

**20** ANNIVERSARY  
YEARS DIGITAL GARAGE

HONG KONG

TOKYO

SAN FRANCISCO

# Digital Garage, Inc.

3Q of FYE June 30, 2014 Financial Report

2014.5.14

 **Digital Garage**

**FY14 3Q results exceeded the budget, making steady progress for a full year**

**~ New projects underway to further strengthen DG's business platform ~**

## **I Incubation : Accelerating incubation business globally**

- Achieved strong sales growth from the sales of stocks and Neo's business expansion
- Capital and business alliance with Betaworks (Head Office: NY), strengthening partnership with Silicon Alley in addition to Silicon Valley
- Launching CIWorks (website for physicians) to provide global collective intelligence on medical information

## **II Marketing : Continued strong growth of Web ads. Launched Big Data business**

- Revenue increased +42% YoY, Op income increased about 6x YoY in FY14.6 3Q (1-3)
- Growth gaining traction in ROI-focused performance ads
- BI.Garage (JV with Dentsu) launches "BIG MINING" ad product utilizing Big Data

## **III Payment : Significant op income growth as IPO cost burden decreases**

- Revenue increased +11% YoY, Op income increased +64% YoY in FY14.6 3Q (1-3)
- Domestic shows steady growth, following the expansion of e-commerce market and the last-minute demand ahead of the consumption tax hike in Japan
- Accelerating Asian expansion of the settlement and EC-related services

**Revenue up 18%, Op income up 90%, Ordinary income up 32% to 2.5 B JPY**  
 ~ Making steady progress ( about 90% complete ) on a net income basis ~

JPY in Million	FY13.6 3Q Cumulative Actual	FY14.6 3Q Cumulative Actual	YoY		FY14.6 Full Year	
			%	Amount	Forecast	1Q-3Q Progress
Net sales	20,328	23,894	+18%	+3,566	32,000	75%
Operating income	624	1,186	+90%	+562	1,800	66%
Non-operating income	1,531	1,705	+11%	+174		
Investment profit on equity method	945	1,229	+30%	+284		
Foreign exchange gain	375	208	-45%	-167		
Non-operating expenses	268	393	+47%	+125		
<b>Ordinary income</b>	<b>1,886</b>	<b>2,498</b>	<b>+32%</b>	<b>+612</b>	<b>3,500</b>	<b>71%</b>
Extraordinary income	1,196	500	-58%	-696		
Gain on change in equity	18	374	+1978%	+356		
Extraordinary loss	60	26	-57%	-34		
Income before income taxes	3,023	2,972	-2%	-51		
Income taxes	844	962	+14%	+118		
<b>Net income</b>	<b>2,208</b>	<b>1,873</b>	<b>-15%</b>	<b>-335</b>	<b>2,100</b>	<b>89%</b>
<b>EBITDA</b>	<b>4,319</b>	<b>4,134</b>	<b>-4%</b>	<b>-185</b>	<b>4,800</b>	<b>86%</b>

Note: EBITDA is based on preliminary calculation

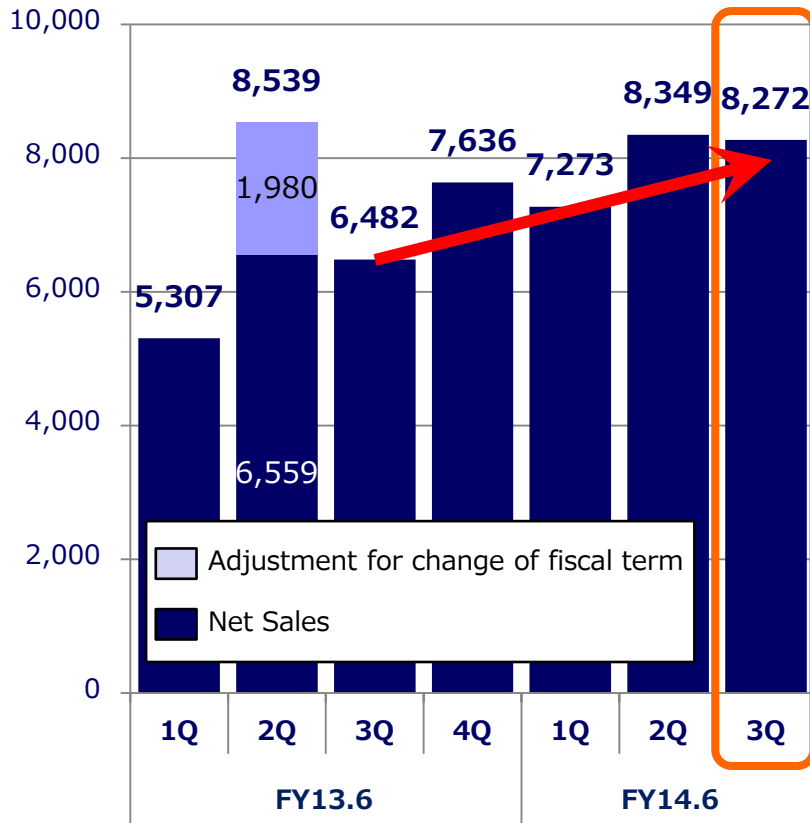
# FY14.6 3Q Consolidated B/S Summary

JPY in Million	FY13.6	FY14.6 3Q	Difference	Reason for change / Remarks
<b>Current assets</b>	33,837	50,301	+16,464	
Cash and deposits	15,329	24,436	+9,107	Financing - IPO of econext ASIA, etc
Receivables	9,037	10,606	+1,569	Payment segment related items
Money held in trust	3,768	2,754	-1,014	Payment segment related items
Operational investment securities	2,641	8,667	+6,026	Mark-to-market for listed stocks, etc
<b>Fixed assets</b>	22,173	25,947	+3,774	
Investment securities	5,521	10,837	+5,316	Increased investment profit on equity method, Capital alliance, New acquisition, etc
Investment real estate	3,102	3,719	+617	
Goodwill	9,968	7,474	-2,494	Decreased stake in econext ASIA upon the listing
<b>Total assets</b>	56,010	76,249	+20,239	
<b>Current liabilities</b>	21,801	30,574	+8,773	
Deposits	18,229	20,039	+1,810	Payment segment related items
Short-term borrowing	305	5,661	+5,356	Demand for working capital
Deferred tax liability	13	1,783	+1,770	Increased due to Mark-to-market
<b>Fixed liabilities</b>	6,950	9,206	+2,256	
Long-term borrowing	6,799	8,968	+2,169	Demand for working capital
<b>Total liabilities</b>	28,752	39,781	+11,029	
			+0	
<b>Net assets</b>	27,258	36,467	+9,209	
Retained earnings	7,003	8,641	+1,638	
Unrealized gains on securities	31	3,159	+3,128	Unrealized gains after tax → Unrealized gains
Minority interests	1,468	5,824	+4,356	Increased upon the listing of econext ASIA
<b>Liabilities / Net assets</b>	56,010	76,249	+20,239	

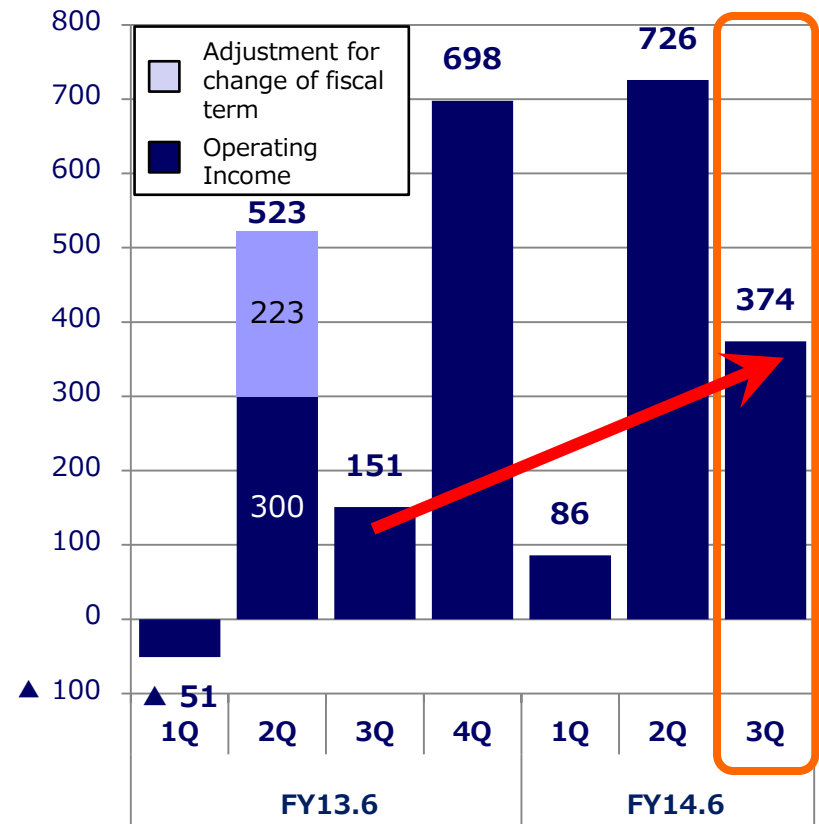
**Sales increased +28% YoY, op income increased 2.5x YoY  
in FY14.6 3Q (1-3)**

(JPY in Million)

**【Net Sales】**



**【Operating Income】**



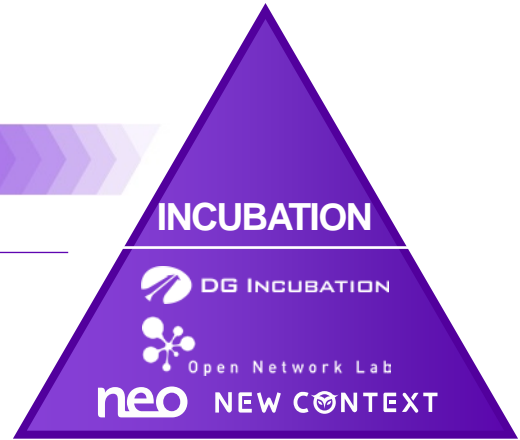
Note : FY13.6 actuals include the effect of an irregular 15-month reporting period, due to the fiscal year end shift from March to June for consolidated Veritrans Group. 9 months for 1H, 6 months for 2H

## Accelerating *Lean Global* Through 3 Business Segments

### I Incubation Segment

Global Incubation of next-generation Internet businesses

- ▶ Investments to cultivate promising startups
- ▶ Development of media
- ▶ Technological & business development based on agile development methodology



### II Marketing Segment

Provider of web ads and latest marketing technologies

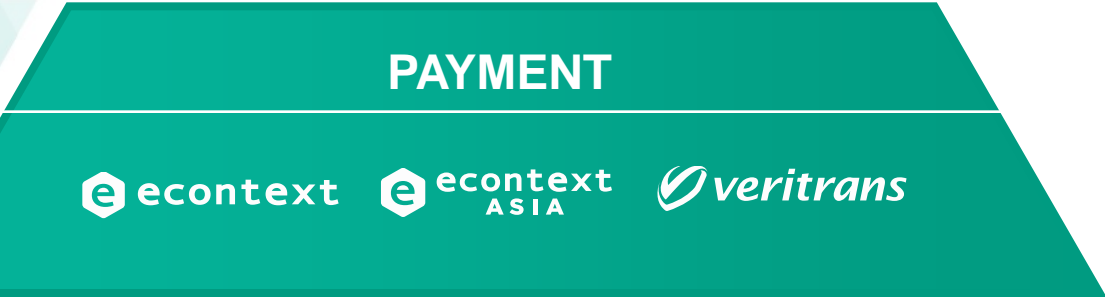
- ▶ Data science business
- ▶ Web advertisement, media business
- ▶ O2O related, business development



### III Payment Segment

One of the Asia's largest payment platforms

- ▶ One of the largest online payment service providers in Japan
- ▶ Expansion of online payment platform to Asia

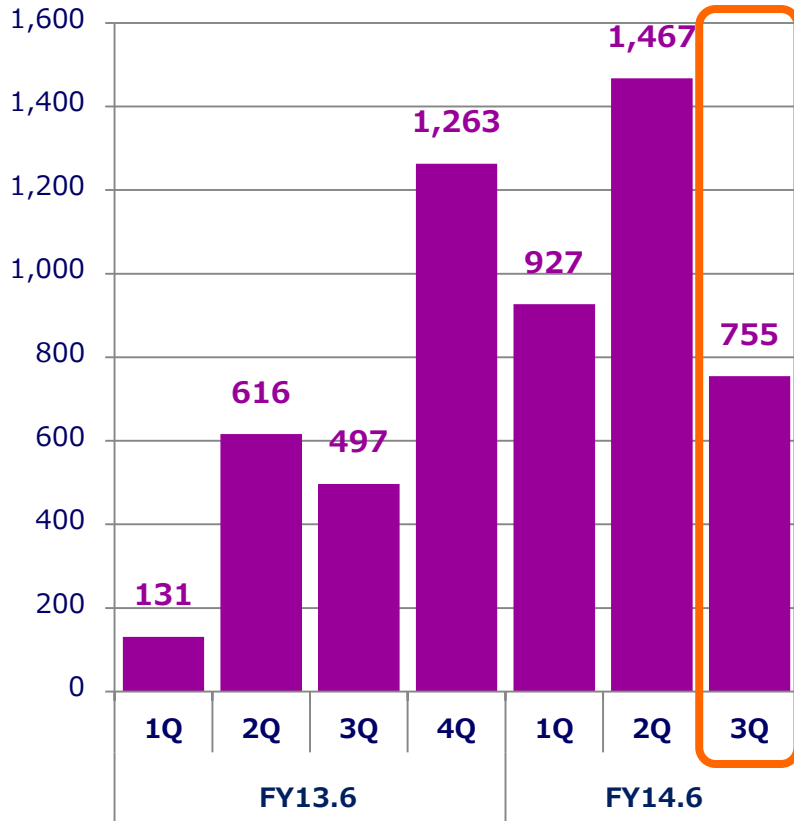


**Achieved revenue growth from sale of stocks and agile business expansion**

~ Investing in Betanetworks, jointly accelerating global business ~

(JPY in Million)

**【Net Sales】**



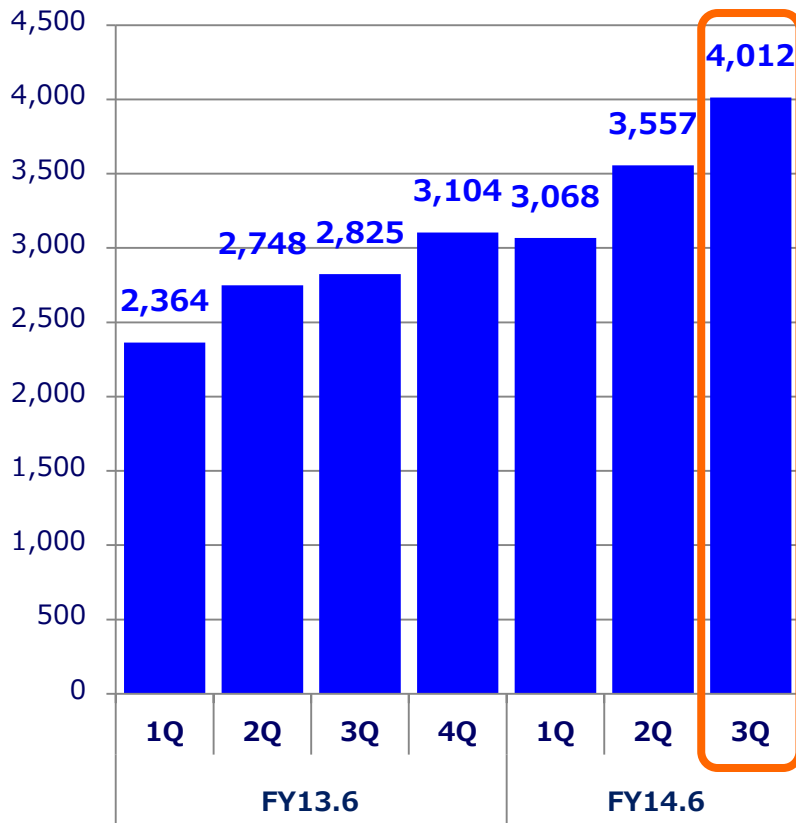
**【Operating Income】**



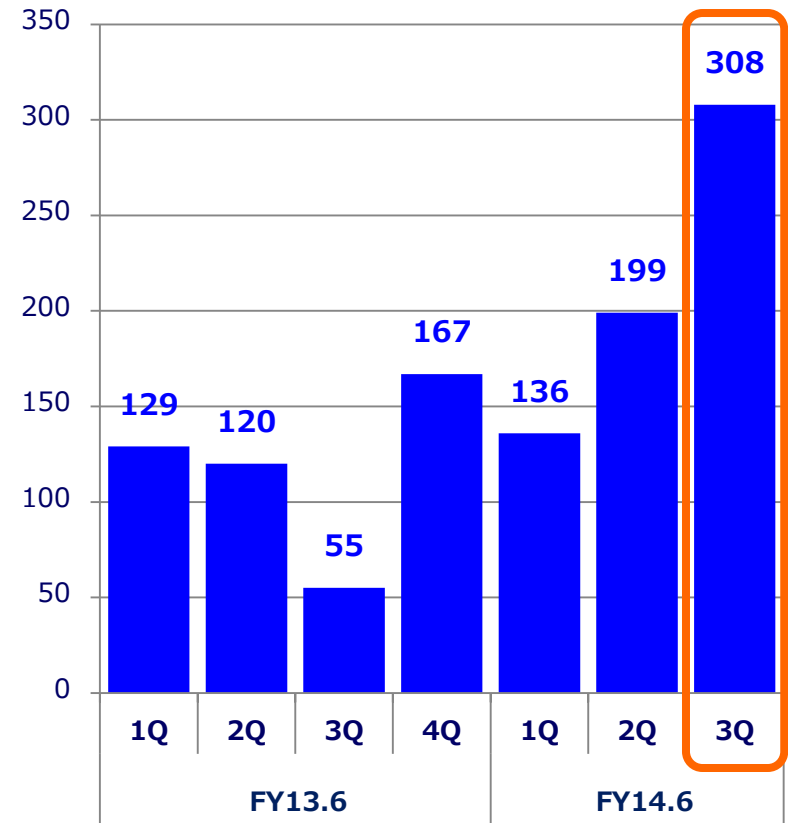
**Growth gaining traction in ROI-focused performance ads**  
 ~ Sales increased +42% YoY, Op income increased about 6x YoY ~

(JPY in Million)

**【Net Sales】**



**【Operating Income】**



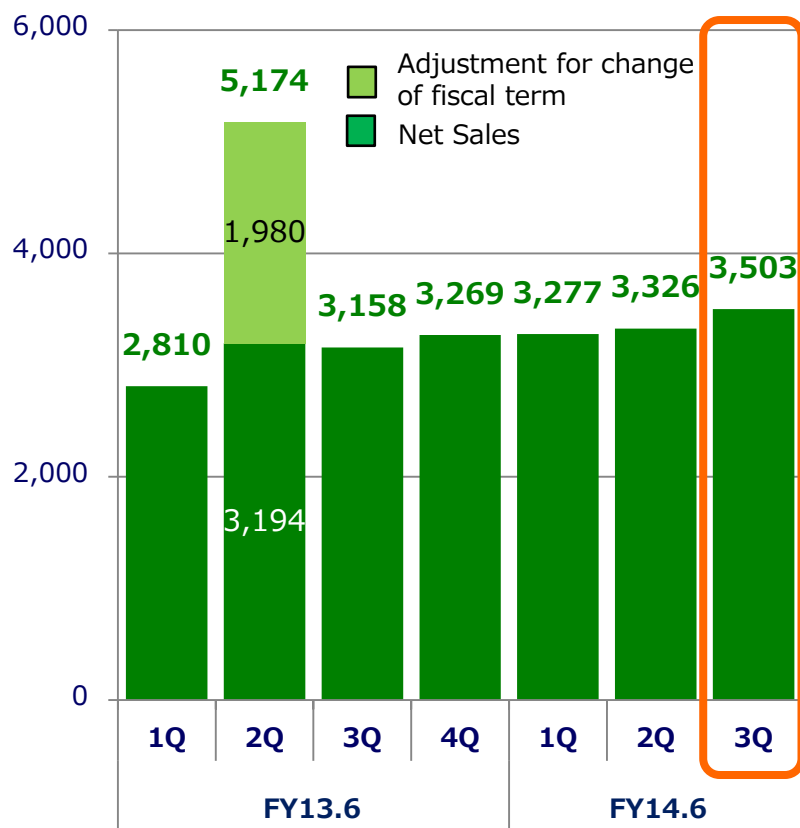


Achieved net sales and op income growth, following the expansion of domestic e-commerce market and the last-minute demand ahead of the consumption tax hike in Japan

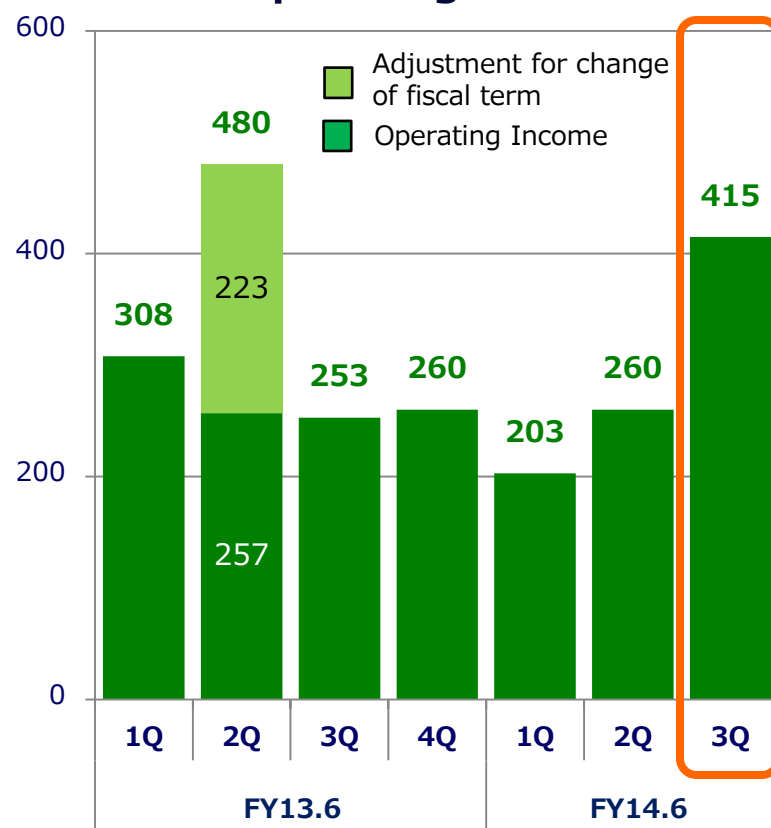
~ IPO cost burden decreases, and full-fledged Asian strategy has started ~

(JPY in Million)

### 【Net Sales】



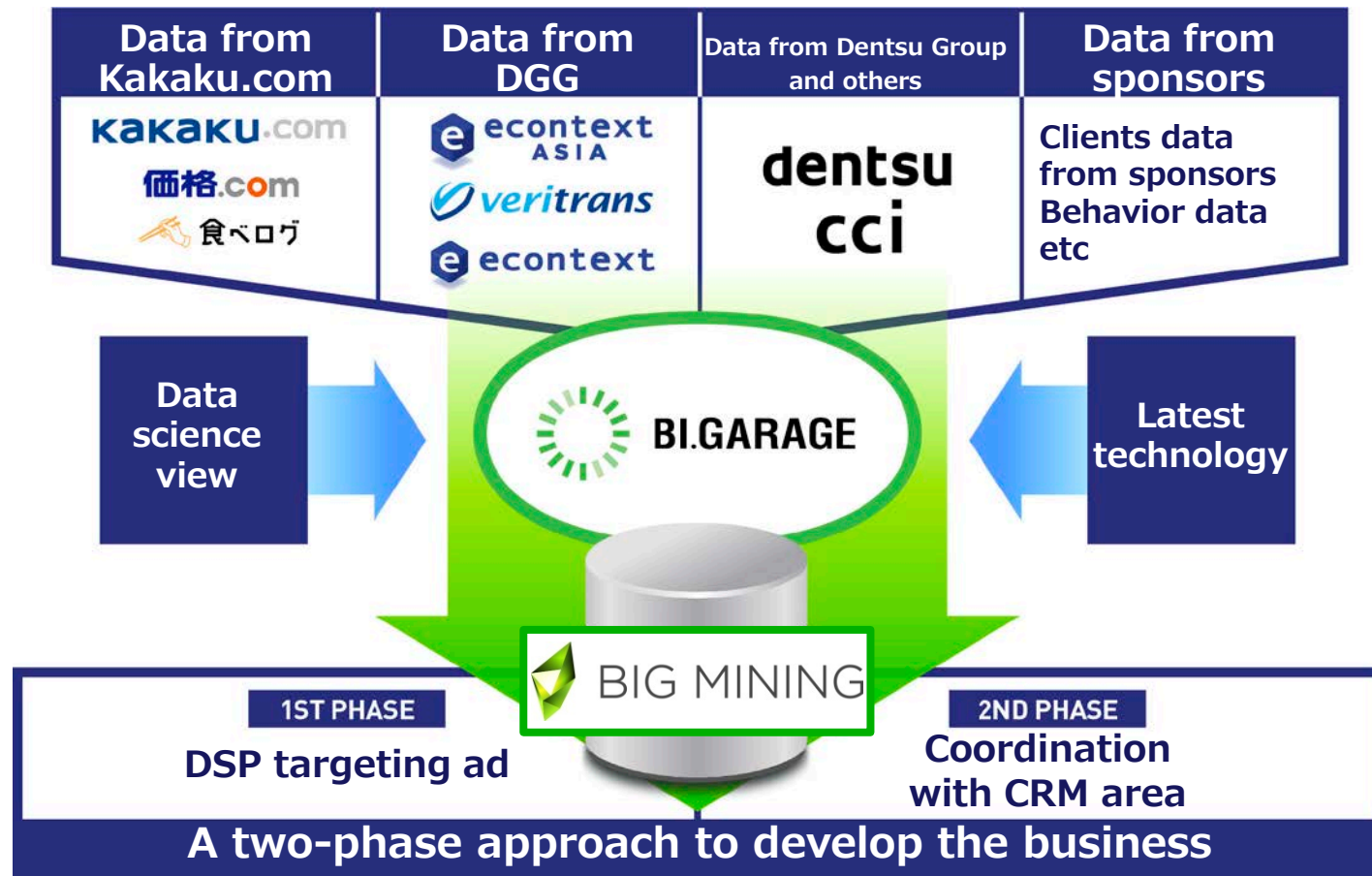
### 【Operating Income】



## A new business in the business intelligence field leveraging big data

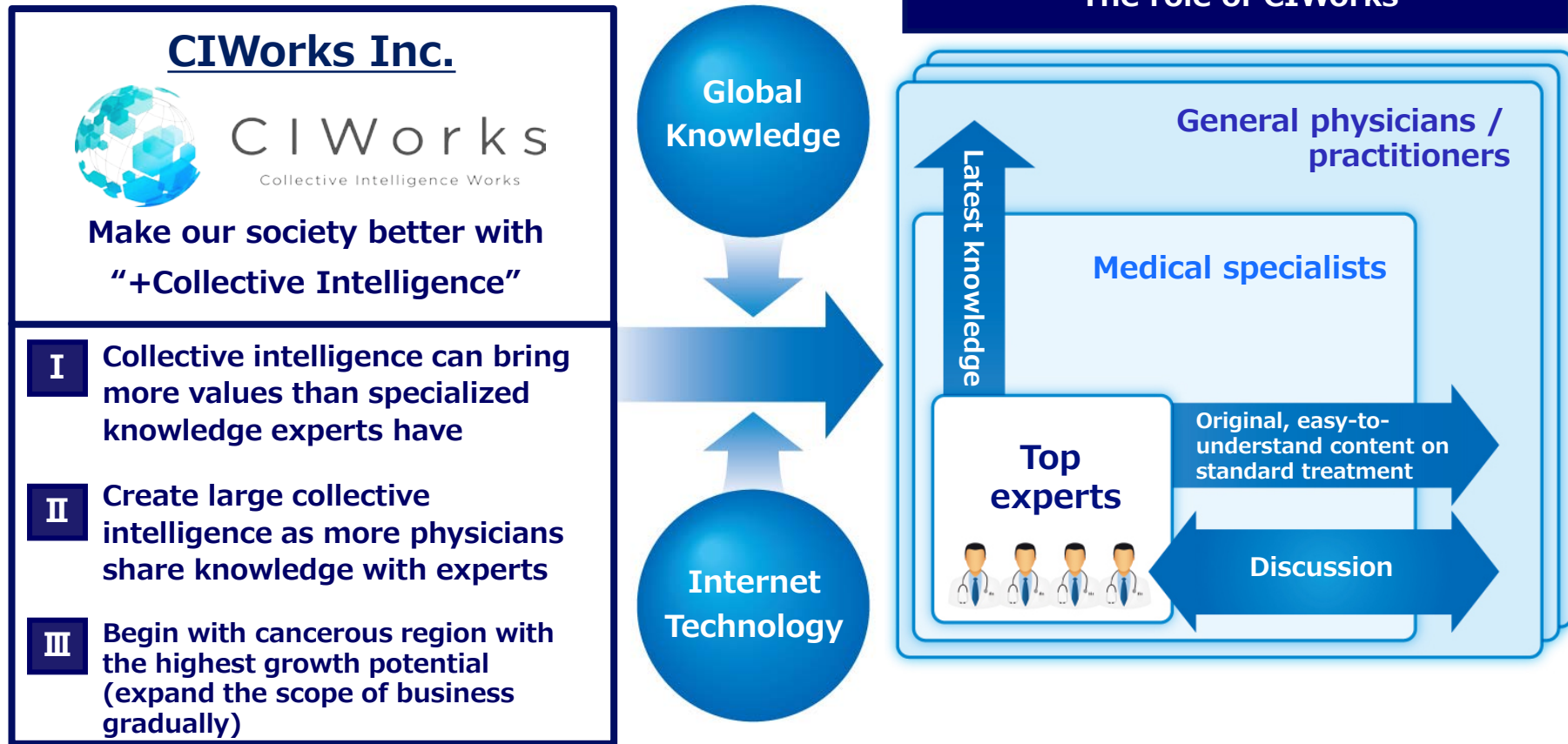
DG Group, Dentsu, and Kakaku.com jointly began data science business to optimize marketing activities

### < Business Overview >



## Launching CIWorks to provide collective intelligence in medial field

By developing a network of doctors with specialized physicians as the hub with knowledge share and discussion group, we plan to promote the latest knowledge of clinical applications

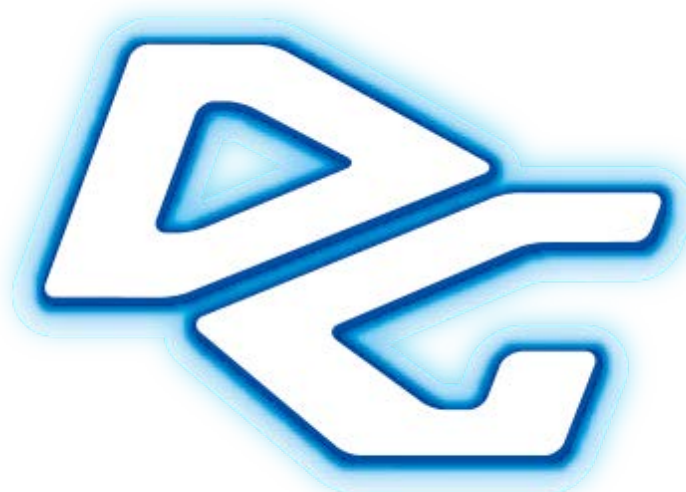


# Quarterly Profit and Loss (Consolidated)

JPY in Million	FY13.6				FY14.6		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Net sales</b>	<b>5,307</b>	<b>8,539</b>	<b>6,482</b>	<b>7,636</b>	<b>7,273</b>	<b>8,349</b>	<b>8,271</b>
Incubation	131	616	497	1,263	927	1,467	755
Marketing	2,364	2,748	2,825	3,104	3,068	3,557	4,012
Payment	2,810	5,174	3,158	3,269	3,277	3,326	3,503
<b>Operating income</b>	<b>△ 51</b>	<b>523</b>	<b>151</b>	<b>698</b>	<b>86</b>	<b>726</b>	<b>374</b>
Incubation	△ 258	56	△ 20	512	△ 77	548	△ 48
Marketing	129	120	55	167	136	199	308
Payment	308	480	253	260	203	260	415
<b>Ordinary income</b>	<b>167</b>	<b>1,000</b>	<b>719</b>	<b>1,191</b>	<b>473</b>	<b>1,214</b>	<b>810</b>
<b>Net income</b>	<b>213</b>	<b>700</b>	<b>1,294</b>	<b>507</b>	<b>389</b>	<b>1,037</b>	<b>446</b>
<b>EBITDA</b>	<b>696</b>	<b>1,573</b>	<b>2,050</b>	<b>1,581</b>	<b>970</b>	<b>1,956</b>	<b>1,207</b>
Amortization	200	333	211	195	191	204	170

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

<b>Date</b>		<b>Title</b>
<b>2014.04.28</b>	 <b>Digital Garage</b>	Digital Garage to Launch CIWorks to Provide Specialized Cancer Treatment Knowledge
<b>2014.04.16</b>	 <b>Open Network Lab</b>	Open Network Lab Begins Accepting Applications for the 9th Batch of its Incubation Program
<b>2014.04.10</b>	 <b>BI.GARAGE</b>	BI.Garage Launches "BIG MINING" Ad Product Utilizing Digital Garage Group's Big Data
<b>2014.02.13</b>	 <b>Digital Garage</b>	Digital Garage to invest in and partner with US-based Internet studio Betaworks
<b>2014.01.07</b>	 <b>Digital Garage</b>	Digital Garage expands its incubation business in Asia by investing in Indonesia's major online baby-product retailer Bilna



***Digital Garage***

Please note that the business forecasts and strategies covered in this material are based on our current evaluation and future results may vary significantly depending on unforeseeable events or circumstances.