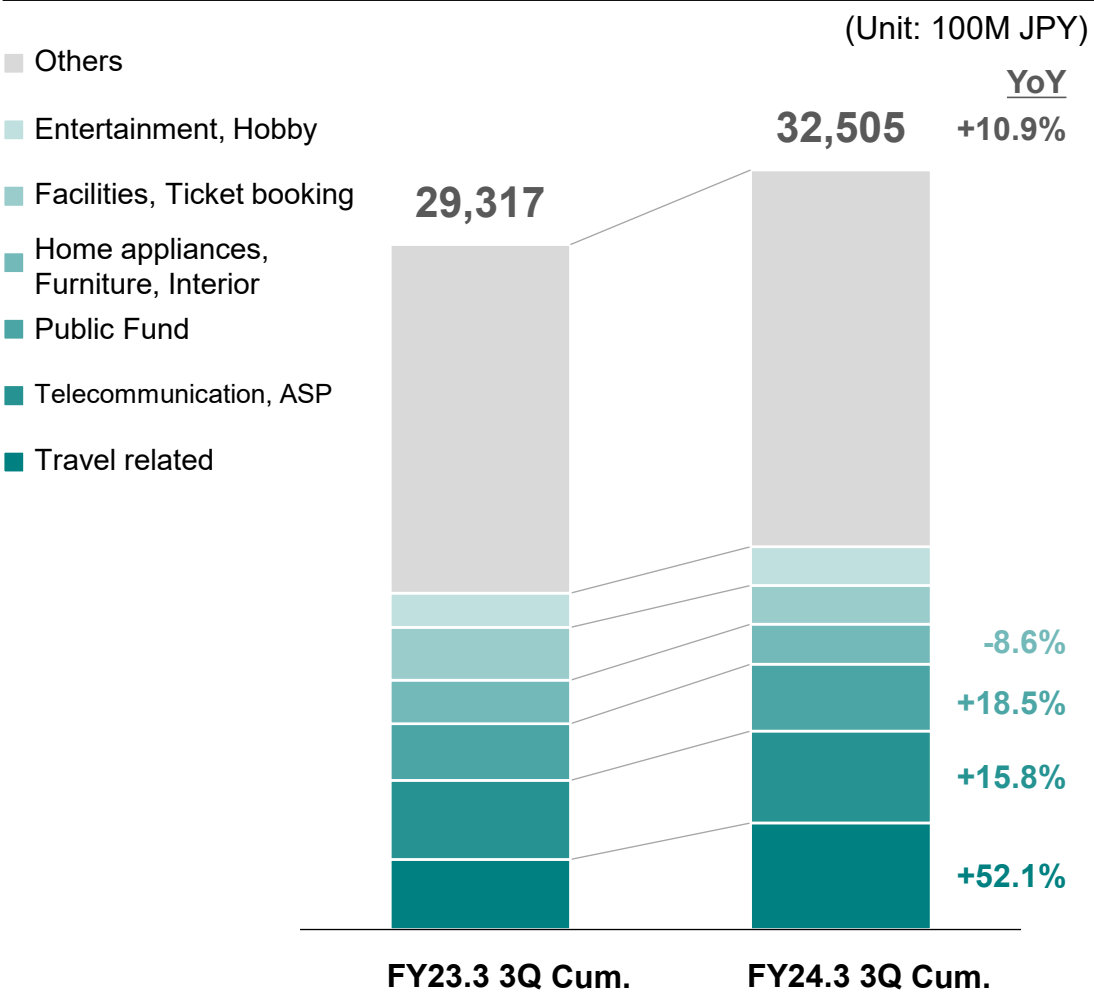
※% compared to FY23.3



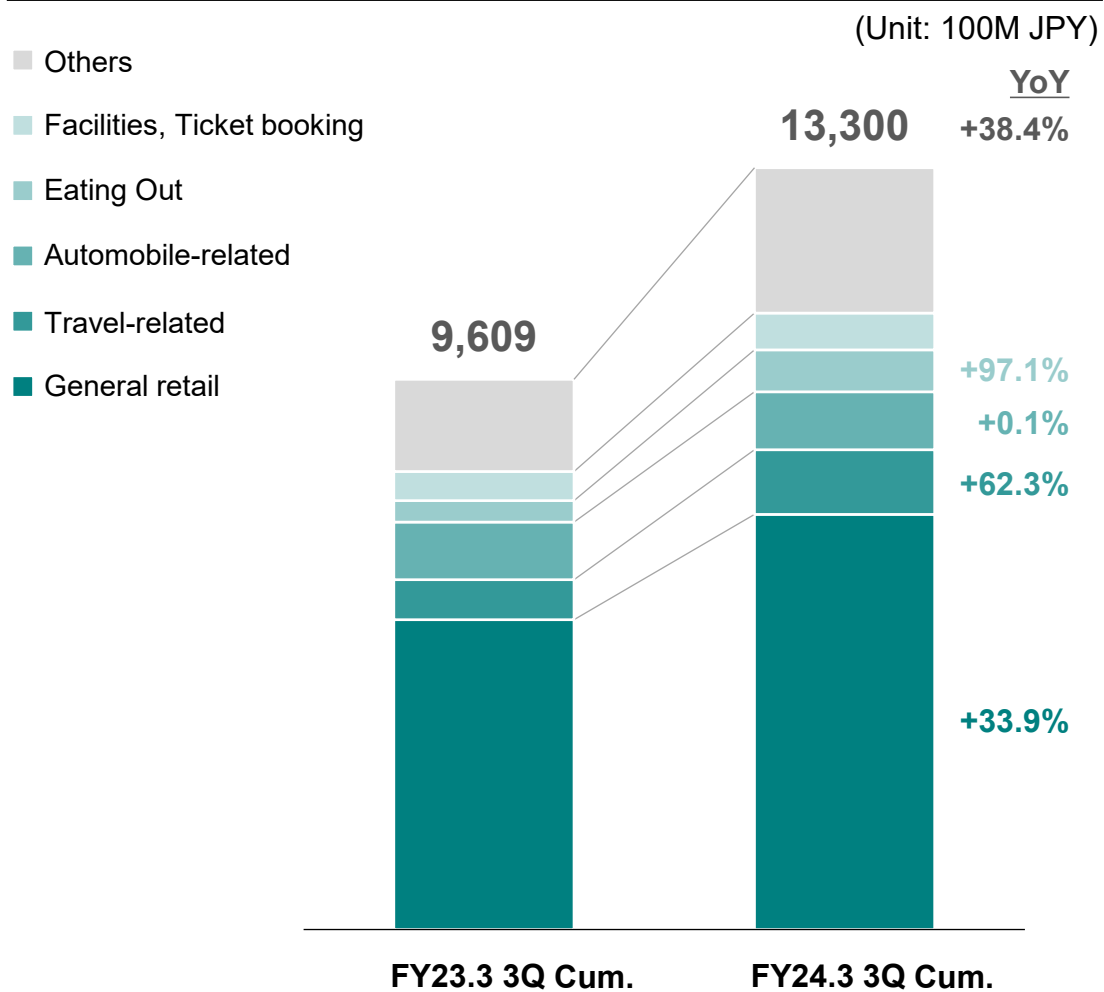
Payment Transaction Volume – in online and offline payments by Industry

- Online payment domain: Transaction volume increased in wide range of industries, centered on travel industry, in which the Company has strength.
- Offline payment domain: Transaction volume mainly in general details increased as well as eating out and facility use-related due to containment of COVID-19.

Online Payment



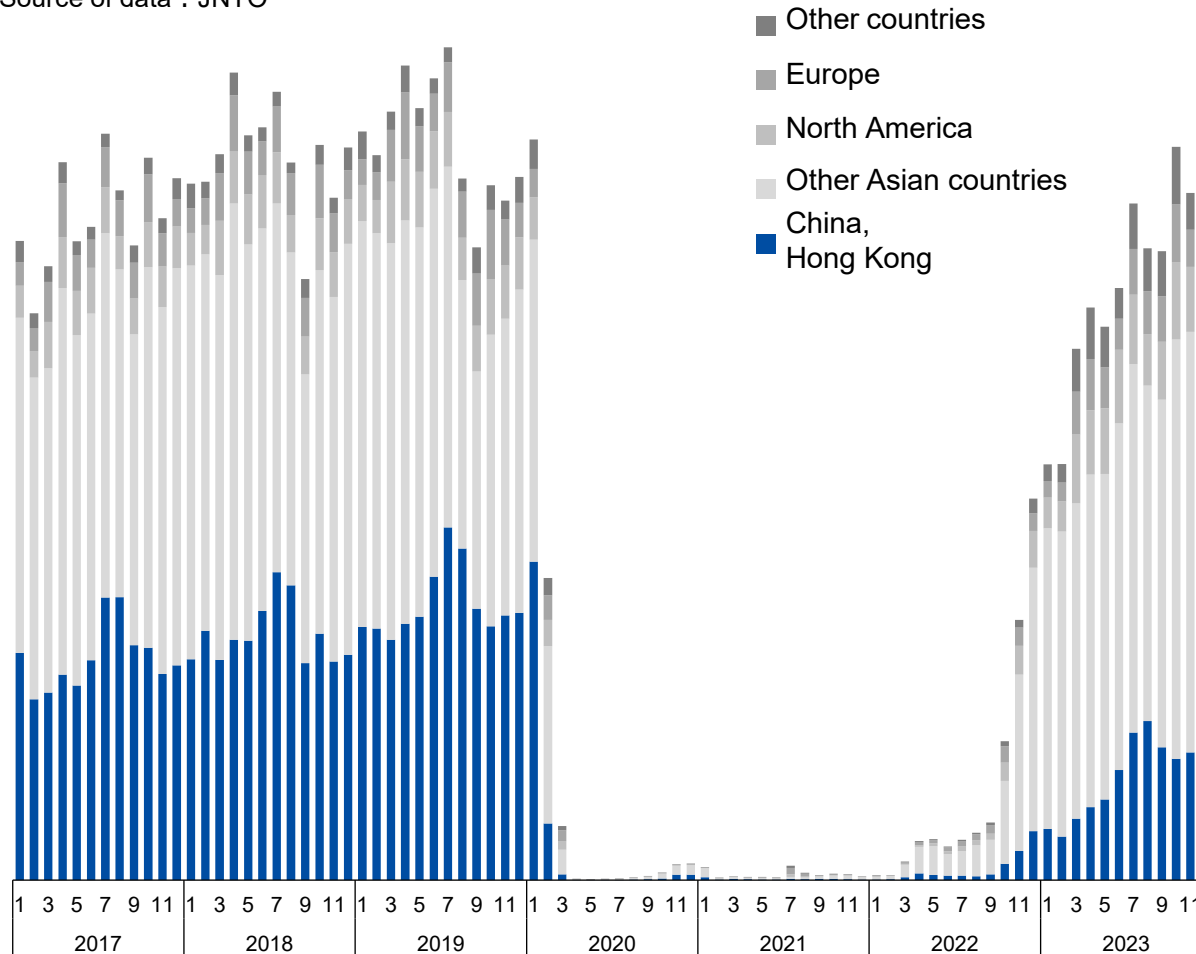
Offline Payment



- Though the number of foreign visitors is on recovery, Chinese visitors with high consumption remains around 50% of pre-COVID level.
- High potential for recovery is expected in Alipay/WeChat Pay services that the Group is dealing with.

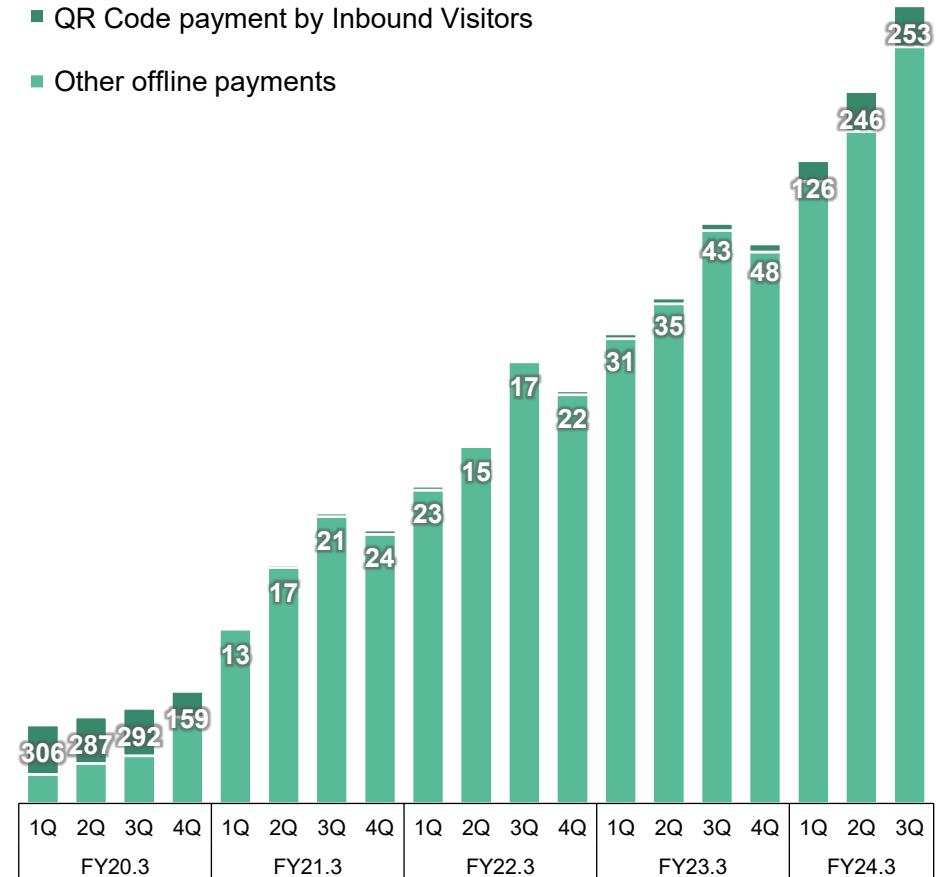
The Number of Visitor Arrivals to Japan (by area)

Source of data : JNTO



Transaction Amount in Offline Payment

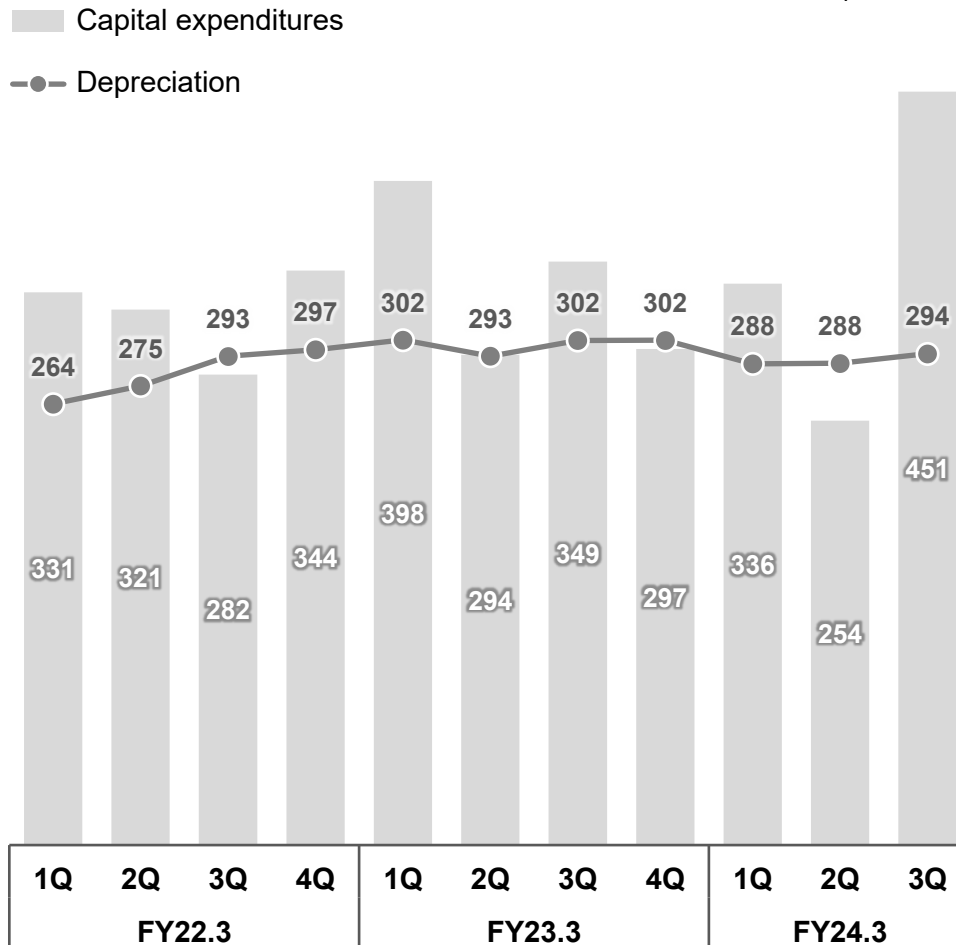
(Unit: 100M JPY)



- 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.

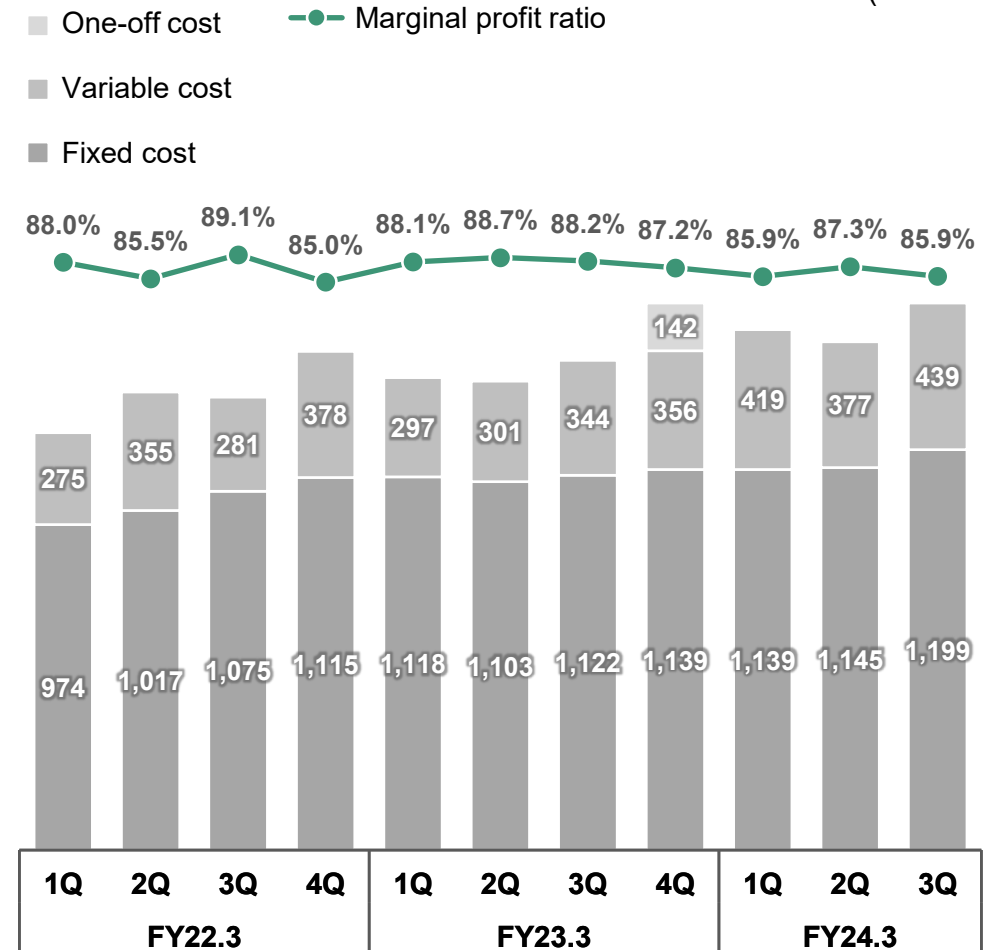
Payment-related Expenditures · Depreciation

(Unit: M JPY)



Payment-related Costs · Marginal Profit Ratio

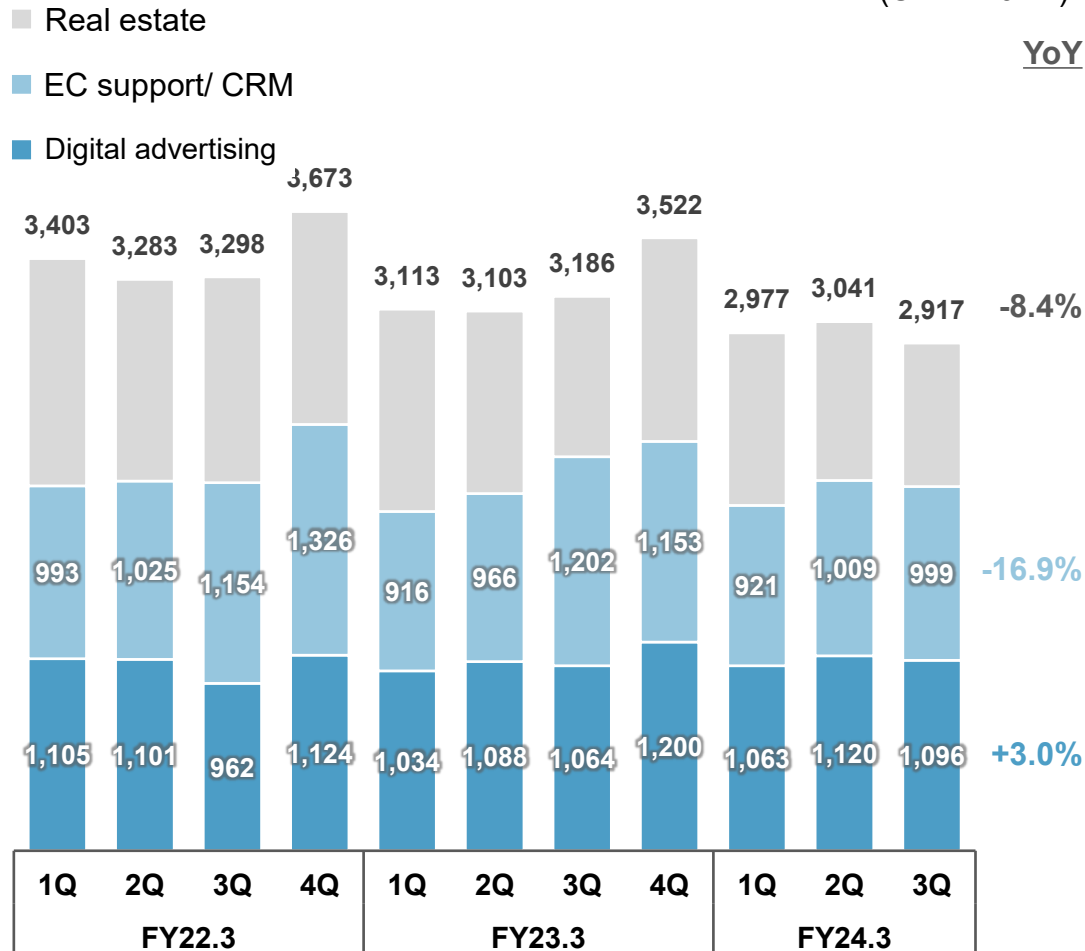
(Unit: M JPY)



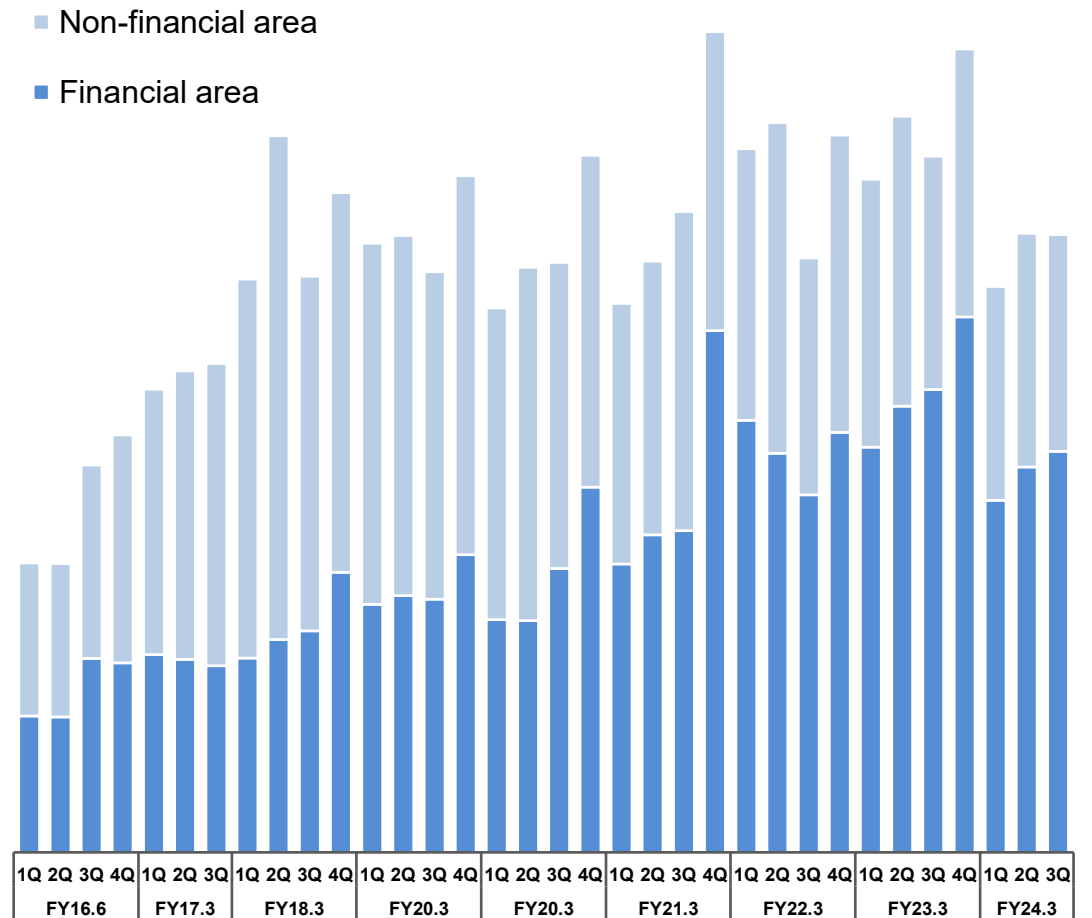
- Digital Advertising, the mainstay of DG's business, continues to transit steadily despite quarterly fluctuation in both profit and transaction volume of the advertisement.
- Transaction volume of digital advertisement in the financial area in 3Q cumulative decreased due to clients' budgetary austerity.

Profit in Marketing Business

(Unit: M JPY)



Transaction Volume in Digital Advertising

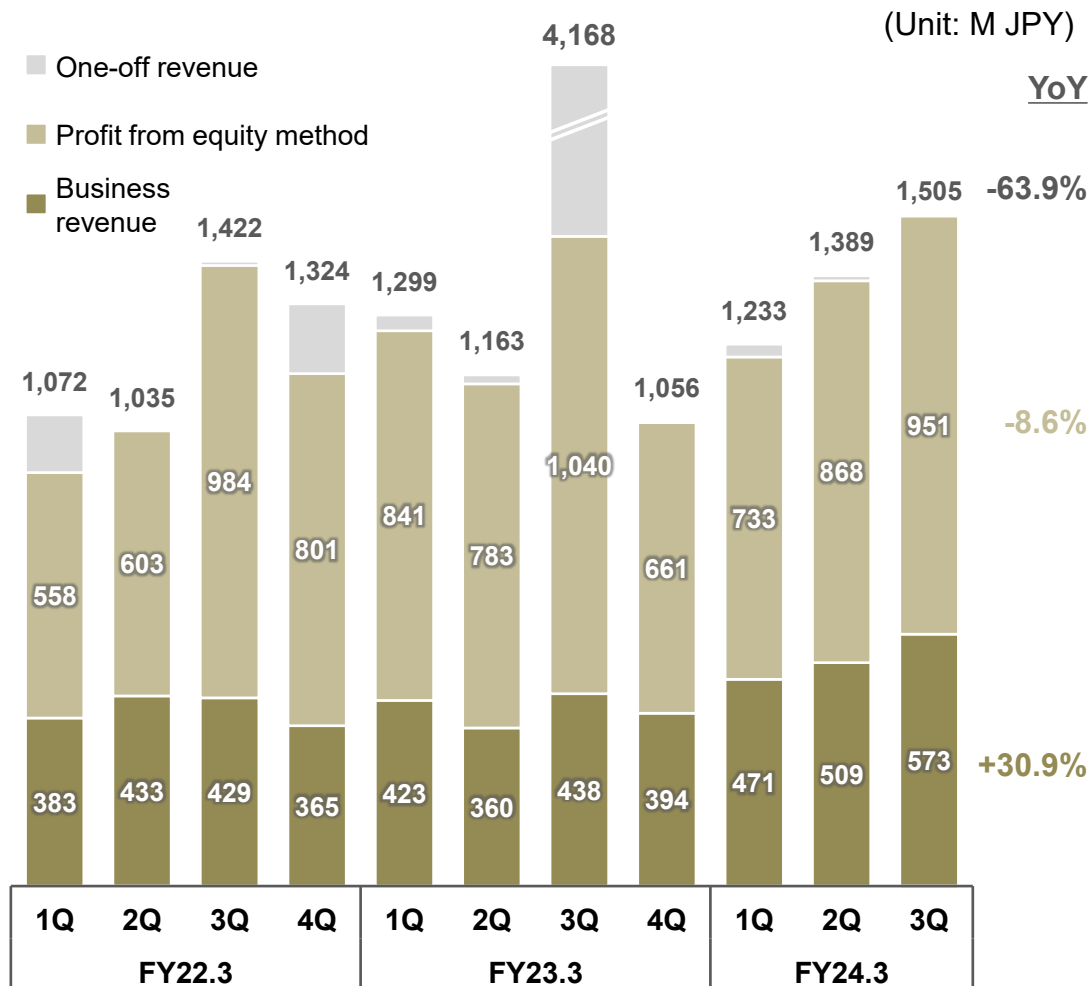


Performance by Segment (Quarterly) – Long-term Incubation

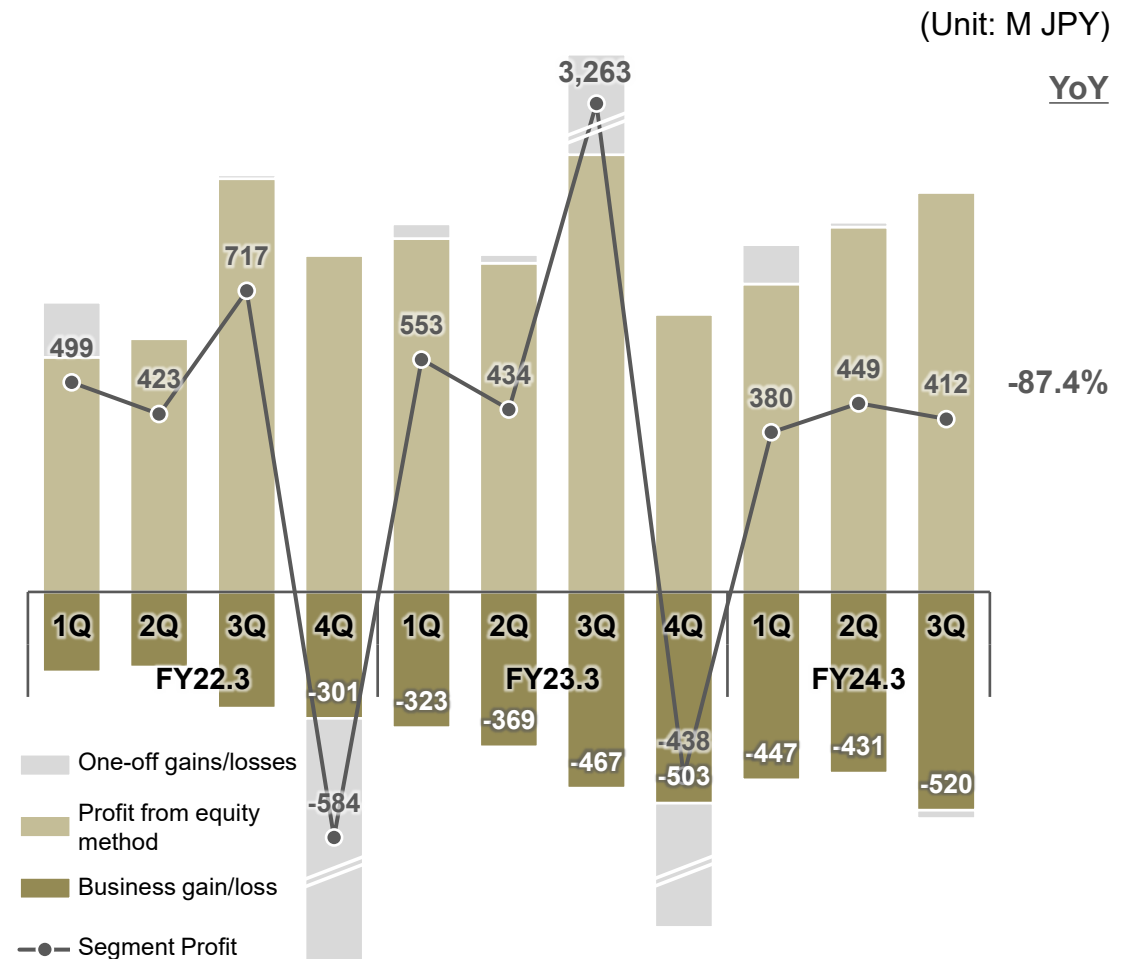
Long-term Incubation

- Early-stage investments in new businesses continues, aiming for medium to long-term growth.
- “Tabelog” and “Kyujin-box” of Kakaku.com have been moving smoothly.

Segment Revenue



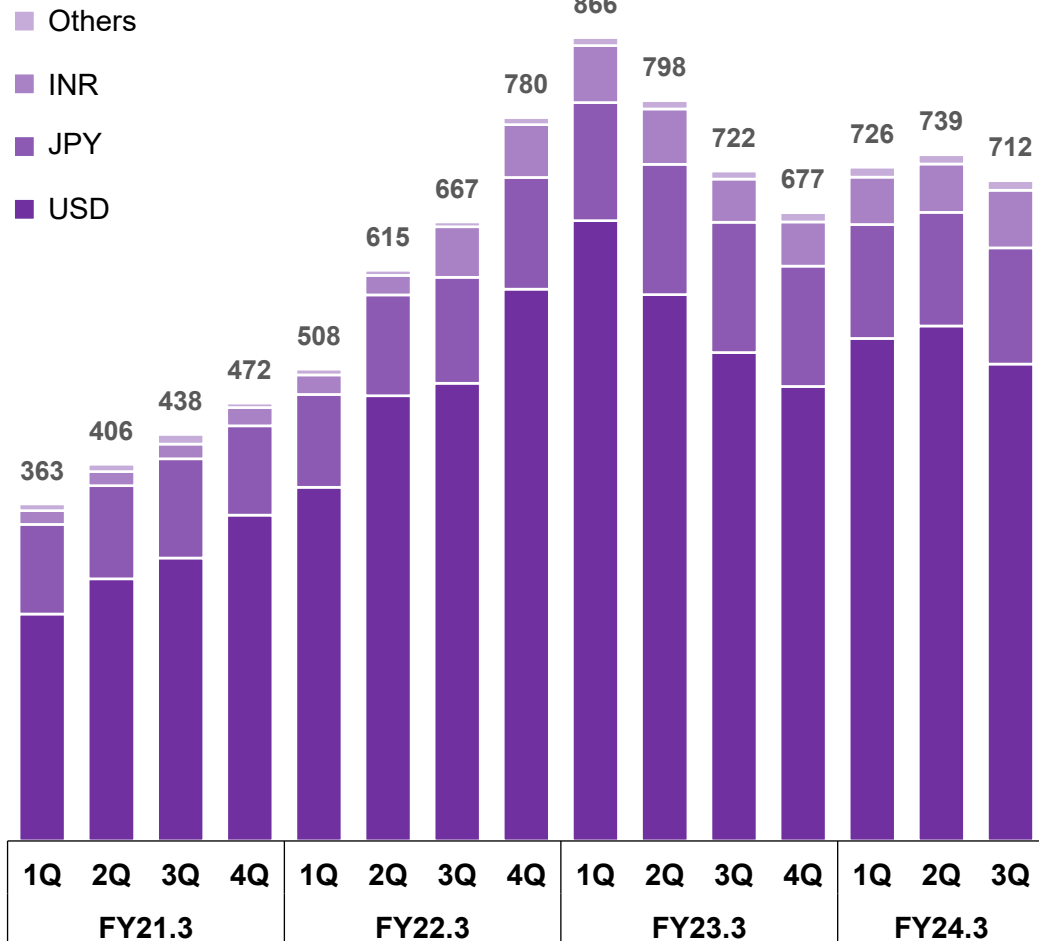
Segment Profit



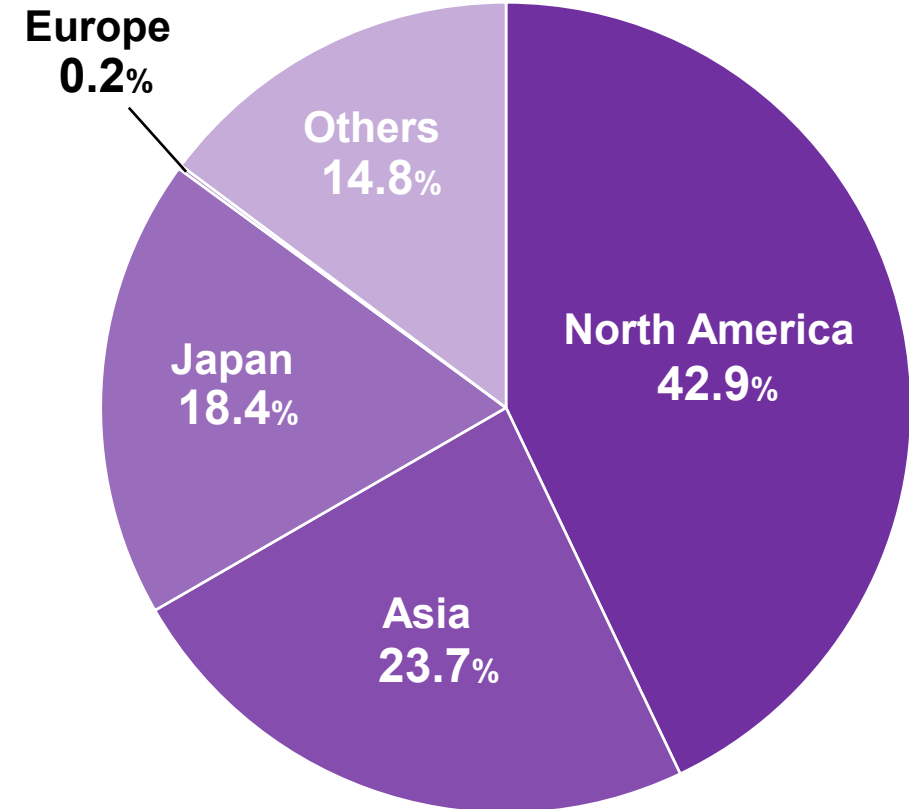
- Fair value of operational investment securities denominated in foreign currency increased due to JPY depreciation.
- Fair value of operational investment securities at the end of December 2023 was 71.2 B JPY. (+3.5B JPY compared to the end of FY23.3.)

Balance of Operational Investment Securities

(Unit: 100M JPY)



Investees by Area (%)

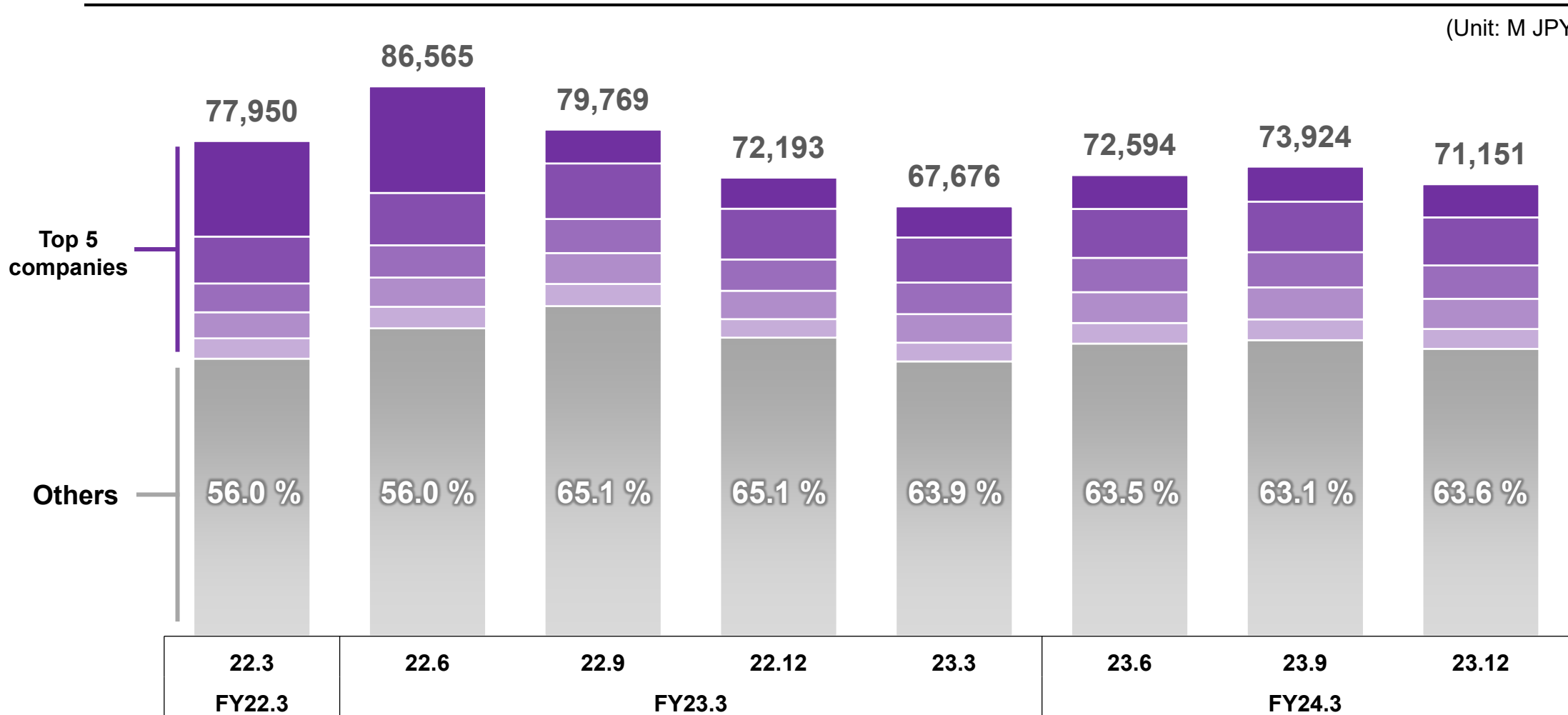


Trends in Top 5 Companies by Balances in Investment

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

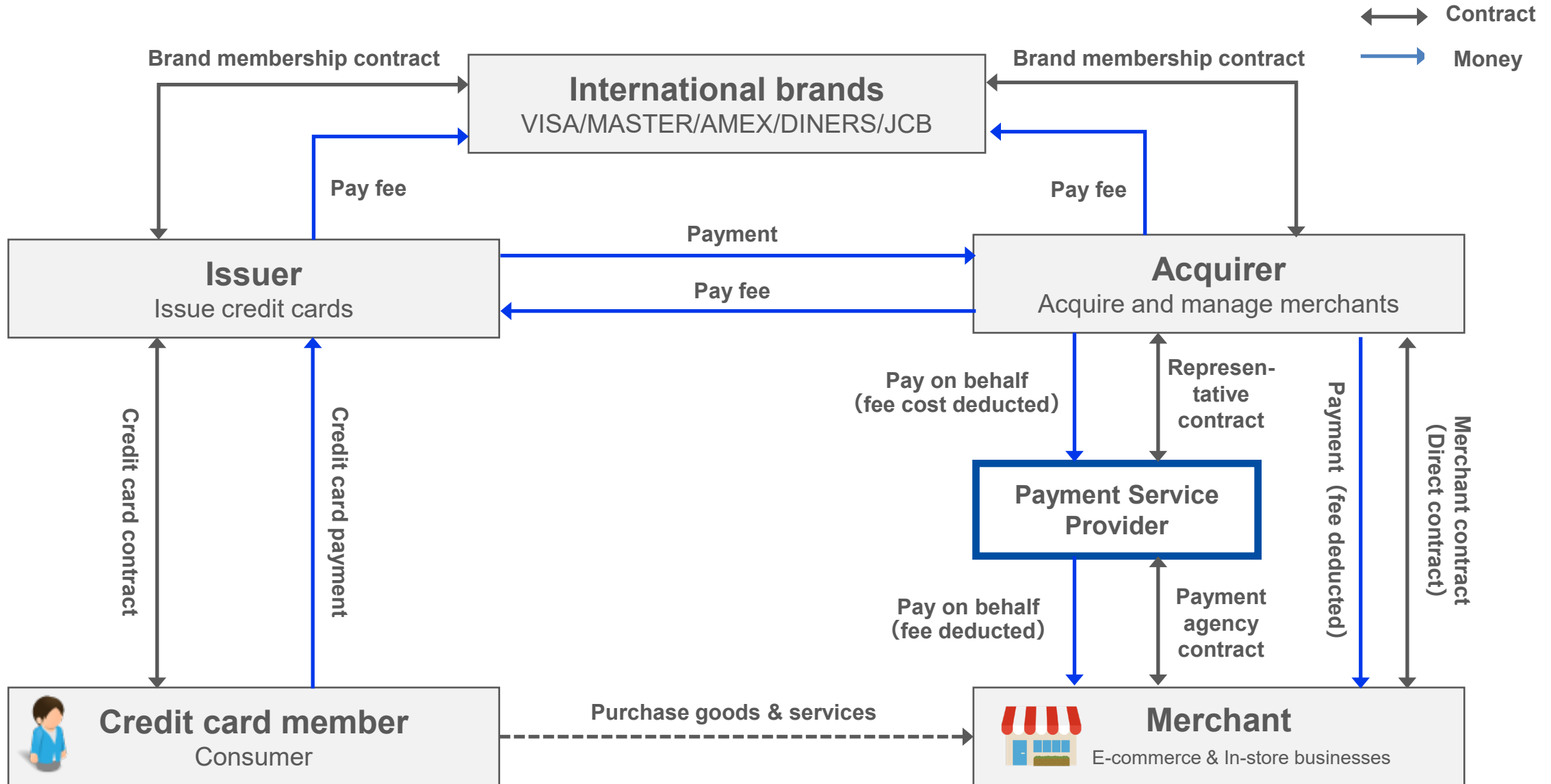
Shares of Top 5 Portfolio Companies

(Unit: M JPY)

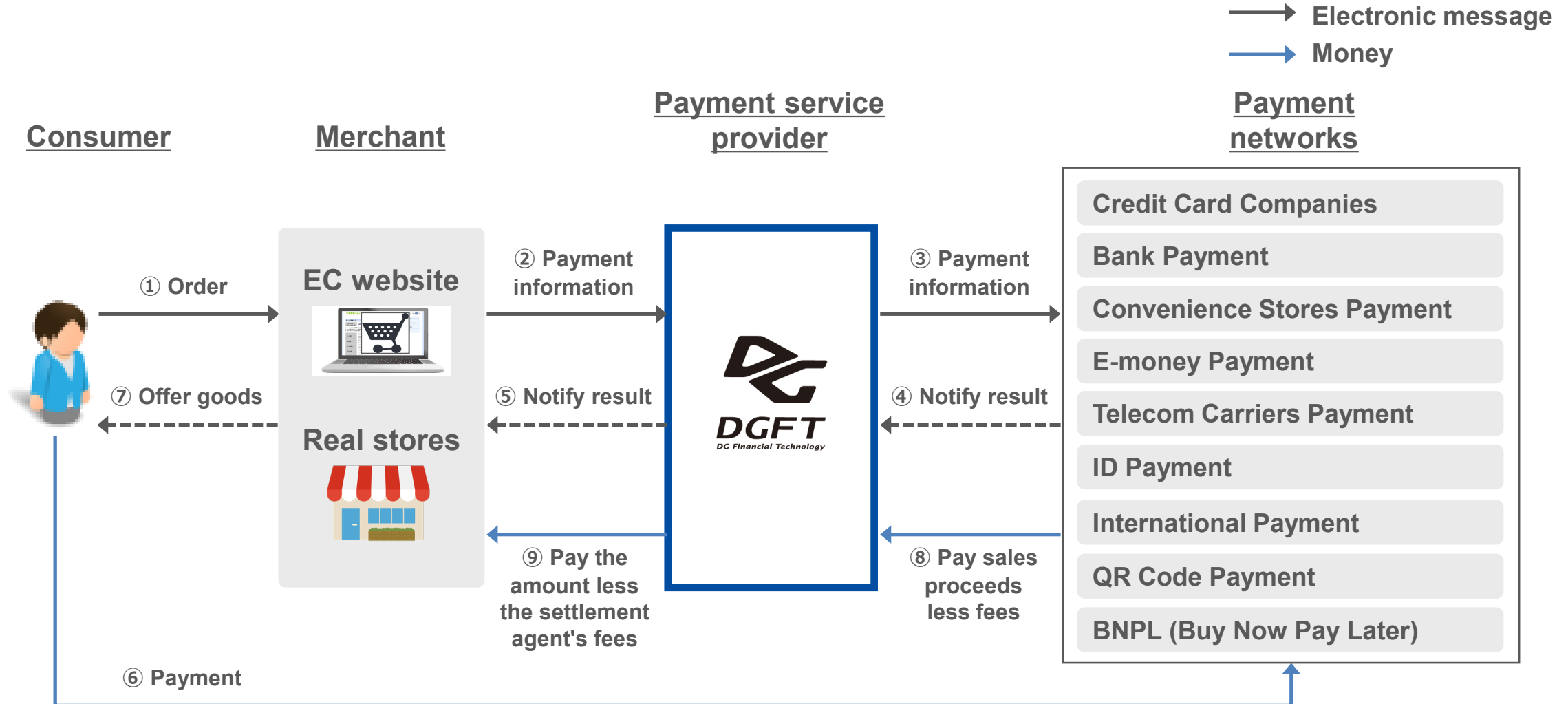


Reference Materials②: Business Model





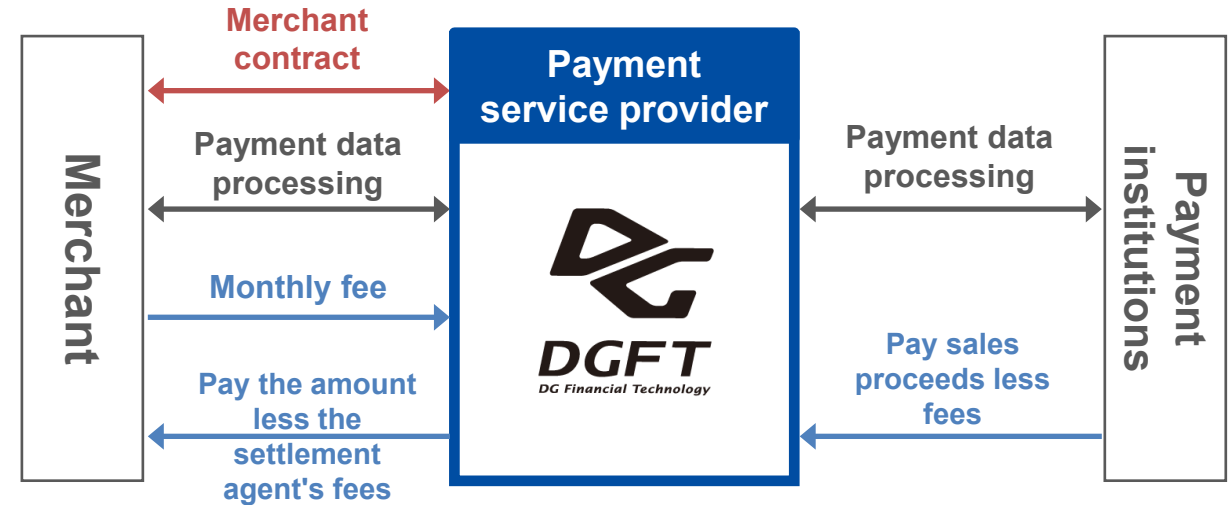
A service that acts as an intermediary between e-commerce site operators and offline merchants and payment service providers such as credit card companies and convenience stores, enabling the introduction of a number of payment methods, including credit card payments, through a single contract and system.



Storage agency type (Representative contract)

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

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

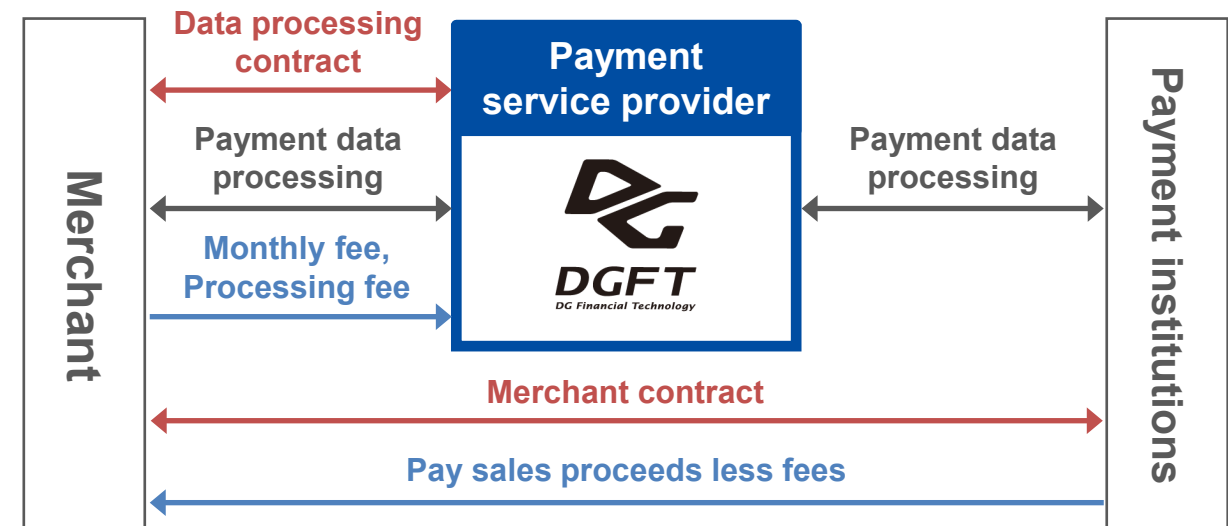


Payment data processing type (Direct contract)

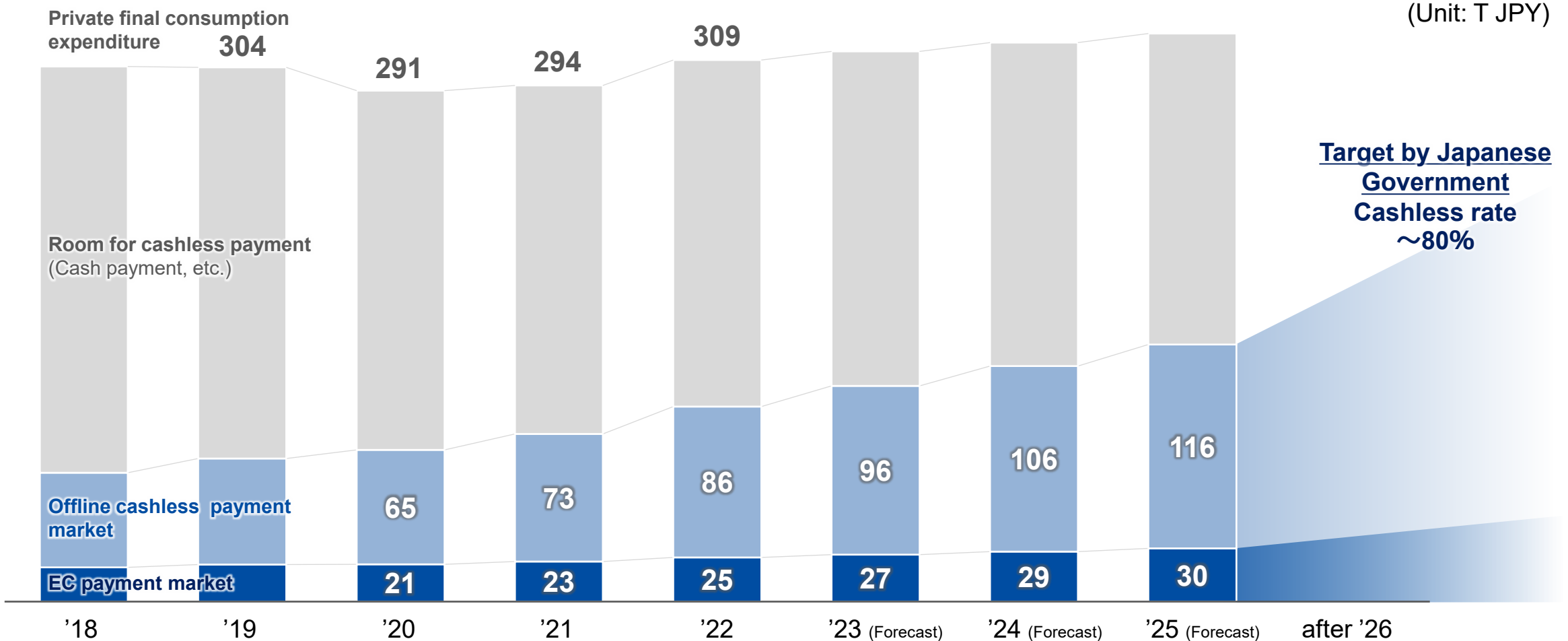
Based on the merchant agreements with credit card companies signed by the merchants, credit card payment processing is automated through the introduction of a payment system provided by PSP

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

→ Electronic message
→ Money



Cashless payment markets are expected to grow significantly in both online and offline.



Calculated by the Company with referent to the following materials as source of data.

“National Accounts 2022” by Cabinet Office/ “Status of Domestic Cashless Payment Markets and Forecast” by Yano Research Institute Ltd./ “Cashless Roadmap 2023” by METI

“e-commerce Market Survey 2022” by METI / Deloitte Tohmatsu Consulting LLC / MIC Research Institute “Current Status and Future Prospect for Internet Payment Service Providers in EC”

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	1.06845 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 (Business Performance '23/1 – '23/12)

Payment Transaction Volume (JPY)			Number of Payment Transactions		
Yearly Total 6.0T	Offline 1.7T	Online 4.3T	Yearly Total 1,127M	Offline 500M	Online 628M
Number of Merchants (as of Dec. 2023)			Status of Systems (FYE Dec. 2023)		
FYE Dec. '23 1,052K	Offline 931K	Online 121K	System Uptime 99.99%	Number of available Payment methods over 40	# of partnered Financial Institutions over 1,000

Major Subsidiaries and Affiliates

 Marketing tools for e-commerce Shareholder DGFT: 100%	 Fraud detection solutions for Payment Shareholder DGFT: 100%	 India-based tech support & engineering service Shareholder DGFT: 100%	 Multi-payment and mileage program provider Shareholder ANA: 51% DGFT: 49%	 Multi-payment solution for POS Shareholder Toshiba Tec: 51% DGFT: 49%	 BNLP payment solutions Shareholder Nissen: 51% DGFT: 49%
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Establishment of comprehensive structure for marketing, e-commerce site development, and payment
 Shareholders DGFT: 60% / System Integrator Corp.: 40%

- Handle over 40 major payment methods, ranging from credit cards to convenient-store payments
- Address the needs of clients with payment products designed for different industries and use cases

Payment Methods

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

Major Payment Products

<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 funerals</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

Overview of DGFT Payment System

Operation Overview

1 Active-Active Configuration

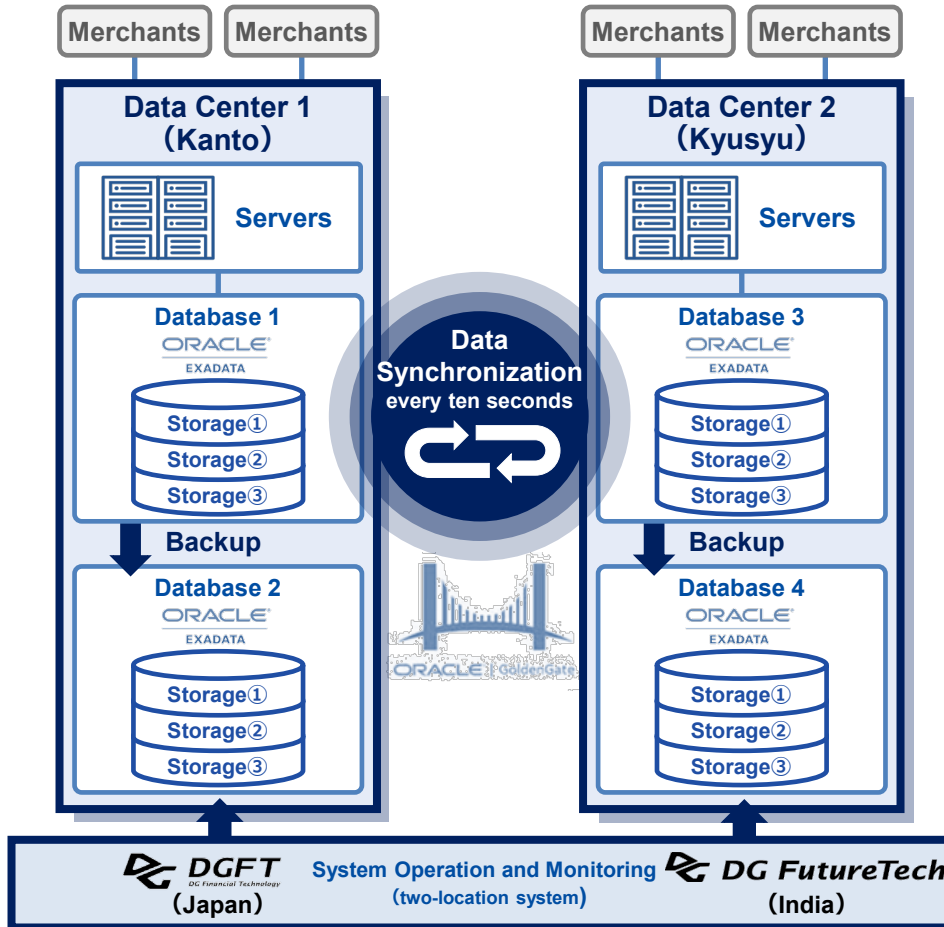
- 2 data centers with equivalent capabilities in different locations
- Over 800km distance between the 2 data centers increases tolerance to natural disaster and BCP

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



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%)

- 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

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



Capital and Business Alliance

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



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 1.4% of DG shares)

JV Partners



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



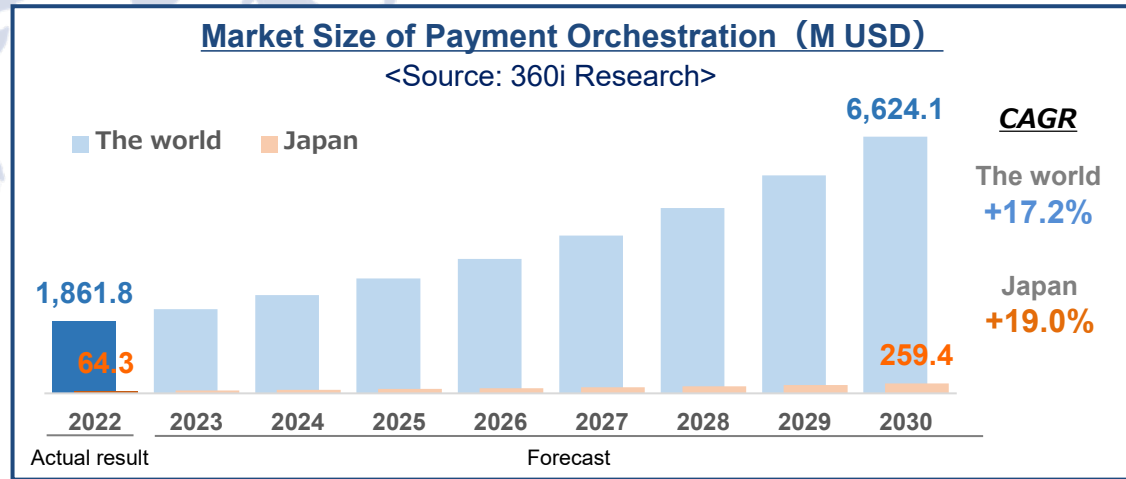
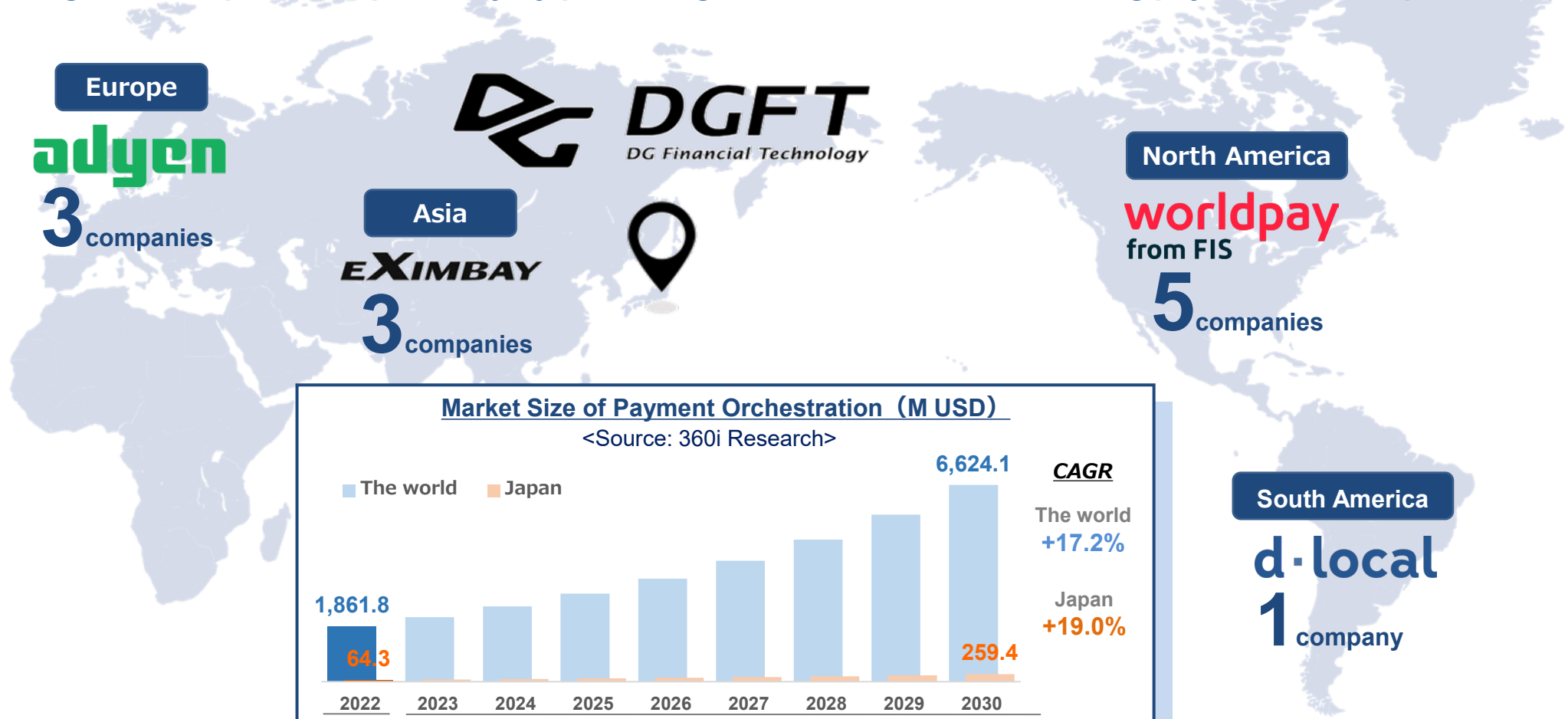
Business Partner

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

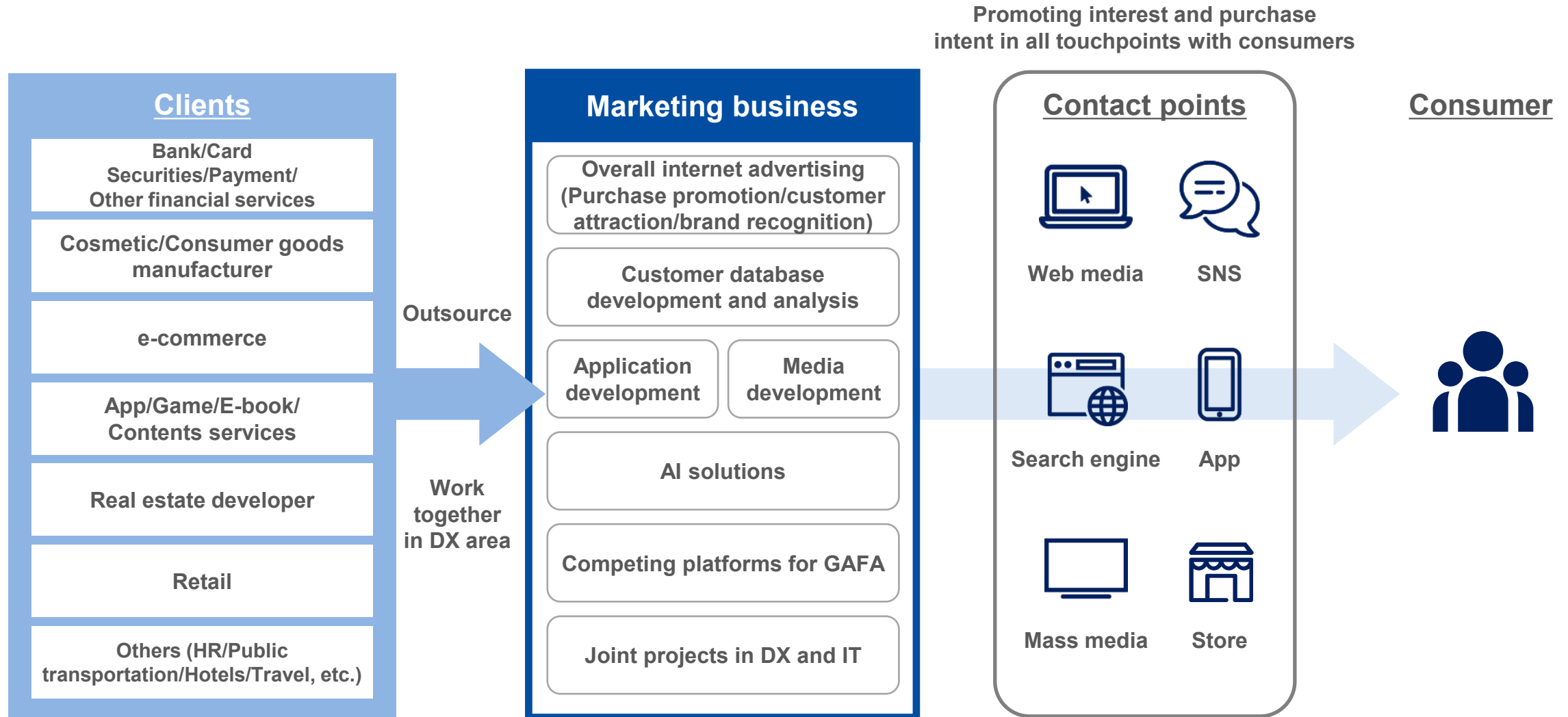
Business Partners

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

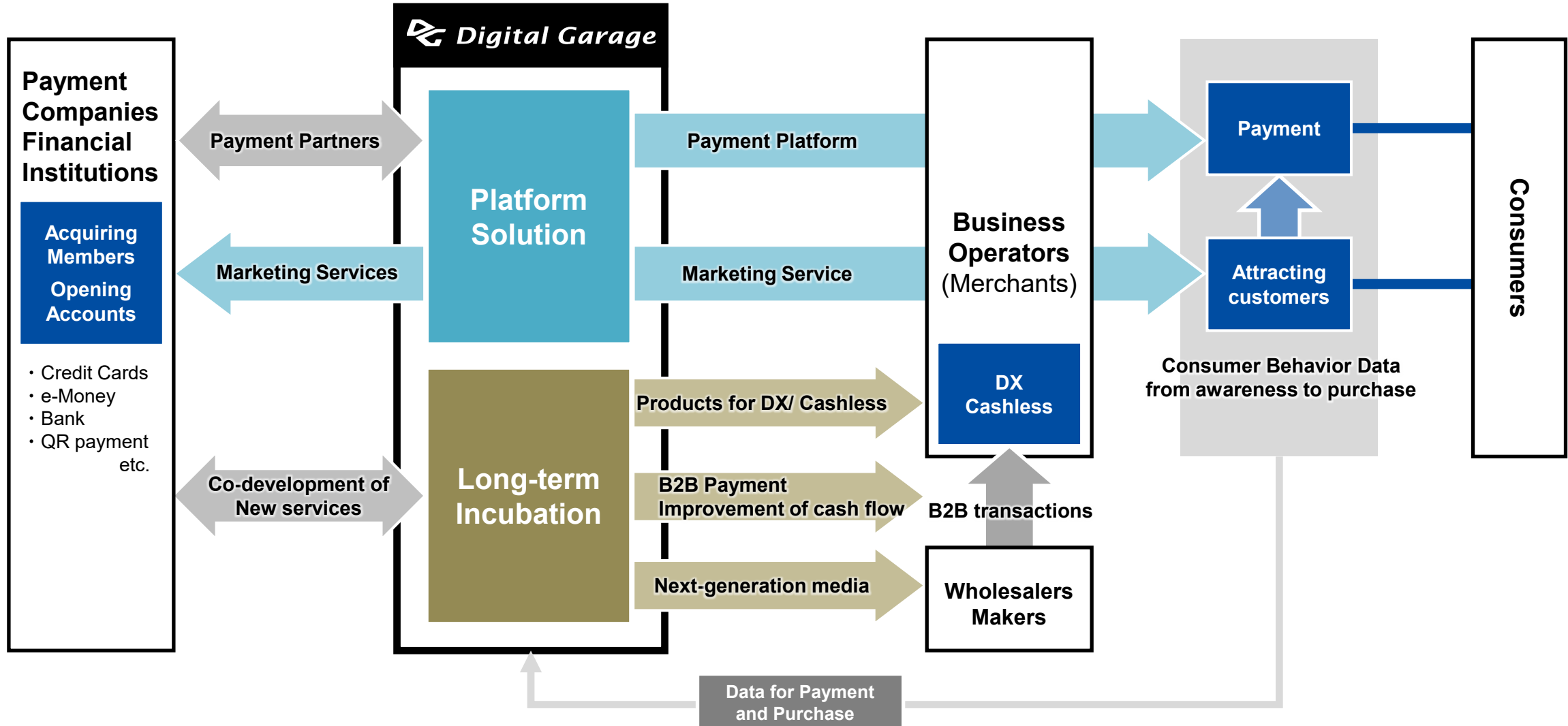
Support global companies' Japan entry by partnering with the world's **12** leading payment service providers(PSPs)



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



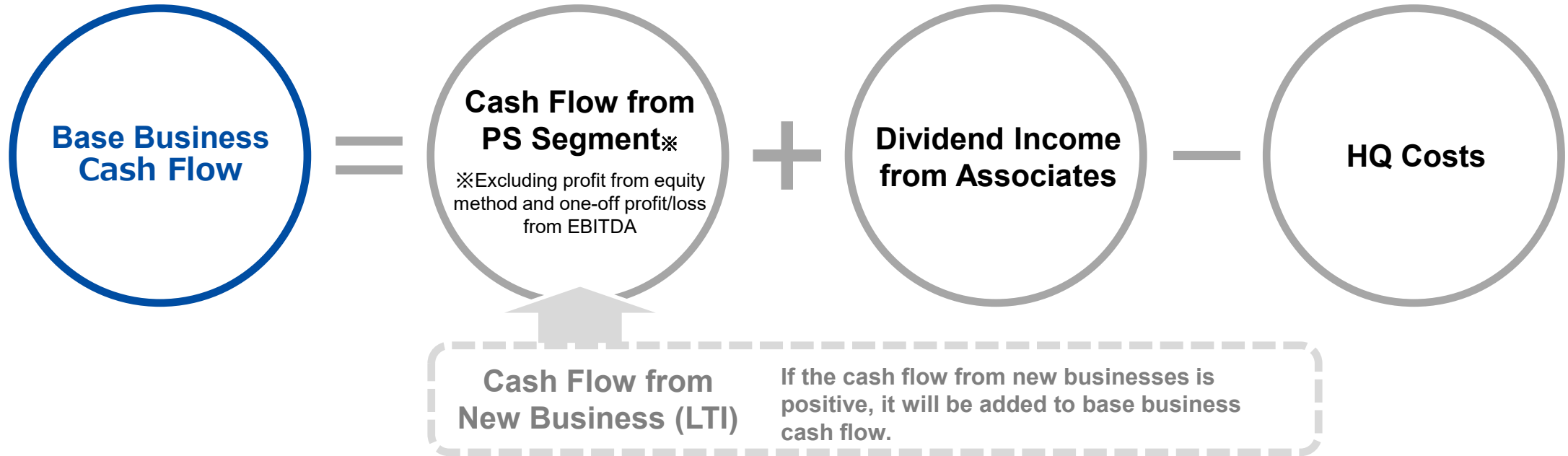
- Establish the platform to continuously generate stable profits from payment business
- Aim to generate multi-layered profit opportunities from the existing businesses as well as DX, Fintech, and next-generation media, etc.



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

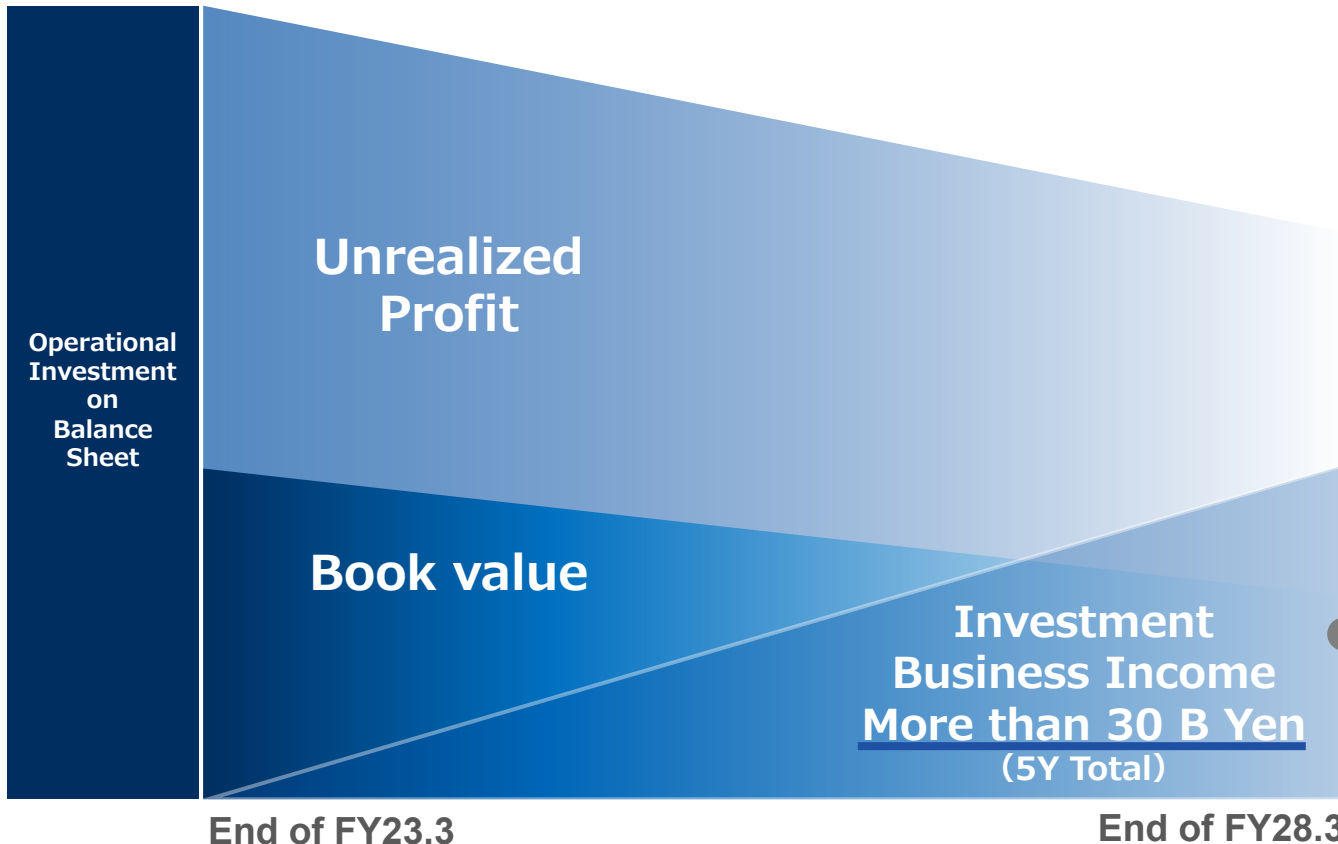
Investment in Startups – Up to 30% of investment business income

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

- Sell shares in which the Company has direct investments and earn investment EXIT income (proceeds from sales, etc.)
- Invest in new opportunities selectively. For investments aiming for financial returns, invest from managed funds. Investments on the balance sheet is planned to decrease.
- Clarify use of funds for investment EXIT income. Decide strategically on investment in business growth opportunities and additional shareholder returns.

5Y Picture of Direct Investment and Income from Sales

70 B JPY

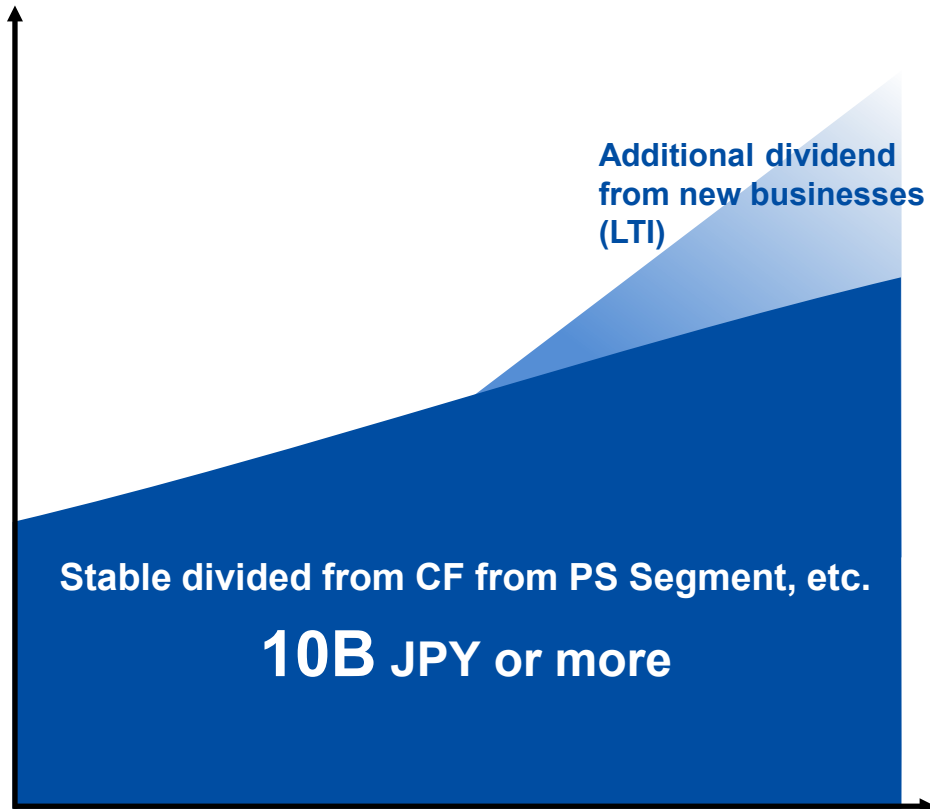


Usage of Investment EXIT Cash Flow



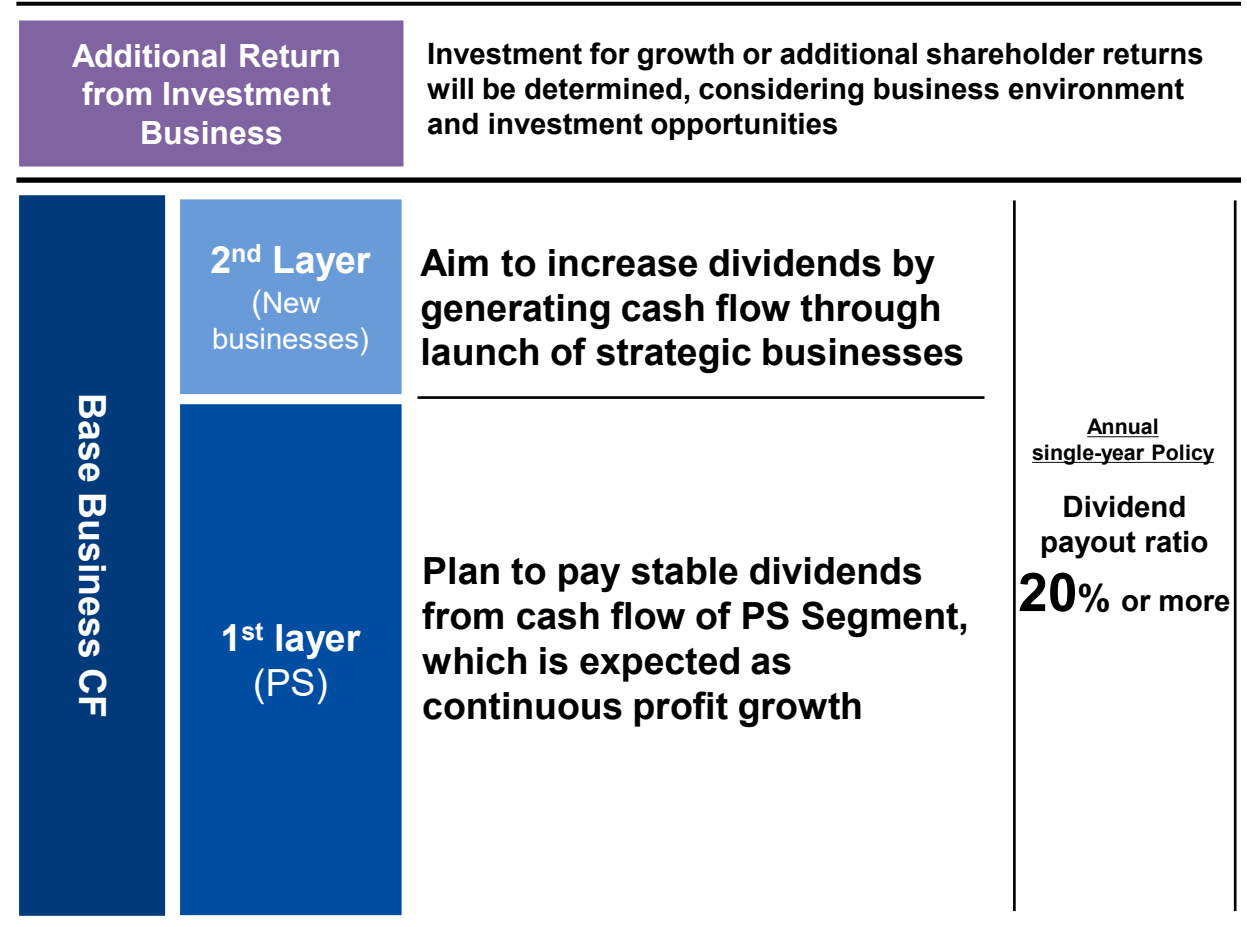
- Dividend Policy: Aim for additional dividend distribution from new businesses in addition to stable dividend from PS cash flow
- Additional shareholder returns (special dividends•acquisition of treasury stock, etc.) from investment business CF will be considered positively

Shareholder Return based on Base Business CF



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

Shareholder Return Policy



 ***Digital Garage Group***

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