

# Digital Garage, Inc.

2Q of FYE March 31, 2023 Financial Report



<2020-2025 Mid-term Plan> **Designing our New Normal Context**



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




***New Context Designer DG***





## Introduction/CEO message

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In our announcement last quarter, we put together a “Strategy Overview” of our  **FINTECH SHIFT** strategy we announced last year. It was an attempt to reflect a more strategic and cross-segmental perspective of the business from a medium-term view.

DG continues to follow the concept of Ambidexterity which has two aspects, “defense, deepening existing businesses” and “offense, creating new businesses.” We will follow this with our First Penguin Spirit.

In our announcement this quarter, our business has been progressing well despite of an unexpected impact on our investment business caused by the global economic situation. We will also explain the progress of our strategy including a new business launch and a strategic partnership.

In addition, we will outline the initiatives aiming for non-linear growth arising from web3 opportunities, and ESG.

# Investment Highlights







## Financial Performance

Consolidated revenue and profit before tax decreased due to the absence of fair value gain/loss of Blockstream, one of our portfolio companies. **Consolidated profit before tax : - 6.6 B JPY (YoY -34.1 B JPY)**

**Profit before tax** excluding gains/losses on investments grew steadily to **2.3 B JPY (+33.4% YoY)**

## Topics

- ✓ **Launched a B2B payment service together with JCB** as the first step of the Fintech Financial business in the DG FinTech Shift strategy. Aiming to expand revenues from Fintech Financial business starting with this business.
- ✓ Formed a capital and business alliance with **Resona Holdings, which has a strong SMB customer base.**
- ✓ Expand B2B business by leveraging the assets of both companies.
- ✓ **Share repurchase limit of up to 5 B JPY** (from 2022/11/14 to 2023/4/30)

※SMB: Small and Medium-sized businesses

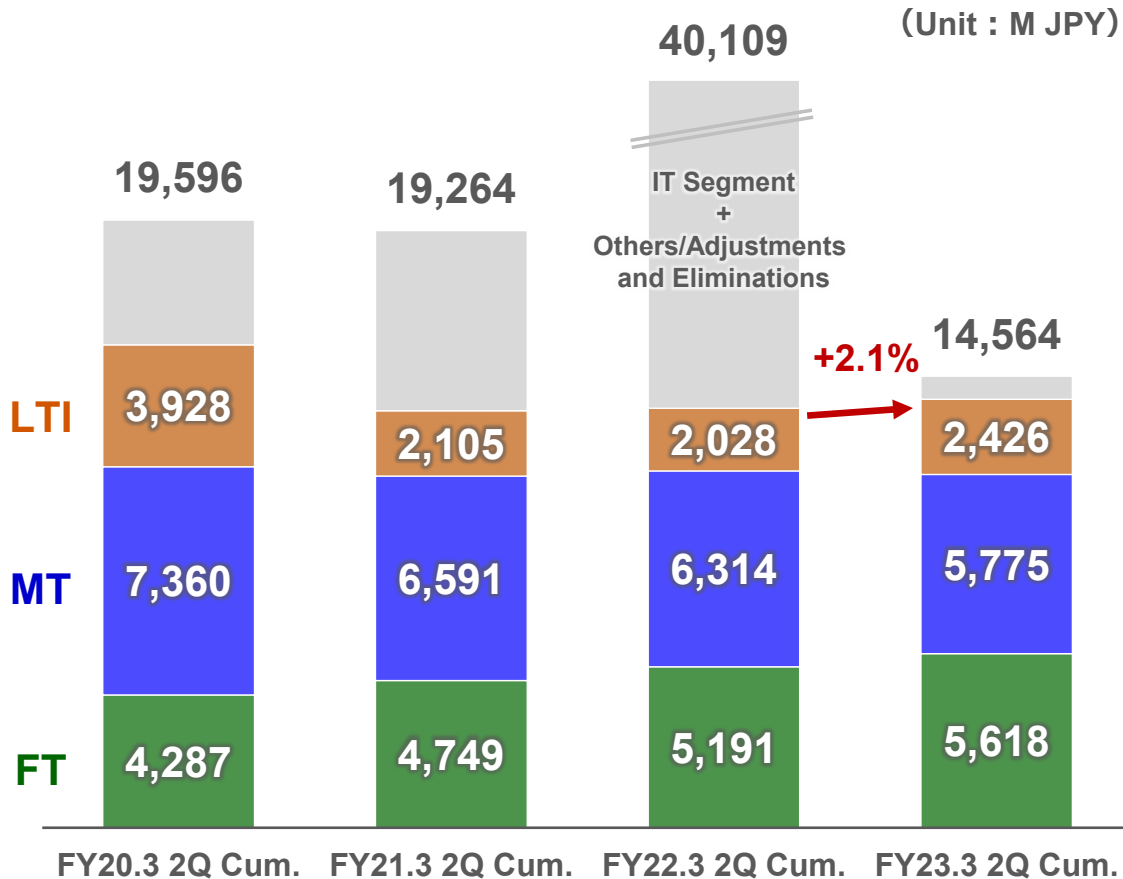


# Highlight 1 (Consolidated Revenue, Consolidated Profit before tax)

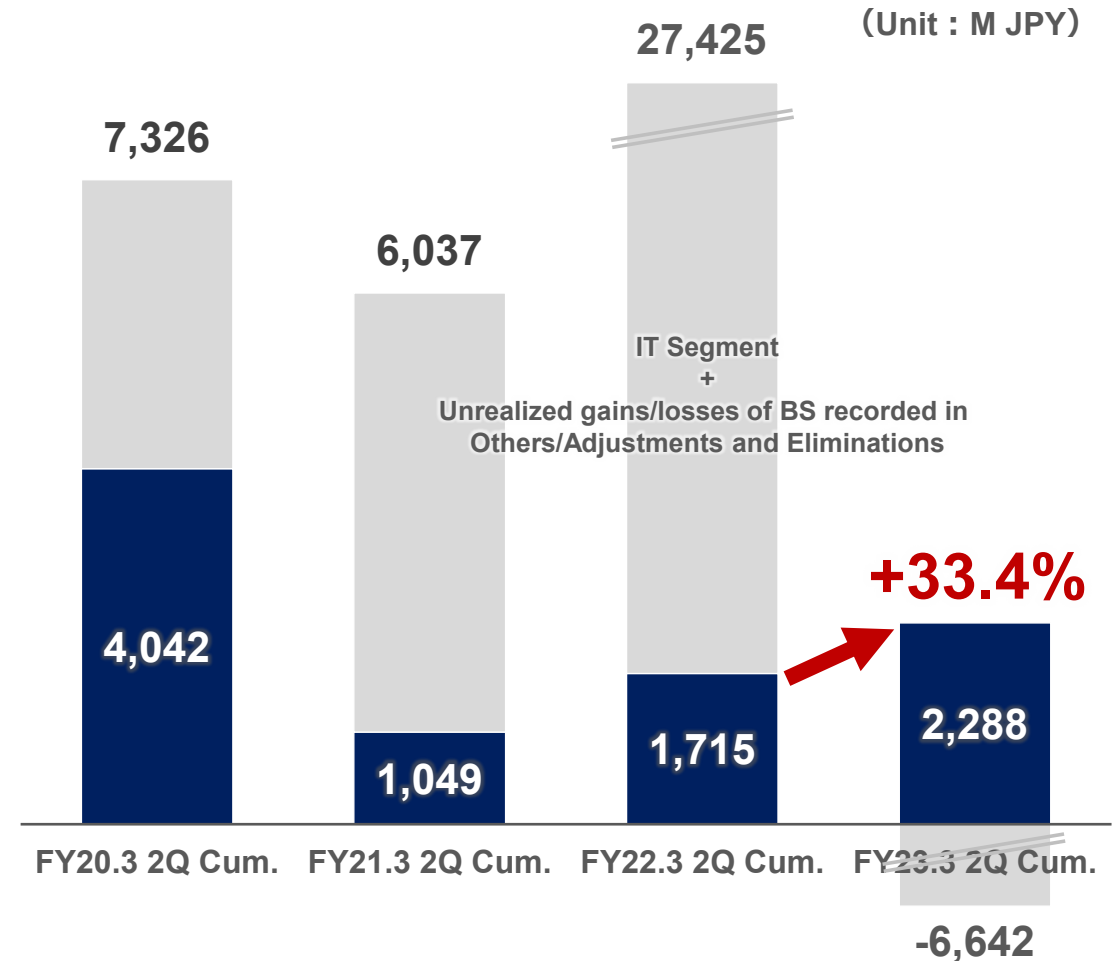


- FT/MT/LTI performed steadily. Profit before tax excluding gain/loss from investment grew by 33.4%.
- The reactionary decline in fair value gains/losses of investee company Blockstream affected Consolidated profit before tax.

## Consolidated Revenue



## Consolidated Profit before tax





## ◆ Highlight 2 (Profit before tax by Segment)



- FT and MT are on track for full-year growth, with 2Q (Jul. – Sep.) profit up 16.8% and 48.8% YoY, respectively.
- IT decreased profit due to the absence of gain/loss on valuation of portfolio companies. LTI increased profit by 19.9% YoY thanks to the recovery of Kakaku.com.

(M JPY)	FY 22.3 2Q Cum.	FY 23.3 2Q Cum.	YoY Increase/Decrease	YoY % Change	Remarks
Profit before tax	27,425	-6,642	-34,067	-124.2%	Business segments other than investment grew steadily, although profit before tax decreased significantly due to the absence of valuation gains/losses of Blockstream.
FT	2,228	2,430	+202	+9.1%	Profit before tax <b>increased by 16.8%</b> in 2Q (Jul. – Sep.) YoY with growth in transaction volume in both non-face-to-face and face-to-face areas.
MT	431	372	-58	-13.5%	Profit before tax <b>increased by 48.8%</b> in 2Q (Jul. – Sep.) YoY and progressed steadily toward the full fiscal year, although there was a reactionary decline from the real estate projects recorded in FY22.3 1Q.
IT	15,522	-963	-16,485	-106.2%	Profit before tax decreased due to the significant impact of the reactionary decline in fair value gains/losses of Blockstream.
LTI	1,078	1,293	+215	+19.9%	Profit before tax <b>increased by 19.9%</b> as Kakaku.com's performance recovered as demand for food services began to recover.
Others/Adjustments and Eliminations	8,166	-9,774	-17,940	-219.7%	Recorded valuation gains /losses on Blockstream securities held directly by the Company.

※ Musubell business was reclassified from MT to LTI Segment from FY23.3. Results for the same period of the previous fiscal year were retroactively revised to reflect the change.



## ◆ Highlight 3 (KPI)



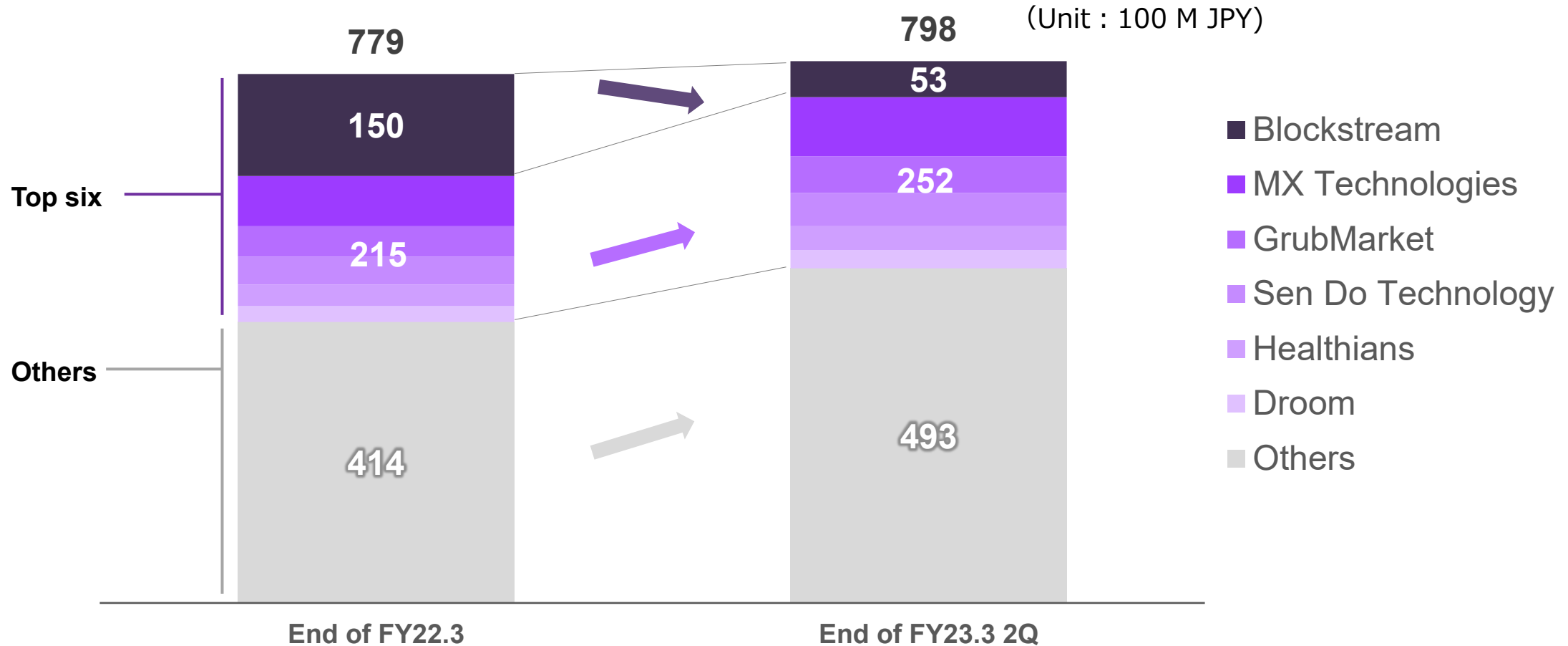
- Strategic alliances with various companies in the area of a face-to-face settlement worked successfully, resulting in continued growth of settlement transaction volume.
- Investment profit on equity method from Kakaku.com, Inc. increased as the restaurant industry recovered. Digital ads are steady, especially in the financial domain.

Segment	KPI	Unit	FY 22.3 2Q Cum.	FY 23.3 2Q Cum.	YoY Increase/Decrease	YoY % Change
	<b>Transaction Volume</b>	100 M JPY	<b>20,630</b>	<b>24,792</b>	<b>+4,161</b>	<b>+20.2%</b>
<b>FT</b>	<b>Non-face-to-face</b>	100 M JPY	<b>16,451</b>	<b>18,767</b>	<b>+2,316</b>	<b>+14.1%</b>
	<b>Face-to-face</b>	100 M JPY	<b>4,179</b>	<b>6,025</b>	<b>+1,846</b>	<b>+44.2%</b>
<b>MT</b>	<b>Digital Ads Volume</b>	M JPY	<b>15,744</b>	<b>15,480</b>	<b>-263</b>	<b>-1.7%</b>
	<b>Financial</b>	M JPY	<b>9,130</b>	<b>9,351</b>	<b>+221</b>	<b>+2.4%</b>
	<b>Investment Value</b>	M JPY	<b>61,493</b>	<b>79,769</b>	<b>+18,276</b>	<b>-</b>
<b>IT</b>	<b>Amount Sold</b>	M JPY	<b>3,235</b>	<b>642</b>	<b>-2,593</b>	<b>-</b>
	<b>Amount Invested</b>	M JPY	<b>4,332</b>	<b>1,607</b>	<b>-2,725</b>	<b>-</b>
<b>LTI</b>	<b>Investment profit on equity method from Kakaku.com</b>	M JPY	<b>1,169</b>	<b>1,665</b>	<b>+496</b>	<b>+42.4%</b>



- The fair value increased from end of FY22.3 despite a write-down of Blockstream in FY23.3 2Q.
- Risks are diversified as the fair value ratio of the top six companies in the overall portfolio decreased.
- Except Blockstream, more portfolio companies increased than decreased in both value and number of companies.

## Trends in Fair value of IT Segment investees



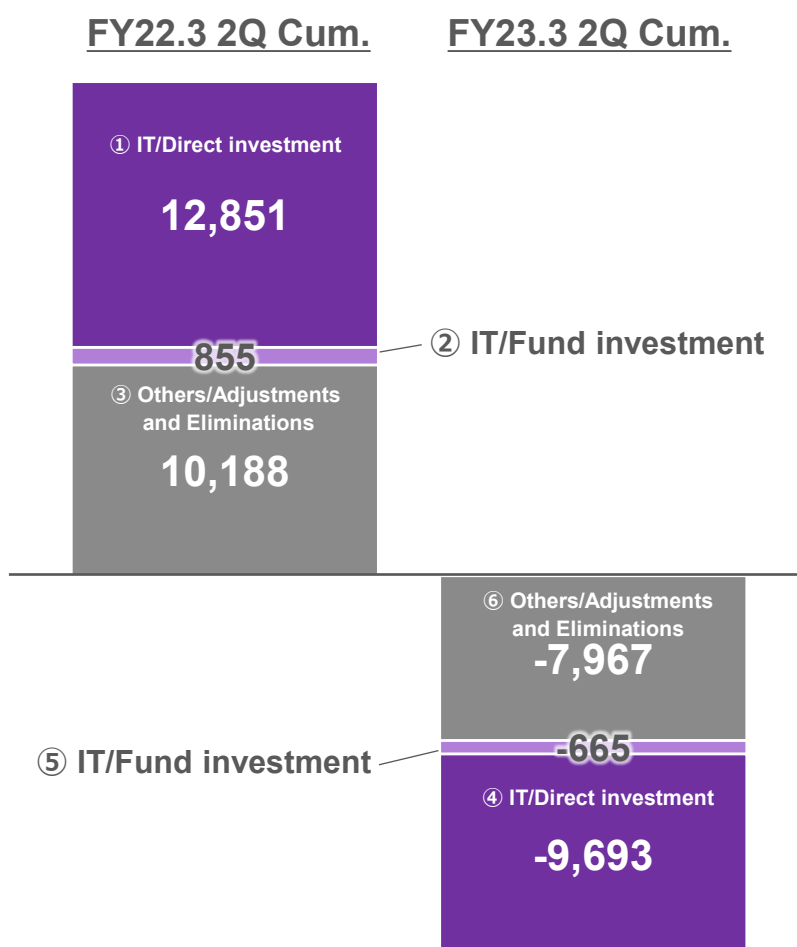




- Recorded in IT Segment or Others/Adjustments and Eliminations depending on which entity invested in Blockstream.
- DG Group saw a reactionary decrease of 42,218 M JPY on consolidated P&L from the previous fiscal year.

## PL impact of fair value valuation of Blockstream

(Unit : M JPY)



	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY
<b>Revenue</b>	<b>23,893</b>	<b>-10,358</b>	<b>-34,251</b>
Revenue in recurring business	① 12,851	④ -9,693	-22,544
Share of profit of investments accounted for using equity method	② 855	⑤ -665	-1,519
Finance income	③ 10,188	-	-10,188
<b>Expenses</b>	<b>-</b>	<b>7,967</b>	<b>+7,967</b>
Finance costs	-	⑥ 7,967	+7,967
<b>Profit before tax</b>	<b>23,893</b>	<b>-18,325</b>	<b>-42,218</b>

IT/Direct investment (①④) : Investment from **DG Ventures, Inc.**, a consolidated sub  
 IT/Fund investment (②⑤) : Investment from **DG Lab Fund I**, an equity method affiliate  
 Others/Adj. & Elimi. (③⑥) : Investment from **Digital Garage, Inc.**



# Quarterly Revenue (Excluding IT Segment and Others/Adjustments and Eliminations)



- FT continues to grow with the expansion of the cashless payment market.
- In MT, digital ads, mainly in the financial sector, remain solid despite the impact of COVID and seasonality.
- LTI's restaurant-related businesses, including Kakaku.com's Tabelog, are recovering from the impact of COVID.

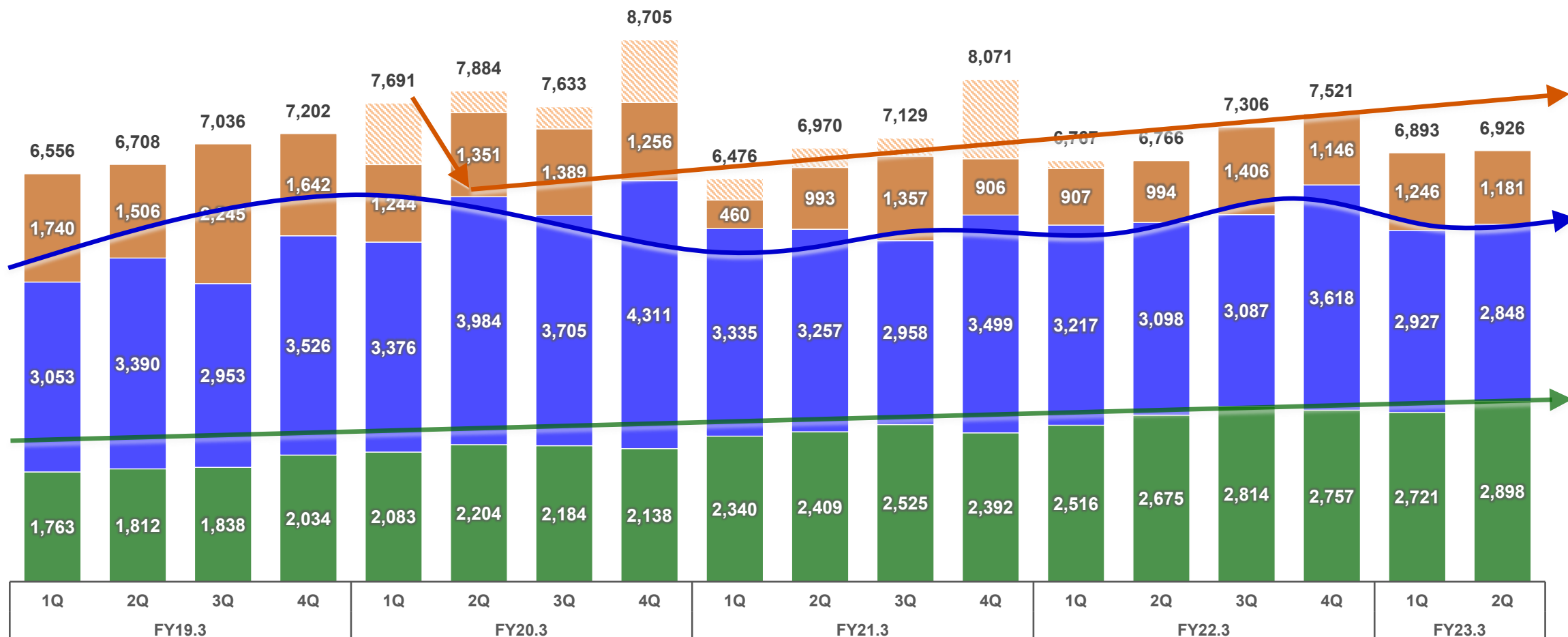
One-time & Discontinued operation(LTI)

LTI

MT

FT

(Unit : M JPY)

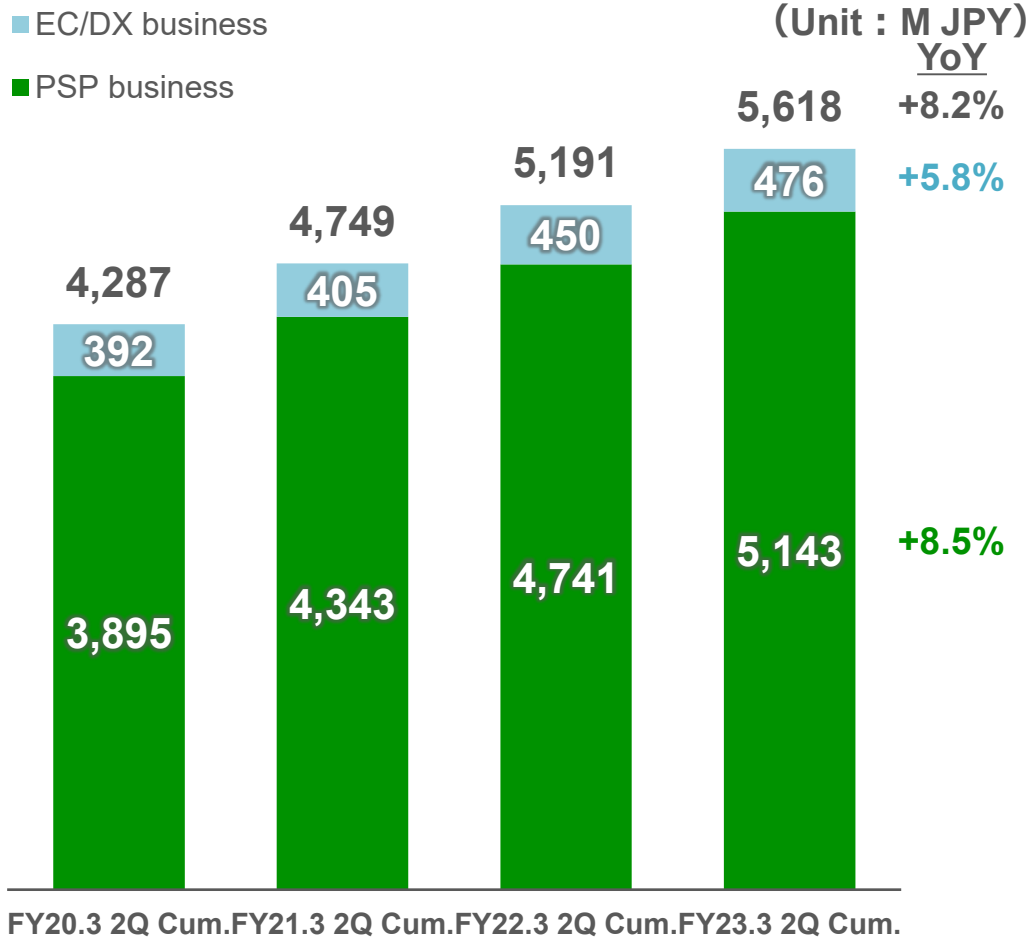




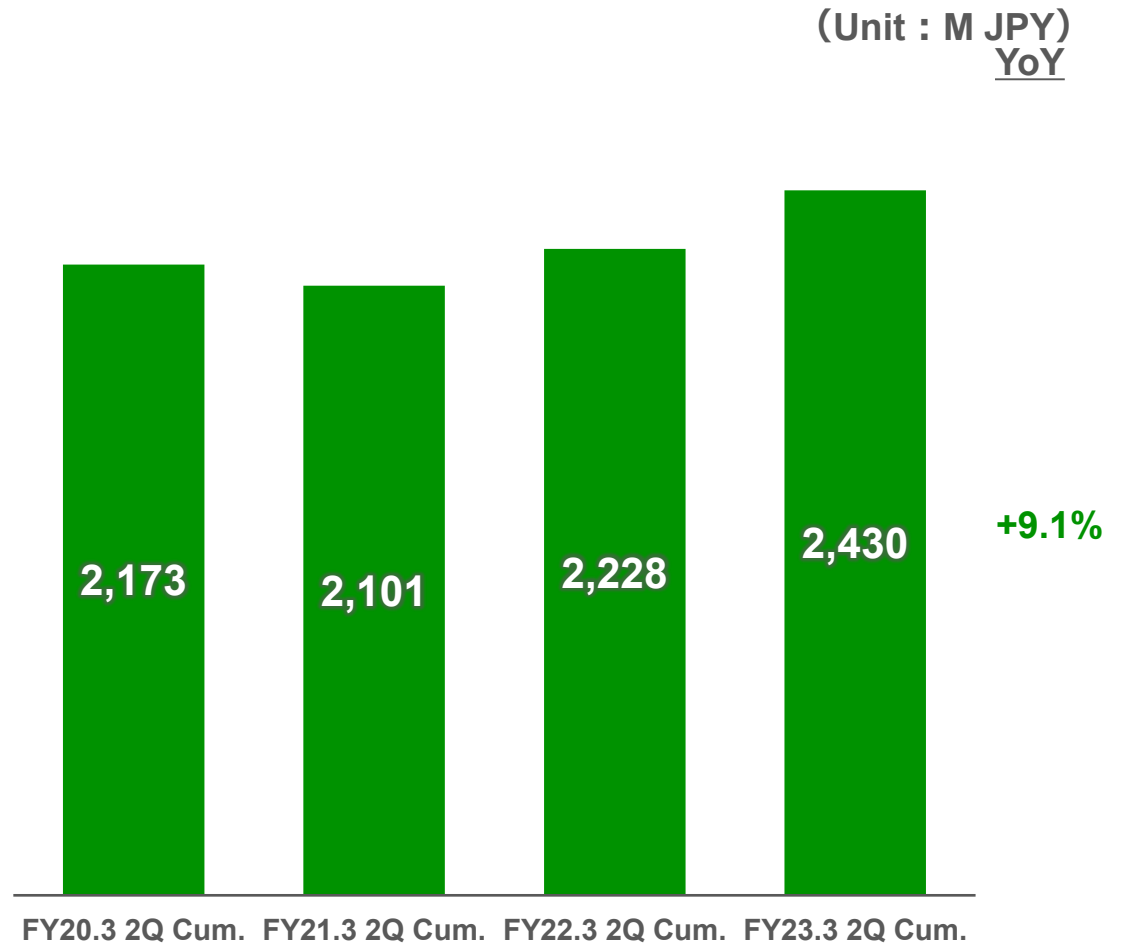


- Revenue and profit before tax continued to grow with 8.2% YoY increase in revenue and 9.1% YoY increase in profit before tax.
- Business performance remained strong with growth in transaction volume in both non-face-to-face and face-to-face areas.

### Segment Revenue



### Segment Profit before tax



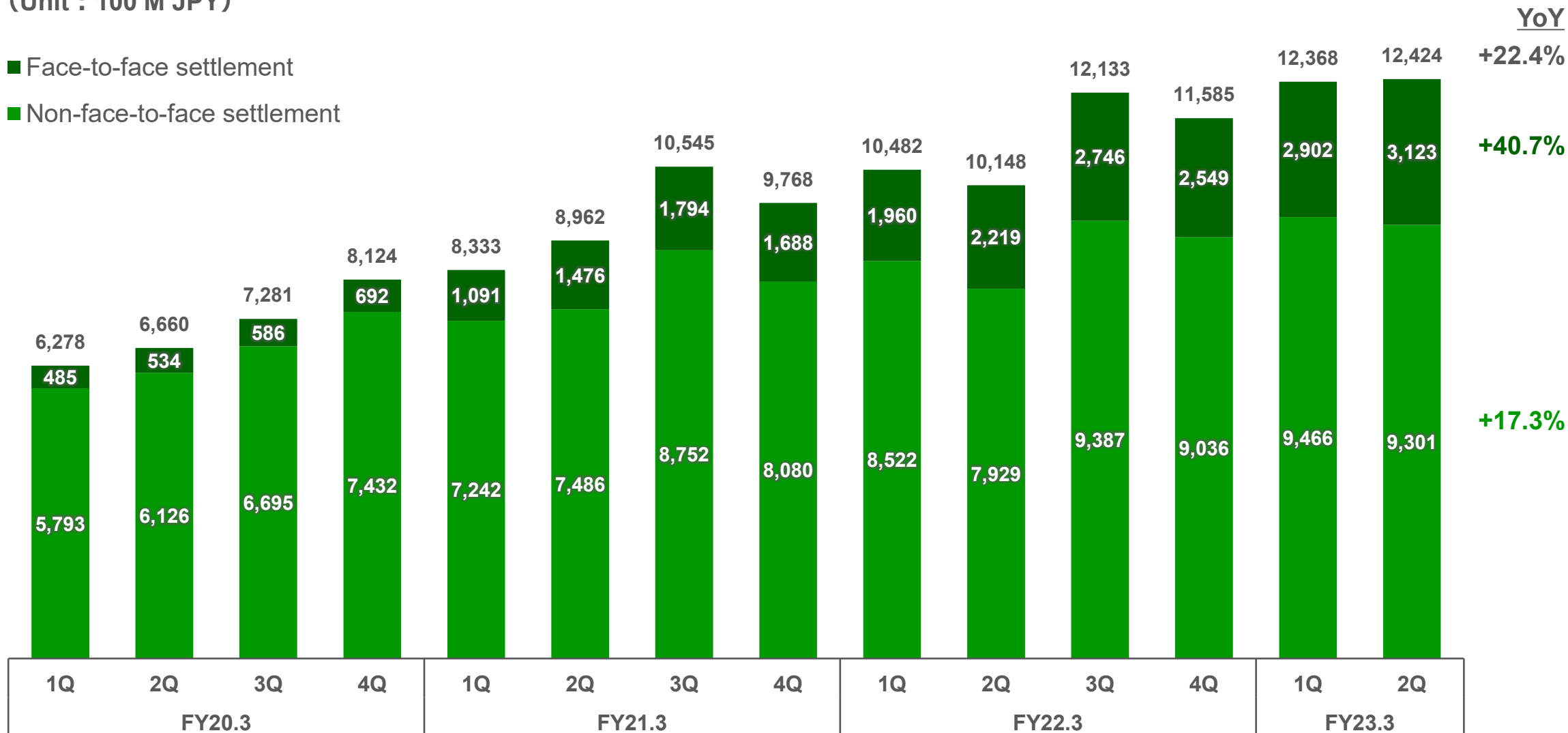


- Face-to-face settlement continues to grow at a high rate, and market penetration continues to expand steadily.
- Non-face-to-face settlement remains strong despite a rebound in Covid demand.

(Unit : 100 M JPY)

■ Face-to-face settlement

■ Non-face-to-face settlement



+17.3%

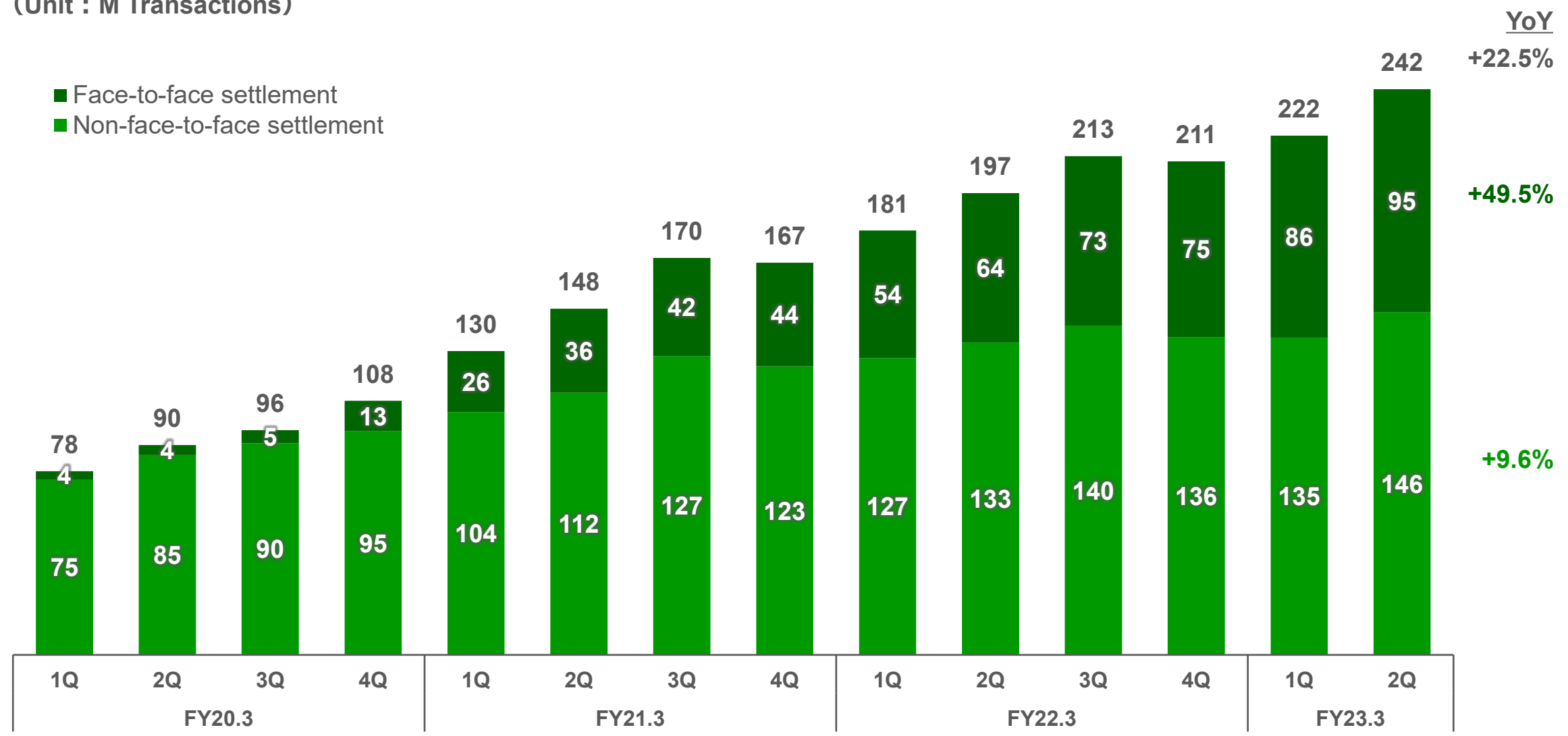




- The number of settlement transactions continued to grow by 22.5% YoY.
- Data volume of settlement transactions continued to grow, expanding Fintech Financial business base.

(Unit : M Transactions)

- Face-to-face settlement
- Non-face-to-face settlement

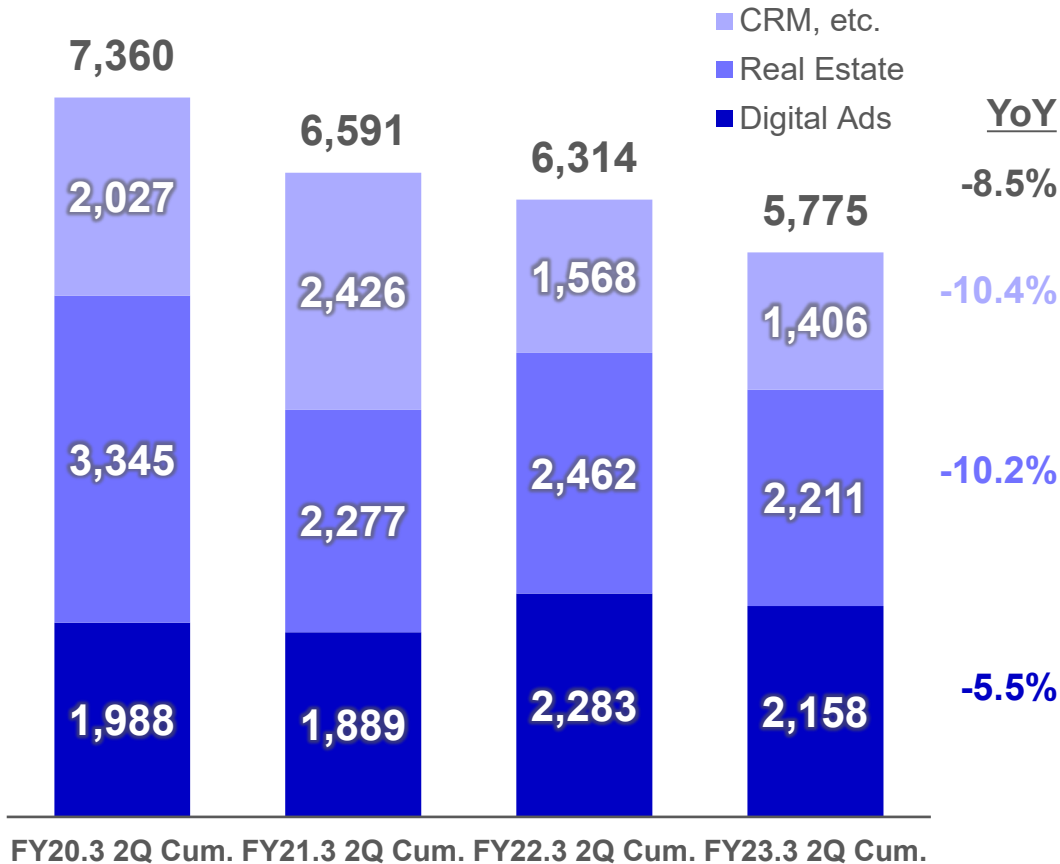




- Although there was a reactionary decline from the large-scale projects recorded in the real estate advertising domain in FY22.3 1Q, the digital advertising business performed solidly, especially in the financial domain, where we have strengths in the settlement business.

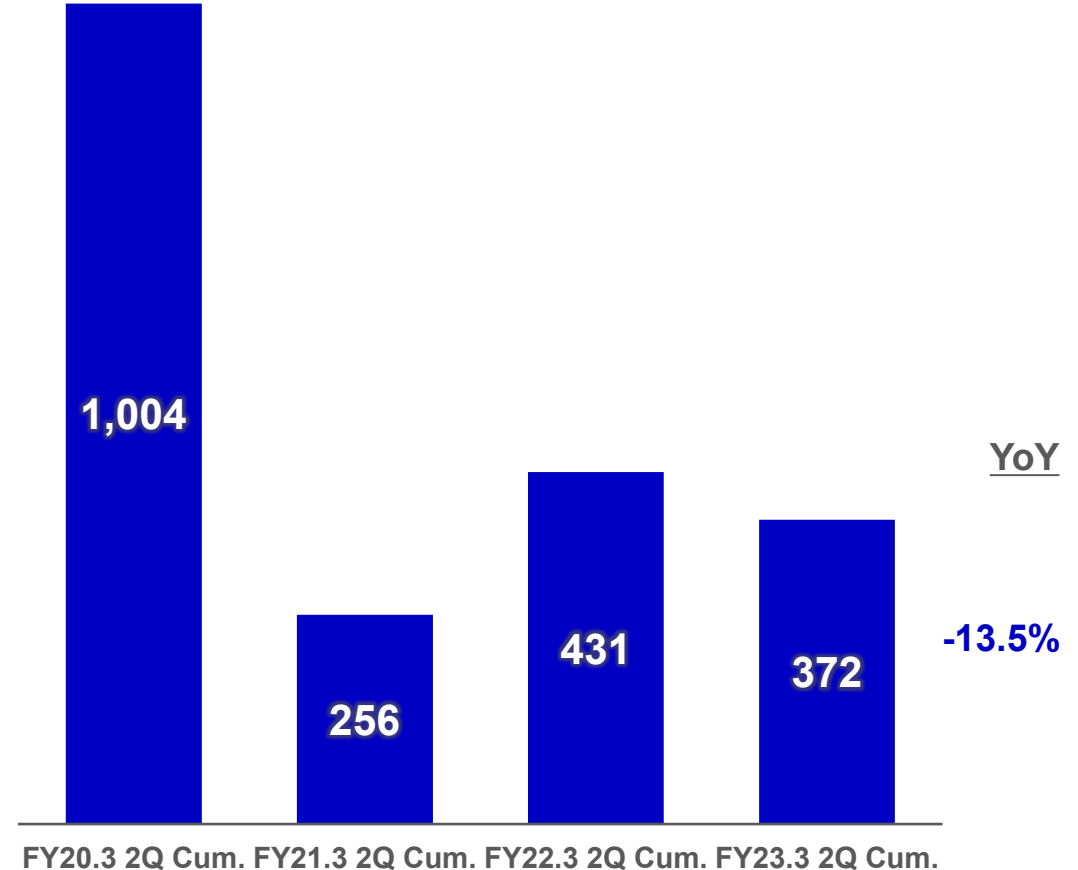
### Segment Revenue

(Unit : M JPY)



### Segment Profit before tax

(Unit : M JPY)



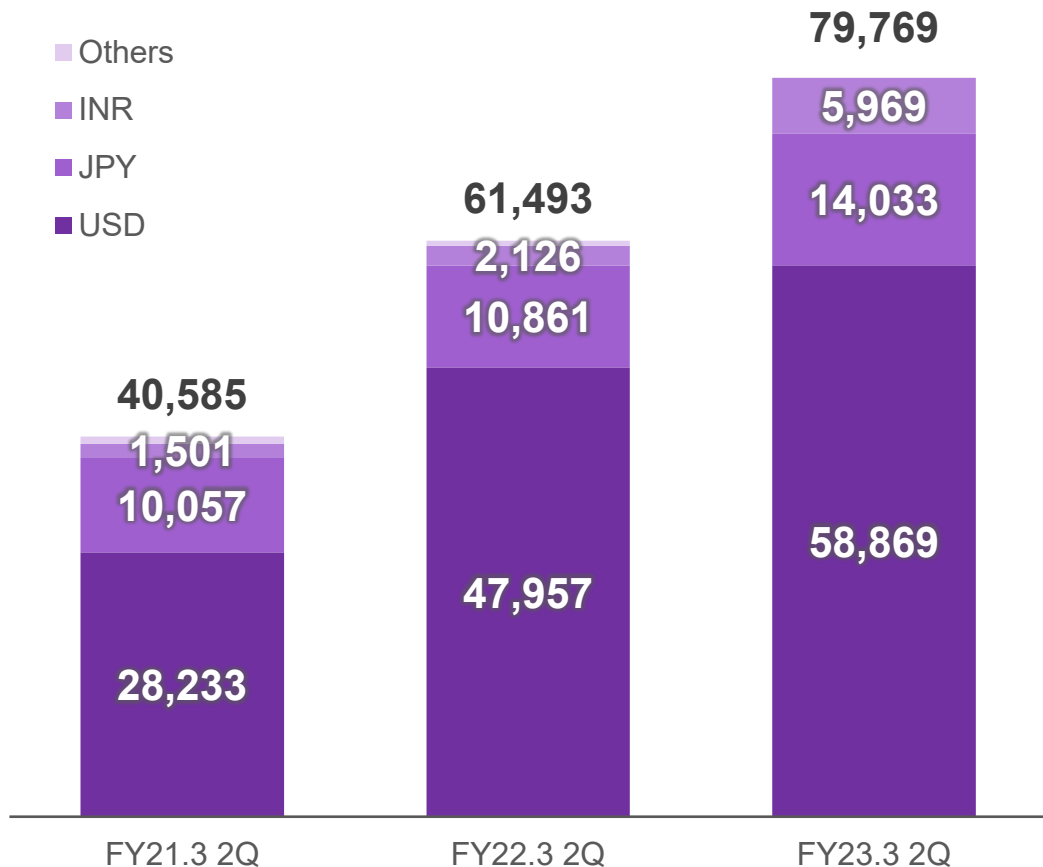


- Despite the write-down of Blockstream's fair value, the fair value at the end of September was 79.8 B JPY (+2.3% vs. the end of FY22.3) due to the impact of the strong dollar.

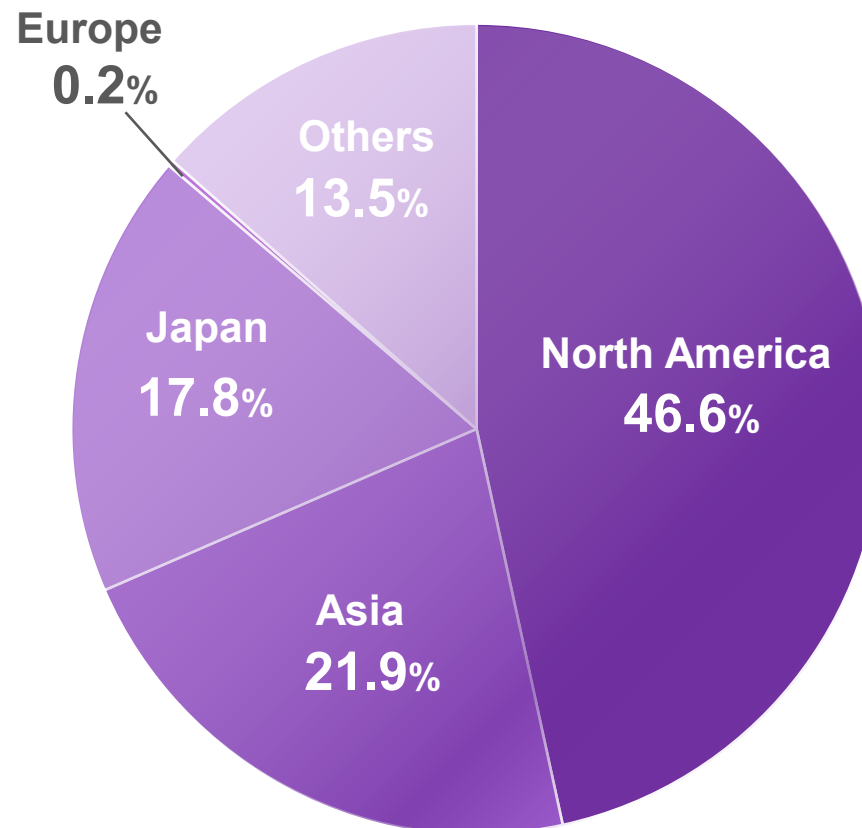
Balance of Operational investment securities  
(Breakdown by Currency)

(Unit : M JPY)

- Others
- INR
- JPY
- USD



Portfolio by Region



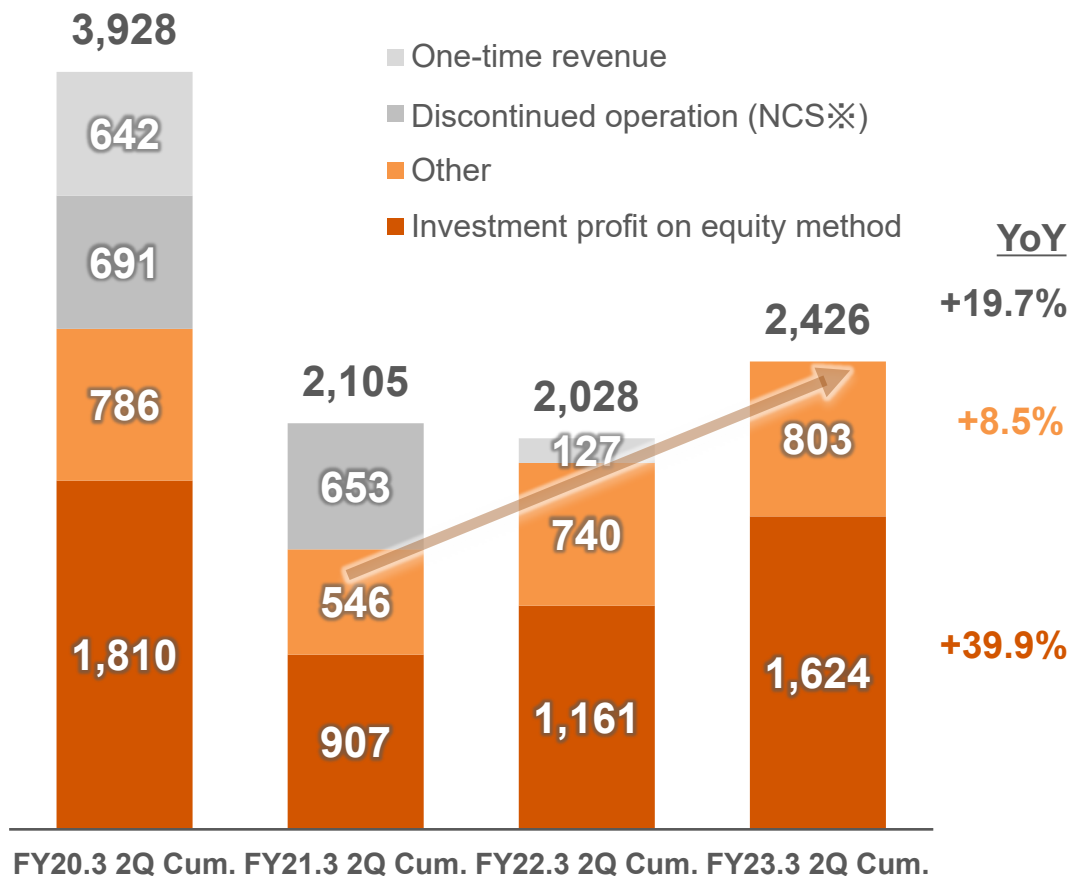




- Performance recovered mainly in Kakaku.com’s Tabelog business as demand for eating out began to recover.
- Core revenue, excluding one-time factors and discontinued operations, has recovered to the pre-Covid level.

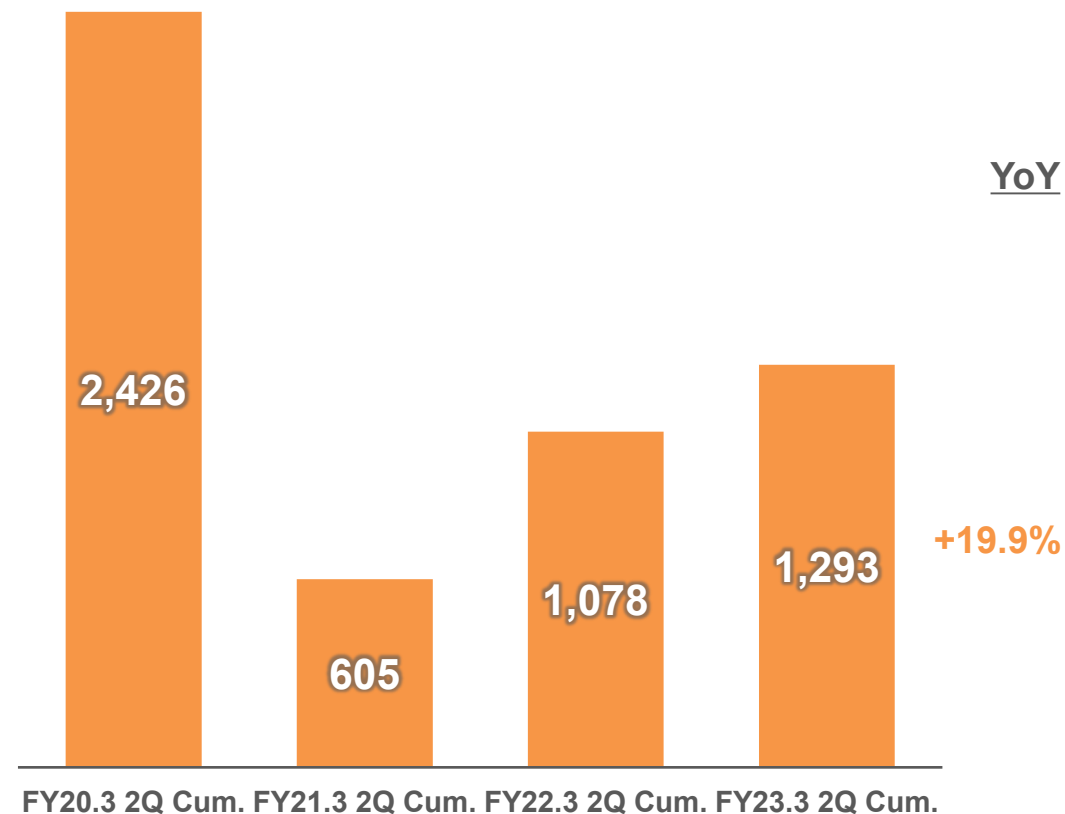
Segment Revenue

(Unit : M JPY)



Segment Profit before tax

(Unit : M JPY)



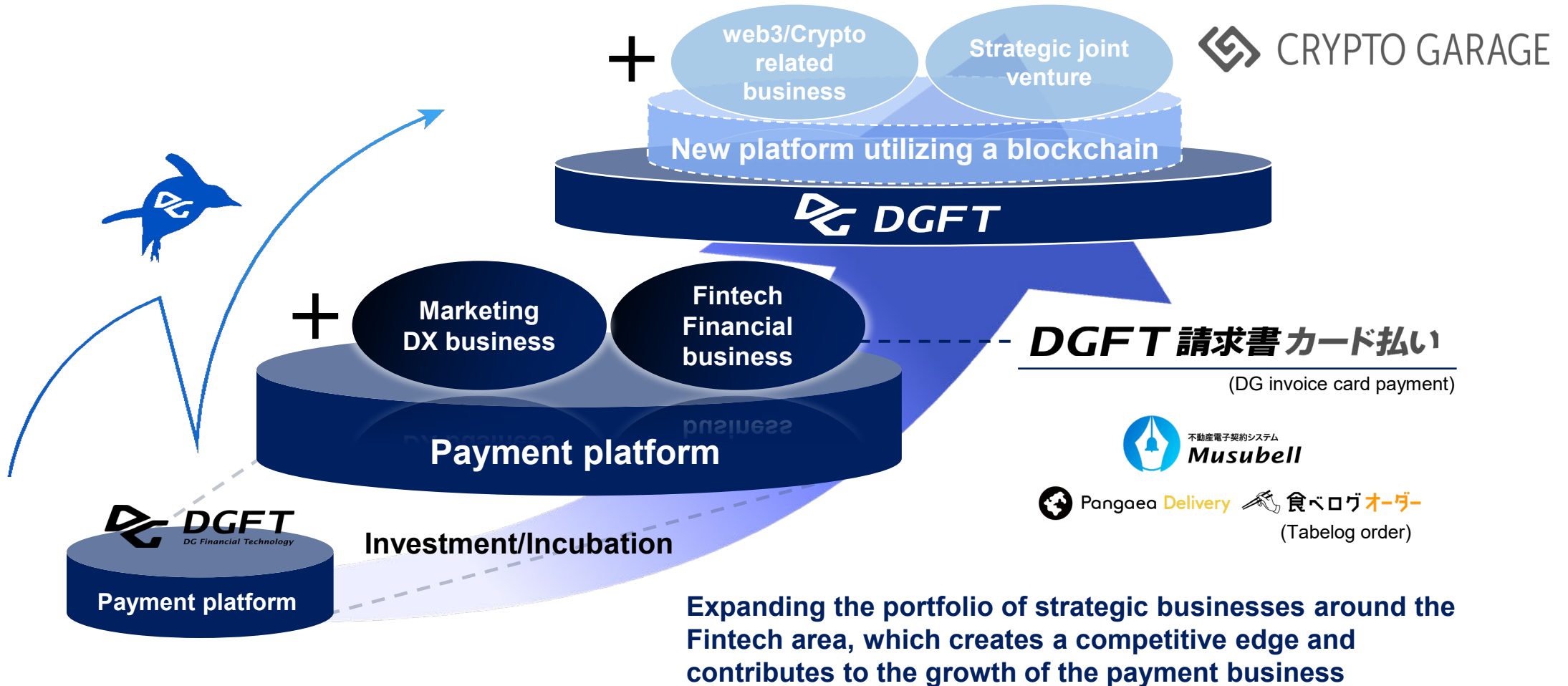
※ Transferred all operations of New Context Services, Inc. in FY21.3.

# DG FinTech Shift





- I Business expansion utilizing the payment platform/Driving DG FinTech Shift strategy for further growth**
- II Social implementation of next-generation technologies/Creating new businesses in areas that will emerge non-linearly from technologies such as blockchain**





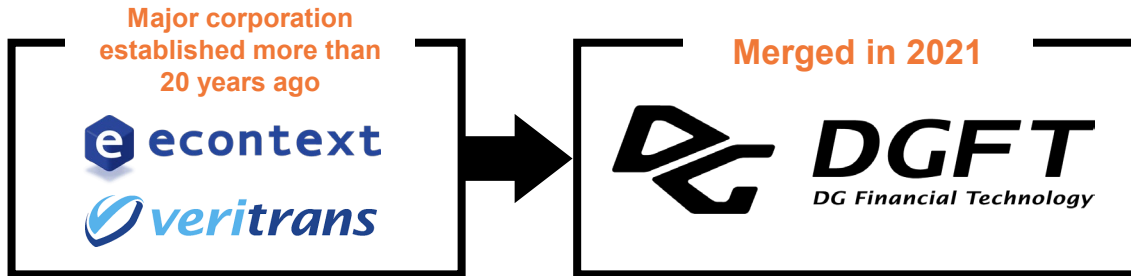
DG FinTech Shift



# Business Expansion Utilizing The Payment Platform



- Streamlining the system infrastructure by integrating two PSP companies in Feb 2021
- Promoting initiatives such as strategic alliances and new business development



The investment costs for the integration of the system infrastructure of the two PSP companies has been settling down

## ■ Proactive strategic alliances with leading companies in the respective industries



Building a consortium of a vast network of merchants through alliances



Developing strategic alliances actively amidst entrance of foreign competitors and restructuring within the industry.



## ■ Entered offline payment market

Transaction volume for offline payment transactions achieved strong growth and the number of merchants has been increasing due to alliances with strategic partners who are successful in the offline payment market

## ■ Multi-layered revenue streams and the competitive edge

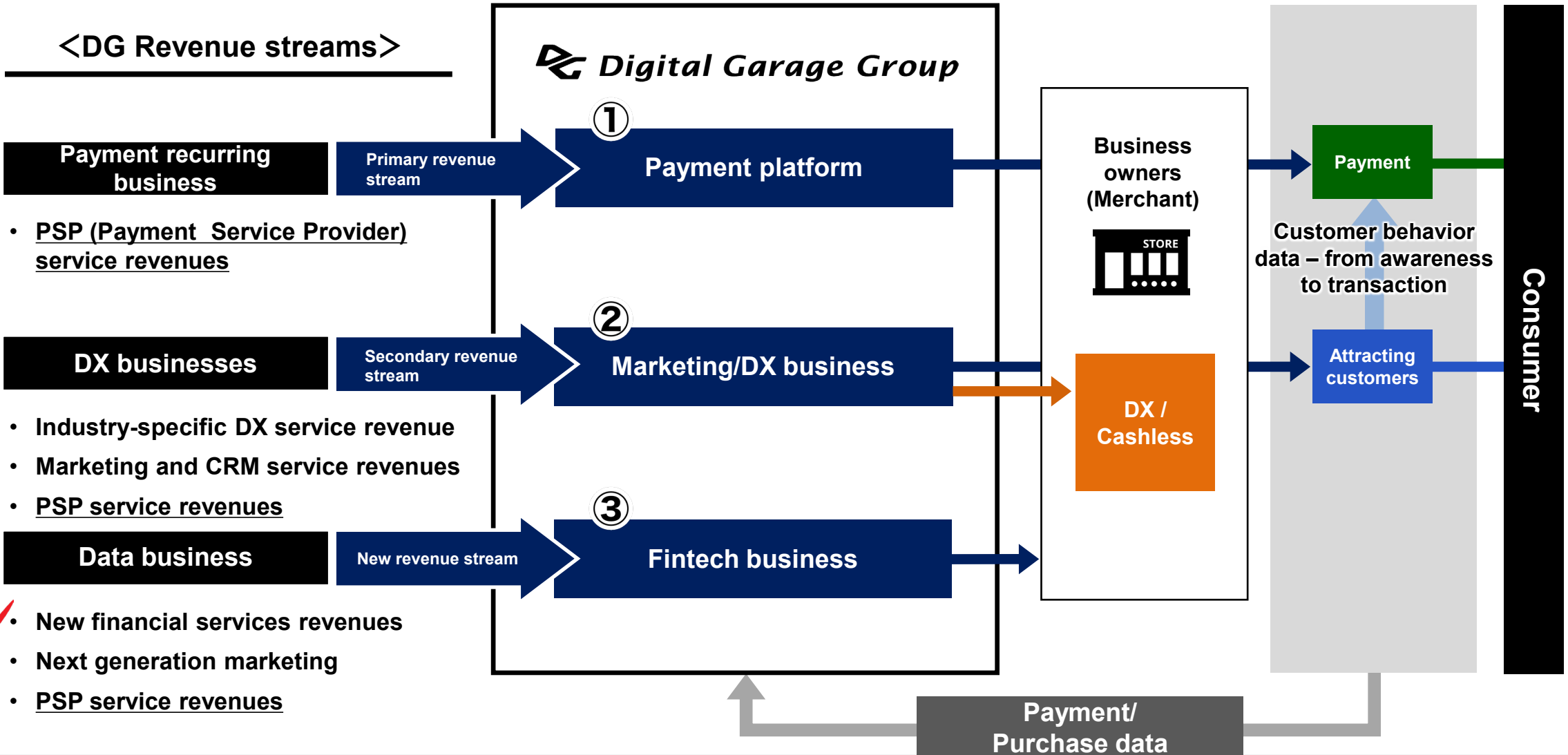


- Generating multi-layered revenue streams utilizing data. Aggregating diverse payments (approx. 50 methods) unique to Japan
- Differentiating by developing not only Payment business but also Marketing/DX business and Fintech business
- In response to web3 up and rising, utilizing our payment platform to be a foundation which enables to implement new payment methods into society.



Aiming to become a platform that continuously generates stable revenue streams centered around the payment business. In addition to primary and secondary revenue streams, aiming to create new revenue opportunities, mainly utilizing data.

## <DG Revenue streams>



- PSP (Payment Service Provider) service revenues

- Industry-specific DX service revenue
- Marketing and CRM service revenues
- PSP service revenues

- ✓ New financial services revenues
- Next generation marketing
- PSP service revenues

Consumer





- Launched “DGFT Invoice Card Payment” which practically extend payment due dates by switching invoice payments from bank transfers to credit card payments
- Starting with this B2B payment service, aiming to expand the Fintech Financial business

## Point 1

Domestic B2B market is approximately 100 trillion JPY which is three times of the B2C market<sup>※1</sup>

## Point 2

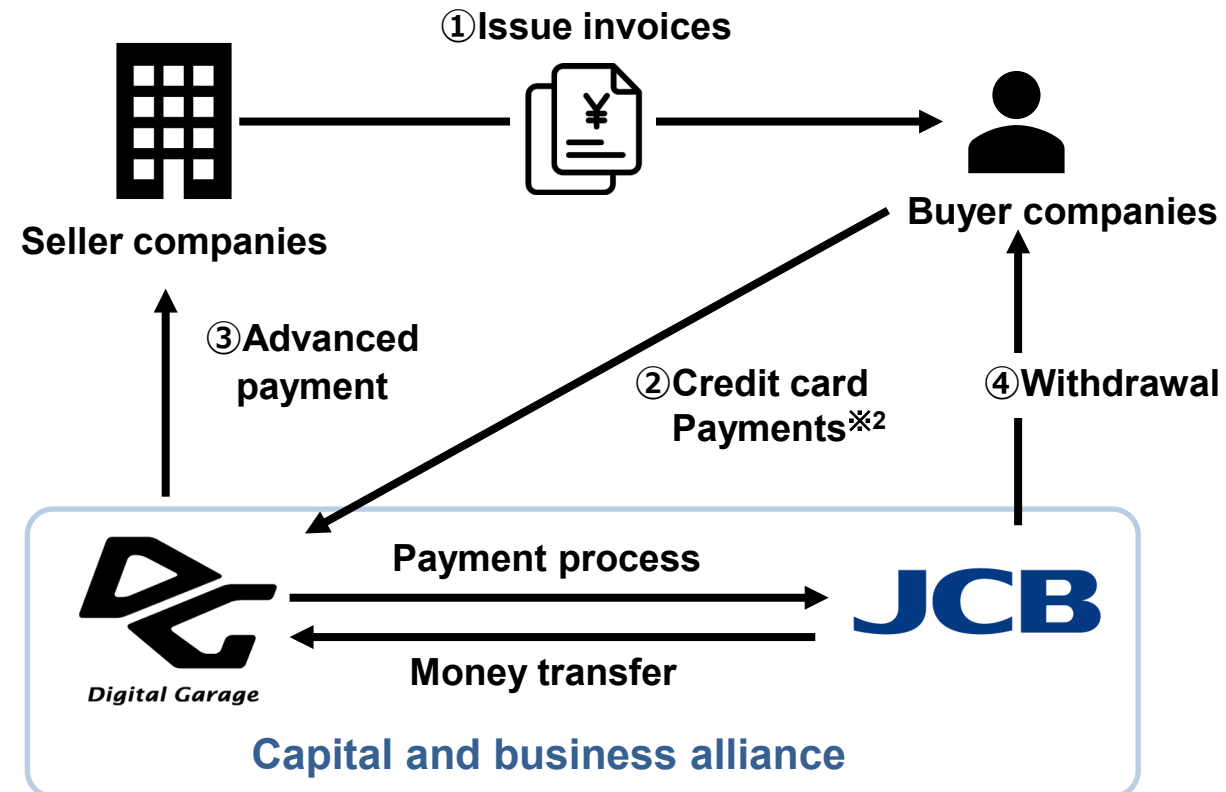
B2B payment services are expected to grow due to increase in digitization of B2B transactions as a result of regulatory changes such as the qualified invoice system

## Point 3

Starting from this service, develop more B2B Fintech services

## DGFT 請求書カード払い

(DG invoice card payment)



※1 “e-Commerce Market Survey”, Ministry of Economy, Trade and Industry

※2 Plan to expand the card brands



- Signed a capital and business alliance agreement with Resona Holdings, which has a strong customer base of small and medium-sized businesses
- Promoting Marketing/DX business and Fintech Financial business by utilizing the assets of both companies





Aiming to promote and accelerate DG FinTech shift strategy by co-creating businesses with strategic partners utilizing their assets

## Digital Garage Group

### < Partner companies >

### < Co-creative businesses/initiatives >

① Payment platform

② Marketing/DX business

③ Fintech Financial business



- Payment methods expansion/sales reinforcement 食べログオーダー (Tabelog order)
- Payment service for the specific industries
- Initiatives for security enhancement
- Industry specialized DX/E-Commerce services Musubell Pangaea Delivery
- Retail media utilizing data
- Digital advertising in the post-cookie era
- B2B financial services DGFT 請求書カード払い (DGFT Invoice Card Payment)
- Credit scoring model utilizing data
- Financial/payment services utilizing blockchain





Organization	Feb. 2021	Announced group strategy of  Merged two payment related subsidiaries into 
New business	Jun	Strategic subsidiary <u>Crypto Garage</u> registered as Japan's first B2B-only <u>crypto asset exchange service provider</u>
Organization	Sep	Acquired <u>India's financial system development company</u> (DG FutureTech India) as a new financial hub
New business	Sep	Started an <u>electronic contract centralized management service</u> to support <u>the real estate industry's digital transformation</u> 
Alliance	Oct	At the same time as a capital and business alliance with <u>Nomura Holdings, Inc.</u> , a business alliance with a group company in <u>the custody business</u>
Alliance	Dec	<u>Capital and business alliance with Toshiba Tec Corporation</u> , which had already collaborated to establish JV
Alliance	Feb. 2022	<u>Capital and business alliance with JCB Co., Ltd.</u> , a long-term leading partner in the payment business
New business	Mar	Started business of online ordering service  Pangaea <u>Delivery</u> in collaboration with <u>JCB Co., Ltd./Toshiba Tec Corporation</u>
New business	Jul	Started a collaboration through  <u>食ベログオーダー</u> with <u>Kakaku.com, Inc. and Toshiba Tec Corporation</u> (Tabelog order)
NEW New business	Oct	Started a <u>B2B payment service</u> <u>DGFT 請求書カード払い</u> <u>together with JCB</u> (DGFT Invoice Card Payment)
NEW Alliance	Nov	Signed <u>a capital and business alliance agreement with Resona Holdings</u>

※NEW: Updated in-FY23.3-2Q

DG FinTech Shift

II

## Implementation of Next-Generation Technologies and ESG



Creating new businesses with “Crypto Garage”, a licensed crypto asset exchange, and “web3 Task Force”. Promoting startup incubation by developing a web3 global community

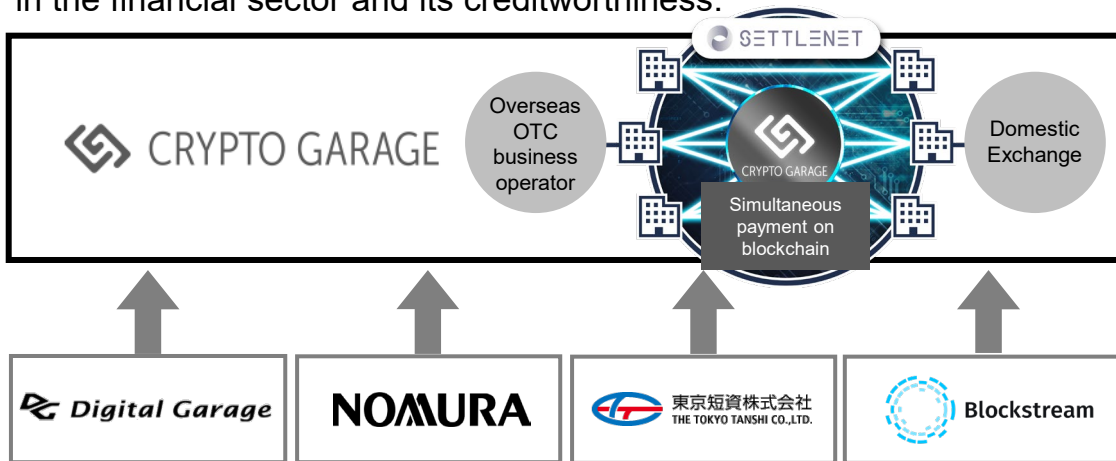
## -1 Licensed crypto asset exchange

### 1. Full-scale launch of B2B cryptocurrency payment platform

Providing “SETTLENET”, a trading infrastructure among cryptocurrency business providers.

### 2. Co-development of a cryptocurrency business platform

Aiming to expand business for institutional investors by combining Crypto Garage’s blockchain technology with Nomura HD’s expertise in the financial sector and its creditworthiness.



## -2 Launched web3 related cross-functional projects internally and externally

### 1. web3 Task Force – Expansion of FT/MT business opportunities

In addition to existing FT and MT segment business efforts, plan and propose Fintech projects utilizing blockchain.

### 2. onlab web3 – Startup incubation program

A global program to support web3 startups expanding from Japan to the world and vice versa.

onlab web3 held a pitch day on November 4. 8 companies, selected from many applicants, presented on stage.

**onlab web3**  
Powered by Open Network Lab



Yat Siu    Joi Ito    Sputniko!    James Higa

Mentors who lead the industry



Startups on the stage on Pitch Day (Nov 4)



**Established Digital Architecture Lab led by Joichi Ito, director and co-founder of the company to design and promote next-generation social architecture brought by AI, web3, and other technological advancements**

## Purpose

1. Develop a digital architecture that will inspire a new era of human advancement
2. Embrace a sustainable and circular technology development model to enhance well-being
3. Promote inclusive, diverse, and decentralized community



## Chief Architect / Advisors

### ■ Chief Architect



**Joi Ito**  
Director, Co-founder  
and Senior Managing  
Executive Officer  
Chief Architect

### ■ Advisor



**Jiro Kokuryo**  
Professor, Keio University Faculty of  
Policy Management, Chair of the  
Japanese Government Digital Agency  
Web 3.0 Research Board



**Jun Murai**  
Distinguished Professor, Keio University  
/ Special Advisor to the Cabinet



**Sputniko!**  
Artist / Associate Professor, Tokyo  
University of the Arts Department of  
Design

## Ongoing projects

### 1. Probabilistic computing

Develop and provide applications that improve collective intelligence and well-being with MIT research team of Probabilistic Computing\*, a new approach of artificial intelligence generated from brain and cognitive science research.

\* Probabilistic computing is a secure and scalable model with a human brain-like thinking model. It enables data analysis and computation while protecting privacy.

### 2. web3 and architecture

Build an architecture in the web3 area through holding workshops to implement web3 technologies in various industries and developing technology and systems with partner companies.

### 3. Media and community

Opened "Crypto Cafe & Bar" as a networking hub for the web3 community. Provided information of new technologies and their social impact through our global conference "THE NEW CONTEXT CONFERENCE" and other media platforms.

※ Please refer to the press release for details. <https://www.garage.co.jp/en/pr/release/2022/11/20221104/>





Social contribution activities to stimulate startup community and to realize a sustainable world utilizing Digital Architecture Lab and ESG management support for investee companies

## 1

## ESG X Startup Incubation

E S

### Support investee companies for sustainable growth

Onlab, the first Japanese seed accelerator program launched in 2010, has supported over 140 startups. DG aims to build a sustainable society by providing programs to startups to enhance their ESG management aligned with global standards.



ESG management lecture program

**ESGs Director**  
Corporate Officer  
Debbie Altomonte



### Onlab ESG Meetup Vol.2

2021.6.22 [Tue] 16:00 - 17:30  
\*Zoomにてオンライン開催

co-sponsored by  
Digital Garage × NORDIC INNOVATION HOUSE

ESG投資 北欧最先端の事例に学ぶ、スタートアップインパクト投資



ESG Meetup with Nordic experts

## 2 “Earthshot” Work with the global community as part of the Earthshot project



# Segment Performance Review





The Four Segments that make up  **FINTECH SHIFT** launched last year



## FINANCIAL TECHNOLOGY SEGMENT

Provides a diversity of comprehensive payment platforms as one of Japan's largest payment system providers supporting social infrastructure



## MARKETING TECHNOLOGY SEGMENT

Develops comprehensive digital marketing solutions and data marketing businesses utilizing various data



## INCUBATION TECHNOLOGY SEGMENT

Invests in, incubates, and collaborates with entrepreneurs and startups mainly in technology and Fintech sectors



## LONG-TERM INCUBATION SEGMENT

Nurtures new businesses through long-term and continuous incubation



Performance

	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY Inc./Dec.	YoY % Chg
Segment Revenue	5,191 M JPY	5,618 M JPY	+428 M JPY	+8.2%
Segment Profit before tax	2,228 M JPY	2,430 M JPY	+202 M JPY	+9.1%

Note) Revenue is external revenue. Profit before tax is before intersegment eliminations.

Major Group Companies / Businesses

▶ **DG Financial Technology, Inc.**

Japan's leading payment service provider



▶ **NaviPlus Co., Ltd.**

Subsidiary of DG Financial Technology, Inc. Provides SaaS business for value-added services for EC, such as recommendation and search engines



▶ **Scudetto Corporation**

Provides fraud detection/prevention solutions, marketing solutions, etc.



▶ **TD Payment Corporation** (49% stake/equity method)

JV with Toshiba Tec Corporation. Deploys multi-payment solutions for POS systems



▶ **ANA Digital Gate, Inc.** (49% stake/equity method)

JV with All Nippon Airways Trading Co., Ltd. Develops and provides new payment solutions using Fintech



▶ **SCORE Co., Ltd.** (49% stake/equity method)

JV with Nissen Co., Ltd. Develops post-payment settlement business and various financial businesses utilizing settlement data







- Redefining Management Indicators in line with business strategy from 1Q as “DG FinTech Shift” accelerates

### Back-ground

- Unify management indicators following the business integration of two main settlement subsidiaries
- Disclose results of strategic alliances more quantitatively

### Major changes

- ① Unify the definition of the number of transactions to “the number of purchases”
- ② Change the classification of settlement transaction volume to non-face-to-face/face-to-face
- ③ Disclose settlement transaction volume and the number of settlement transactions , including ones acquired through alliances

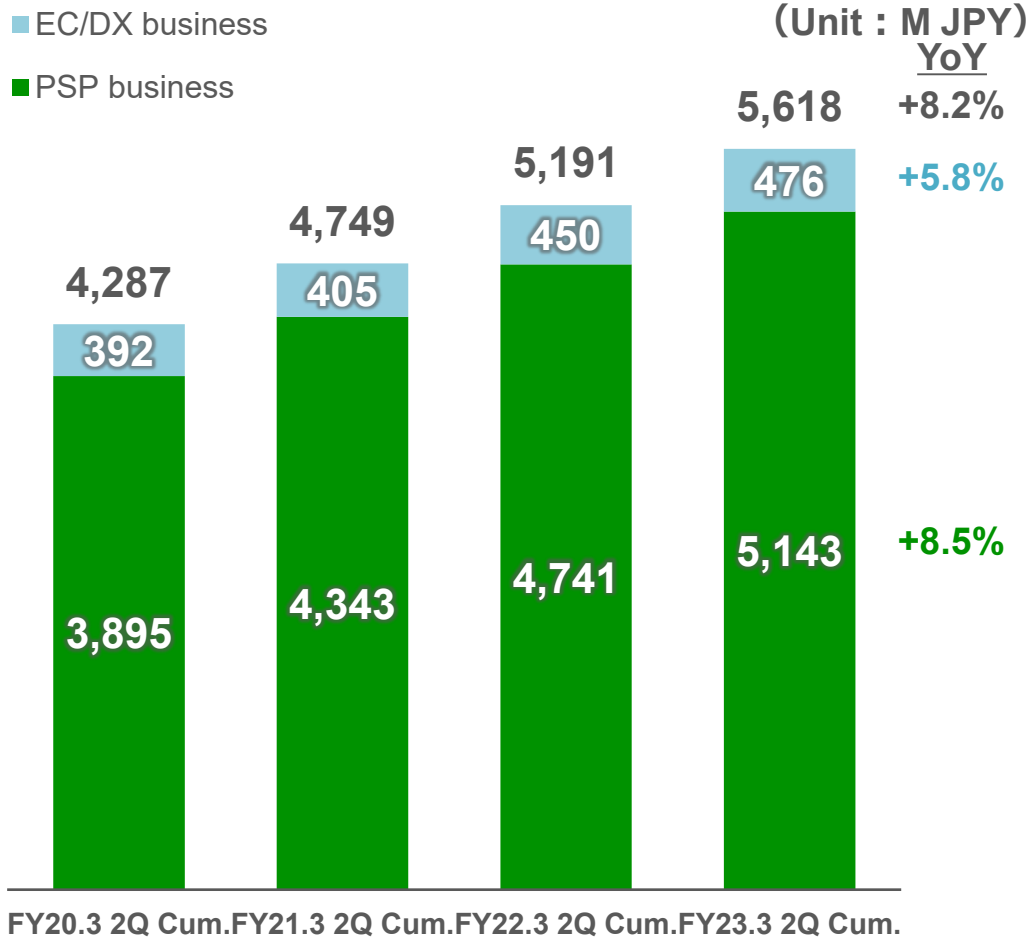
### New classification

Category	Classification	Items included
Revenue	<b>PSP business</b>	Settlement fee / Basic monthly fee, Settlement fee revenue from OEM offerings, Fees for account transfer, post-settlement payment, fraud detection, remittance service, etc., Revenue from contracted development, Revenue from investments accounted for using equity method
	<b>EC/DX business</b>	Revenue of NaviPlus Co., Ltd.
Settlement Transaction Volume	<b>Non-face-to-face</b>	E-commerce (non-face-to-face) settlements, including volume provided by OEMs
	<b>Face-to-face</b>	Settlements at real retail stores (face-to-face), including ones handled through OEM offerings and joint ventures

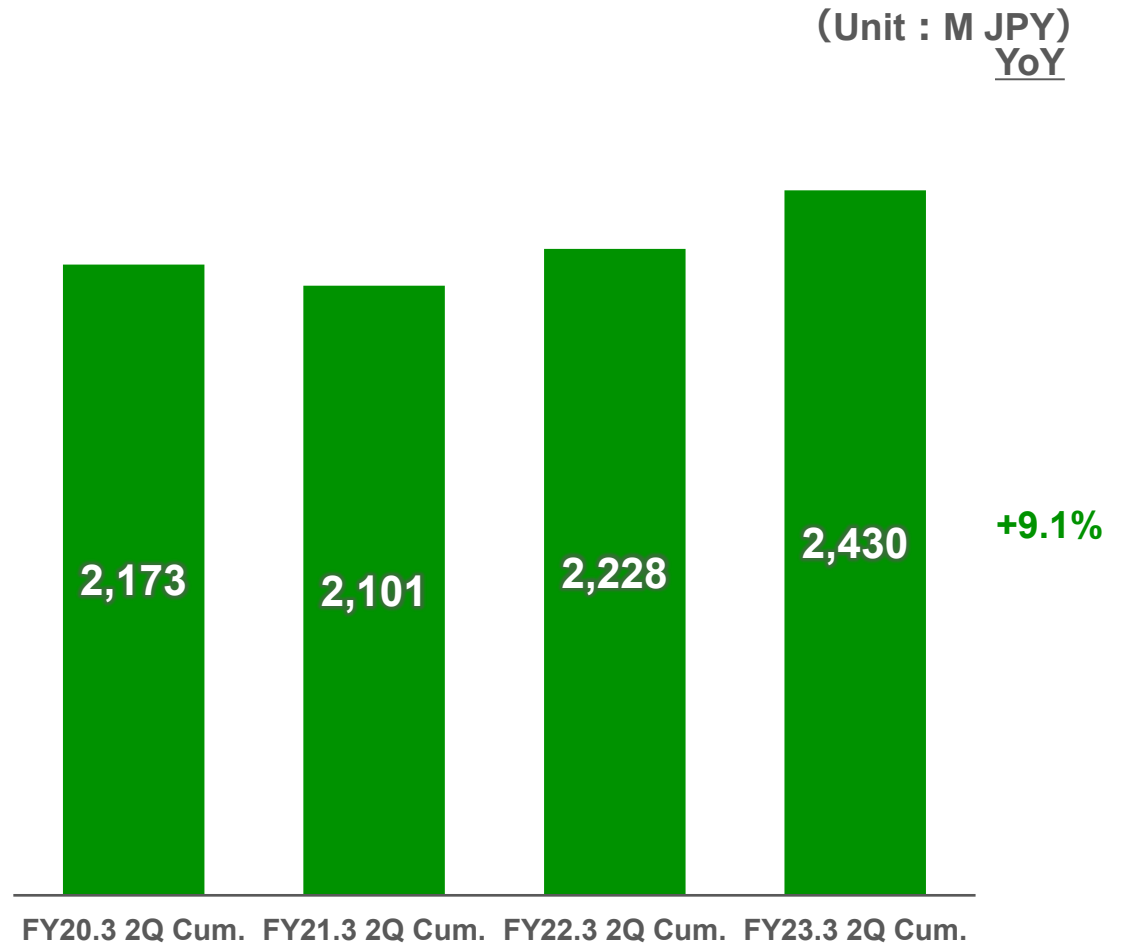


- Revenue and profit before tax continued to grow with 8.2% YoY increase in revenue and 9.1% YoY increase in profit before tax.
- Business performance remained strong with growth in transaction volume in both non-face-to-face and face-to-face areas.

### Segment Revenue



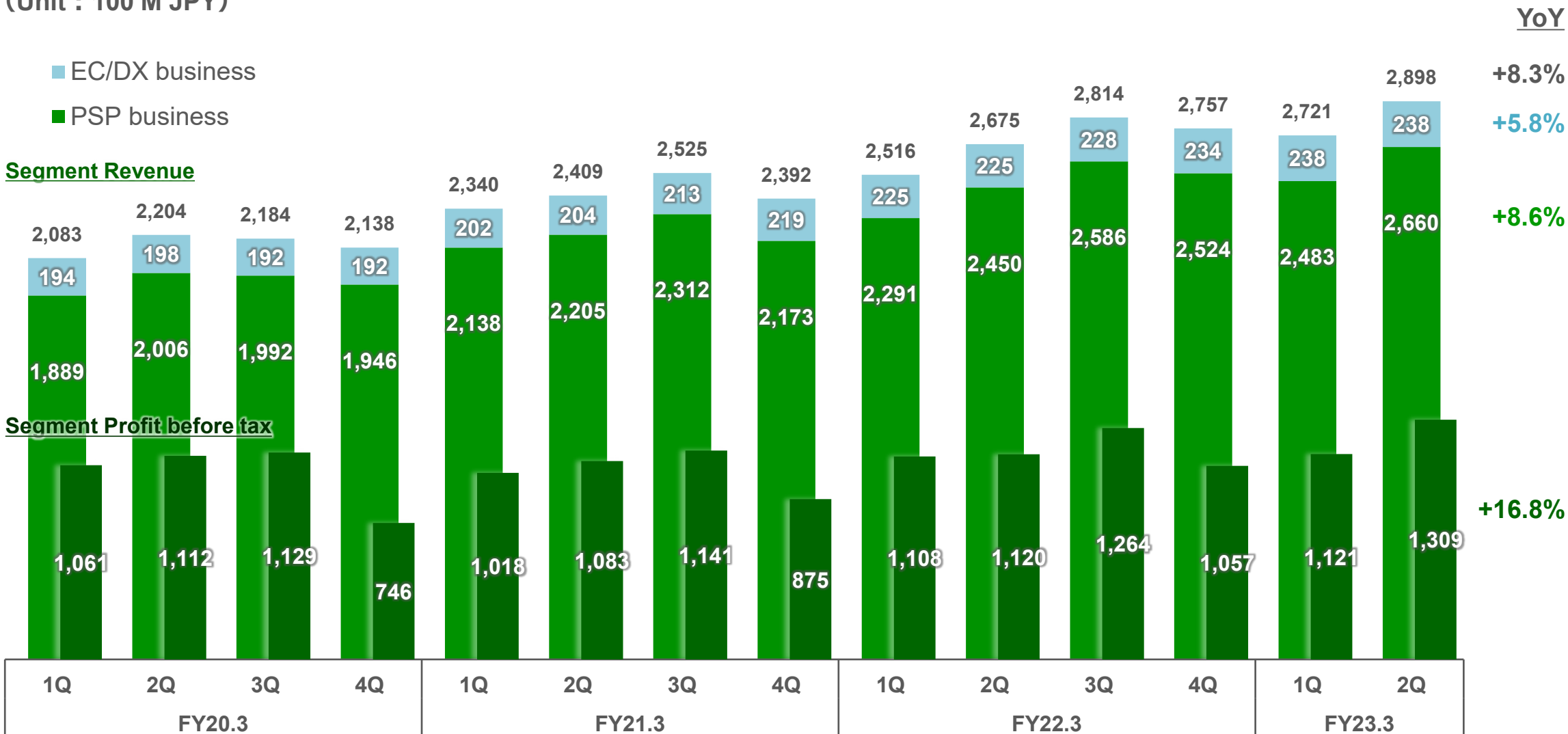
### Segment Profit before tax





- Quarterly revenues remained strong due to increased settlement transaction volume.
- 2Q (Jul. – Sep.) Segment Profit before tax grew by 16.8% YoY, a double-digit growth.

(Unit : 100 M JPY)

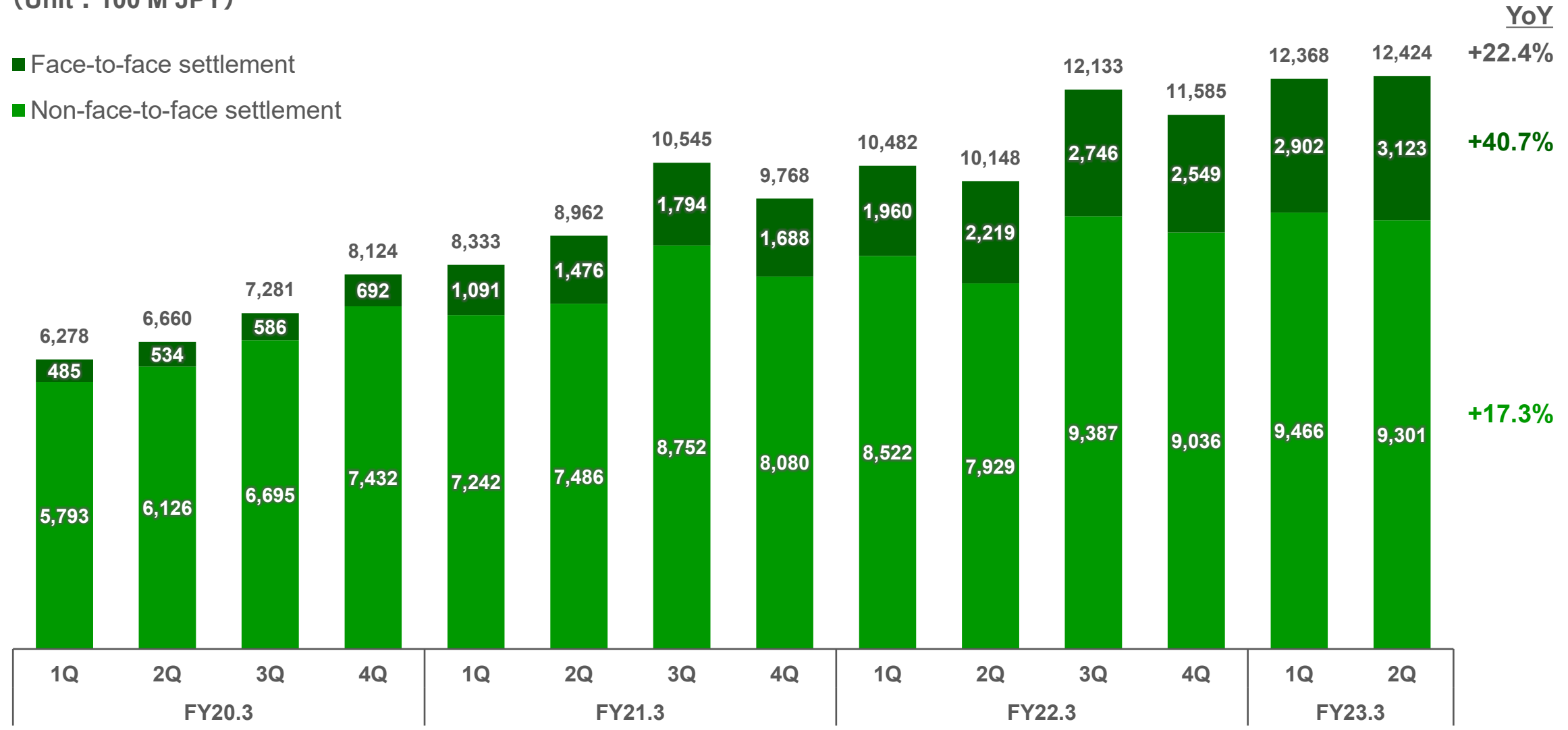




- Face-to-face settlement continues to grow at a high rate, and market penetration continues to expand steadily.
- Non-face-to-face settlement remains strong despite a rebound in Covid demand.

(Unit : 100 M JPY)

■ Face-to-face settlement  
 ■ Non-face-to-face settlement

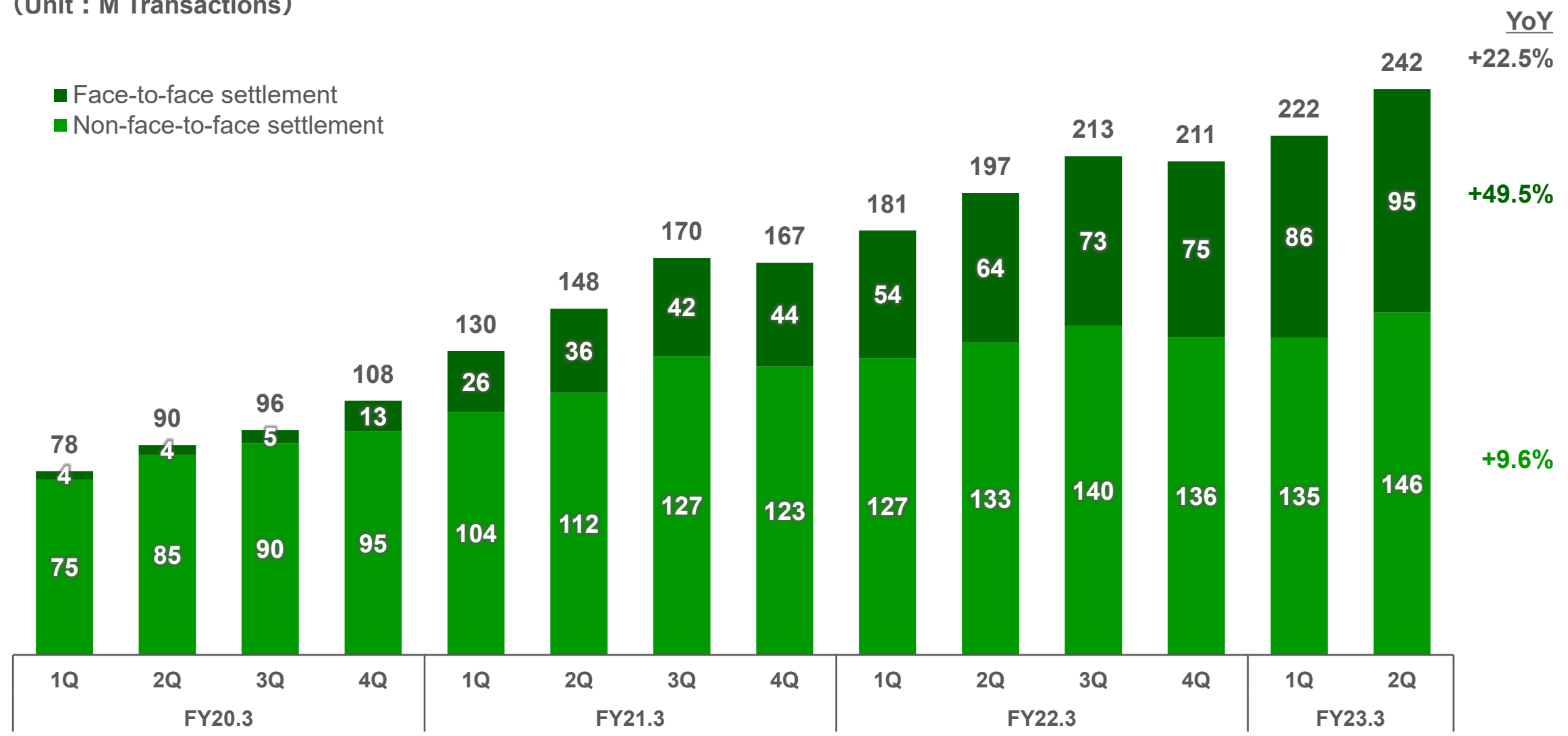




- The number of settlement transactions continued to grow by 22.5% YoY.
- Data volume of settlement transactions continued to grow, expanding Fintech Financial business base.

(Unit : M Transactions)

■ Face-to-face settlement  
■ Non-face-to-face settlement



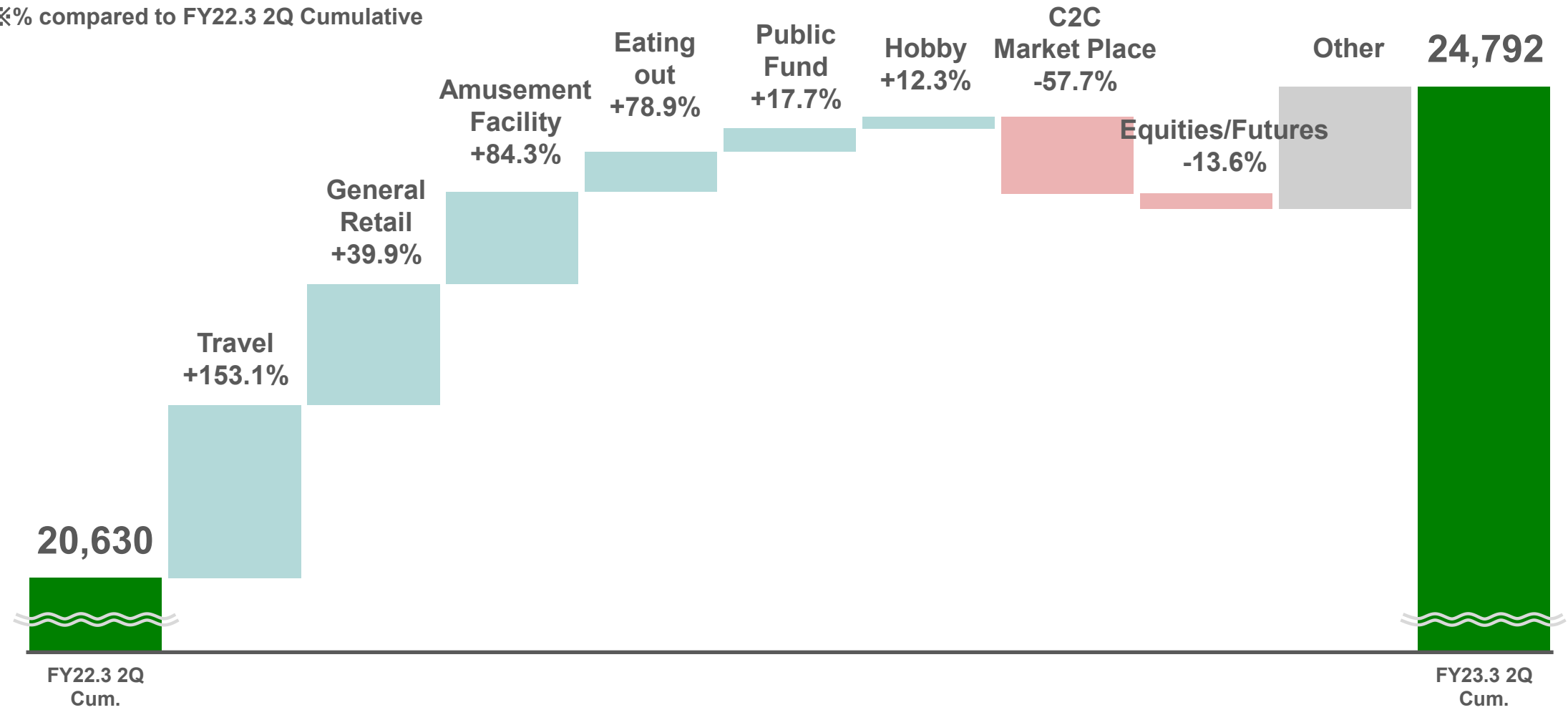




- Travel, amusement, and food service-related transactions increased as corona restrictions were relaxed.
- Transaction volume in C2C marketplace, equities/futures and other transactions decreased due to a drop in demand for stay-at-home consumption.

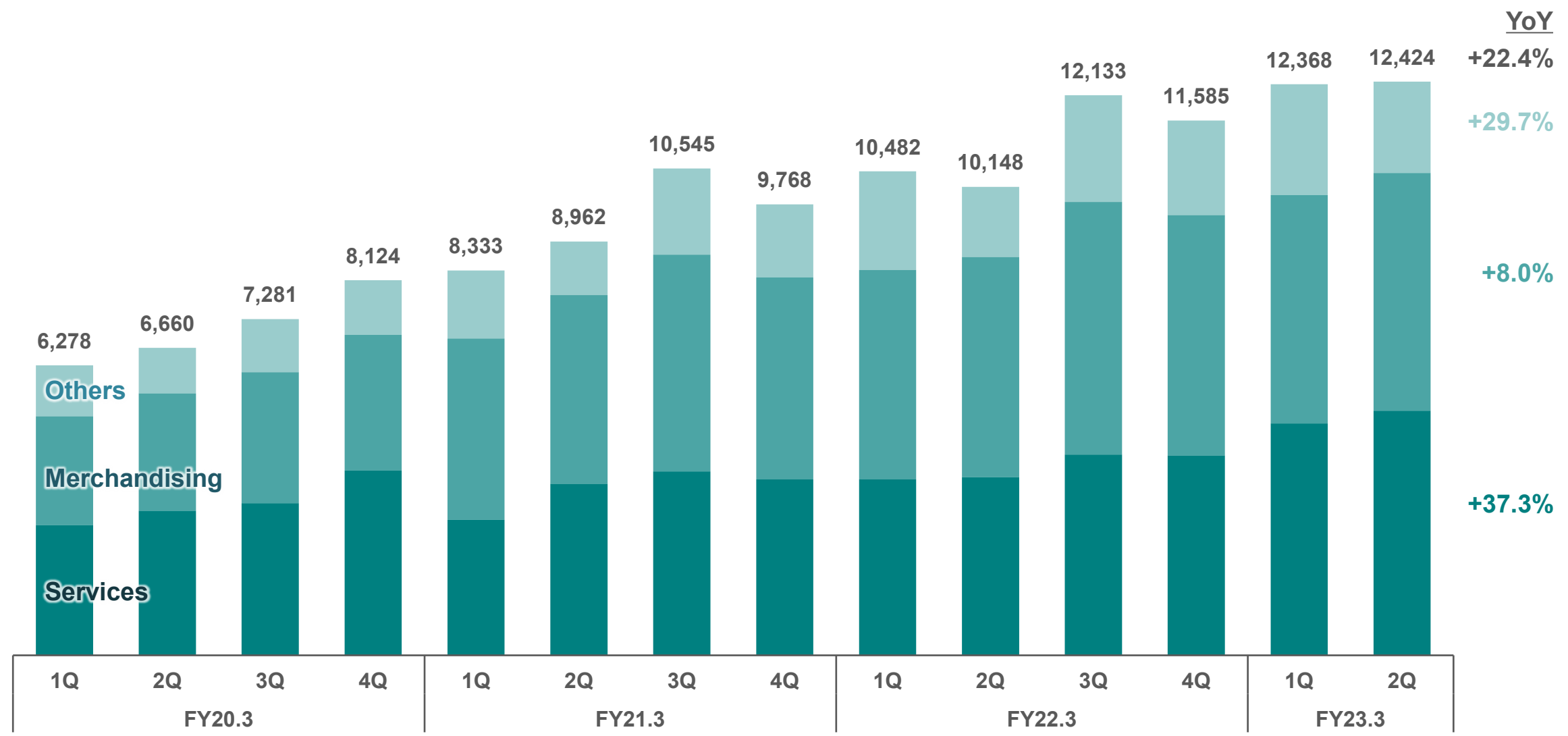
(Unit : 100 M JPY)

※% compared to FY22.3 2Q Cumulative





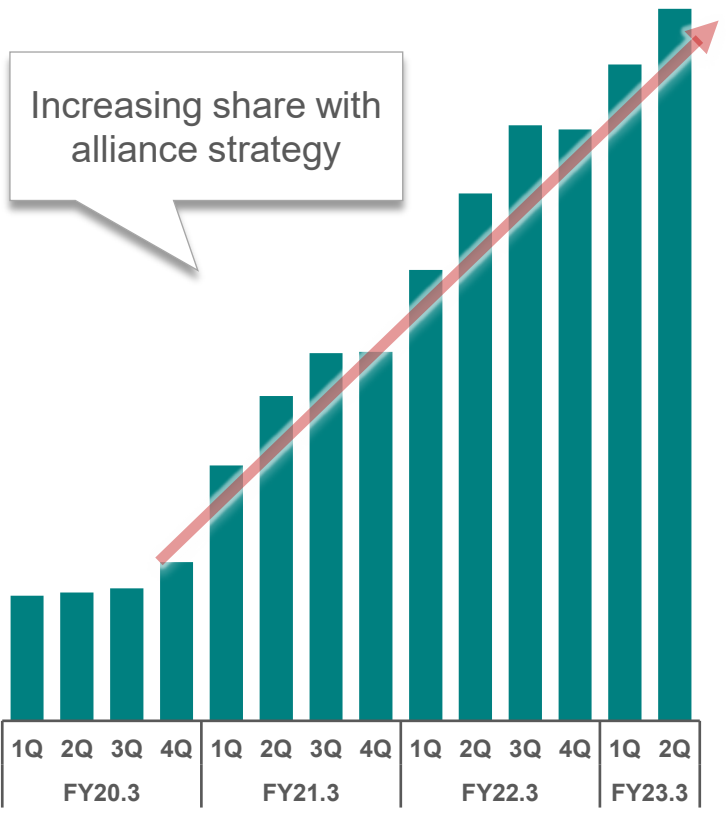
- Travel and entertainment facilities in the service sector recovered, driving settlement transaction volume.
- Partner sales through alliance strategies were successful in the merchandising sector, and transactions expanded mainly in retail.



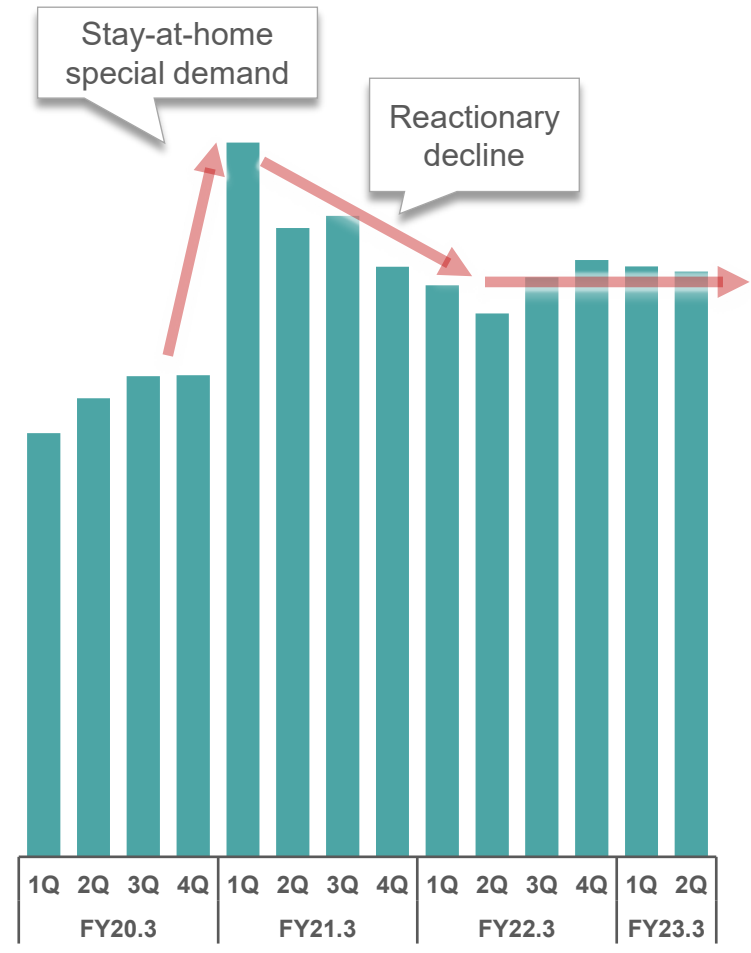


- The alliance strategy worked successfully in the merchandising sector, and the transaction volume of general retailers increased.
- The reactionary decline from the special demand for stay-at-home consumption in home appliances and furniture ran its course, while the share of fashion products handled expanded steadily.

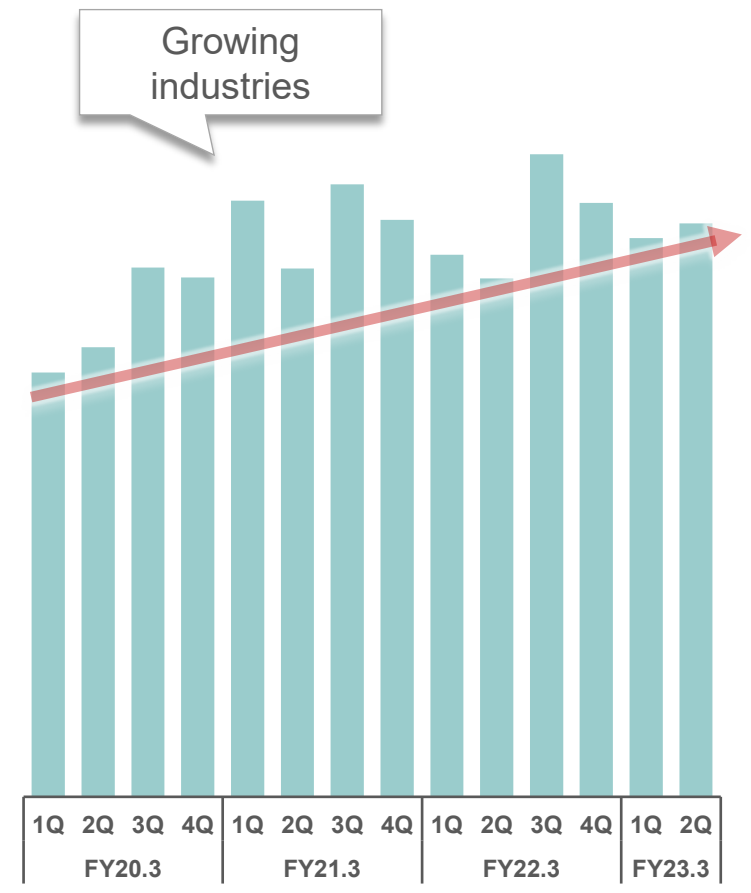
## General retail



## Home Appliances and Furniture Interiors



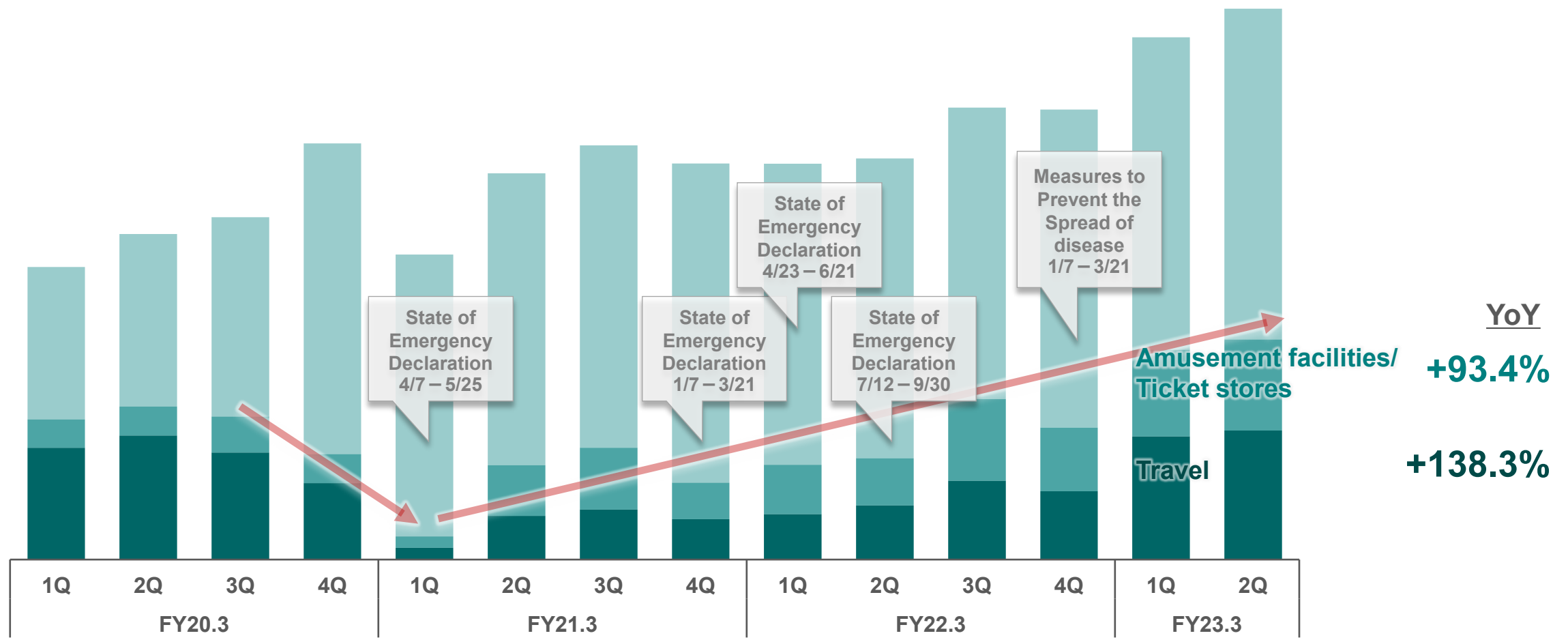
## Fashion





- Service-related payment transaction volume grew at the foot of the market due to the recovery from the COVID in travel and entertainment facilities.
- Travel-related business is expected to see further recovery in existing clients due to the easing of travel restrictions and the start of nationwide travel support.

**Settlement Transaction Volume in Services**





- Inbound-related settlements, which had highly contributed to business performance, remain less than 10% of the pre-Covid level.
- Large potential for future recovery and expansion following the lifting of entry restrictions and easing of travel restrictions in foreign countries.

**Face-to-face Settlement Transaction Volume**

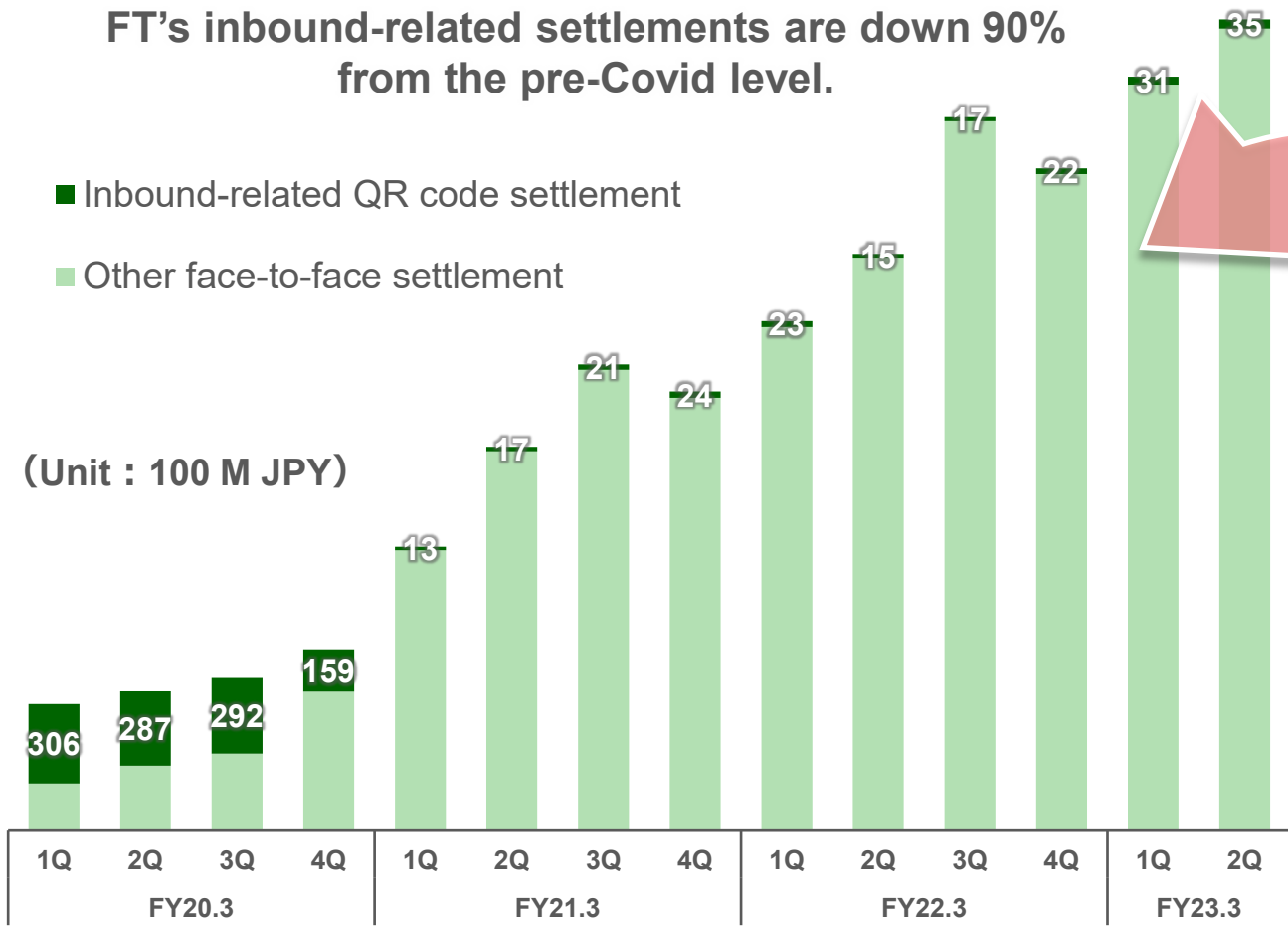
**Number of Visitor Arrivals to Japan**

FT's inbound-related settlements are down 90% from the pre-Covid level.

FT's Potential Transaction Volume of Inbound-related Settlement

- Inbound-related QR code settlement
- Other face-to-face settlement

(Unit : 100 M JPY)



**Over 300 B JPY per year**



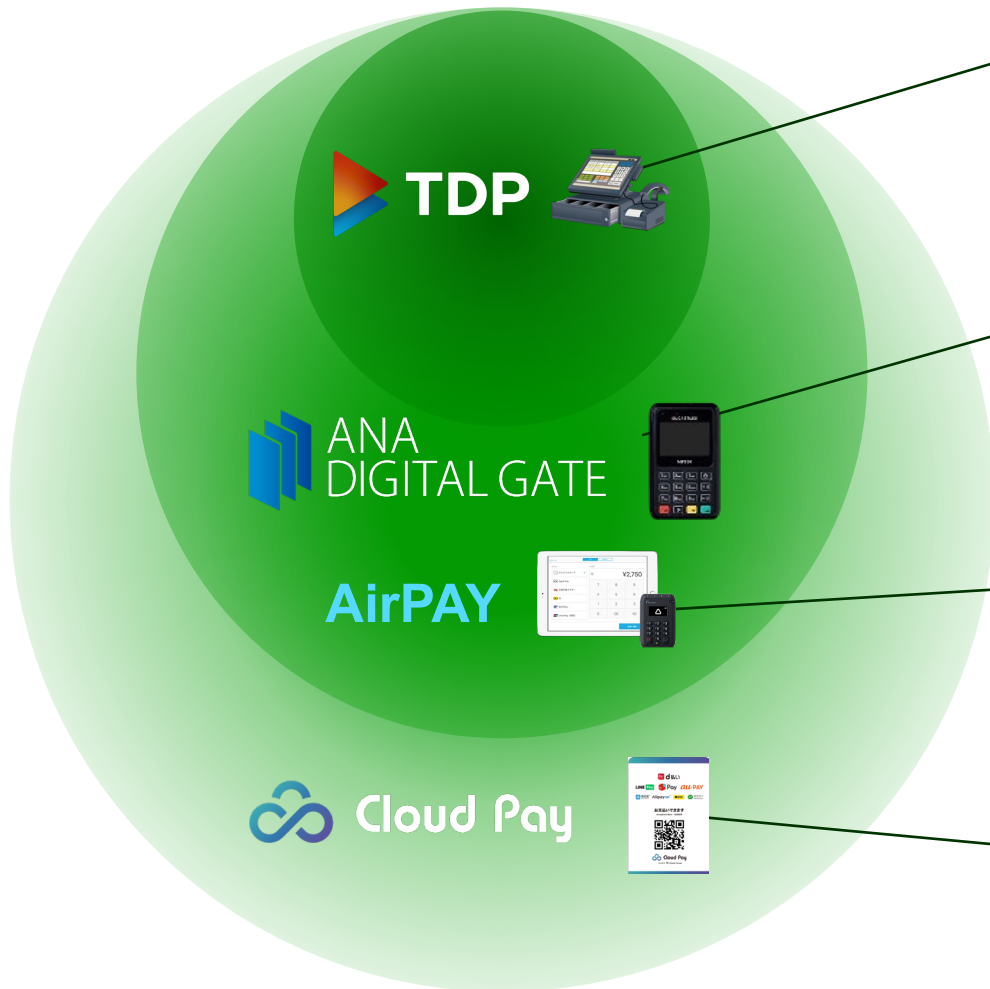
Source) "Visitor Arrivals to Japan", Japan National Tourism Organization





Collaborate with the alliance companies to develop products to match needs of various types of merchants.

**Face-to-face settlement market**



Toshiba Tec Corporation × **Digital Garage**

Accelerate the provision of multi-payment solution/systems for large-scale stores with Toshiba Tec, the domestic top share company providing POS systems and our capital alliance partner. Established JV (TD Payment) to propel the business

**ANA** × **Digital Garage**

Provide multi-payment solutions/systems together through JV with ANA Group. Mainly continue to capture consumption of shops and restaurants in airports, travel industry and tourists to Japan

**Recruit** × **Digital Garage**

Provide a QR code payment solution for AirPAY operated by Recruit Co., Ltd.

**Digital Garage** × **14 big players of QR payments**

Operate DG product of Cloud Pay. Introducing to small-scale stores as an MPM-type payment which is a consortium-type multi-QR solutions that integrate various QR code payments into one QR code

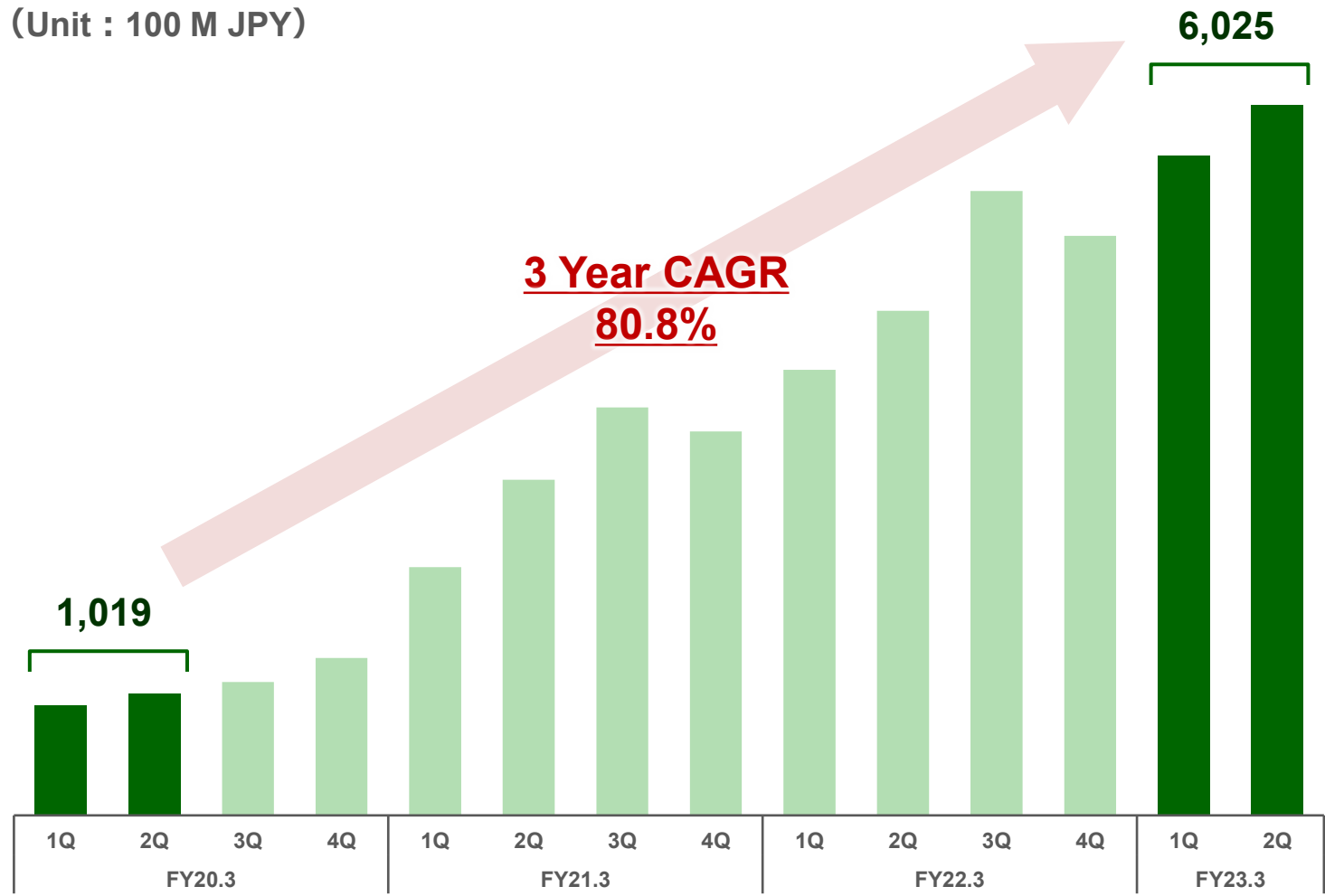
※MPM (Merchant Presented Mode): Method in which consumers scan QR codes displayed at stores with their smartphones to make payments



• Alliance strategy in a face-to-face settlement worked successfully, continuing high growth in settlement transaction volume in each area.

**Face-to-Face Settlement Transaction Volume**

(Unit : 100 M JPY)



Size of Merchants	YoY (2Q Cum.)
Large	+41.7%
Small to Mid	+55.1%
Small	+33.0%



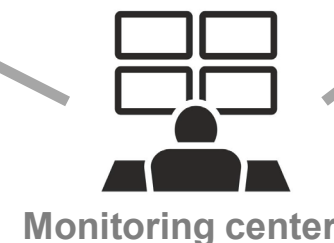
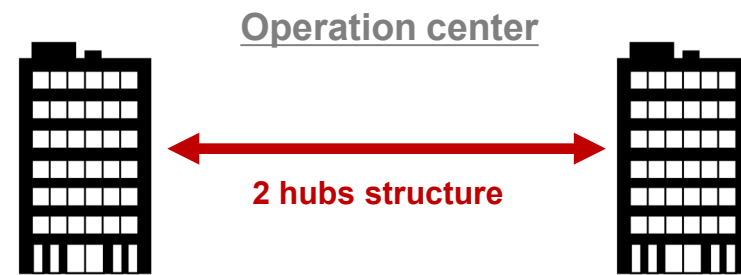
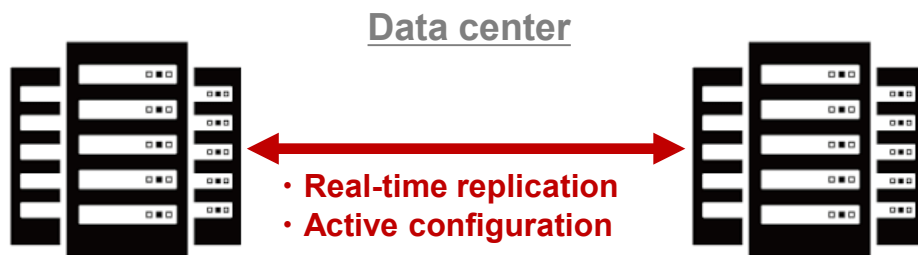
- As a government-designated critical infrastructure operator, thoroughly investing in stable operation and security 24 hours a day, 365 days a year.
- Strengthen system to minimize downtime risk due to unforeseen failures, etc.

**Strengthen systems**

- Japan's first introduction of state-of-the-art technology used in highly public areas such as finance and transportation as a regular payment system
- Non-disruptive system operation with two-way real-time replication/redundant database in active configuration

**Expanding operation center**

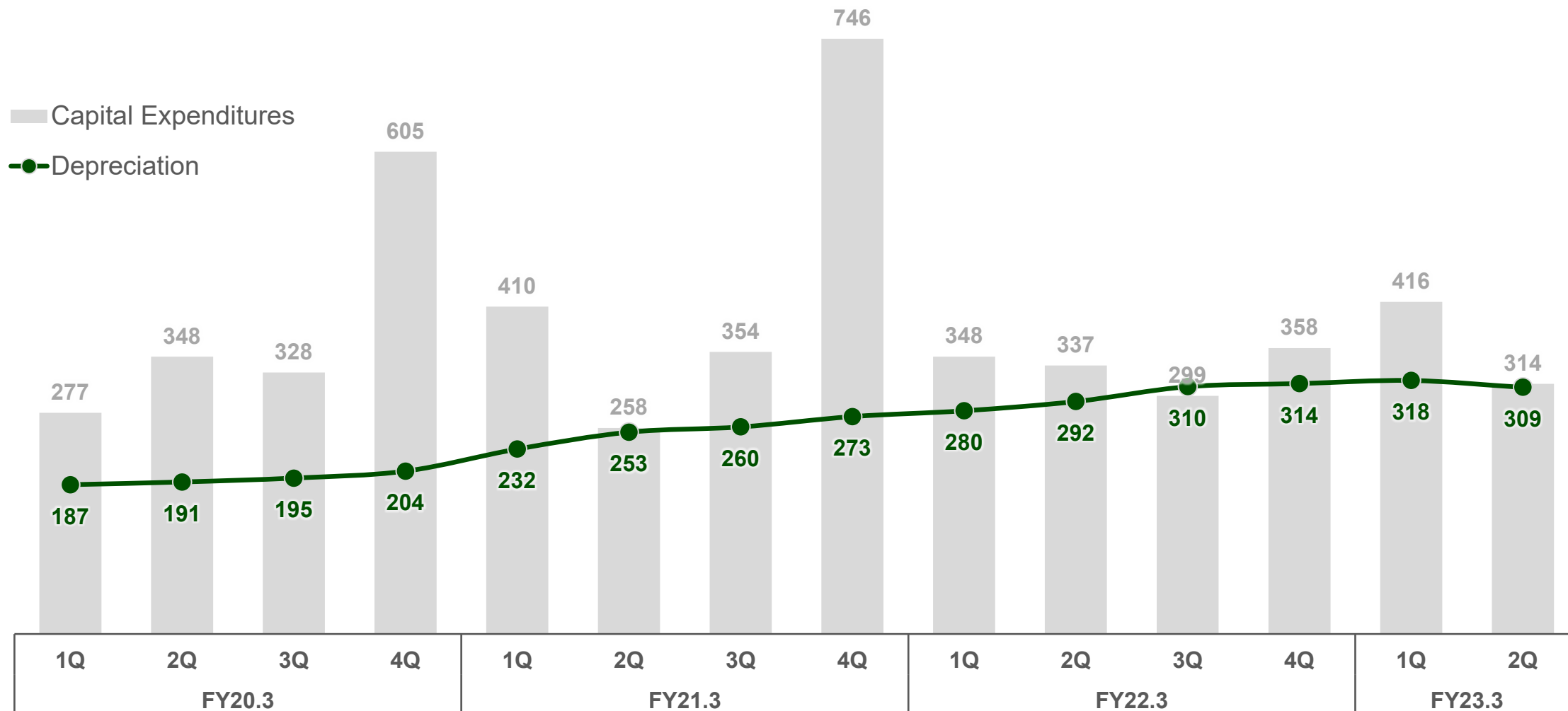
- Expanding hubs to respond to the increase and complexity of operations in anticipation of future growth in payment transaction volume
- Thoroughly improve the reliability of the disaster recovery system
- Minimize manned response 24 hours a day, 365 days a year by introducing technologies such as RPA (Robotic Process Automation)





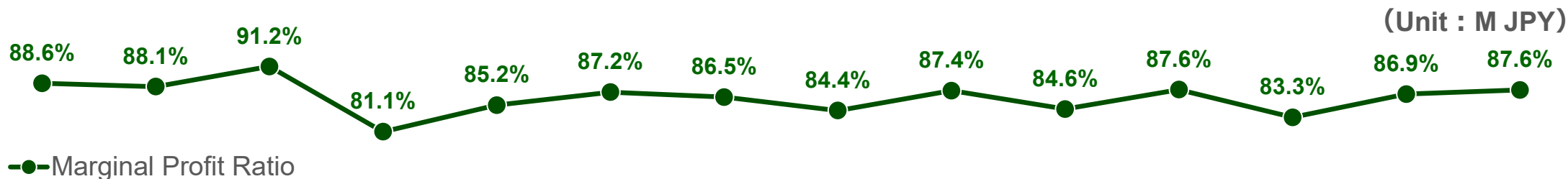
- Continues to invest in systems to ensure stable 24/365 operation and improve robustness of security.
- Depreciation is expected to normalize around year 2025 with efficiency gains from system integration.

(Unit : M JPY)

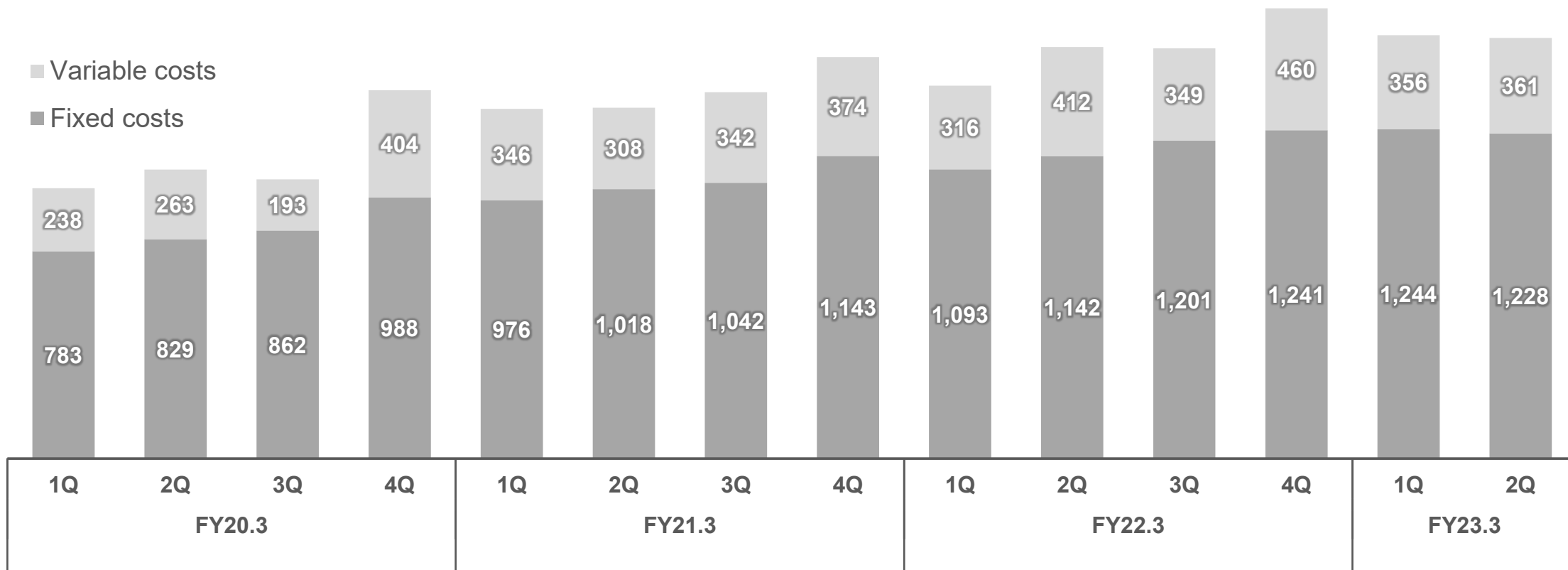




- Fixed costs are on an increase trend due to system-related depreciation and operational redundancy.
- Marginal profit is expected to remain at a current level.



■ Variable costs  
■ Fixed costs

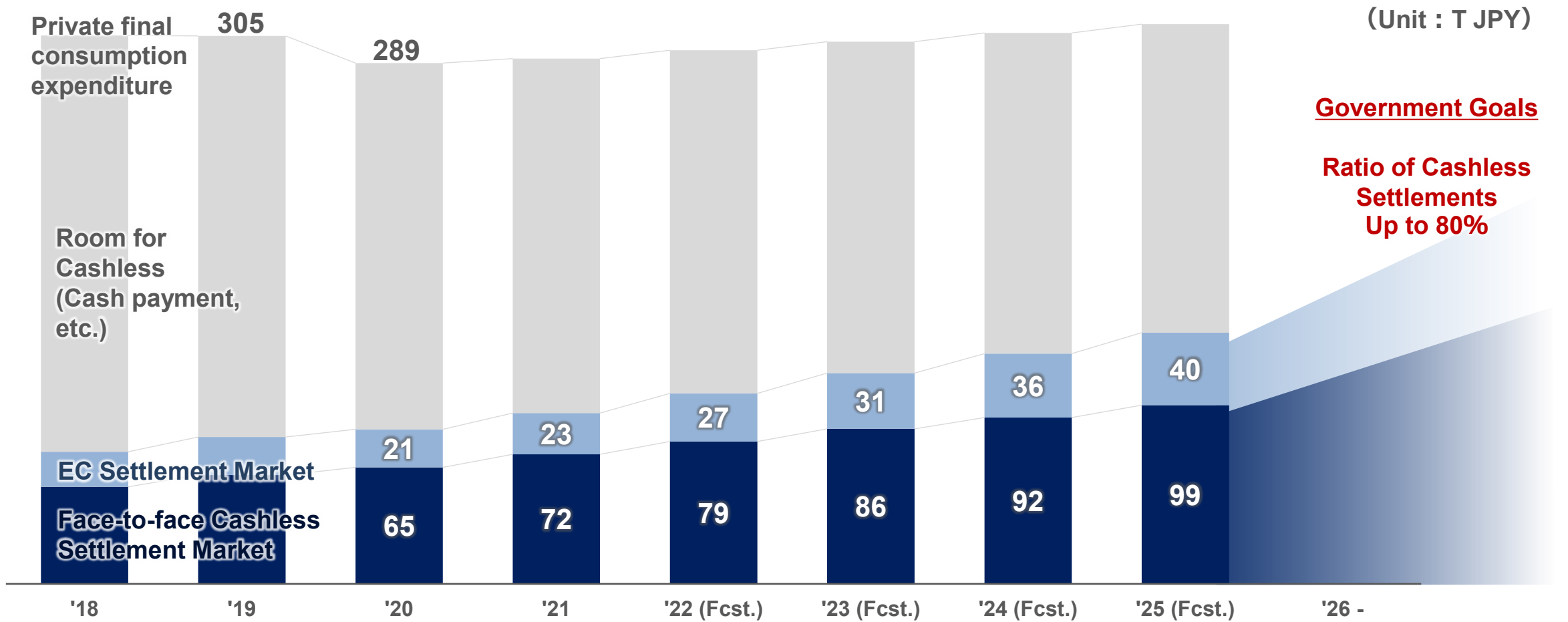






Cashless settlement market is expected to continue to grow at a high rate for both non-face-to-face and face-to-face settlements.

**Continue to promote cashless in this market, expand merchant network assets, and drive Fintech business**



Estimated by the Company based on the following data  
 “System of National Accounts for 2021”, Cabinet Office / “Domestic Cashless Settlement Market 2022”, Yano Research Institute / “Cashless Roadmap 2022”, Ministry of Economy, Trade and Industry / “Results of FY2021 E-Commerce Market Survey Compiled”, Ministry of Economy, Trade and Industry / “Current Status and Outlook of the Internet Settlement Services Market in EC, FY2022 Edition”, Deloitte Tohmatsu MIC Research Institute



Performance

	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY Inc./Dec.	YoY % Chg
Segment Revenue	6,314 M JPY	5,775 M JPY	-540 M JPY	-8.5%
Segment Profit before tax	431 M JPY	372 M JPY	-58 M JPY	-13.5%

Note) Revenue is external revenue. Profit before tax is before intersegment eliminations.

Major Group Companies / Businesses

▶ **Marketing Technology Company**

Supports client's business through performance-based ads, web marketing, CRM marketing, and DX businesses



▶ **DG Communications Co., Ltd.**

Develops real estate advertising business



▶ **BI.Garage, Inc.**

Contextual ads business and media consortium business



▶ **CyberBuzz, Inc.** (20% stake / equity method) Ticker : 7069

Provides the social media marketing platform structured with influencers as its center part

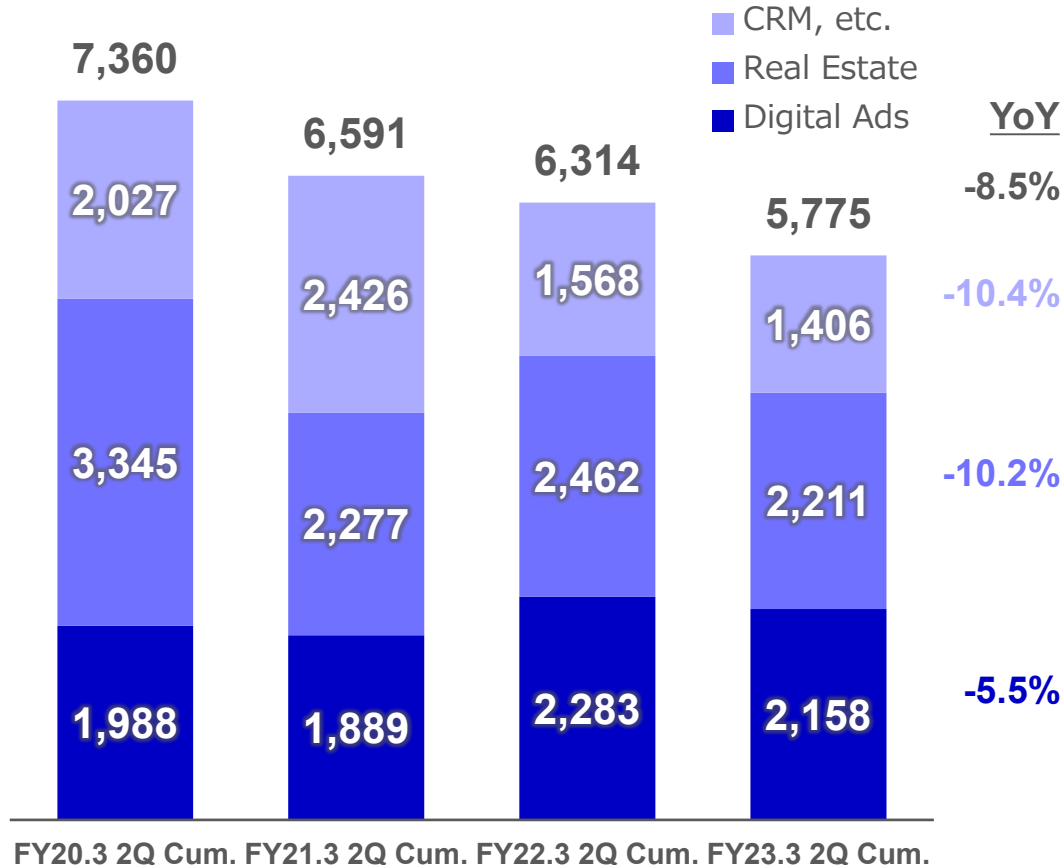




- Although there was a reactionary decline from the large-scale projects recorded in the real estate advertising domain in FY22.3 1Q, the digital advertising business performed solidly, especially in the financial domain, where we have strengths in the settlement business.

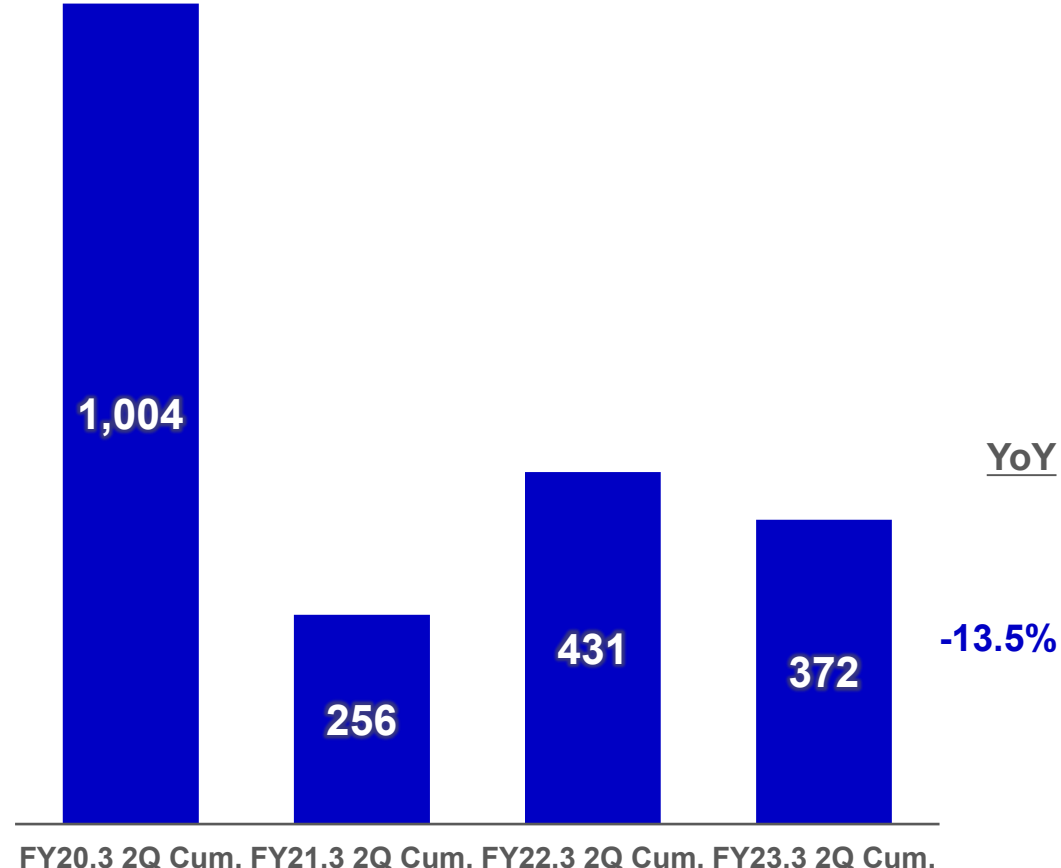
### Segment Revenue

(Unit : M JPY)



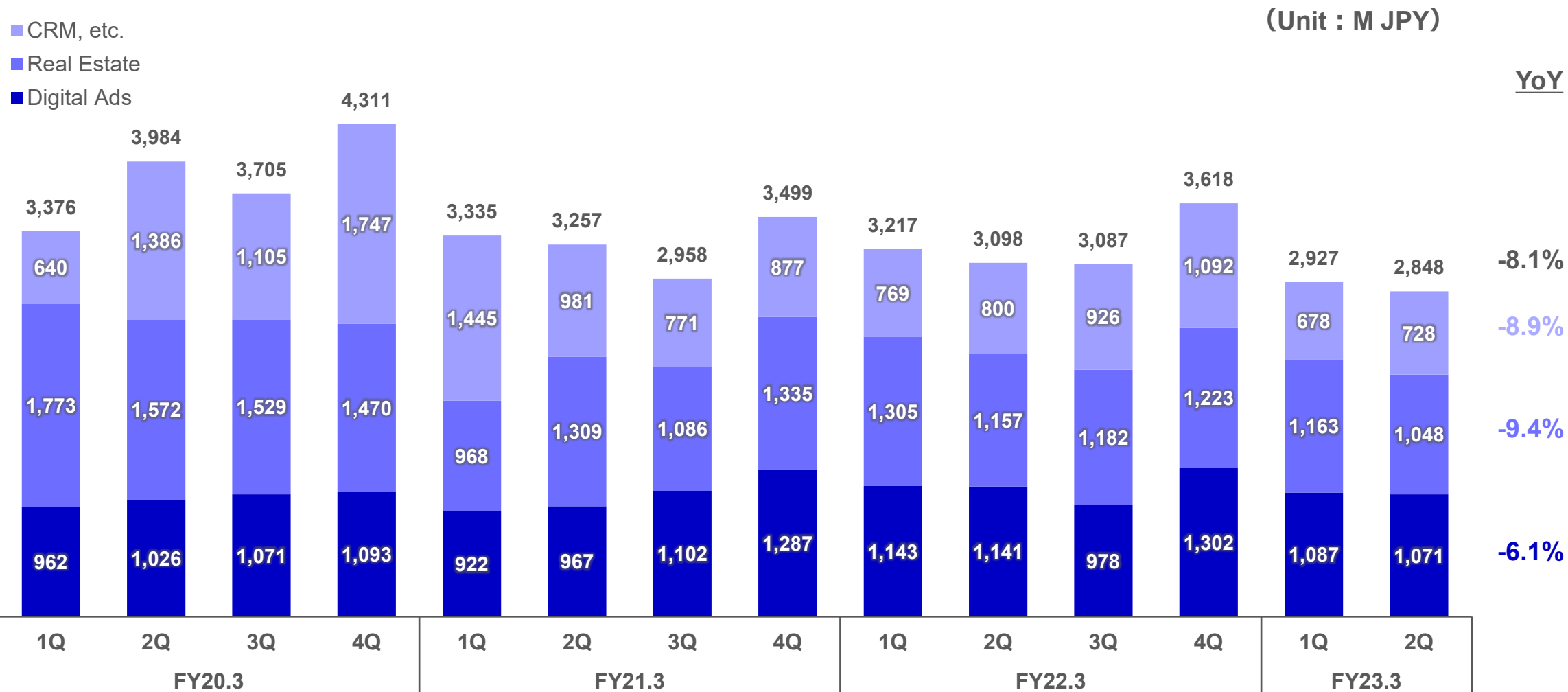
### Segment Profit before tax

(Unit : M JPY)



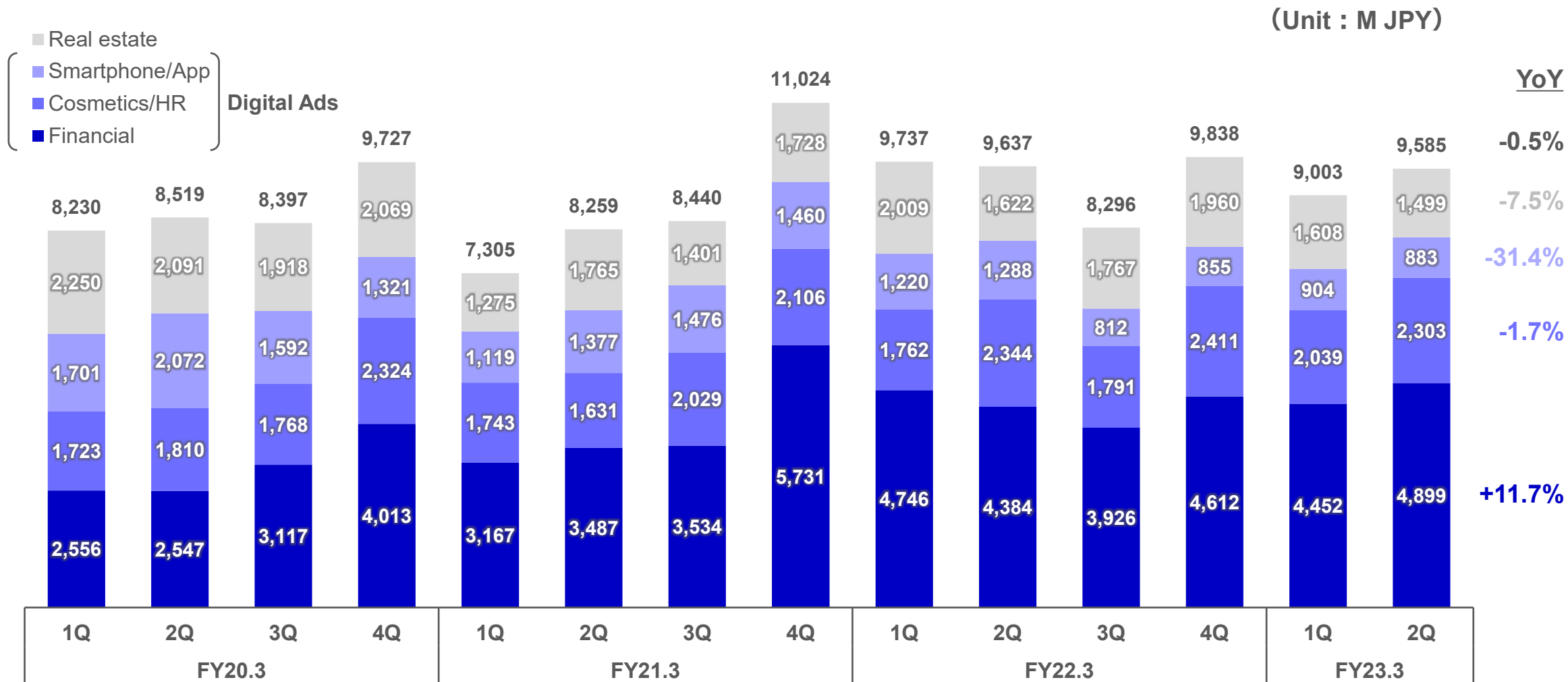


- Digital advertising, the mainstay of the company's business, performed well and is on track for the full year.
- Real estate advertising business remained sluggish, affected by market conditions due to the COVID.





- Digital ads are recovering from the budgetary austerity of companies placing ads in the COVID disaster.
- Expanding business in the financial sector, where MT has a high market share.




 Performan  
ce

	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY Inc./Dec.	YoY % Chg
Operational Investment Securities	61,493 M JPY	79,769 M JPY	+18,276 M JPY	+29.7%
Amount Sold	3,235 M JPY	642 M JPY	-2,593 M JPY	-
Amount Invested	4,332 M JPY	1,607 M JPY	-2,725 M JPY	-

 Major Group Companies /  
Businesses

▶ **DG Ventures Inc.**

Invests in and incubates cutting-edge internet startups



▶ **Open Network Lab** (Program)

Seed Accelerator Program



▶ **DG Incubation, Inc.**

Supports startups that challenge the world through incubation and fund management



▶ **DG Daiwa Ventures, Inc.** (50% stake/equity method)

Manages DG Lab Fund to invest in startups with next-generation technologies



▶ **Digital Garage US, Inc.**

The US-based global strategy headquarters





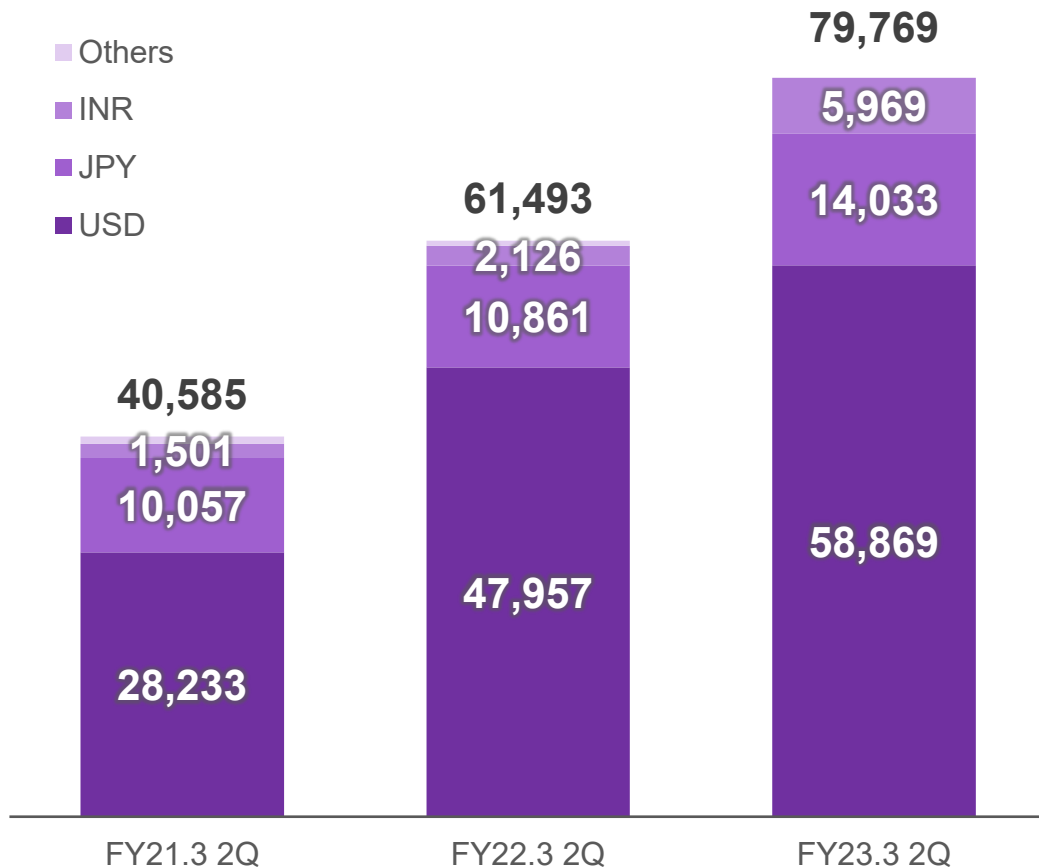


- Despite the write-down of Blockstream's fair value, the fair value at the end of September was 79.8 B JPY (+2.3% vs. the end of FY22.3) due to the impact of the strong dollar.

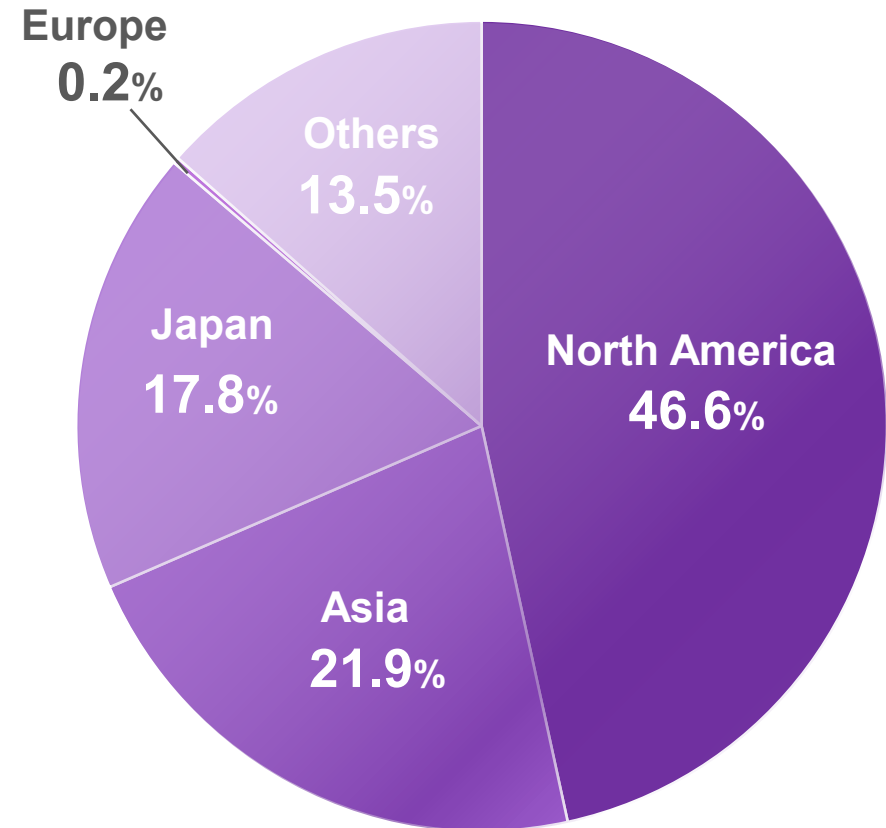
Balance of Operational investment securities  
(Breakdown by Currency)

(Unit : M JPY)

- Others
- INR
- JPY
- USD



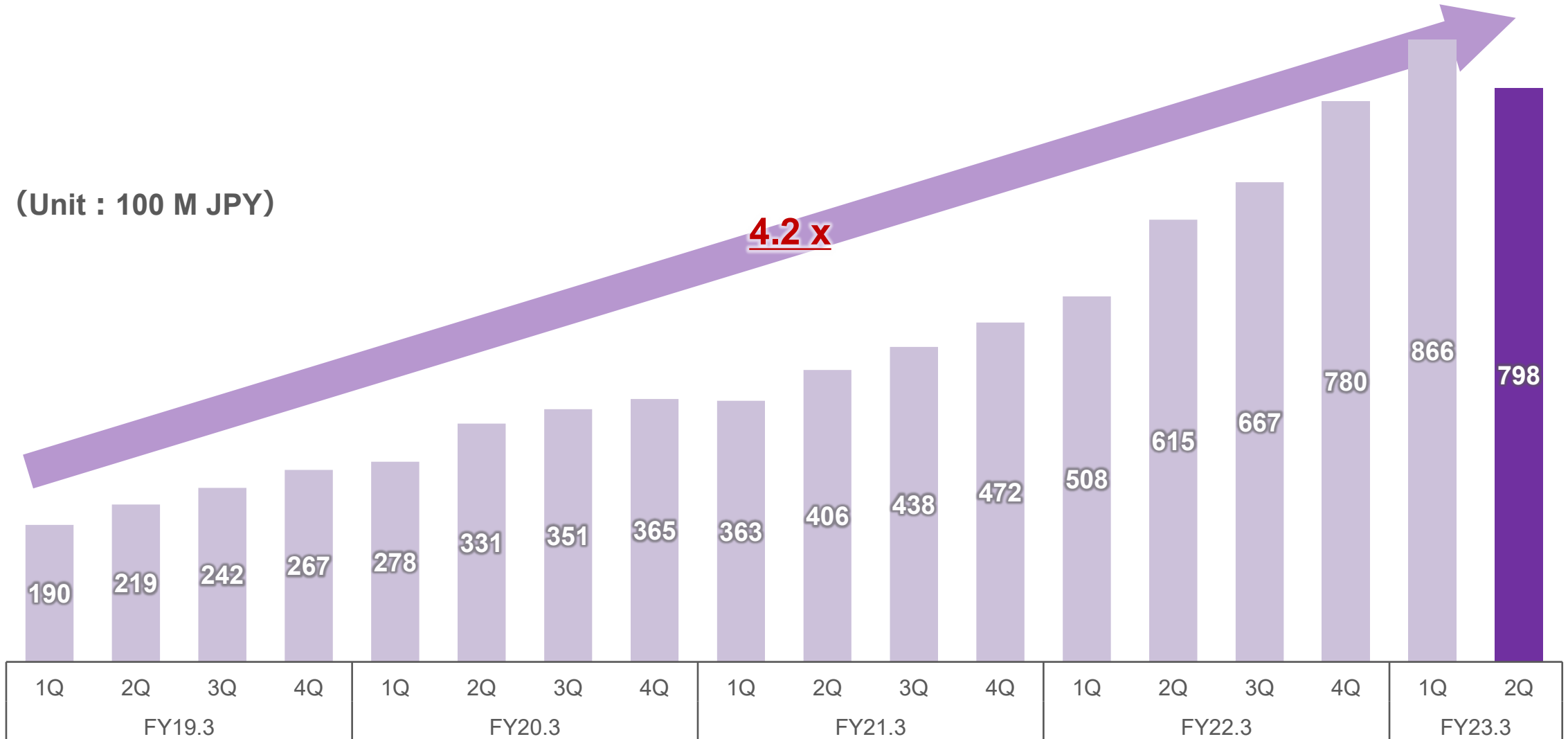
Portfolio by Region





- Built a global portfolio focusing on the U.S., Asia, and Japan. Achieved sustainable growth in fair value through diversification of investments in each growth stage.

(Unit : 100 M JPY)



4.2 x



• Fintech/DX promising portfolio companies in the With Corona era grew in Asia, Japan, North America, and other areas. Steady progress was made in fundraising, listing, and exit of investees.



## DG Group's Fintech business collaboration projects

### Asia

**Droom**  
[India]



Operates Droom, India's largest automotive buying and selling online marketplace

**NoBroker Technologies Solutions**  
[India]



Operates India's peer-to-peer property marketplace. Users can rent/buy houses online without brokers

**Expedient Healthcare Marketing**  
[India]



Operates medical web service "Healthians.com," which offers online booking for health checkups at clinics, related information from doctors/experts, etc.

**Ralali**  
[Indonesia]



Operates BtoB marketplace for office appliances, etc.

**GoTo Group**  
[Indonesia]



Indonesian technology company formed in a merger between ride-hailing giant Gojek and e-commerce platform Tokopedia

### Japan

**AGE technologies**  
[Japan]



A member of the 18<sup>th</sup> Open Network Lab Seed Accelerator Program. Provides "Souzoku.com," a service that completes various procedures occurring at the time of inheritance on the Internet.

**THIRD**  
[Japan]



Provides cost reduction consulting services for construction, machinery, and electrical work, and AI-based real estate management platform "Kanri Roid"

**Pocket Change**  
[Japan]



Provides "pocket change" service for collection, redemption, and exchange of foreign coins, linked to electronic money and point services

**GOYOH**  
[Japan]



Develops and operates IT services for real estate, commercial and residential properties in Japan and abroad. Develops EaSyGo, a real estate tech service that increases real estate value through stakeholder ESG behavior change

### North America · Europe

**MX Technologies**  
[US]



Offers a PFM (personal financial management) tool for financial institutions in the US

**Helium Systems**  
[US]



Operates IoT business through smart sensor devices that can be provided at low cost

**Blockstream**  
[US]



Develops Sidechain, a technology for using Blockchain, Bitcoin's core technology, in various applications

\* % stake includes investment securities held by Digital Garage, Inc.

**Pie Systems**  
[Denmark]



Develops mobile app that automatizes refund workflow for international VAT (Value-Added Tax) and bypasses airport kiosk



Performance

	FY22.3 2Q Cum.	FY23.3 2Q Cum.	YoY Inc./Dec.	YoY % Chg
Segment Revenue	2,028 M JPY	2,426 M JPY	+399 M JPY	+19.7%
Segment Profit before tax	1,078 M JPY	1,293 M JPY	+215 M JPY	+19.9%

Note) Revenue is external revenue. Profit before tax is before intersegment eliminations.

Major Group Companies / Businesses

▶ **Kakaku.com, Inc.** (20% stake/equity method) Ticker : 2371

Operates purchase support service Kakaku.com, restaurant review and restaurant service Tabelog, and New Media and Solutions



▶ **Crypto Garage, Inc.**

Promotes development of advanced financial services utilizing blockchain technology and cryptography technology with Tokyo Tanshi Co., Ltd., and Nomura Holdings, Inc.



▶ **Brainscan Technologies, Inc.**

MRI business for drivers



▶ **Musubell business**

Develops and provides "Musubell," a system to promote DX of contracting and other operations in the real estate industry



▶ **Academie Du Vin Co., Ltd.**

Runs wine school and wine sales business and develops EC business



▶ **Welby Inc.** (19% stake/equity method) Ticker : 4438

Develops medical record business, disease solution business, and medical data research business

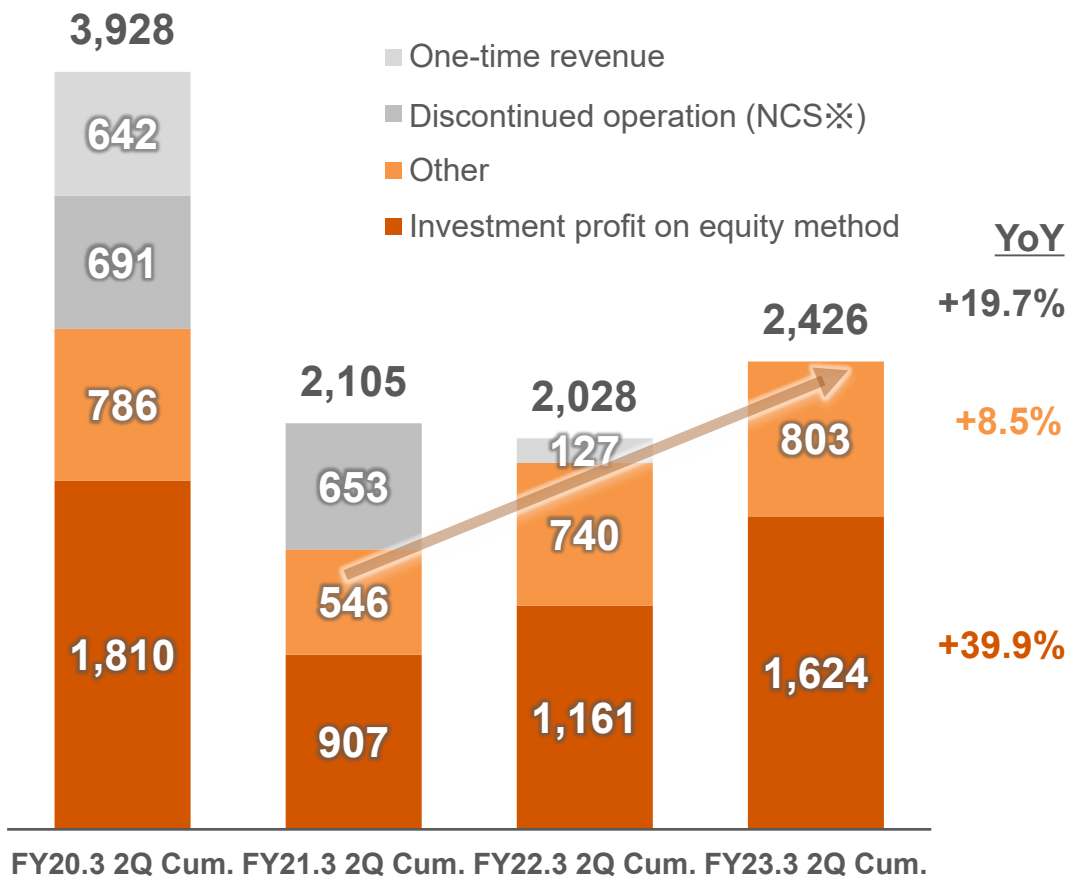




- Performance recovered mainly in Kakaku.com’s Tabelog business as demand for eating out began to recover.
- Core revenue, excluding one-time factors and discontinued operations, has recovered to the pre-Covid level.

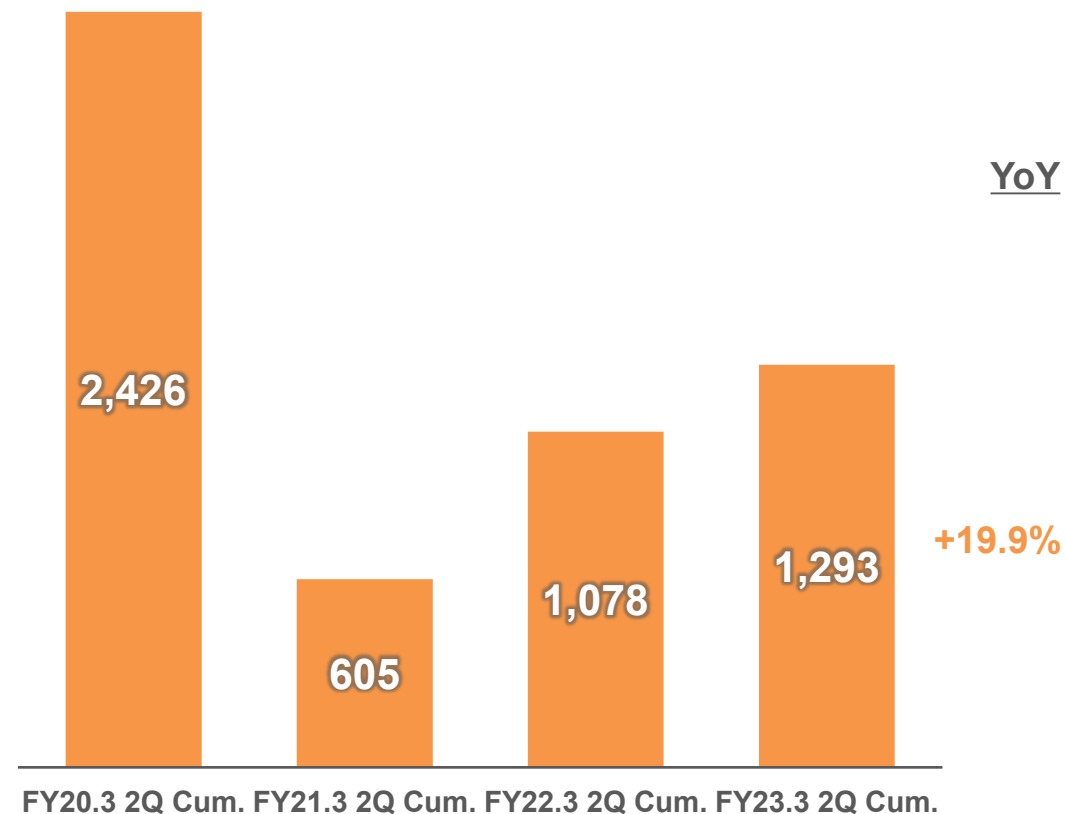
Segment Revenue

(Unit : M JPY)



Segment Profit before tax

(Unit : M JPY)

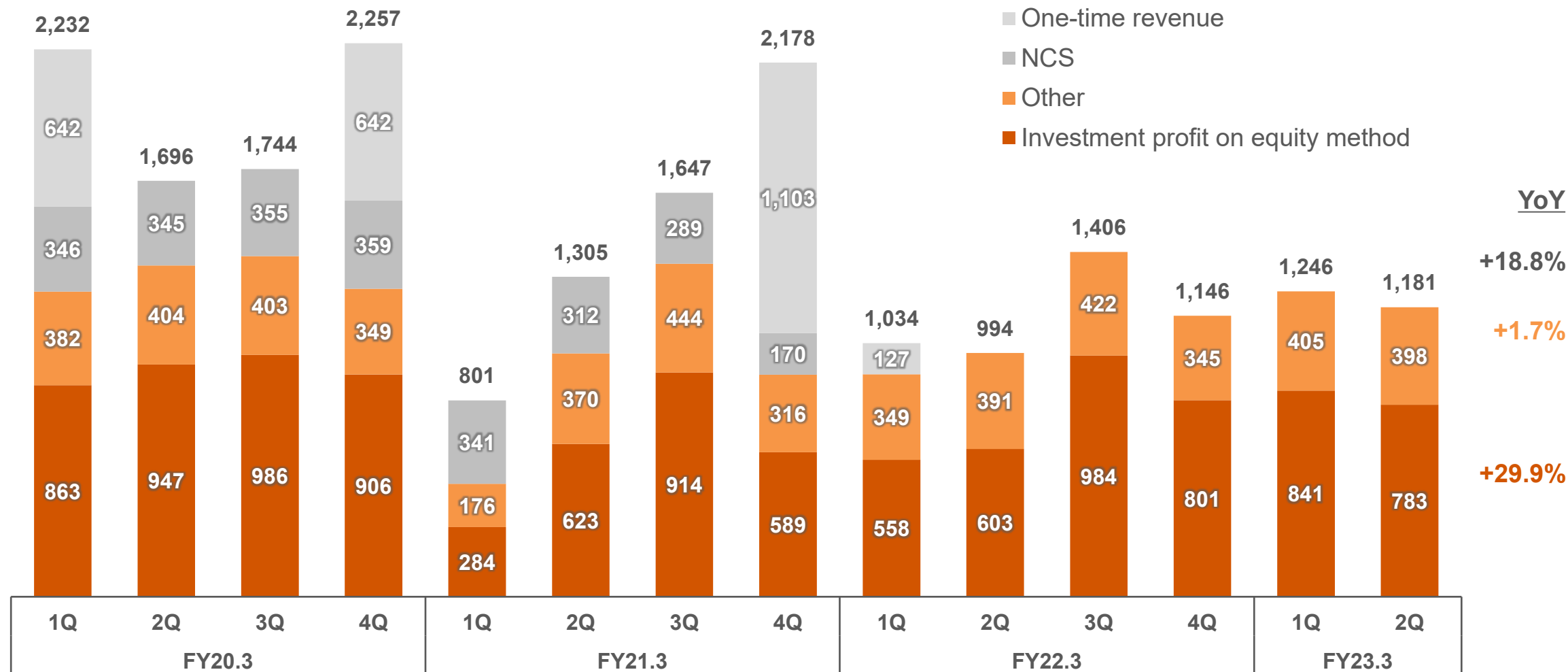


※ Transferred all operations of New Context Services, Inc. in FY21.3.



• Although the activity restrictions of the Corona disaster mainly affected investment profit on equity method from Kakaku.com, core revenue, excluding one-time factors and discontinued operations, has stabilized under the current circumstances.

(Unit : M JPY)





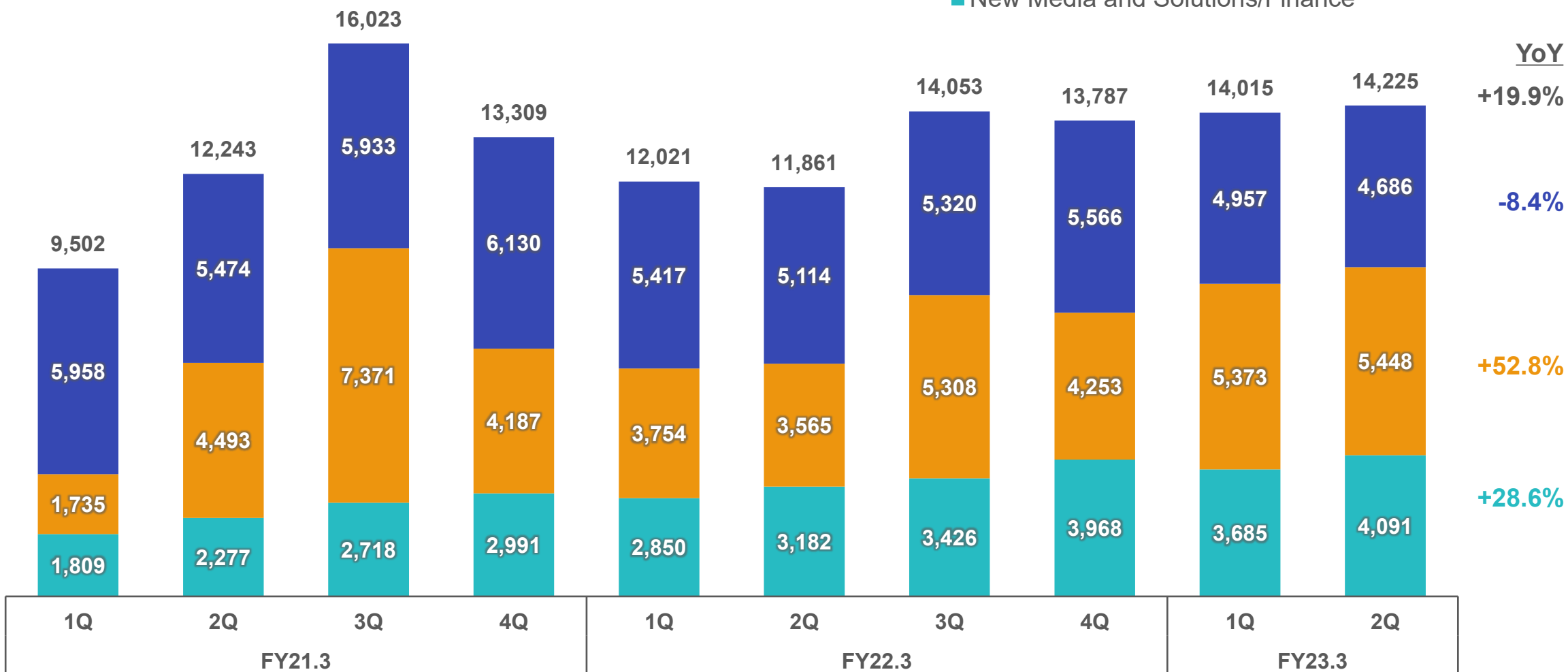


Source) "Results Briefing for the Second Quarter of the Fiscal Year ending March 31, 2023", Kakaku.com, Inc.

### Kakaku.com, Inc. Quarterly Revenue by Business

(Unit : M JPY)

- Kakaku.com
- Tabelog
- New Media and Solutions/Finance



# Financial Information





JPY in Millions	FY21.3				FY22.3				FY23.3		YoY (2Q)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	Incras/ Decrease	% Change
<b>Revenue</b>	<b>6,944</b>	<b>12,320</b>	<b>9,447</b>	<b>11,767</b>	<b>10,843</b>	<b>29,266</b>	<b>12,779</b>	<b>20,067</b>	<b>17,734</b>	<b>-3,170</b>	<b>-32,436</b>	<b>-110.8%</b>
Revenue in recurring business	6,148	6,301	6,138	6,357	6,004	6,068	6,226	6,532	6,002	6,144	-3	+1.2%
Revenue in operational investment securities	302	4,968	2,226	3,535	3,893	9,834	4,378	10,163	7,534	-7,301	+3,641	-174.2%
Other income	193	207	214	1,335	326	223	202	202	159	176	-167	-20.9%
Finance income	1	0	17	40	18	11,382	513	1,247	2,131	-1,090	+2,113	-109.6%
Share of profit of investments accounted for using equity method	300	843	853	499	600	1,758	1,461	1,923	1,907	-1,099	+1,307	-162.5%
<b>Expenses</b>	<b>6,539</b>	<b>6,689</b>	<b>6,123</b>	<b>6,811</b>	<b>5,969</b>	<b>6,715</b>	<b>6,526</b>	<b>8,352</b>	<b>6,530</b>	<b>14,676</b>	<b>+561</b>	<b>+118.6%</b>
Cost of sales	2,764	2,829	2,459	2,645	2,531	2,617	2,662	2,703	2,622	2,495	+91	-4.6%
Selling, general and administrative expenses	3,453	3,588	3,400	4,095	3,304	3,831	3,696	3,988	3,758	4,112	+454	+7.3%
Other expenses	69	109	69	370	72	117	99	1,594	80	87	+8	-25.1%
Finance costs	252	163	195	-299	62	151	69	68	70	7,982	+8	+5191.9%
<b>Profit before tax</b>	<b>405</b>	<b>5,632</b>	<b>3,324</b>	<b>4,956</b>	<b>4,874</b>	<b>22,551</b>	<b>6,253</b>	<b>11,715</b>	<b>11,204</b>	<b>-17,846</b>	<b>+6,330</b>	<b>-179.1%</b>
<b>Profit attributable to owners of parent</b>	<b>224</b>	<b>3,779</b>	<b>2,290</b>	<b>3,493</b>	<b>3,343</b>	<b>15,152</b>	<b>4,305</b>	<b>7,529</b>	<b>7,467</b>	<b>-11,818</b>	<b>+4,124</b>	<b>-178.0%</b>



JPY in Millions	FY21.3				FY22.3				FY23.3		YonY (2Q)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	Increase/Decrease	% Change
<b>Revenue</b>	<b>6,944</b>	<b>12,320</b>	<b>9,447</b>	<b>11,767</b>	<b>10,843</b>	<b>29,266</b>	<b>12,779</b>	<b>20,067</b>	<b>17,734</b>	<b>-3,170</b>	<b>-32,436</b>	<b>-110.8%</b>
Financial Technology	2,340	2,409	2,525	2,392	2,516	2,675	2,814	2,757	2,721	2,898	+223	+8.3%
Marketing Technology	3,335	3,257	2,958	3,499	3,217	3,098	3,087	3,618	2,927	2,848	-250	-8.1%
Incubation Technology	389	5,269	2,225	3,599	4,015	12,214	5,008	11,549	8,937	-8,949	-21,162	-173.3%
Long-term Incubation	801	1,305	1,646	2,179	1,034	994	1,406	1,146	1,246	1,181	+187	+18.8%
Others/Adjustments and Eliminations	79	81	94	97	61	10,286	465	996	1,903	-1,147	-11,434	-111.2%
<b>Profit before tax</b>	<b>405</b>	<b>5,632</b>	<b>3,324</b>	<b>4,956</b>	<b>4,874</b>	<b>22,551</b>	<b>6,253</b>	<b>11,715</b>	<b>11,204</b>	<b>-17,846</b>	<b>-40,397</b>	<b>-179.1%</b>
Financial Technology	1,018	1,083	1,141	875	1,108	1,120	1,264	1,057	1,121	1,309	+189	+16.8%
Marketing Technology	178	78	202	276	248	183	150	442	101	272	+89	+48.8%
Incubation Technology	72	4,916	1,861	3,415	3,636	11,886	4,593	11,100	8,480	-9,443	-21,330	-179.4%
Long-term Incubation	120	485	843	1,205	574	504	813	-639	684	609	+105	+20.8%
Others/Adjustments and Eliminations	-983	-931	-724	-815	-692	8,858	-567	-244	818	-10,593	-19,450	-219.6%



JPY in Millions	End of FY22.3	End of FY22.6	Increase/Decrease	Reason for change / Remarks
<b>Current assets</b>	<b>147,642</b>	<b>157,418</b>	<b>+9,776</b>	
Cash and cash equivalents	43,415	55,705	+12,290	
Trade and other receivables	24,462	19,976	-4,486	FT business-related items
Operational investment securities	77,950	79,769	+1,820	Change in fair value of investee companies
<b>Non-current assets</b>	<b>83,965</b>	<b>75,268</b>	<b>-8,697</b>	
Property, plant and equipment	18,423	17,844	-579	
Intangible assets	4,194	4,344	+151	
Investments accounted for using equity method	27,808	27,745	-64	
Other financial assets	23,317	14,526	-8,791	Decrease in fair value of investee companies
<b>Total assets</b>	<b>231,607</b>	<b>232,686</b>	<b>+1,079</b>	
<b>Current liabilities</b>	<b>59,242</b>	<b>94,237</b>	<b>+34,996</b>	
Borrowings	9,223	37,556	+28,333	Transfer CB to short-term borrowings
Trade and other payables	43,900	51,613	+7,713	
<b>Non-current liabilities</b>	<b>75,149</b>	<b>46,417</b>	<b>-28,732</b>	
Bonds and borrowings	40,710	15,594	-25,116	Transfer CB from long-term to short-term borrowings
Other financial liabilities	10,683	9,877	-805	
Deferred tax liabilities	22,001	19,190	-2,811	
<b>Total liabilities</b>	<b>134,390</b>	<b>140,654</b>	<b>+6,263</b>	
<b>Total equity attributable to owners of parent</b>	<b>95,738</b>	<b>90,186</b>	<b>-5,552</b>	
Share capital	7,692	7,818	+126	
Capital surplus	6,147	6,226	+80	
Treasury shares	-1,409	-1,293	+116	
Other components of equity	2,273	2,344	+71	
Retained earnings	81,035	75,090	-5,945	
<b>Non-controlling interests</b>	<b>1,479</b>	<b>1,847</b>	<b>+367</b>	
<b>Total equity</b>	<b>97,217</b>	<b>92,033</b>	<b>-5,185</b>	



**Starting this fiscal year, the information previously disclosed in the “Supplementary Explanatory Material” section will be posted as a datasheet at the Company's website.**

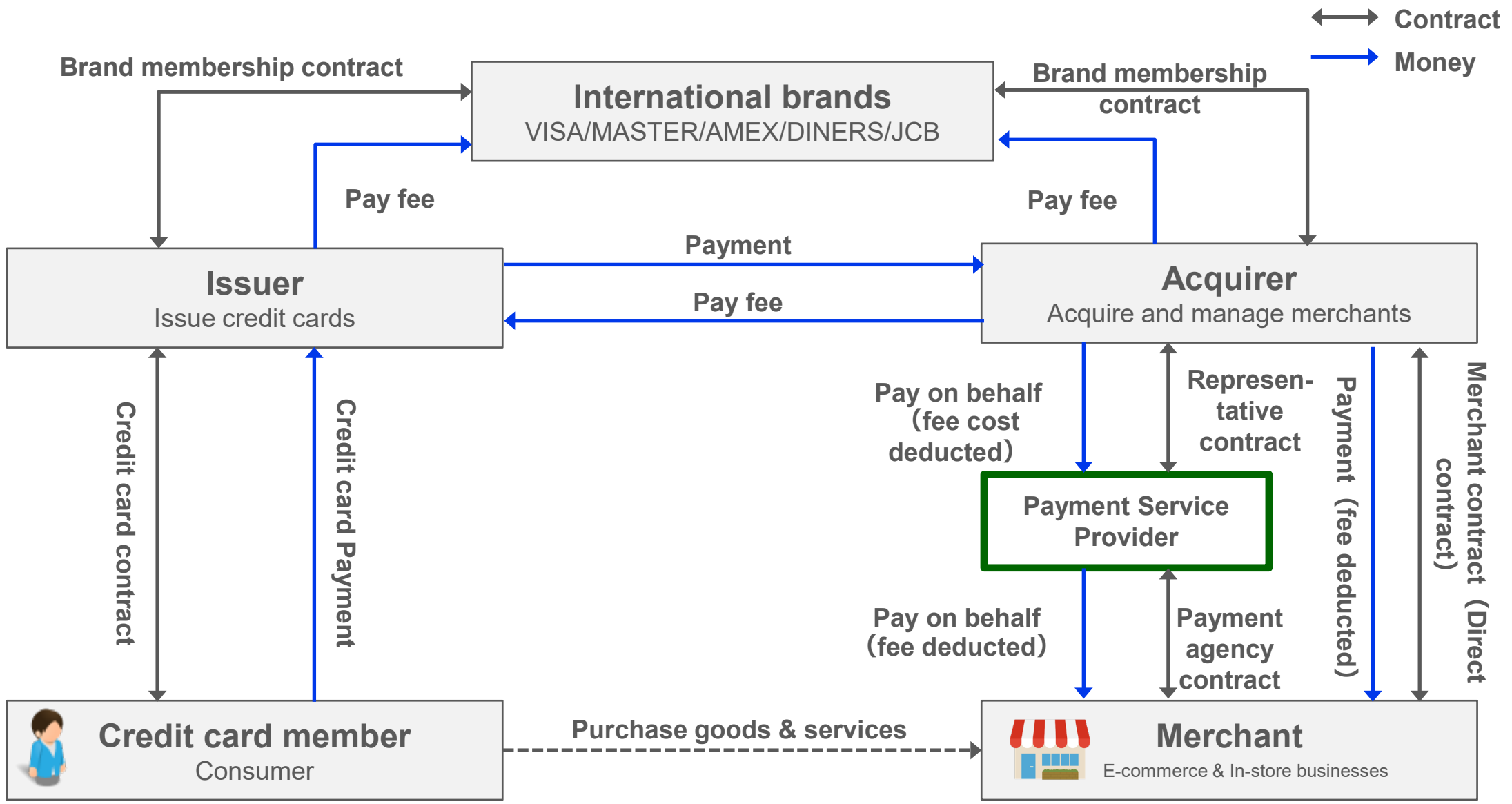
**URL: <https://www.garage.co.jp/en/ir/library/>**

**We continue to enhance information disclosure to provide information that contributes to investment decisions by our shareholders and investors.**



# Supplementary Materials

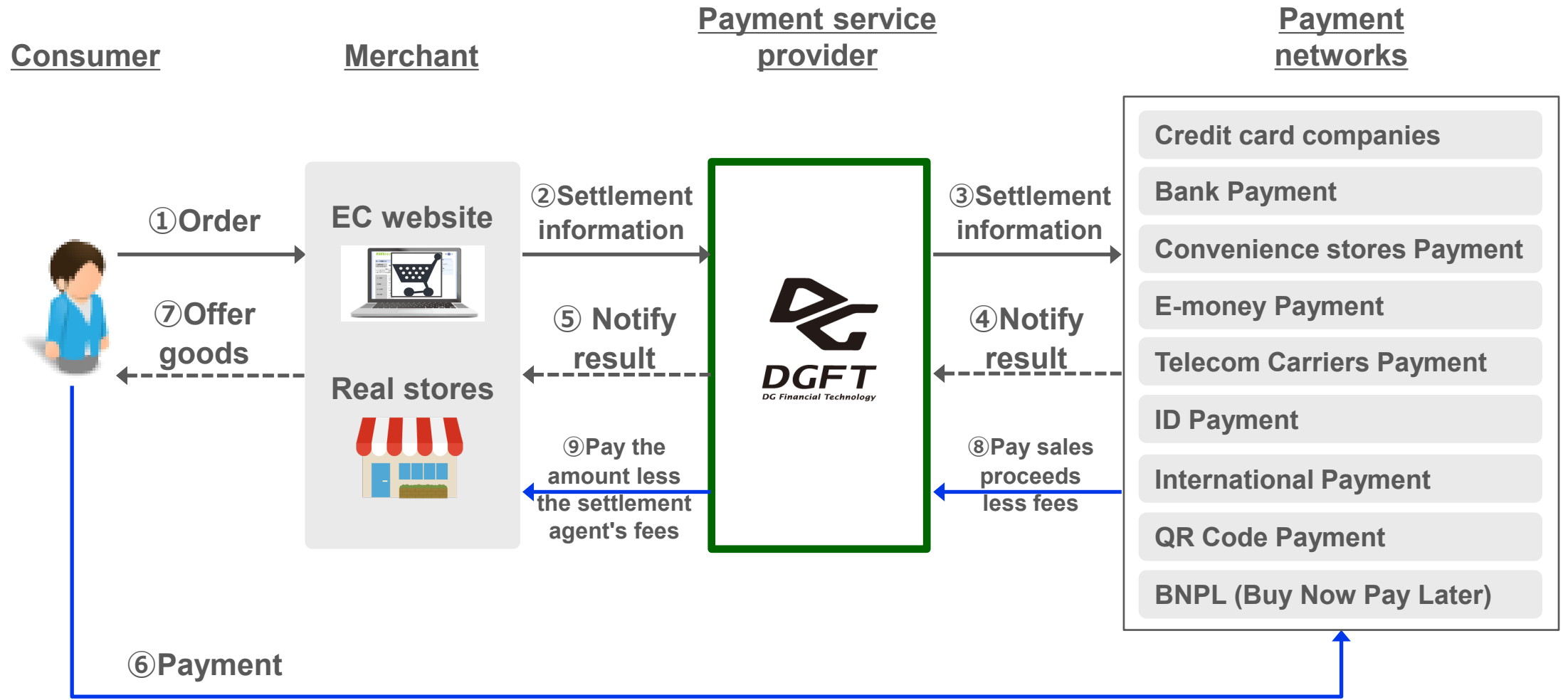






A service that acts as an intermediary between e-commerce site operators and face-to-face merchants and payment service providers such as credit card companies and convenience stores, enabling the introduction of a number of payment methods, including credit card payment, through a single contract and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

—▶ Electronic message  
 —▶ Money

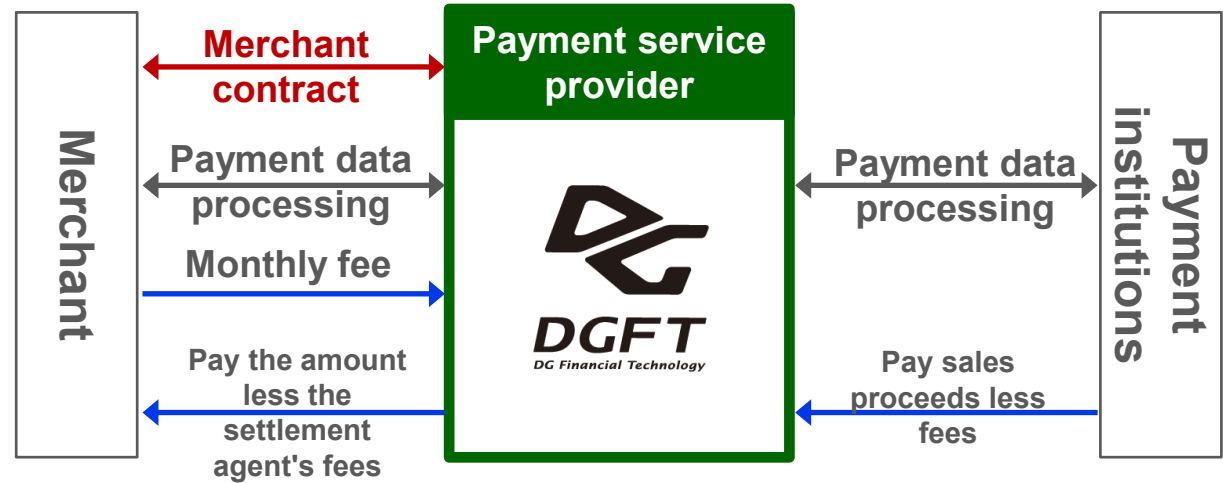




### Storage agency type (Representative contract)

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

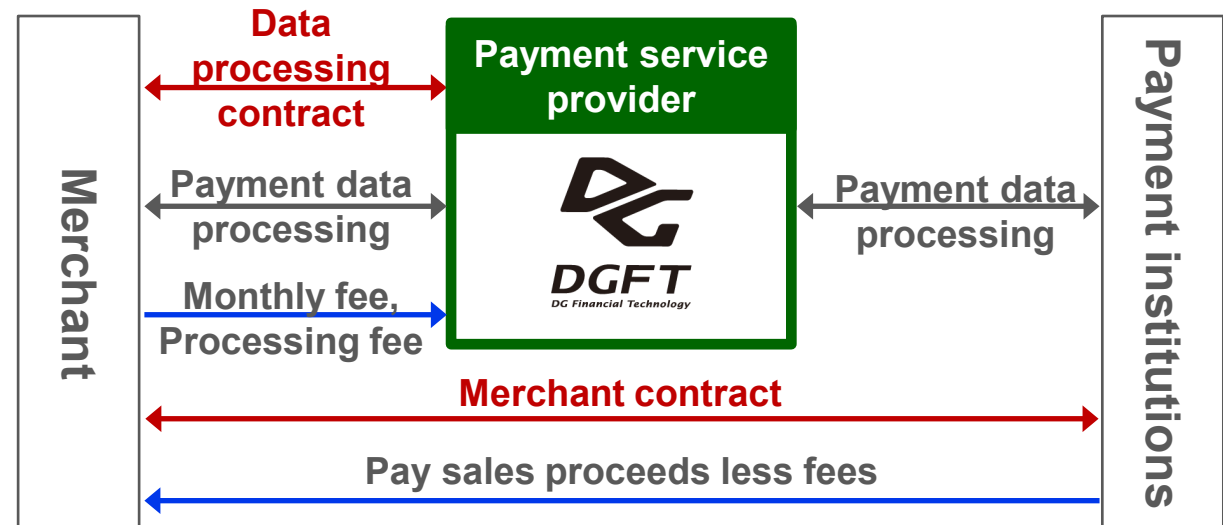


### Payment data processing type (Direct contract)

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

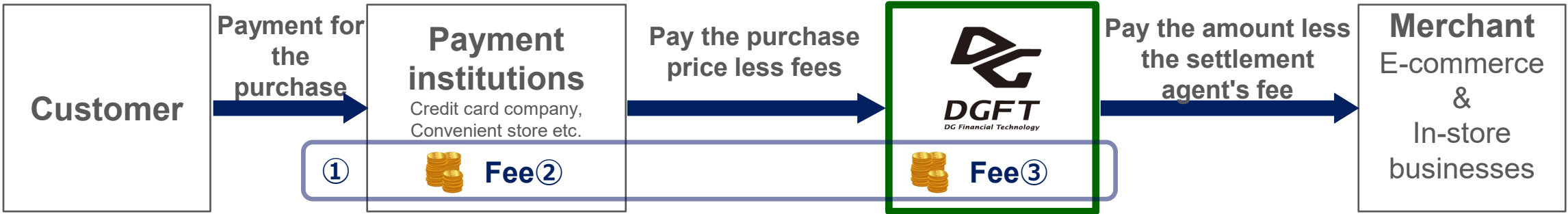
→ Electronic message  
→ Money





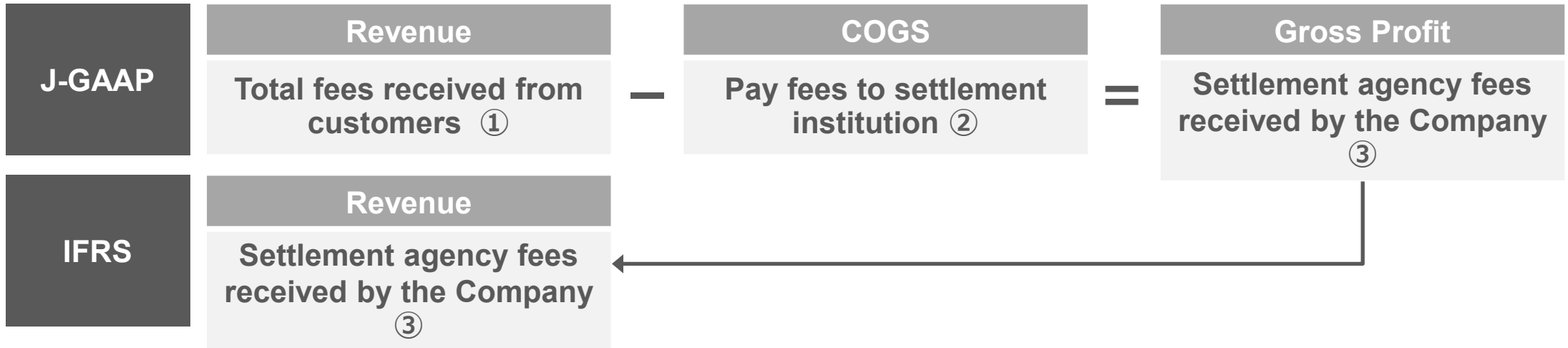
**■ Cash flow**

The settlement agent business (The Company) credits the payment made by purchasers received through credit card companies, convenience stores, etc. to the merchant stores of e-commerce businesses and storefront businesses that are its customers.



**■ Posting of revenue**

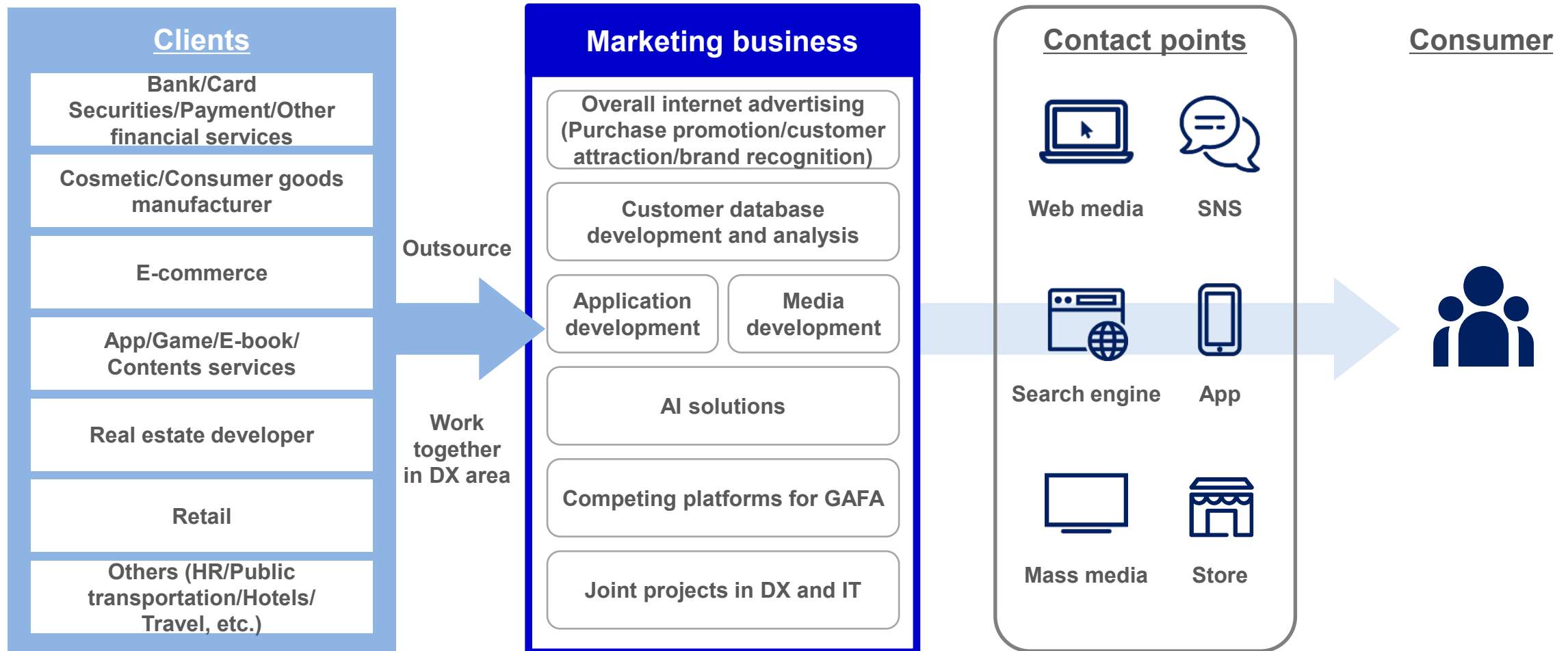
Under IFRS, fees received by the Company are directly recognized as revenue.





- 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

Promoting interest and purchase intent in all touchpoints with consumers

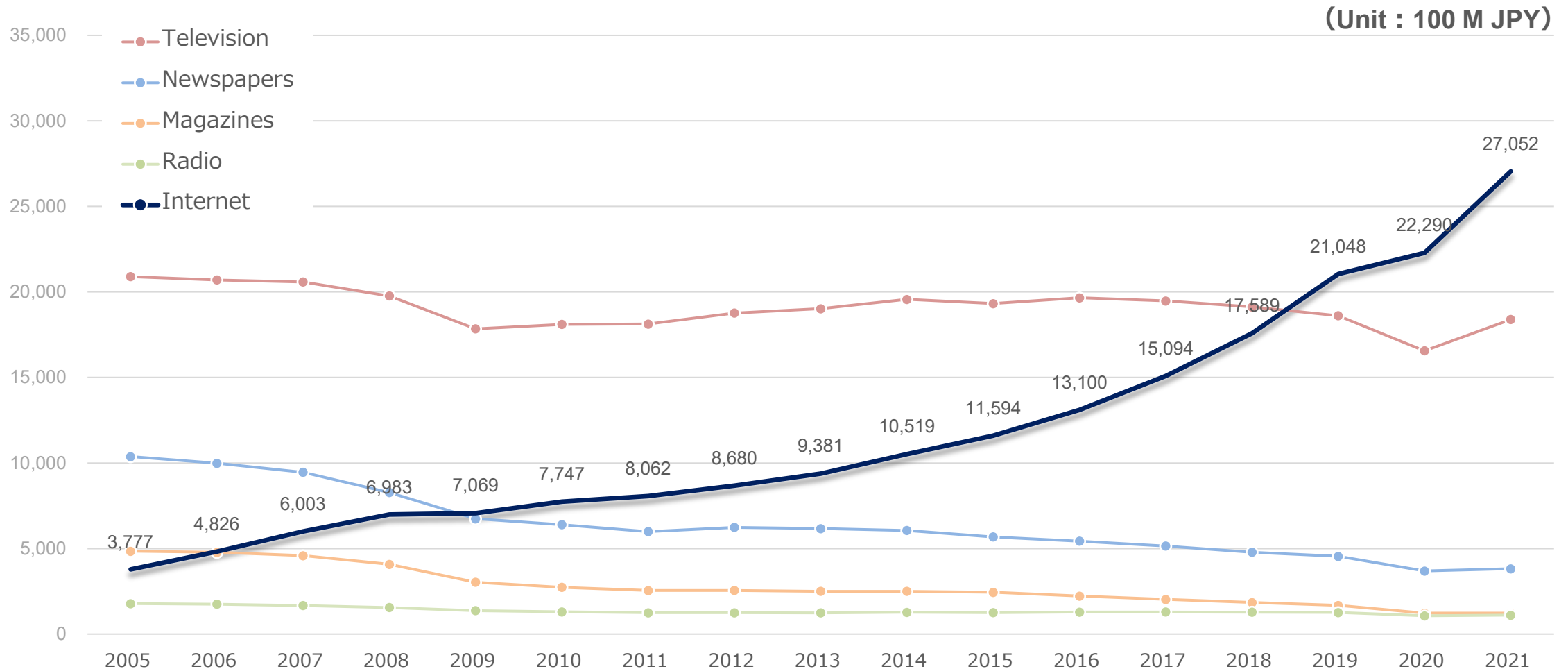






- Internet advertising expenditures surpassed Traditional Media advertising expenditures for the first time, driving the recovery of Japan's overall advertising market
- The Internet advertising market is expected to continue to expand in the future.

### Trends in Four Traditional media and Internet advertising expenditures

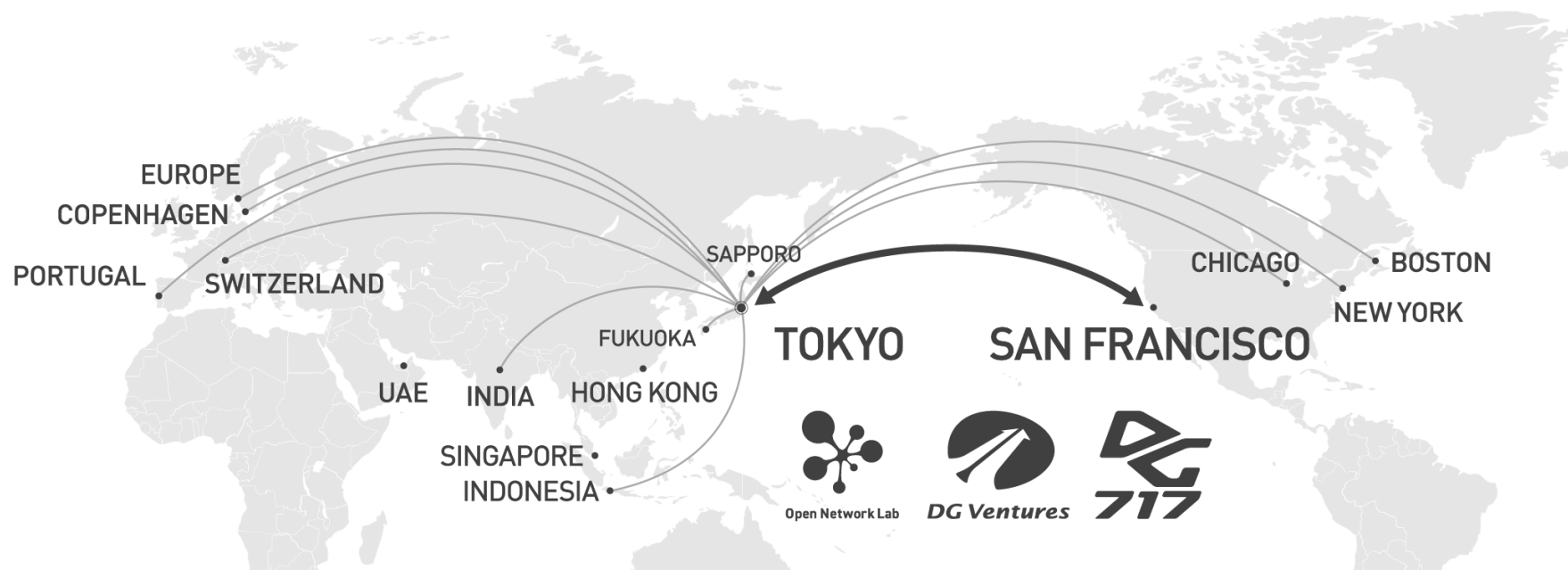









Source : "Advertising Expenditures in Japan in 2020", Dentsu Inc.



- Maximize the global network that DG has built to date to discover and nurture world-class startups.

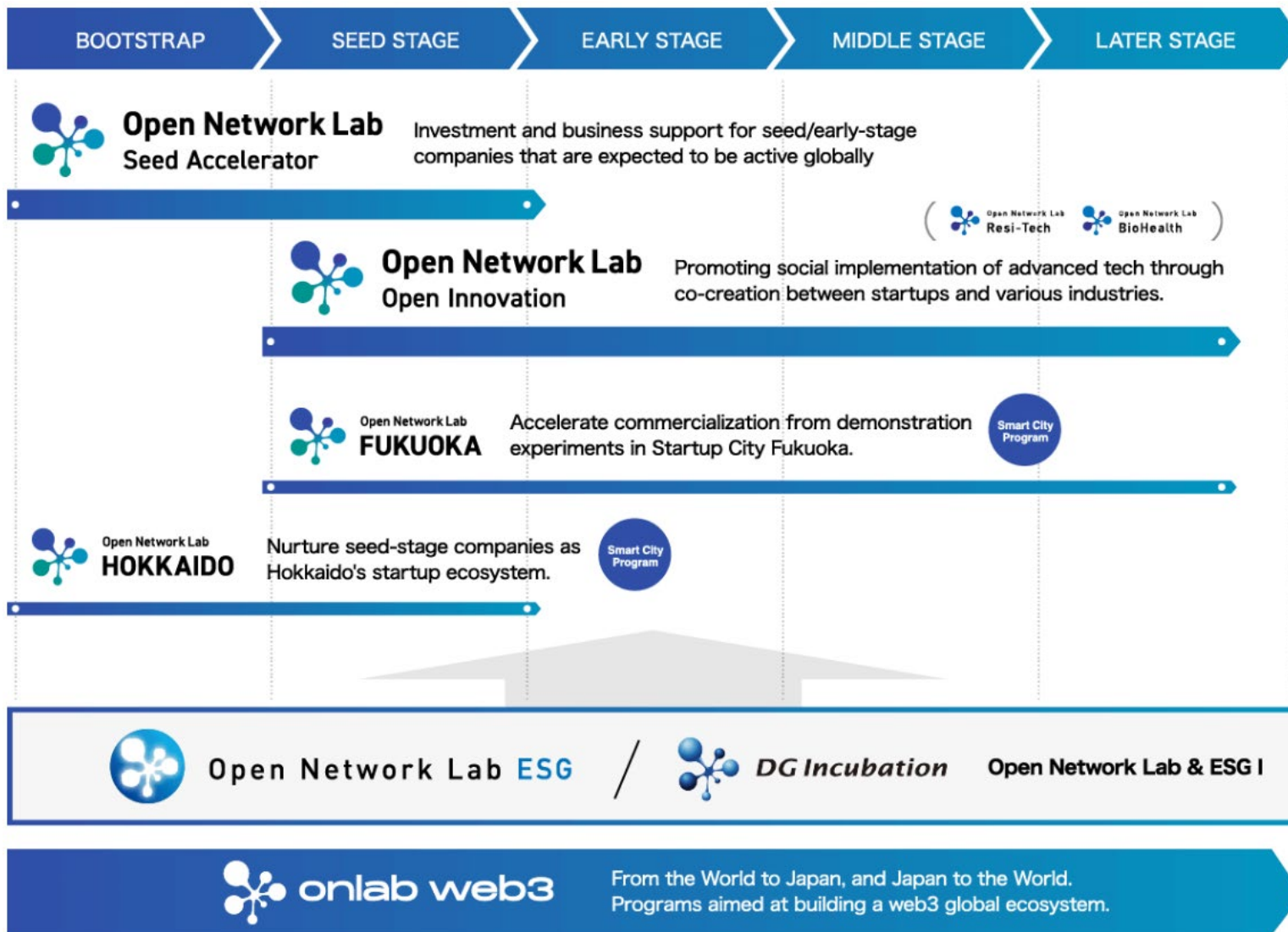
Global Incubation Stream



EUROPE / ASIA / HONG KONG	SAN FRANCISCO / NEW YORK / CHICAGO
   	   



- Developing support programs with different characteristics in line with each stage and area to further strengthen support for startups and realize social implementation.



Total Startups

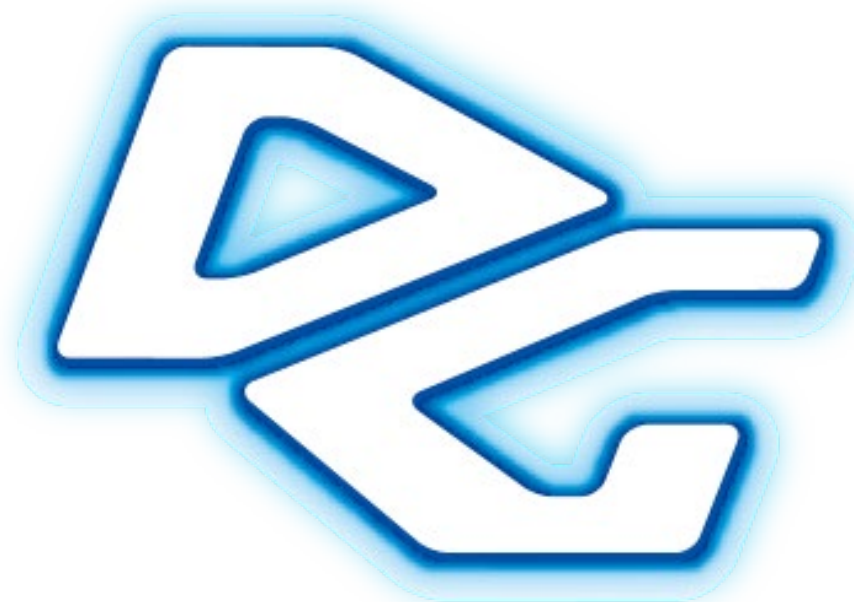
152 startups

Funding Success Rate

58.1 %

Exited Companies

12.5 %



***Digital Garage***

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.