



Digital Garage, Inc.
- 1Q of FYE June 2014 -
Financial Report

November 12, 2013



Digital Garage

Providing New Contexts

Revenue increased 37% YoY, Ordinary profit almost tripled

~ Marketing and Payment grew steadily. Incubation delivered results due to favorable market conditions ~

JPY in Million	FY13.6 1Q Actual	FY14.6 1Q Actual	YoY Amount	FY14.6 2Q Cumulative Forecast	FY14.6 Full Year Forecast
Net sales	5,307	7,273	+ 1,966	15,000	32,000
Operating income	51	86	+ 137	300	1,800
Ordinary income	167	473	+ 306	350	3,500
Net income	213	389	+ 176	100	2,100
EBITDA	696	970	+ 274	940	4,800

Note: EBITDA is based on preliminary calculation.

FY14.6 1Q Summary: Balance Sheet (Consolidated)

JPY in Million	FY13.6	FY14.6_1Q	Q on Q	Reason for change / Remarks
Current assets	33,837	33,363	-474	
Cash and deposits	15,329	13,717	-1,612	Investment, Corporate tax, dividends, etc
Receivables	9,037	8,972	-65	Payment-business-related items
Money held in trust	3,768	3,886	+118	Payment-business-related items
Operational investment securities	2,641	3,492	+851	Proactive investment continued
Fixed assets	22,173	22,443	+270	
Investments	5,521	5,786	+265	
Investment real estate	3,102	3,266	+164	
Goodwill	9,968	9,808	-160	
Total assets	56,010	55,806	-204	Quick Ratio 155%(13/6) 159%(13/9)
Current liabilities	21,801	21,019	-782	
Deposits	18,229	15,035	-3,194	Payment-business-related items (quarter-end, weekday / end factor)
Short-term borrowing	305	3,198	+2,893	Increased demand for working capital
Fixed liabilities	6,950	6,915	-35	
Long-term borrowing	6,799	6,786	-13	
Total liabilities	28,752	27,934	-818	
Net assets	27,258	27,872	+614	Equity Ratio 46%(13/6) 47%(13/9)
Retained earnings	7,003	7,158	+155	
Liabilities / Net assets	56,010	55,806	-204	

DG leads “Lean Global” with 3 Business segments

I Incubation Segment

Incubates world-changing service ideas and transforms them into next generation internet businesses

- ▶ Investment to cultivate promising startups inside and outside Japan
- ▶ Development of media services inside and outside Japan
- ▶ Technology/business development using Lean Startup methodology

INCUBATION



II Marketing Segment

Supports clients through providing cutting-edge data science technology, web advertising / promotion

- ▶ Data science business
- ▶ Web advertisement, media business
- ▶ Oto related, Business development

MARKETING



III Payment Segment

Aims to become Asia's largest payment service provider based on expertise and technology built in the Japanese Market

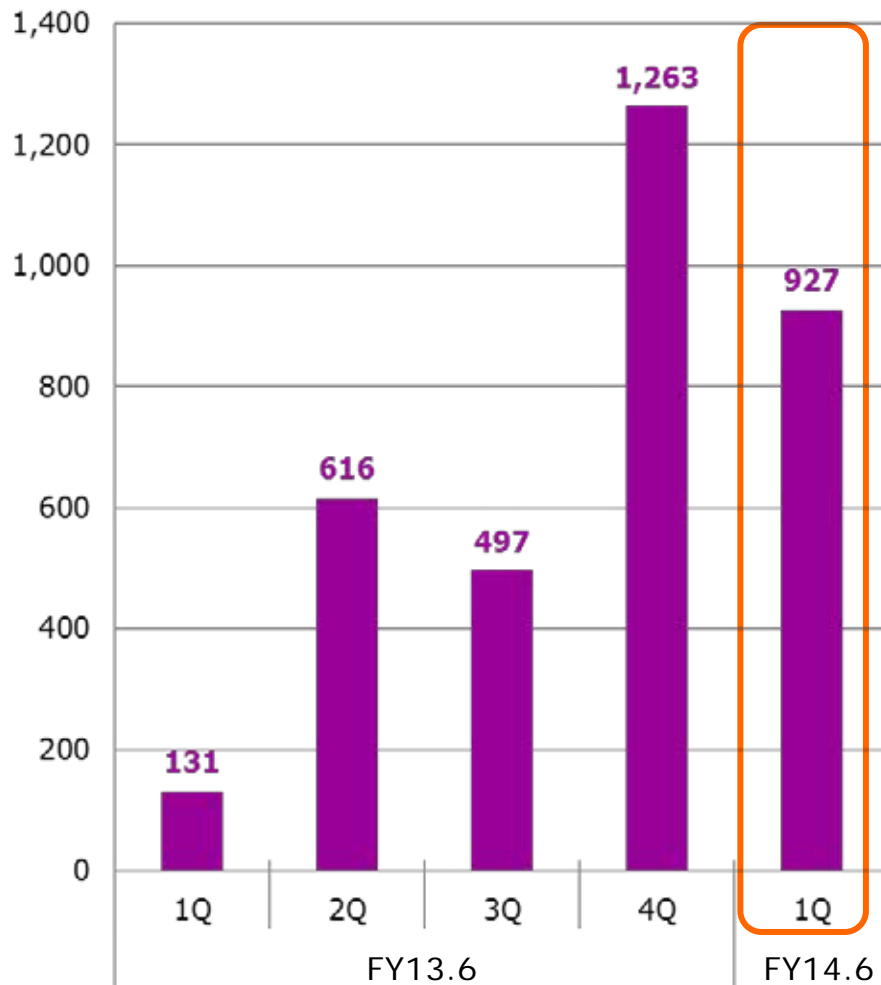
- ▶ Payment platform in Asia
- ▶ One of the largest online settlement infrastructures in Japan

PAYMENT

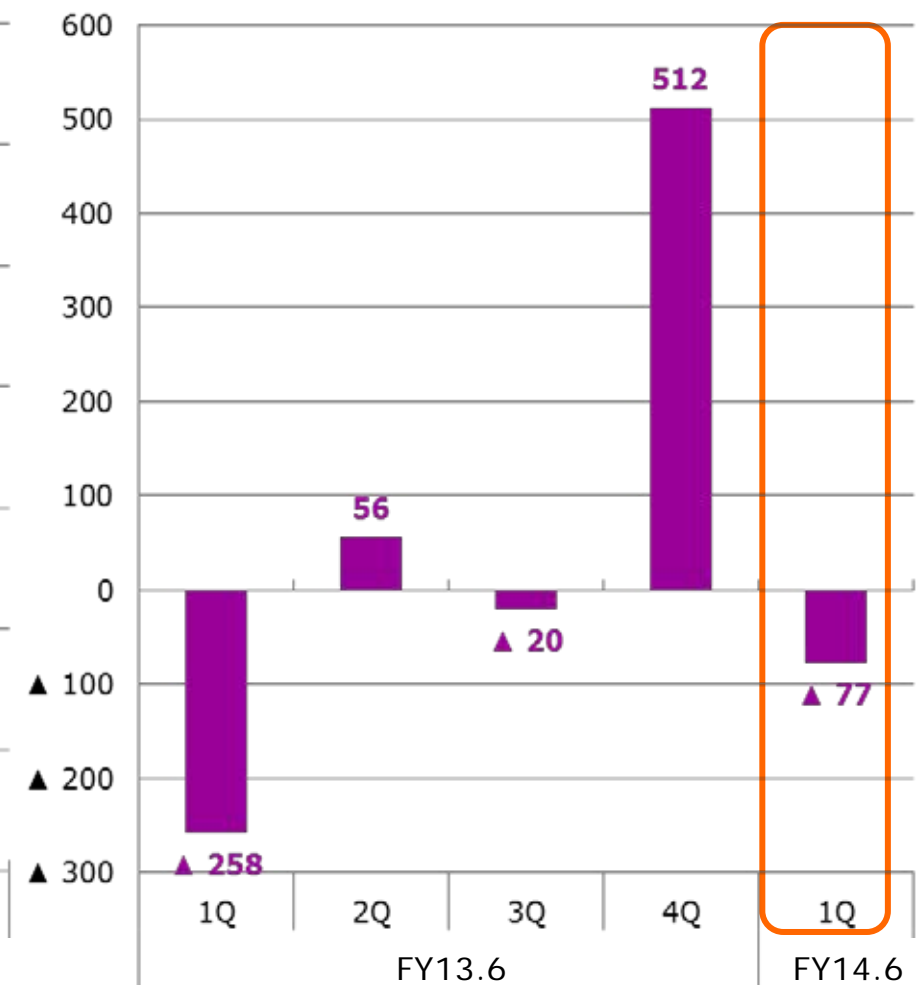


Business Segment's Highlight : Incubation

(JPY in Million) 【Net Sales】



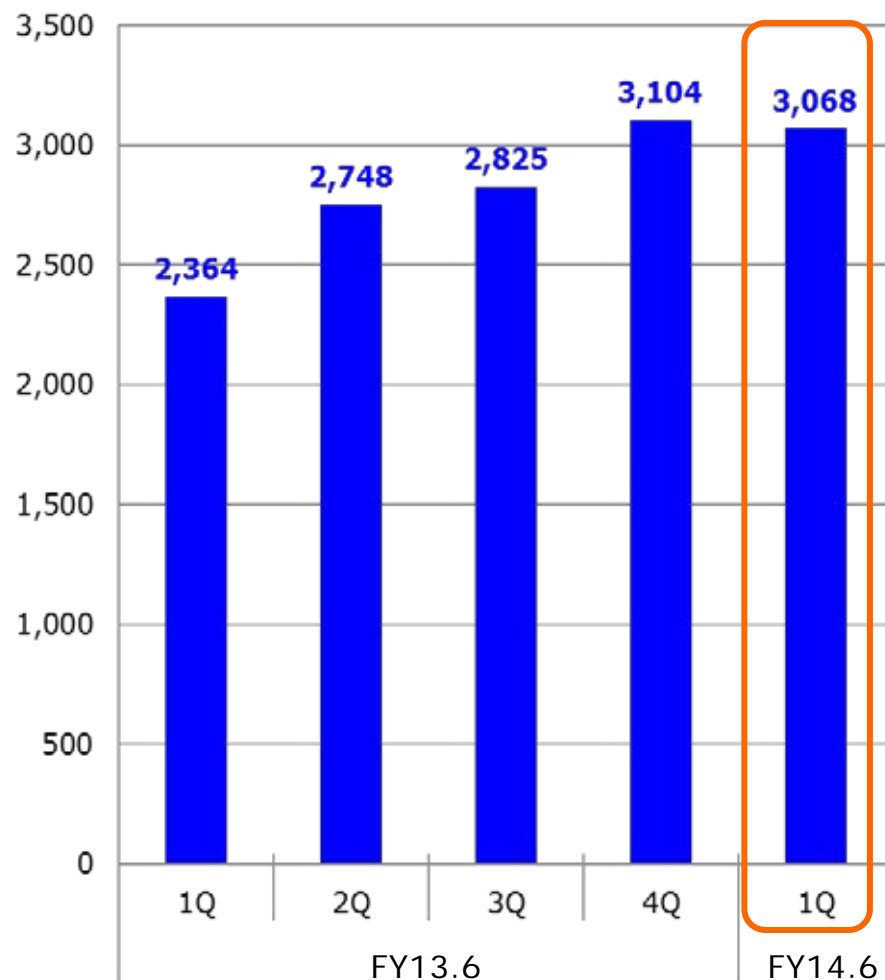
(JPY in Million) 【Operating Income】



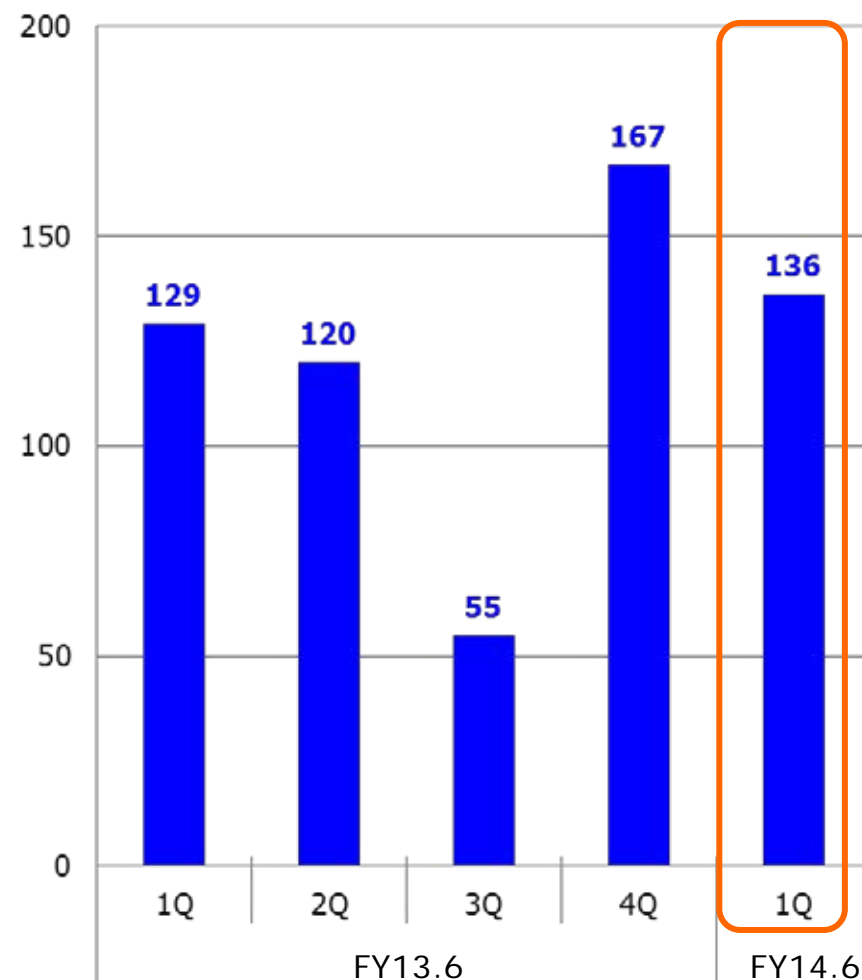
Achieved strong revenue growth from sale of stocks and Neo's business expansion. Opened startup incubation center (aka DG717) in San Francisco to lead lean global.



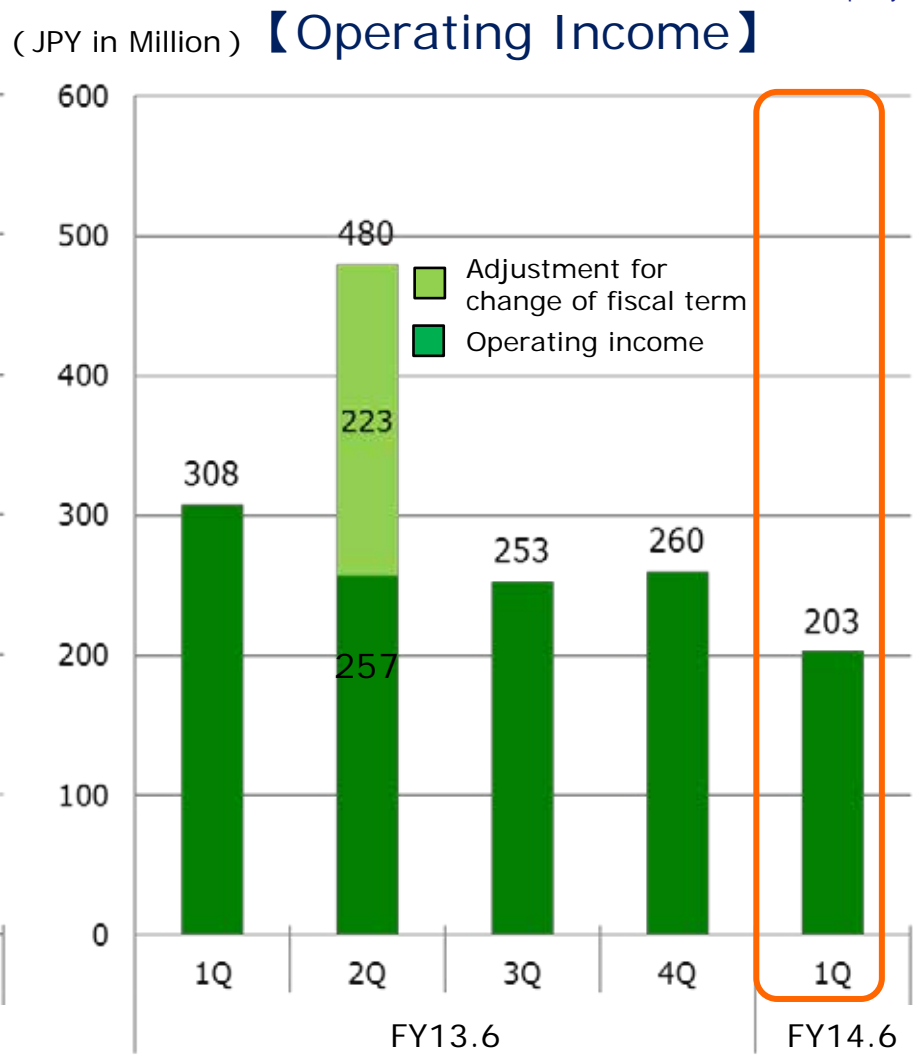
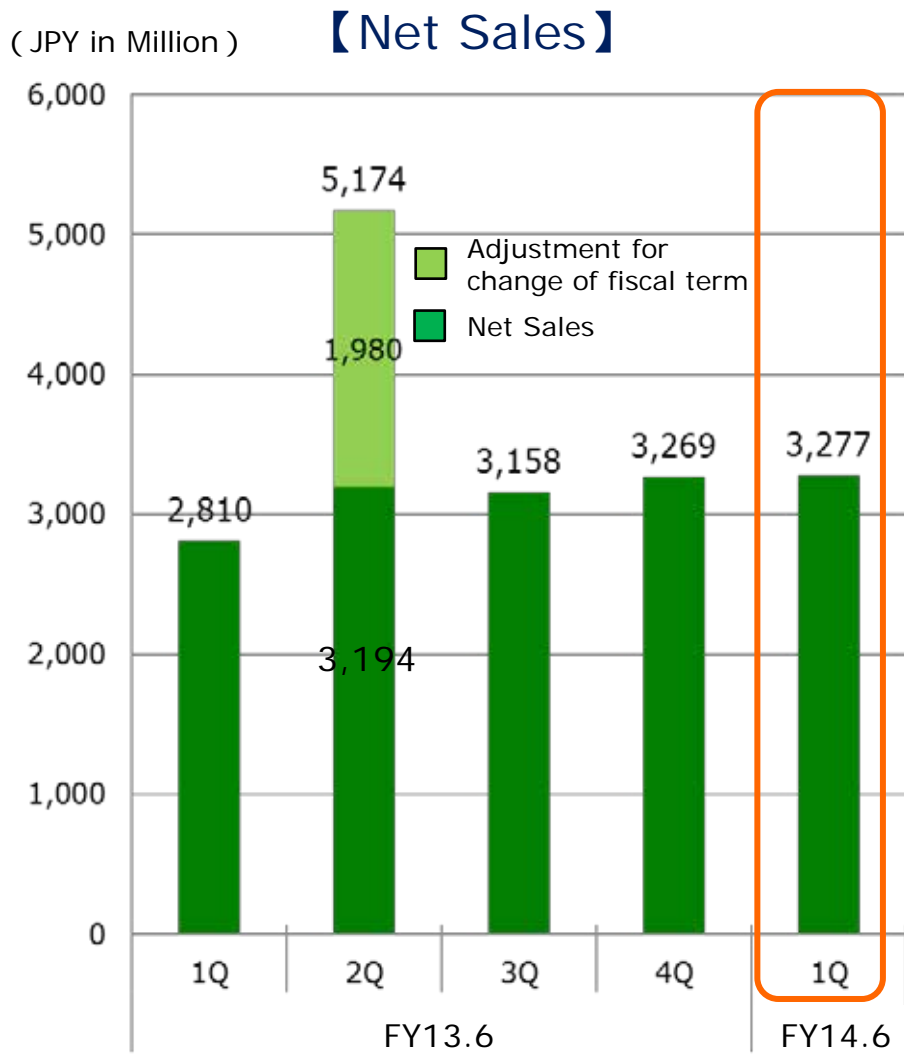
(JPY in Million) 【Net Sales】



(JPY in Million) 【Operating Income】



Internet ads and mall business gained traction, achieving strong revenue growth of 30% YoY. Announced the launch of data science business with Dentsu and Kakaku.com to optimize marketing activities for clients.



Achieved strong revenue growth of 17% YoY, following the growing domestic ecommerce market. Incurred expenses pertaining to planned IPO at HKSE. Started full-fledged Payment strategy in Asia, following Indonesia and China.

DG opened Startup Incubation Center in San Francisco to lead Lean Global



Digital Garage announced the launch of “DG717”, a startup incubation center in San Francisco. Digital Garage and Neo hosted “New Context Conference” on 5th – 6th November. San Francisco Mayor Ed Lee proclaimed November 5th as “Digital Garage Day”. Mr. Taro Aso, Deputy Prime Minister, sent a congratulatory message from Japan. Mr. Nobuhiro Watanabe, Deputy Consul General of Consulate-General of Japan in San Francisco, gave a speech at the ceremony. Joi Ito, DG co-founder and MIT Media Lab Director, delivered a keynote at the conference along with Biz Stone, Twitter co-founder.



Link to DG717
<http://www.dg717.com/about.html>

Media coverage on the launch of DG717 - Japan and overseas

Wall Street Journal

Digital Garage Announces Startup Incubator in San Francisco to Bridge Japanese and U.S. Technology Communities
<http://online.wsj.com/article/PR-CO-20131104-907573.html?dsk=y>

Yahoo Finance

Digital Garage Announces Startup Incubator in San Francisco to Bridge Japanese and U.S. Technology Communities
<http://finance.yahoo.com/news/digital-garage-announces-startup-incubator-160028310.html>

世界新聞網

Digital Garage進軍金山
<http://worldjournal.com/bookmark/23988270-Digital-Garage->

Nikkei

Digital Garage Launches Startup Incubation Center in US
http://www.nikkei.com/article/DGXNASDD060P4_W3A101C1TJ2000/

CNET

Digital Garage Opens New Space in San Francisco – Kickoff event
<http://japan.cnet.com/news/service/35039533/>
Digital Garage Opens Incubation Center in San Francisco
<http://japan.cnet.com/news/business/35039410/>

Toyo Keizai Online

Digital Garage Opens New San Francisco Space
<http://toyokeizai.net/articles/-/23538>



Keynote session - from left, DG co-founder Joi Ito, Twitter co-founder Mr. Biz Stone, Mr. John Underkoffler from Oblong, "Minority Report" UI designer



Startup panel - Mr. Oki Matsumoto (Managing Director and Chairman, Monex Group), Mr. Teruhide Sato (President and CEO, netprice.com), and several other key leaders
(Photo by Taro Matsumura)

Next generation ad marketing in collaboration with Dentsu, cci, and ADK.
CGM Marketing aims at further business expansion as “BI. Garage”.

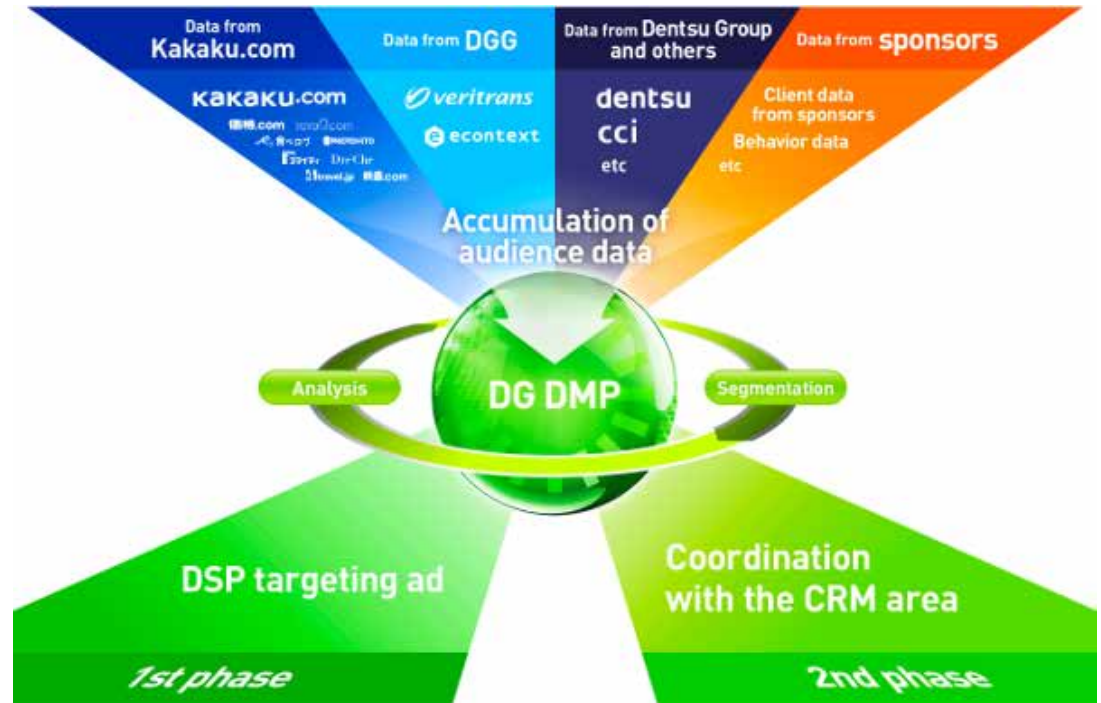
Corporate Logo



Mission

Optimize marketing activities for clients and create new value for media by leveraging Dentsu / DG group’s data and building alliances with media including mass.

Business Framework





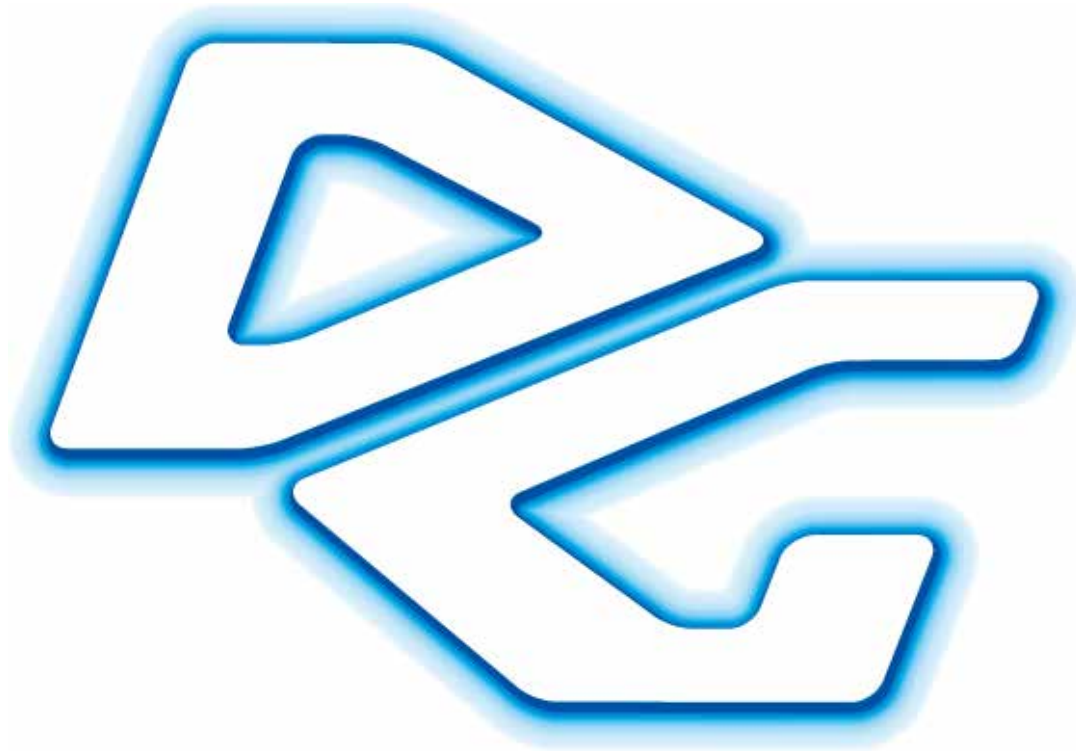
Financial Summary : Quarterly Profit and Loss (Consolidated)



JPY in Million	FY12.6				FY13.6				FY14.6
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	3,418	2,879	5,202	3,403	5,307	8,539	6,482	7,636	7,273
Incubation	583	17	1,973	37	131	616	497	1,263	927
Marketing	1,906	1,939	2,295	2,416	2,364	2,748	2,825	3,104	3,068
Payment	928	922	933	949	2,810	5,174	3,158	3,269	3,277
Operating income	437	134	1,708	389	51	523	151	698	86
Incubation	387	136	1,650	268	258	56	20	512	77
Marketing	142	139	163	65	129	120	55	167	136
Payment	154	128	142	126	308	480	253	260	203
Ordinary income	594	70	2,193	149	167	1,000	719	1,191	473
Net income	533	77	1,747	251	213	700	1,294	507	389
EBITDA	698	163	2,292	186	696	1,573	2,050	1,581	970
Amortization	44	44	44	56	200	333	211	195	191

Note: Operating income per segment is based on figures prior to elimination or Group deduction. EBITDA is based on preliminary calculation.





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..