



Lean Global

Digital Garage, Inc.

**FYE 30, 2015 Financial Report
New Mid-Term Plan**

2015.8.14

 **Digital Garage**

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Mission and Business Model





As a

Context Company

Digital Garage creates innovative business *context* for the new Internet age and provides unique business solutions for new lifestyles, society, and industries by linking

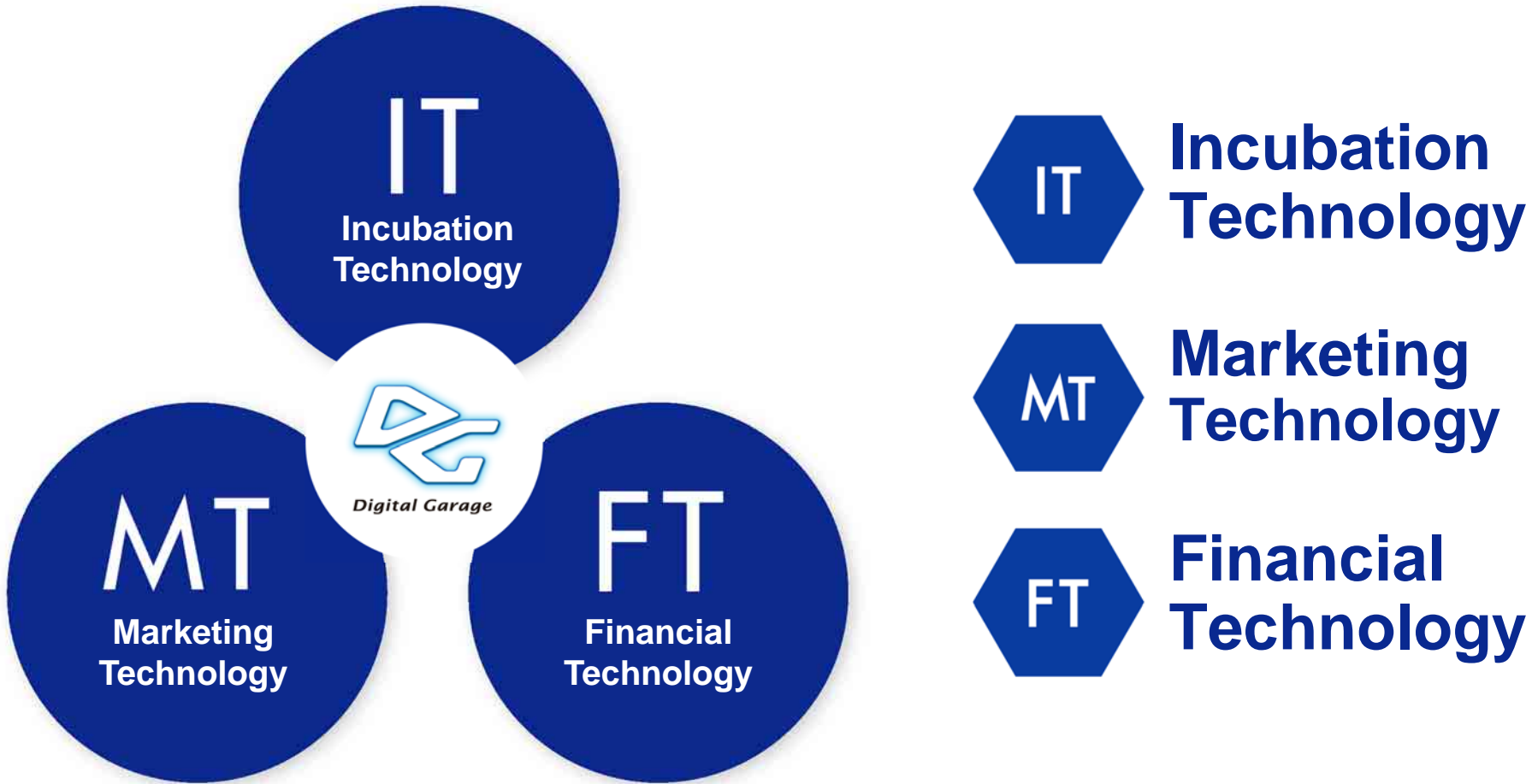
Real & Cyber

Local & International

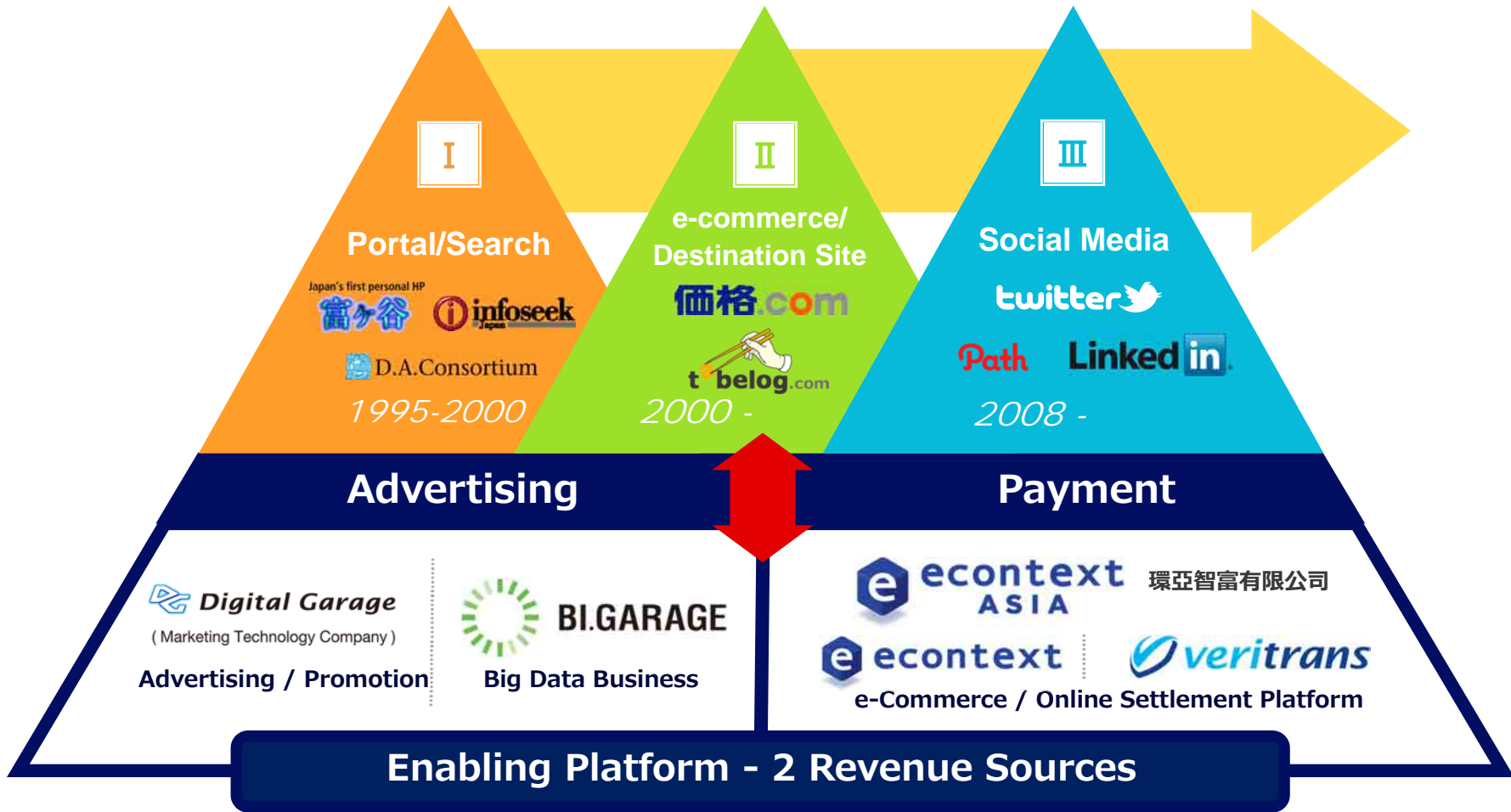
Marketing & Technology

Present & Future

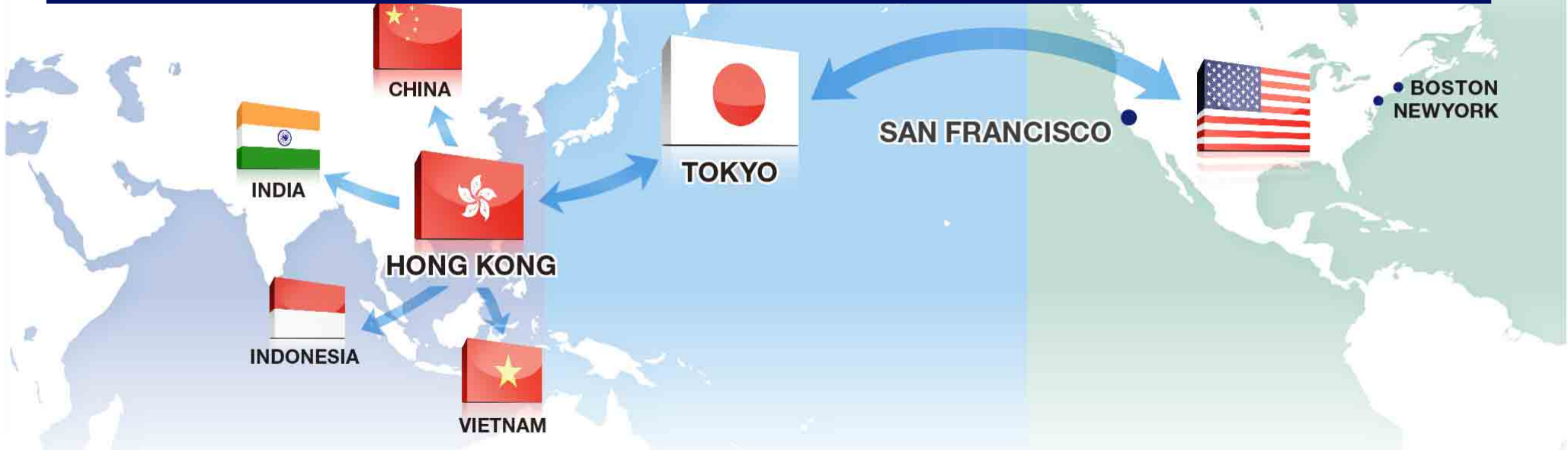
Producing and incubating Internet businesses by optimizing our 3 core strengths: IT, MT, and FT



DG continues to incubate and develop unique Internet services through its *Enabling Platform* since the early days of the Internet



Functions and collaborations of the 3 regions connecting US, Japan, and Asia



MONETIZATION

- Strategic support to Asian expansion
- Developing new media and transferring expertise
- Investing in each country for incubation

OPTIMIZATION

- Development and M&A in new business fields
- Localization of foreign services

INNOVATION

- Approaching latest media
- Investment and acquisition of cutting-edge technologies
- Development / marketing

San Francisco

New York

Boston

Investment Highlights





Ordinary income of FY 15.6 achieved 71% YoY growth with 7.6 B JPY ; hit record high for four consecutive year

~ Completed global expansion structure for DG model ~

I

Incubation : Promoting global investment ecosystem

- Investment balance expanded to 9 B JPY led by favorable conditions in JPN and US economies
- Launched the incubation center in SF, US. Collaboration with Betaworks; began localizing strong US internet service
- Promoting global content businesses in collaboration with Wikia and Kodansha

II

Marketing : Performance ads continued strong growth with improved profitability

- Growth gaining traction in performance ads while the marketing industry shifts to business intelligence
- Op income showed strong growth 24% YoY. Focusing the mobile domain in response to changes in user access to the internet
- Following smartphone ad business, launched apps for smartphones as global strategy business

III

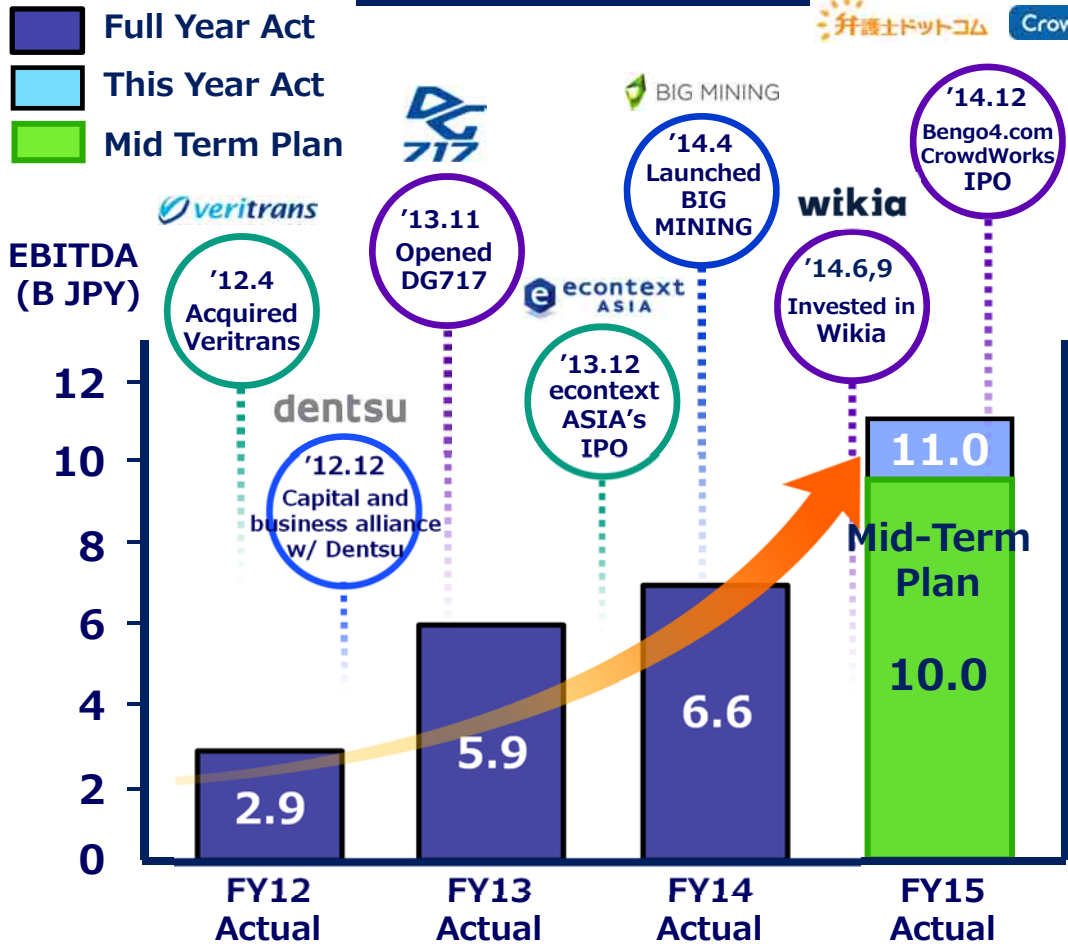
Payment : Reorganized Payment Segment toward the age of FinTech

- Made econtext Asia a wholly-owned subsidiary of DG to speed up management decision making
- Domestic growth led by convenience-store and credit card settlements due to growing e-commerce market
- Reaching EC economies through connecting ID payments of major EC platformers such as LINE, Rakuten, Recruit, etc

Track Record For DG Group's Growth

Achieved EBITDA of 10 B JPY goal for the final year of the mid-term plan
 ~ KPI of each Incubation · Marketing · Payment Segment in progress ~

Trends in EBITDA



Interest expense, depreciation, and amortization are added back to income before income taxes to calculate EBITDA.

	FY13	FY14	FY15
Investment Balance	2.9	8.6	9.0 (B JPY)
Enhanced portfolio with investment of 8 B JPY and 80 companies for domestic and global			
Ad Sales	5.6	9.5	10.2 (B JPY)
Performance ads sales grew at 2 yr CAGR of 35%, exceeding the market average growth			
Payment Transaction Volume	735.5	817.3	976.8 (B JPY)
Annual transaction volume grew steadily, reaching to about 1 trillion JPY level			
Kakaku.com Group Users	46.16	56.61	67.78 (million)
Monthly group-wide users surpassed 140 million Tabelog's Monthly users			

Group Financial Performance Review





FY15.6 (Cumulative) Consolidated P/L Summary



context company

YoY Sales grew +12%, YoY Op income grew +84% to 4.8 B JPY

~ Ordinary income grew to 7.6 B JPY exceeding the initial forecast despite absorbing costs of making econtext ASIA a wholly-owned subsidiary ~

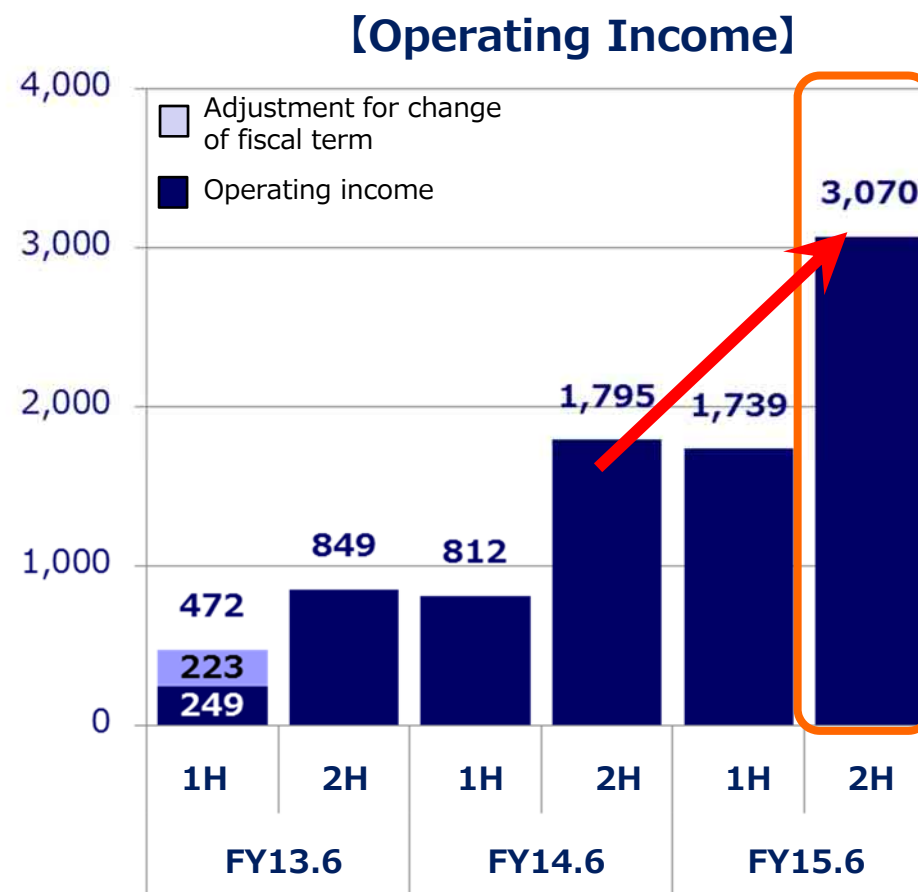
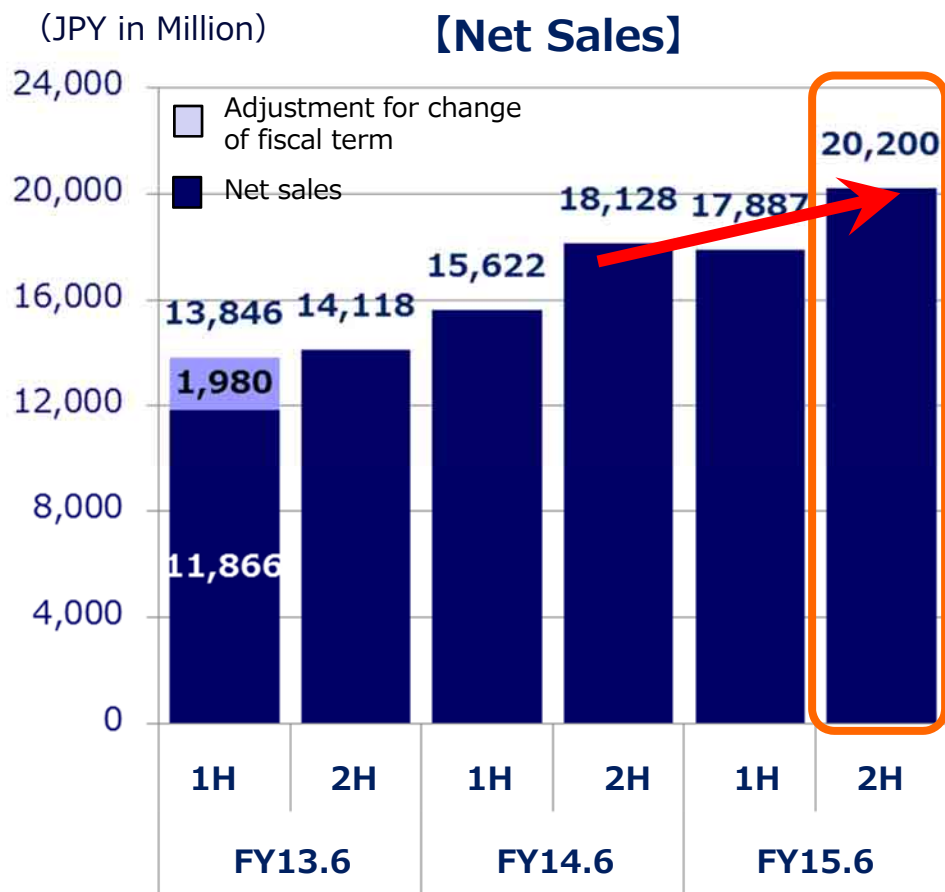
JPY in Millions	FY14.6	FY15.6		Ratio		FY15.6
	(Full Year Act)	(Initial Forecast)	(Full Year Act)	YoY %	Act vs Fcst %	(Mid-Year Plan) Published Aug 2012
Net sales	33,751	40,000	38,087	+12.8	-4.8	40,000
Incubation	5,475	7,500	7,454	+36.1	-0.6	7,500
Marketing	14,822	17,000	16,064	+8.4	-5.5	12,500
Payment	13,454	15,500	14,568	+8.3	-6.0	20,000
Operating Income	2,608	4,500	4,810	+84.4	+6.9	6,500
Incubation	1,645	3,600	3,545	2.2 x	-1.5	3,500
Marketing	854	1,100	1,065	+24.7	-3.1	1,500
Payment	1,201	1,450	1,320	+9.9	-8.9	3,000
Non-operating income	2,307		3,736	+62.0		
Investment profit on equity method	1,741		2,080	+19.5		
Foreign exchange gain	143		1,090	7.6 x		
Non-operating expenses	472		936	+98.1		
Commission Fee	0		554	2836.2 x		
Ordinary Income	4,442	6,700	7,610	+71.3	+13.6	9,000
Extraordinary income	630		2,463	3.9 x		
Gain on change in equity	374		2,363	6.3 x		
Income before income taxes	5,035		9,248	+83.7		
Income taxes	1,887		3,855	2.0 x		
Net Income	2,847	4,000	5,081	+78.5	+27.0	6,200
EBITDA	6,607	9,000	11,048	+67.2	+22.8	10,000

Note: Interest expense, depreciation, and amortization are added back to income before income taxes to calculate EBITDA.
Op income per segment is based on figures prior to elimination or group deduction.



Half-year comparison of Consolidated Sales/Op income

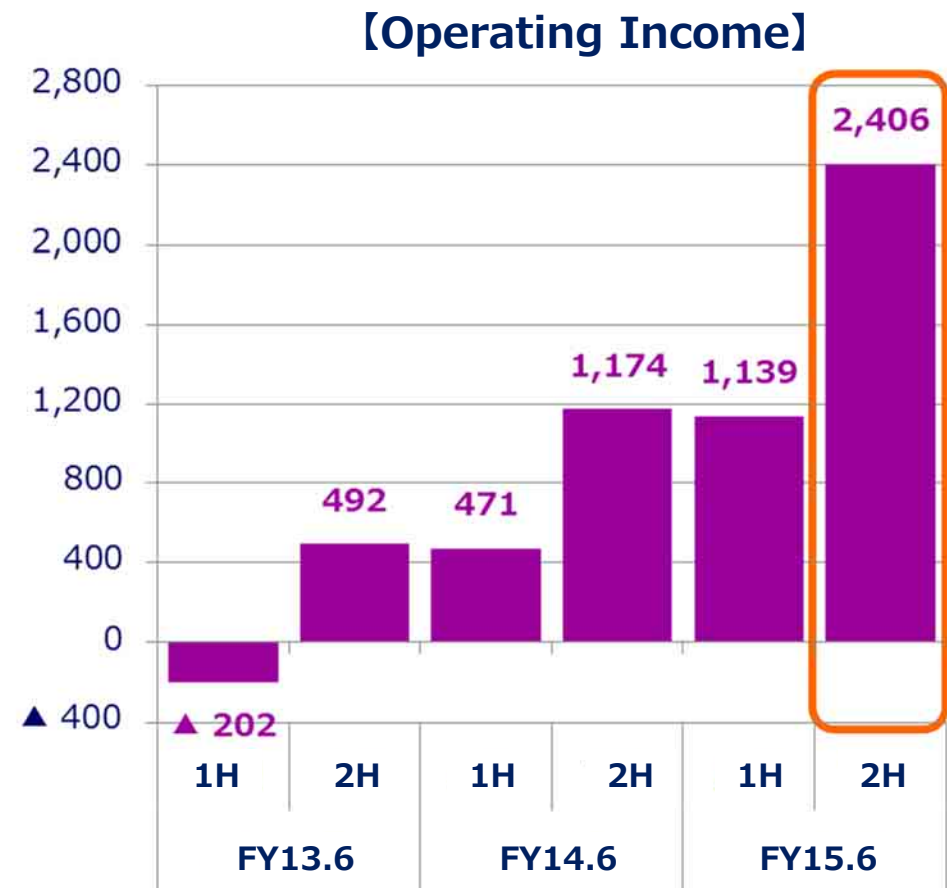
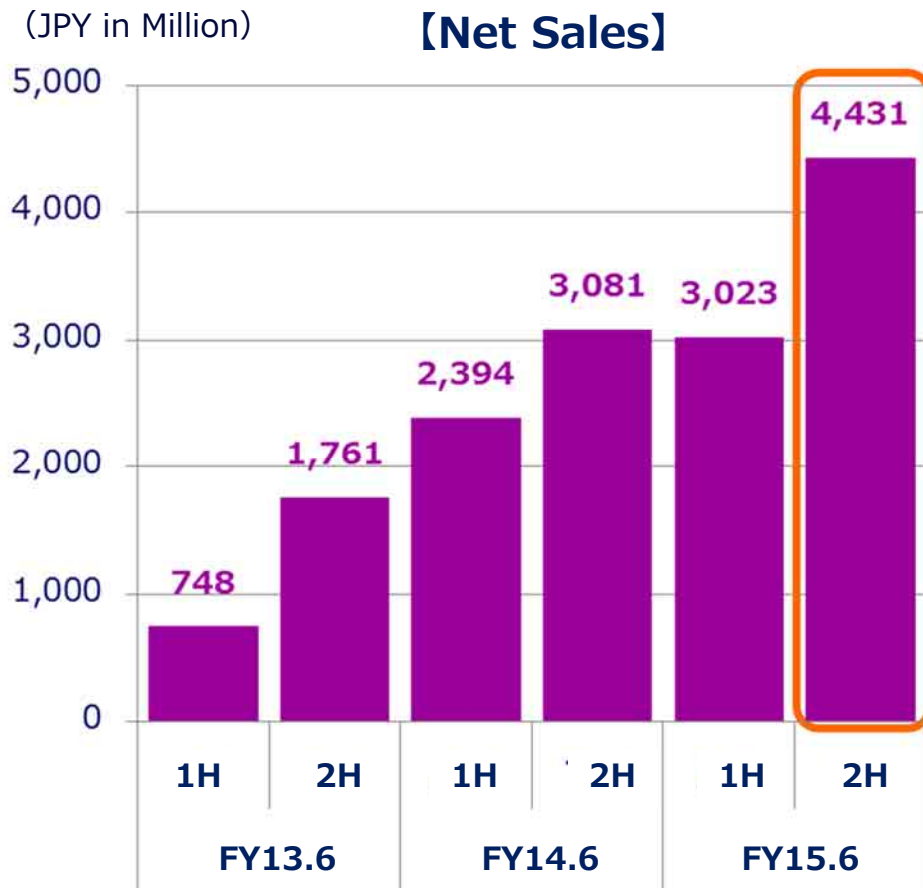
Achieved Sales +12% YoY, Op Income +84% YoY in FY15.6
 ~ Incubation drove the growth. Hit record high for cumulative Op income ~



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

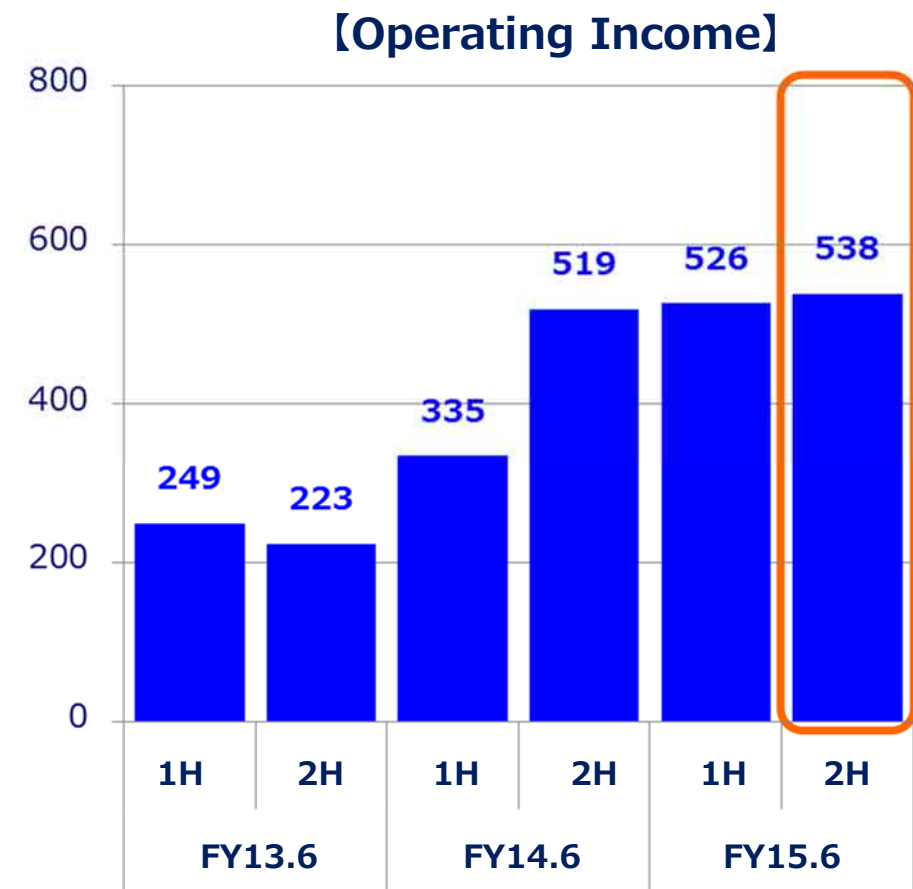
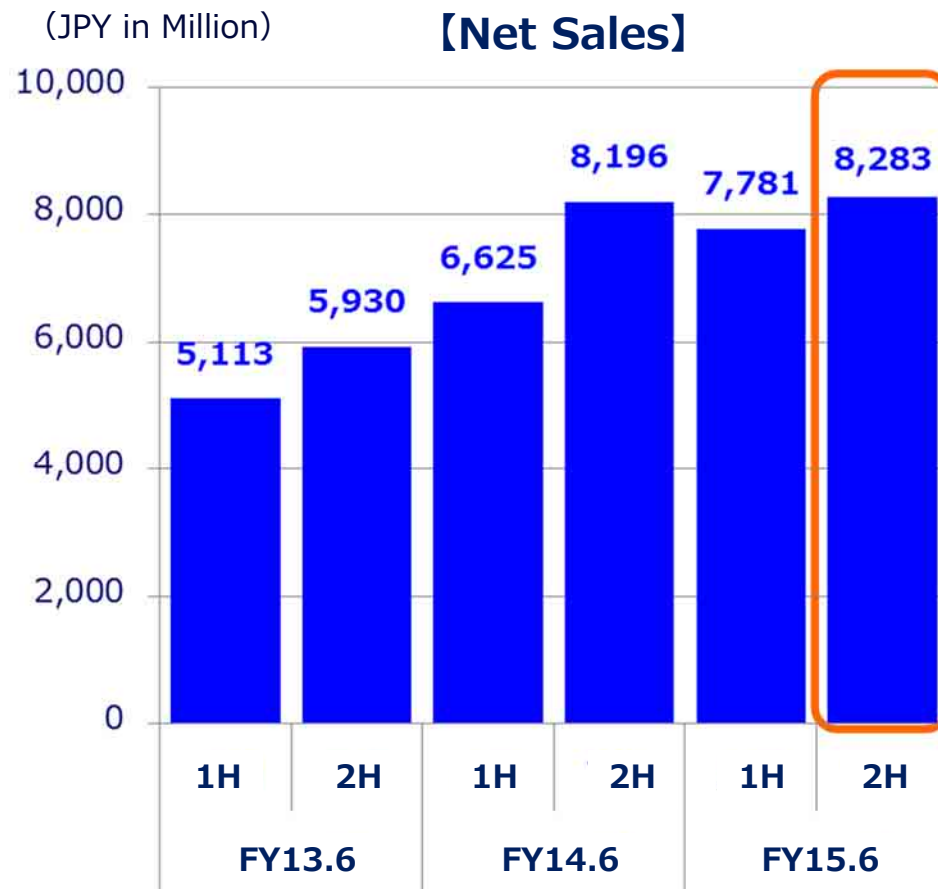
Partially selling stocks resulted in significant growth in sales and op income, delivering Incubation results

~ Enhanced domestic and global portfolio. Investment balance reached 9 B JPY ~



Growth gaining traction in ROI-focused performance ads

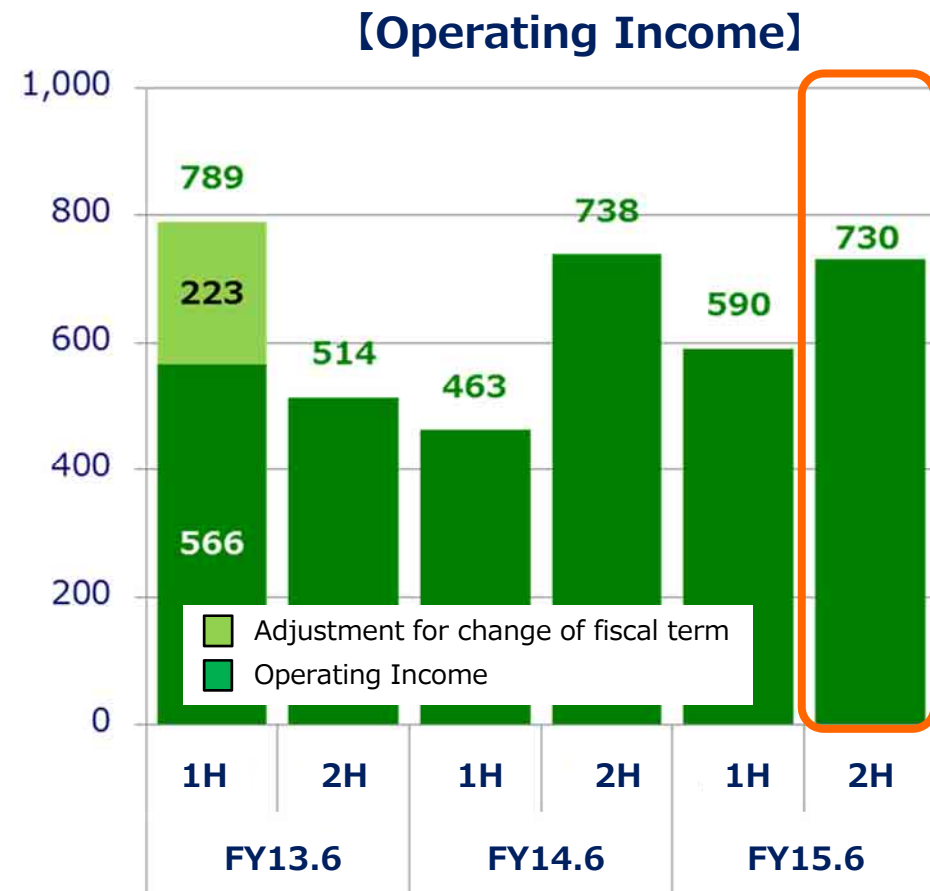
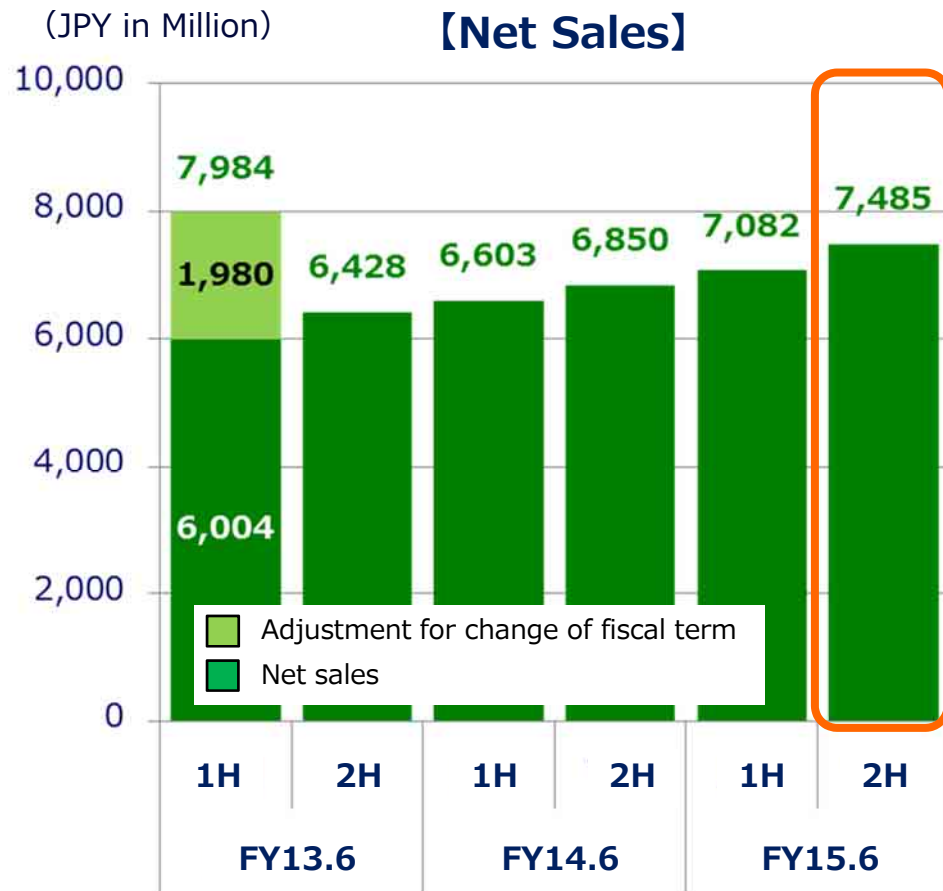
~ Op margin improved to 6.6% by 0.8 points from the previous year even though prior investment to data related business piled up ~



◆ Half-year comparison of Payment Performance

Domestic growth led by convenience-store and credit card settlements
due to growing e-commerce market

~ Made econtext Asia a wholly-owned subsidiary. The related costs were recorded ~



FY15.6 Consolidated B/S Summary

JPY in Million	FY14.6	FY15.6	Difference	Reason for change / Remarks
Current assets	45,455	57,752	+12,296	
Cash and deposits	24,294	30,956	+6,661	Sales of stocks, etc
Receivables	8,596	11,646	+3,049	Payment segment related items
Money held in trust	889	3,120	+2,231	Payment segment related items
Operational investment securities	8,063	8,208	+144	New investment, Mark-to-market for stocks related to IPOs, etc
Fixed assets	25,554	28,752	+3,197	
Investment securities	10,644	14,220	+3,576	Increased investment profit on equity method, Mark-to-market for listed stocks, etc
Goodwill	7,354	6,237	-1,117	
Total assets	71,009	86,504	+15,494	
Current liabilities	25,461	50,623	+25,162	
Deposits	16,434	20,998	+4,564	Payment segment related items
Short-term borrowing	3,690	23,533	+19,843	Borrowing of funds for share purchase of econtext ASIA, Transfer from Long-term borrowing
Fixed liabilities	9,058	6,805	-2,252	
Long-term borrowing	8,841	5,546	-3,294	Transfer of Long-term borrowing due within one year to Current liabilities, Demand for working capital
Total liabilities	34,519	57,429	+22,909	
Net assets	36,489	29,074	-7,415	
Shareholders' equity	27,762	24,650	-3,112	Shareholders' equity reduced by eliminating changes in ownership interests from capital surplus due to privatization of econtext ASIA
Common stock	7,399	7,426	+27	
Capital surplus	10,817	2,854	-7,963	
Retained earnings	9,615	14,439	+4,823	
Accumulated other comprehensive income	2,679	4,002	+1,322	
Unrealized gains on securities	2,193	2,585	+391	Unrealized gains after tax for securities with market value
Foreign currency translation adjustment	485	1,416	+931	
Minority interests	5,906	126	-5,780	Decreased due to making econtext ASIA a wholly-owned subsidiary
Liabilities / Net assets	71,009	86,504	+15,494	

	'14.6	'15.6
ROE	10.1 %	17.2 %
DPR	8.2 %	23.1 %
EPS	60.66	108.11



Starting the first year of the new mid-term plan with the new four segments

~ IT to drive the growth, MT and FT to grow profit + 30% or more YoY ~

(JPY in Million)	FY14.6	FY15.6	FY16.6	
	(Full Year Act)	(Full Year Act)	(Full Year Forecast)	(YoY %)
Net Sales	33,751	38,087	41,000	+8
IT Incubation Technology	5,475	7,454	7,000	-6
MT Marketing Technology	14,822	16,064	18,500	+15
FT Financial Technology	13,454	14,568	15,500	+6
MI Media Incubation	0	0	0	-
Income before income taxes※	5,035	9,248	8,200	-11
IT Incubation Technology	1,595	2,804	4,100	+46
MT Marketing Technology	874	1,064	1,390	+31
FT Financial Technology	1,496	1,335	1,840	+38
MI Media Incubation	1,776	4,477	2,500	-44
(Gain on change in equity)	(-)	(2,361)	(-)	
Net Income	2,847	5,081	5,500	+8
Dividend Per Share (Ordinary) (Commemorative)	5 Yen (5 Yen)	25 Yen (5 Yen) (20Yen)	15 Yen (15 Yen)	-

Segment profit changed to “Income before income taxes” from FY16. (See “New 3 year Mid-term Plan Overview” on P.40)

Note : Income before income taxes per segment is based on figures prior to elimination or group deduction

※ Income before income taxes for FY14.6 and FY15.6 were reference values simply calculated due to the change to segment from FY16.6 and the change of management KPIs from op income to income before income taxes. The values may change subject to the disclosure in the future.

Segment Performance Review



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 payment platform to Asia



I Incubation Segment		Net Sales	Income Before Income Taxes ※
FY14.6	Full Year Actual	5,475 M JPY	1,595 M JPY
FY15.6	Full Year Actual	7,454 M JPY	2,804 M JPY
FY16.6	Full Year Forecast	7,000 M JPY	4,100 M JPY

▶ **DG Incubation, Inc.**

Invests in and incubates cutting-edge Internet startups



▶ **Open Network Lab, Inc.**

Provides support to Internet-business entrepreneurs with global visions



▶ **Digital Garage US, Inc.**

The US-based global strategy headquarters



▶ **Neo Innovation, Inc.**

Provides agile software development solutions and lean start up methodology



▶ **DK Gate, Inc.** (66% stake)

Invests in and incubates next generation content with Kodansha globally

▶ **Kodansha Advanced Media LLC** (19% stake/investment)

Marketing in digital distribution in US and English-speaking countries, film adaptation, event planning, etc

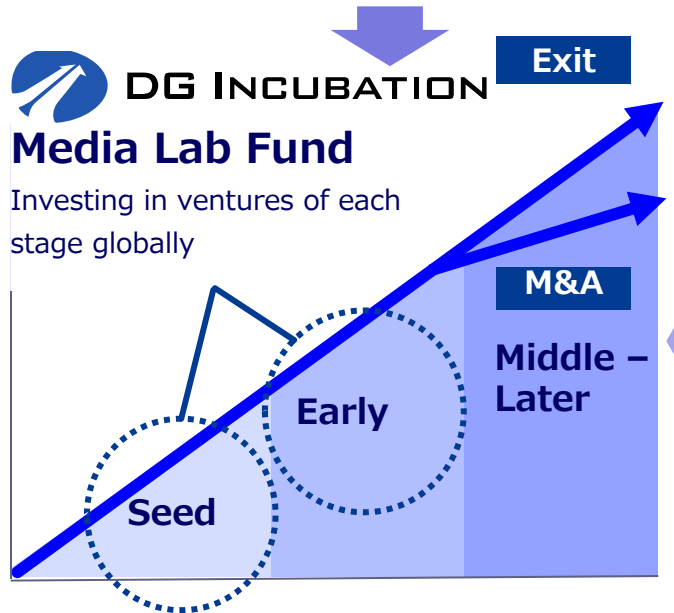
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Seamlessly integrating the Import model with the Export model

**Utilizing global agile development network and SF Incubation Center
Establishment of omnidirectional incubation model**

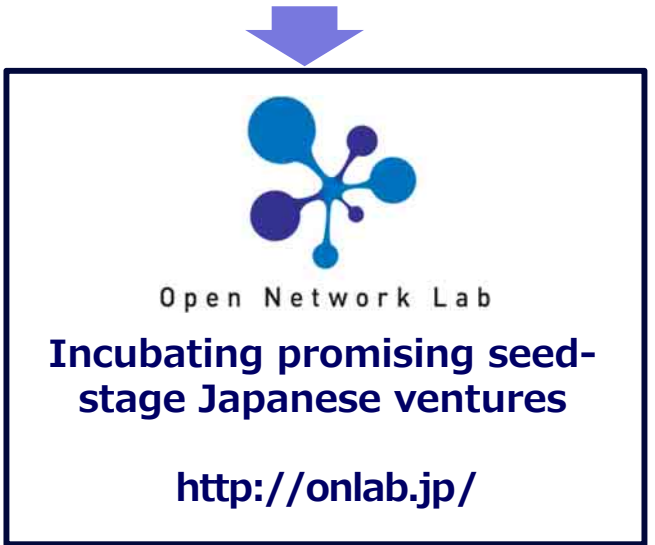
Import Model

- Incubating promising startups globally
- Supporting localization of foreign ventures



Export Model

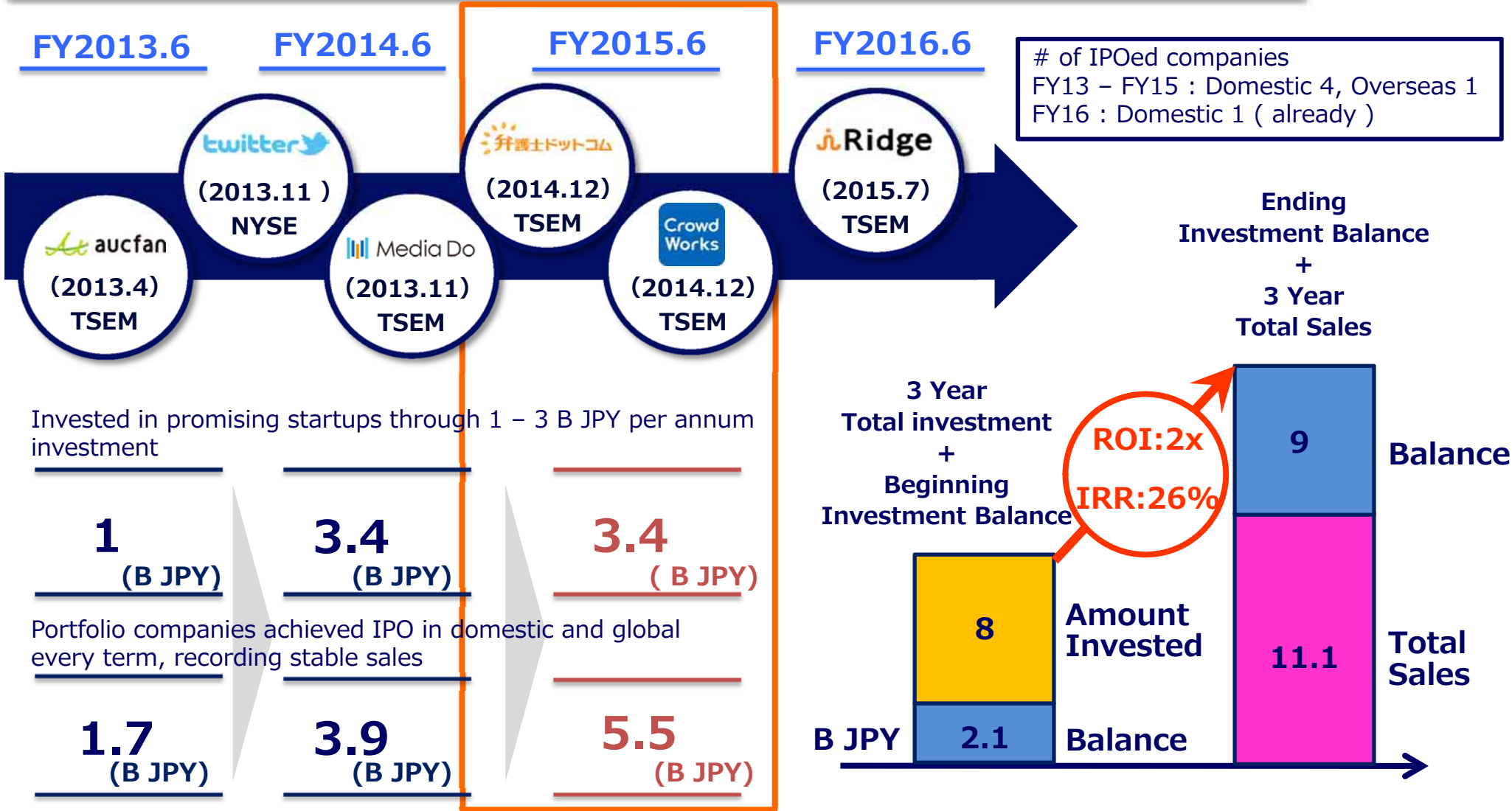
- Investing in promising domestic startups
- Supporting global expansion of Japanese *Lean Global* companies



Accelerate Global Incubation

Investment total 8 B JPY in 3 FYs (2013-2015): investment balance expanded to 9 B JPY in FY 15.6

Constructing Portfolio that investees realize IPO stably



Accelerating global incubation portfolio: investment to a newly-growing business area

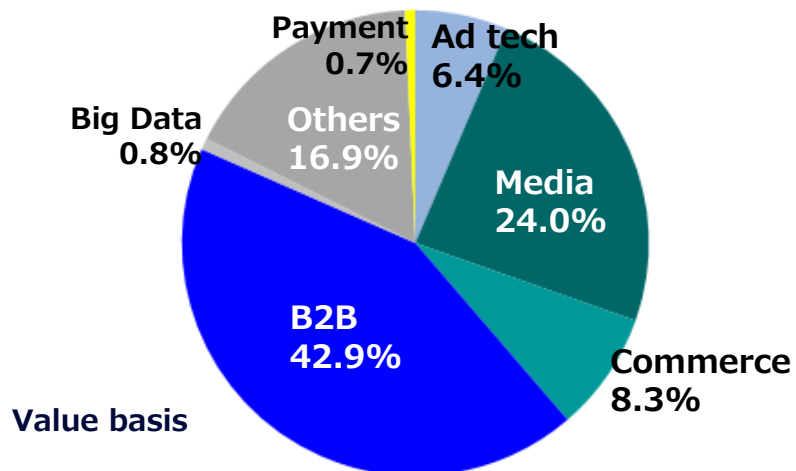
Expecting further collaboration with global investing partners to establish a support system to localize in Japan

Current Portfolio

	# of companies	Book Value (M JPY)
Equity (incl.CN)	88	8,537
Domestic	18	1,784
Overseas	70	6,706
Fund	6	521
Total	94	9,011

Note : Mark-to-market as of quarter end for listed stocks

■ Distribution by sector (equity/ incl. CN)



Major Portfolio※



iRidge, Inc. [Domestic / B2B]

An O2O marketing provider including a location-based push notification distribution platform for smartphones



AdStage, Inc. [Overseas / AdTech]

Provides intelligent cross-social-media advertising platform



AnyPerk, Inc. [Overseas / B2B]

Provides employee perk packages to SMB



Goodpatch Inc. [Domestic / B2B]

Web development and consulting service firm

New Deal



Chartbeat, Inc. [Overseas / B2B]

providing the second-by-second analytics of site visitor behaviors

※ Major portfolio includes privately-held companies that have given DG disclosure permission of which DG's investment exceeds 100 M JPY and owns a minimum 5% share as of June 30, 2015. This information is based on the information disclosed from each company, and DG does not guarantee its authenticity, accuracy, rationality, and completeness.



Launched localization of leading internet services in collaboration with Betaworks

~ Localizing real-time website analytics tool Chartbeat as the first step ~

Major Investment



Tumblr
(Acquired by Yahoo in '13/5)



Twitter
(IPOed in '13/11)



GroupMe
(Acquired by Skype in '11/8)



Path
(Acquired by Daum Kakao in '15/5)



a leading NYC-based incubator and pioneer to have a business model of mixing incubating startups and originally developed services.



Examples of Originally-developed services



TweetDeck
(Sold to Twitter in '11/5)



BlogLovin
(Media aggregator)



Bit.ly
(URL shortening service)



Giphy
(Animated GIF search)



ChartBeat
(Site analytics tools)



DOTS
(Smart-phone games)

Investing proven services in English speaking communities that Betaworks originally developed through their subsidiary companies, and accelerating localizing support business



- Tracks and measures the second-by-second attention of site visitor behaviors for site owners to identify the most engaging articles and advertisements in real-time

- Adopted by 50,000 websites in 62 countries including major news outlets such as BBC, The New York Times
- Used by 80% of major US media

Next...

Creating a new business in both content and community area
 With the synergy effect of the power of content, community and technology, a new digital marketing strategy was established in a global scale

Wikia

Established in 2004 by the founder of Wikipedia Jimmy Wales to commercialize wiki

Kodansha

Tie up with Kodansha to globalize contents and cultivate new business



130M Unique user	1.8B Monthly PV	327K Communities	200 Languages
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*Global traffic data

- Invested to Wikia Inc. and Wikia Japan
- Agency contract to sell ads on the Japanese website

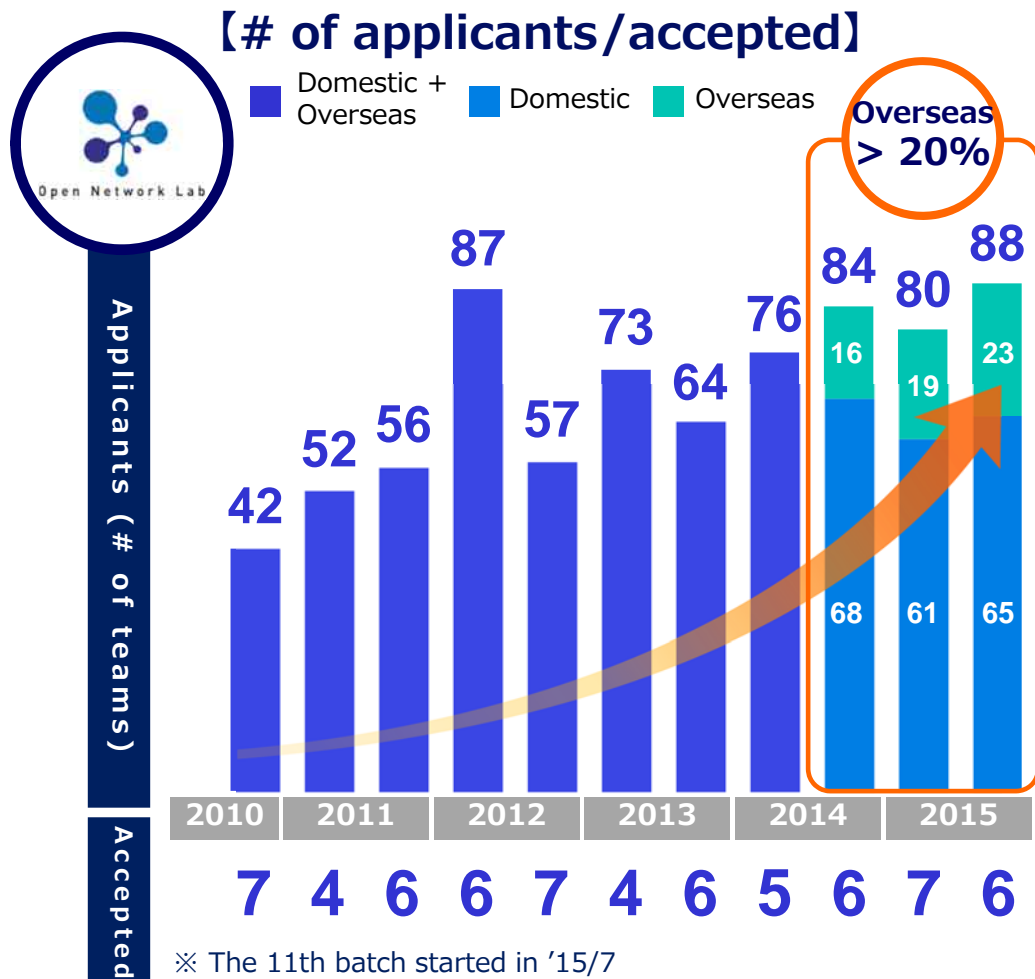
- ➔ **Kodansha Advanced Media LLC** | JV in SF, US (19% stake)
 Setting a platform at DG717 to collaborate business in global delivering services including the company's most popular content "Attack on Titan"
 Titles of Manga globally distributed to reach 5x to 2,000 by the end of '17
- ➔ **DK Gate, Inc.** | JV in Japan (66% stake)
 Investing and nurturing next-gen content business with DG initiative

Delivering digital contents & globalizing

Accelerating Global Incubation


Established a strong brand recognition as the leading Japanese seed accelerator

- Nurtured 58 teams / 230+ entrepreneurs and engineers over 10 batches in 5 years since launch
- Continued hosting events for entrepreneurs with domestic and international guest speakers
- Has become the leading seed accelerator in Japan with over 20% applicants from overseas




Updates from strong Open Network Lab graduates


Silicon Valley-based



Anyperk, Inc.
Provides employee-perk services to SMBs. Raised **\$8.5M** in Feb 2015, increasing the total funding to **\$14.4M**



WHILL, Inc.
Develops next-generation personal mobility devices. Raised **\$11M** from **500 Startups** et al. in Sep 2014 and began shipping the first model in Oct.



Japan-based



Papelook Inc.
The Papelook app lets users add stickers to photos and create a collage. Raised **120M JPY** in Oct 2014. Total downloads surpassed **13M**



Fablic, inc.
Operates a smartphone-based flea market app Fril. Raised **1 B JPY** in Sep 2014. Accelerating customer acquisition through TV commercials



II Marketing Segment

		Net Sales	Income Before Income Taxes※
FY14.6	Full Year Actual	14,822 M JPY	874 M JPY
FY15.6	Full Year Actual	16,064 M JPY	1,064 M JPY
FY16.6	Full Year Forecast	18,500 M JPY	1,390 M JPY

▶ Marketing Technology Company

Supports client's business through performance-based ads, Online to Offline strategy and web marketing



▶ BI.Garage, Inc.

Develops and provides ad products incorporating data science, social marketing, and cutting edge ad technology



▶ NaviPlus Co., Ltd.

Offers website support tools including personalized recommendation engines



▶ Digital Science Lab. Inc (50%/Equity method affiliate)

Provides ad solutions for smartphone applications



▶ LCO-Creation Singapore Pte. Ltd. (33.4%/Equity method affiliate)

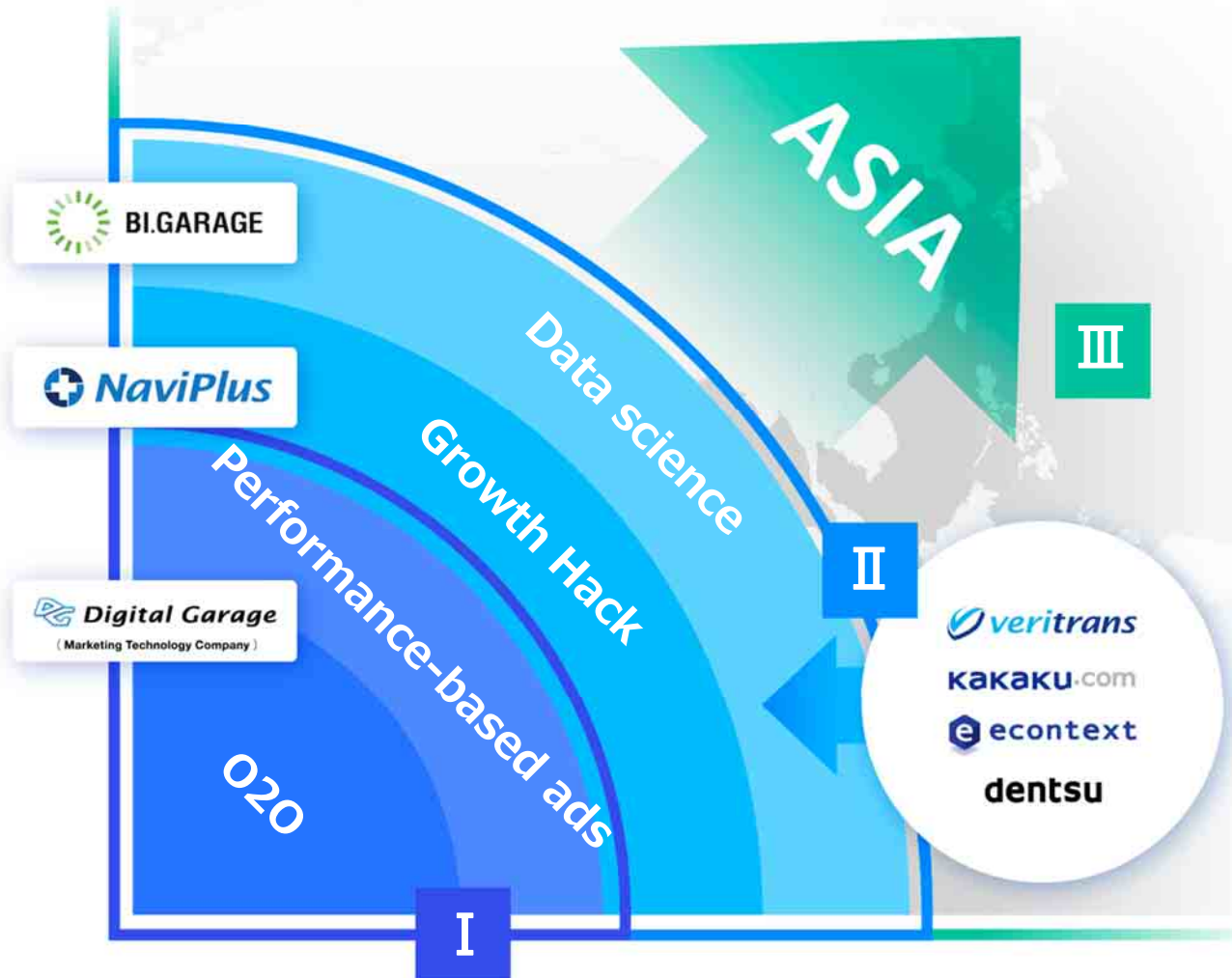
Develops and runs a platform for smartphone-based international travel apps



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Deeply cultivating exiting digital marketing business and realizing growth strategy illustrated by I, II, and III below

Started strategic data science business and global business development



I Deeply cultivating digital marketing business

Monetization of O2O strategy and B2C media businesses in addition to promoting growth of web promotions and mall businesses

II Expanding growth of data science business

Gathering data and know-hows of DG Group and Dentsu group to pioneer a new frontier in data business

III Expanding each business to Asia

Horizontal expansion of businesses to the major Asian markets in conjunction with Payment Segment

Cumulative Results in FY15.6 (July to June)

Total sales
14.99 billion JPY
 +7% YoY

Op income
1.09 billion JPY
 +23% YoY

Number of clients
366 companies
 +16% YoY

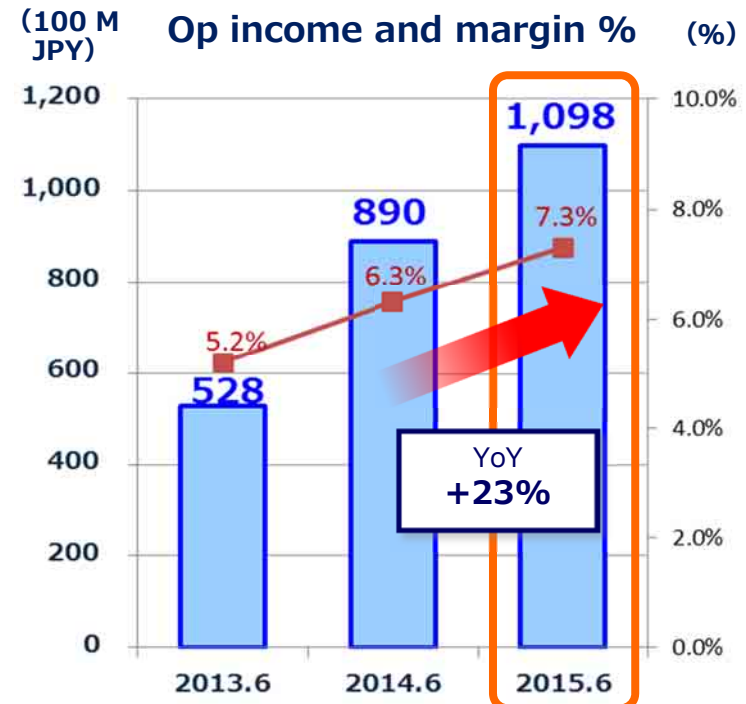
Achieved 23% YoY high growth with 1.09 B Yen in Op income

【Highlights】

- Growth gaining traction in ROI-focused performance ads
- Profitability focus led to op income % of 7.3% from 5.2%

【Business Development Asia】

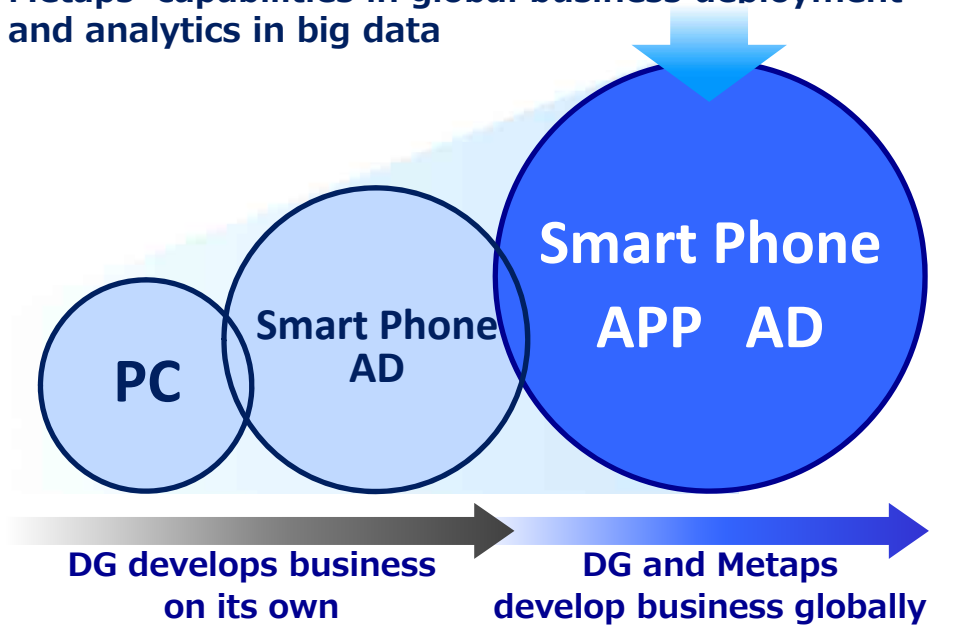
- **Established a JV (Digital Science Lab) with Metaps Inc.**
 - Metaps provides a platform for app developers globally. Total downloads reached 2 B
 - DG and Metaps develop business globally with DG's expertise and Metaps' app ad solutions
- **Capital and business alliance w/ Singapore-based LCO**
 - LCO has travel guide information covering 55 cities in 31 countries
 - Jointly provide travel guide app platform to Japanese companies having loyalty programs
 - Develop O2O models to increase users' app usage and store visits while travelling abroad by offering promotional campaigns



Launched app ads for smart-phone / O2O solutions globally

Digital Science Lab 

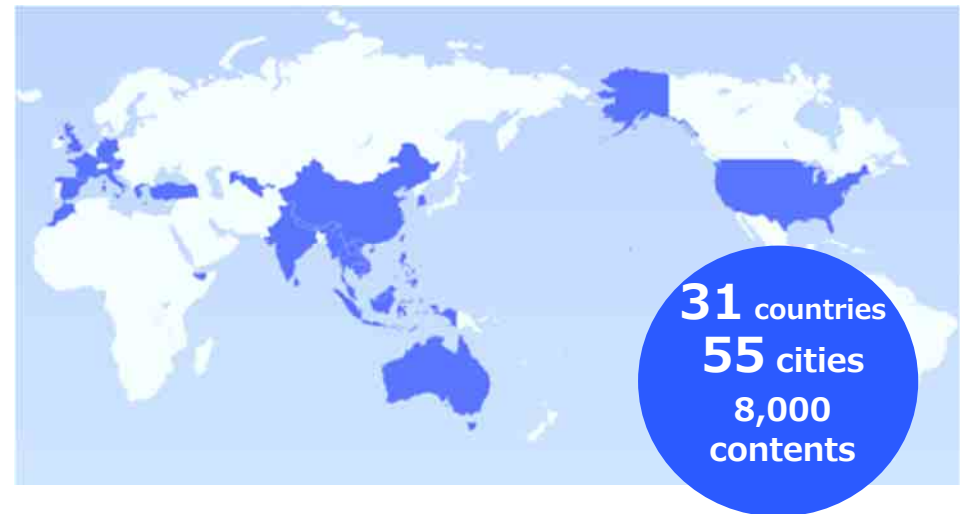
metaps® Provide app ad solutions with high profitability by combining DG’s expertise with Metaps’ capabilities in global business deployment and analytics in big data



- ▶ JV with Metaps. 50% stake
- ▶ Metaps provide platform for app developers

LCO-Creation Singapore Pte.Ltd. 

Converts leading free newspaper / classified ads in various places to platform for international tourists. Develops O2O models for inbound and outbound to grow the platform as a leading app in Asia

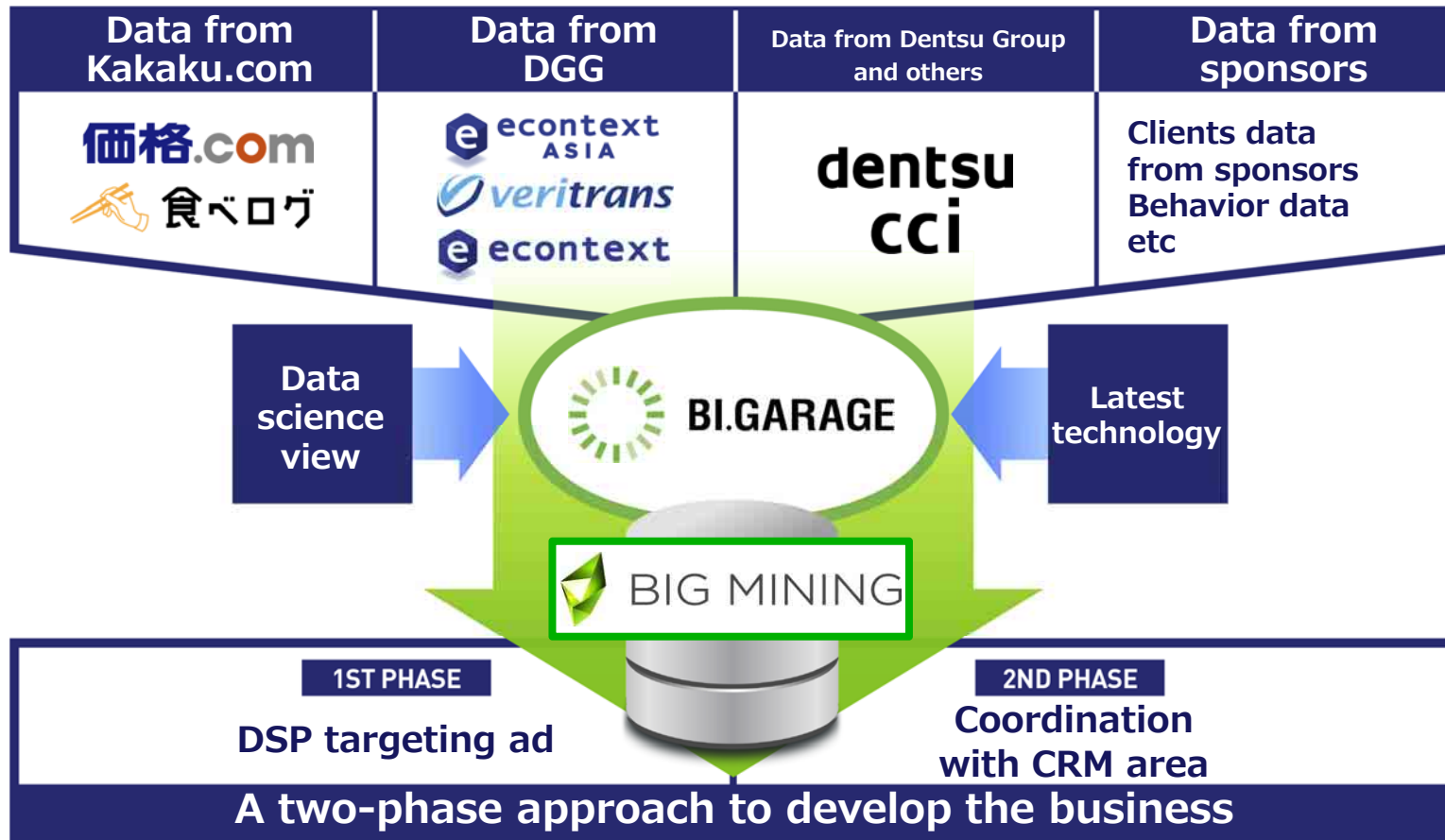


- ▶ Capital and business alliance. 33.4% stake
- ▶ LCO has travel info covering 55 cities and 31 countries

DMP business enters the next phase, launching Private DMP

Providing optimum marketing solutions to clients by leveraging unique database and cutting-edge business intelligence with Private DMP

< Business Overview >



2ND PHASE : Started to provide Private DMP to JACCS, a credit card company as the first step

Further expanding customer base as a leading recommendation service provider in Japan

Increased adoption of NaviPlus' comprehensive marketing tools

~ # of active sites : 410 (+7.3% YoY) ~

Comprehensive Marketing Tools

Providing tools such as recommendation engines and custom website search to increase visitor conversion rates and to increase sales of EC stores



Three NaviPlus logos (NaviPlus コスメテック, NaviPlus オート, NaviPlus レビュー) are shown above a screenshot of a website. Callouts point to specific features on the website:

- Customers who viewed this item also viewed
- Recommended products for you
- Customer reviews by those who purchased this item

Enhanced platform

Developing a new marketing solution "Retargeting mail" which helps convert customers into buyers, improving profit for e-commerce



Retargeting Mail :
 Personalized mail with high opening ratio
 Opening ratio 90% (max)
 Conversion ratio 45% (max)
[To be released in '15/8/3]

III Payment Segment

		Net Sales	Income Before Income Taxes※
FY14.6	Full Year Actual	13,454 M JPY	1,496 M JPY
FY15.6	Full Year Actual	14,568 M JPY	1,335 M JPY
FY16.6	Full Year Forecast	15,500 M JPY	1,840 M JPY

▶ **econtext ASIA Ltd.**

Payment headquarters to expand e-commerce platforms globally



▶ **econtext, Inc.**

Integrates online and offline business as the convenience store payment pioneer



▶ **Veritrans Inc.**

Provides leading e-commerce payment solutions



- ▶ **Veritrans Shanghai** (50% owned by econtext ASIA / equity method affiliated company)
Chinese JV



- ▶ **PT MIDTRANS** (Veritrans Indonesia) (23% owned by econtext ASIA / Non-consolidated)
Indonesian JV



- ▶ **Citrus Payment Solutions Pte. Ltd** (15.59% / Investment)
The holding company for the Indian online payment solutions provider
(Citrus Payment Solutions Pvt. Ltd)

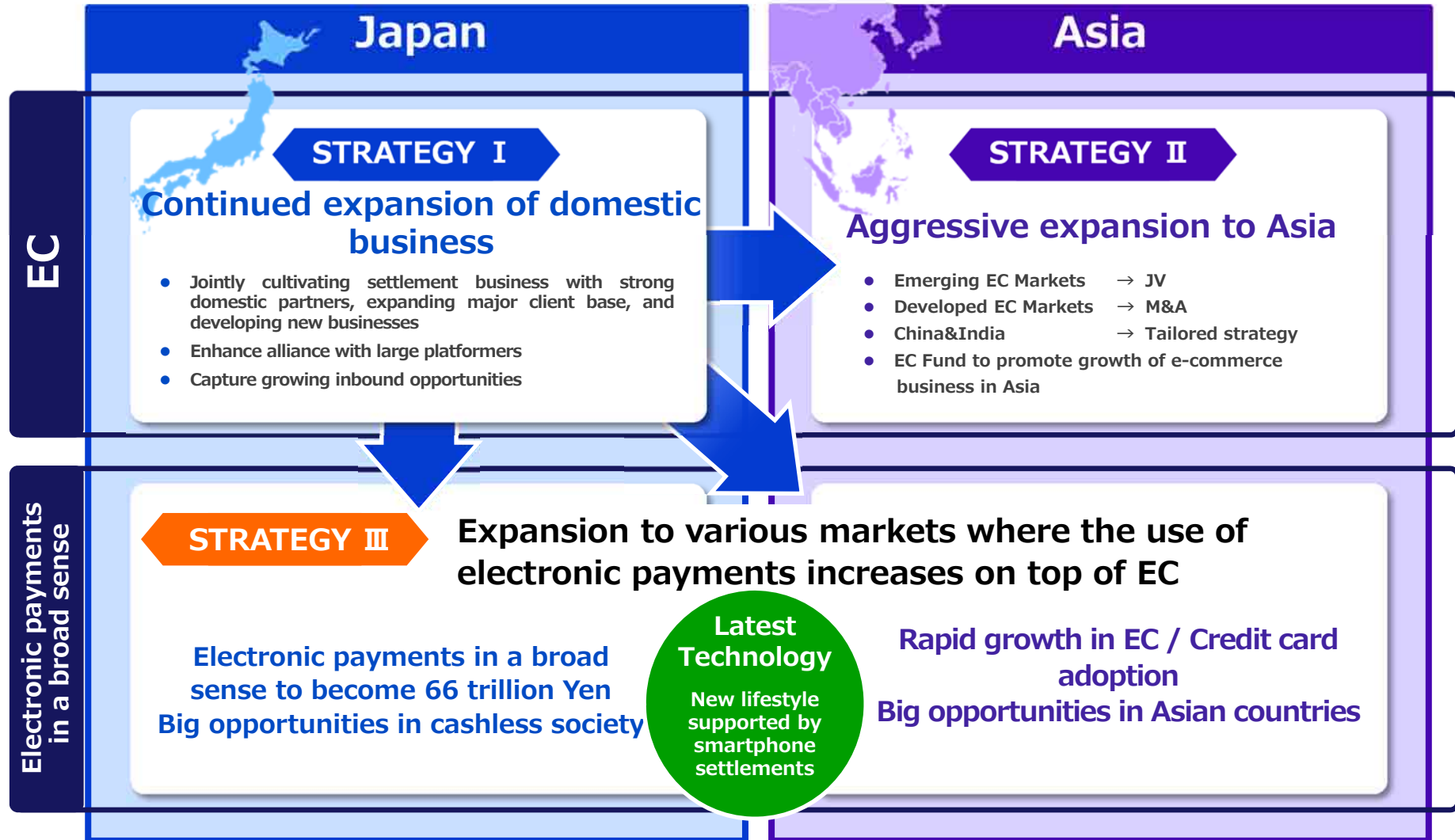


- ▶ **Sendo Technology JSC** (13.89% / Investment)
On-line marketplace for C2C and B2C in Vietnam



※ Income before income taxes for FY14.6 and FY15.6 were reference values simply calculated due to the change to segment from FY16.6 and the change of management KPIs from op income to income before income taxes. The values may change subject to the disclosure in the future.

Expanding business in electronic payments in a broad sense while capturing the EC market growth
Making strategic shift to “Comprehensive FinTech” from “Payment agency”



FY15.6 (July to June) Results

Expanded to
5 countries
Japan, Indonesia, China, India, Vietnam

Number of transactions
192.20 million
+12.8% YoY

Total amount of transactions
976.8 billion JPY
+19.5% YoY

Privatized econtext ASIA, strengthening business collaboration

Domestic – Expanding services & partnerships

【Offline payment】

- Card settlement for restaurants “Tabelog Pay” real estate “Suma Pay”
- Veritrans mPOS to support EMV (the new payment standard for IC card) and NFC. Transaction can be made when the card is held over a reader



【ID Payment w/ major EC platformers】

- Helping drive new customers for payment in alliance with major EC platforms having large customers such as Seven & i and Rakuten

【Inbound, Cross-border EC】

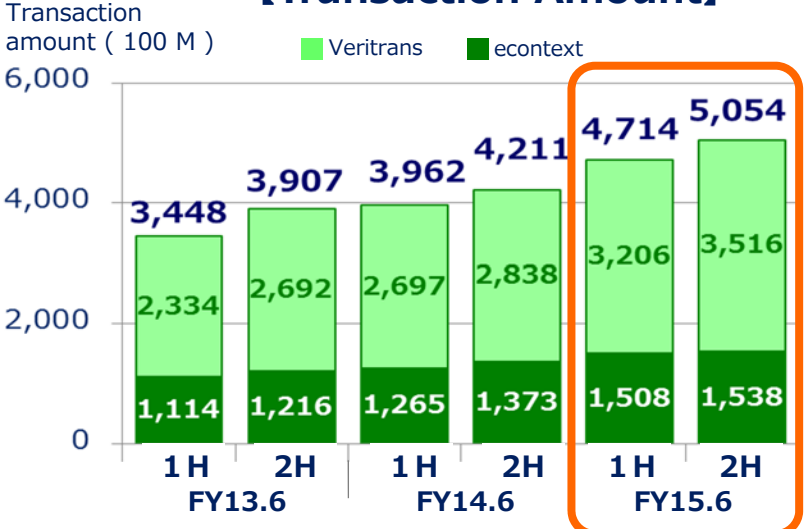
- Provide “Buy Smart Japan” to overseas buyers for Japanese EC sites such as Tokyu Hands, Kojima.



Foreign – Widening Asian expansion

- Invested in Sendo to expand its online marketplace in Vietnam
- Privatization of econtext ASIA is complete

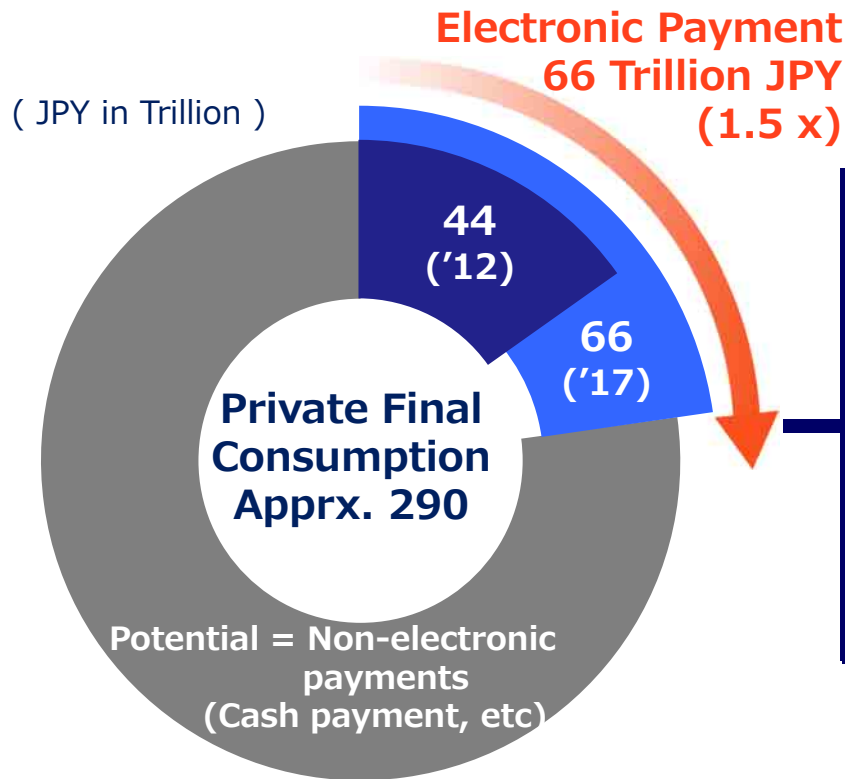
【Transaction Amount】



Note: # of transactions is on a gross basis. Transaction amount includes payment amount and data transaction amount

Electronic payment to become a 66 trillion JPY market by 2017 as stores adopt cashless payment
 ~ Penetrating growing new electronic payment market in addition to EC market ~

[Electronic Payment to reach 66 trillion JPY in 2017]



Focus areas (market size)

DG's Solutions

Food service (12 T JPY)

Tabelog Pay

Jointly providing credit card settlement service for restaurants with Kakaku.com utilizing 770 k restaurants listed on Tabelog



Real Estate Rentals (9 T JPY)

Suma PAY



Providing credit card settlement services for rents and deposits in conjunction with DG Group's real estate advertising agency, DG Communications

Funerals (1.7 T JPY)

Ceremony Pay

Providing credit card and loan financing services to funeral customers

Retail Stores

Convenience-store-style Settlement

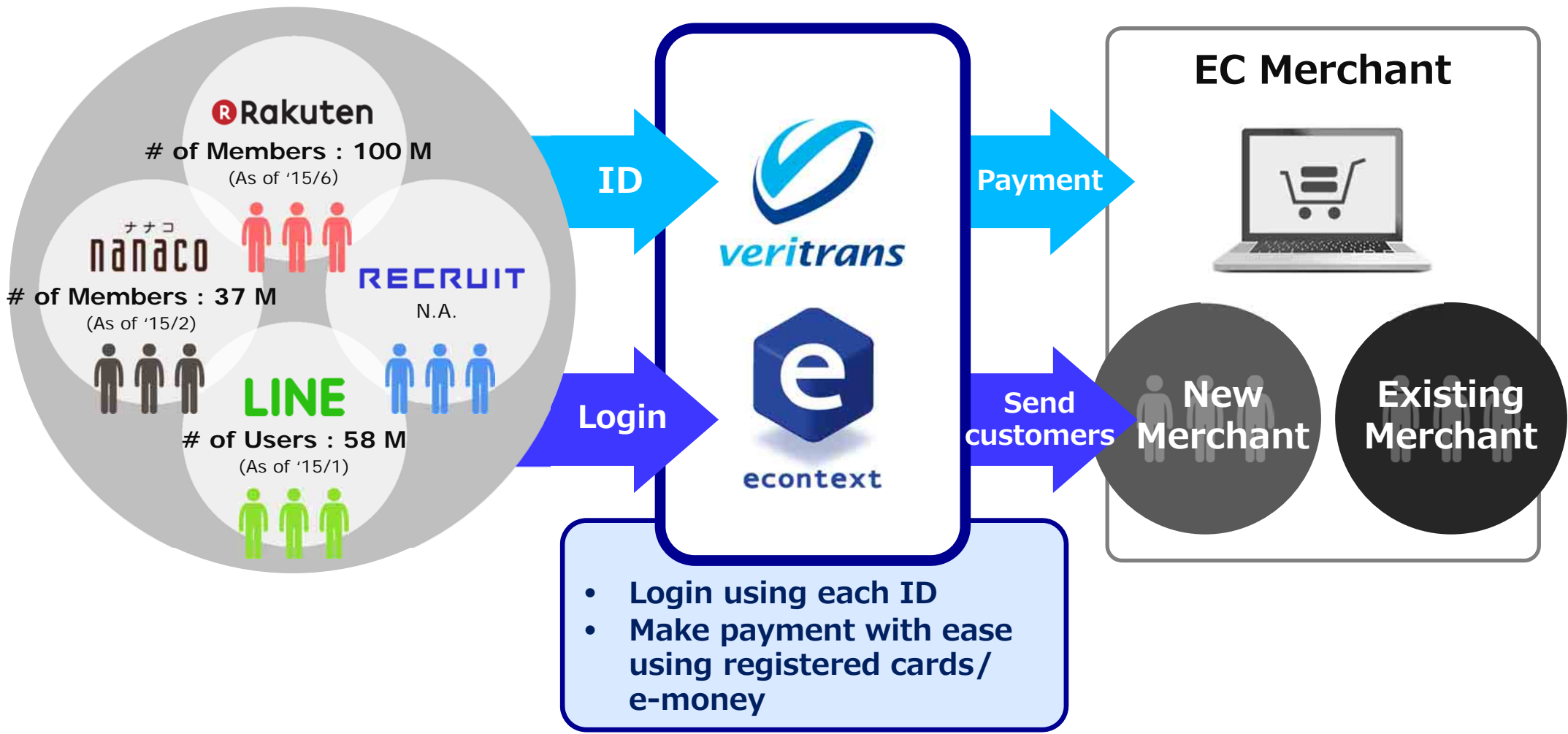
Bringing convenience-store style payment services to rapidly growing Asian market utilizing expertise developed over years with 47,000 stores in Japan

Electronic payments (Credit / Debit / Prepaid cards, Electronic money, etc)

Source : DG research, Statistics Bureau of Japan, Yano Research Institute

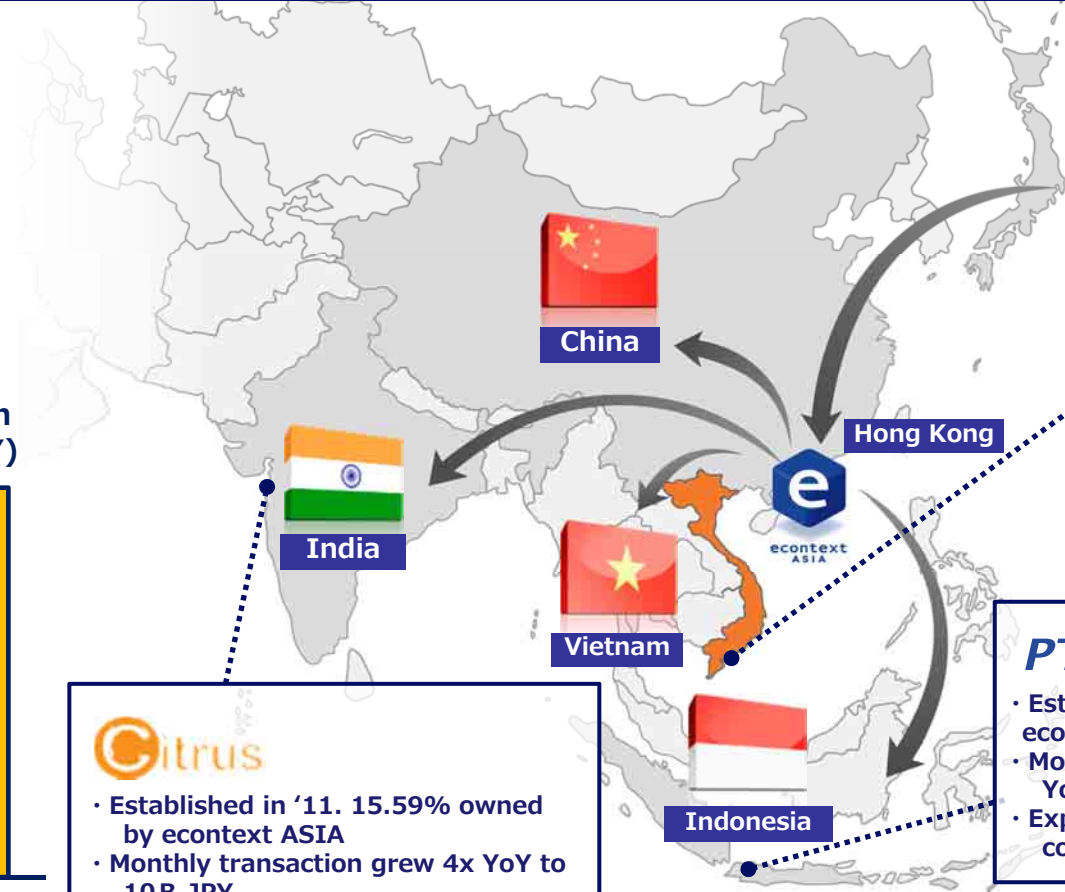


Helping drive new customers for payment in alliance with major EC platforms having large customer IDs such as Seven & i, Rakuten, LINE, and Recruit



Accelerating Expansion of Settlement and e-Commerce Solutions to Asia

Business Expansion in Asia



Sendo (Vietnam)

- 13.89% owned by econtext ASIA
- econtext ASIA invests in Sendo primarily engaged in online marketplace business and online payment business in Vietnam

PT. Midtrans

- Established in '12. 23% owned by econtext ASIA
- Monthly transaction grew about 2.2x YoY to about 1.6 B JPY
- Expanding settlement options to banks, convenience store, e-wallet, etc

Citrus

- Established in '11. 15.59% owned by econtext ASIA
- Monthly transaction grew 4x YoY to 10B JPY

Monthly transaction (100 M JPY)

'14/6	'15/6
25	107

4 x

Monthly transaction (100 M JPY)

'14/6	'15/6
7	16

2.2 x

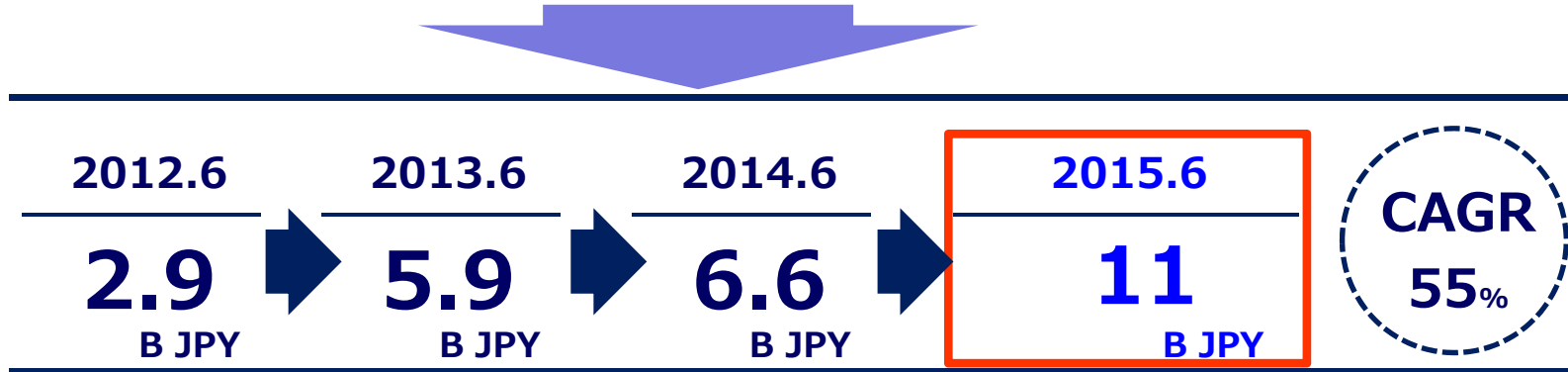
New 3-year Mid-term Plan Overview



Management Target

FY2015.6 EBITDA **10 B JPY**
(50% CAGR)

Results
EBITDA



Completed Global Incubation Structure

- I** Networked major US cities and Asian countries

- II** Launched DG717 in SF, US. Established global incubation structure in collaboration with Betaworks, a leading startup studio in the east coast

- III** Invested in businesses that will become a landmark for the next 3 years. Established DG's position as a global incubator which invests in and incubates seamlessly

“Think for yourself and question authority”

— Timothy Leary

TENACITY

強い意志を持って

OPENNESS

常識を疑え

INTEGRITY

真っ直ぐであれ

AGILITY

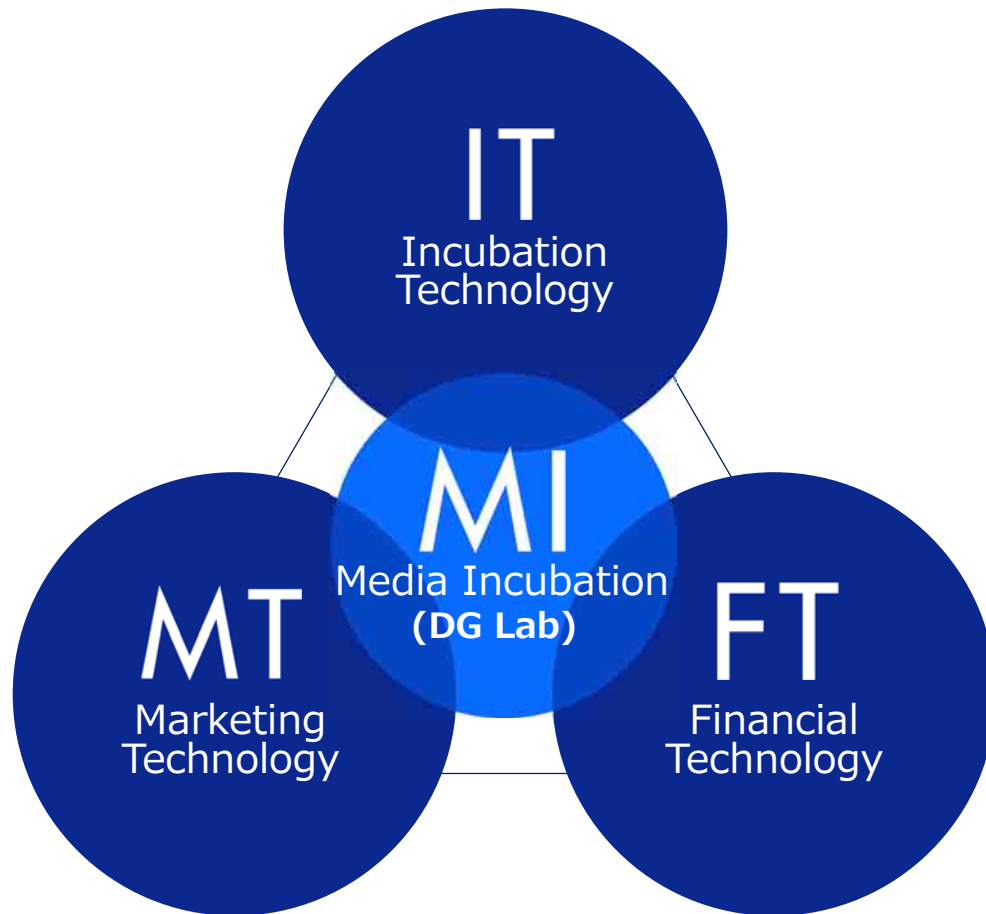
機敏であれ

COURAGE

勇敢であれ

IT/MT/FT × Open Innovation

~ Creating New Contexts for a Better Society ~



I

Organic growth in each IT/MT/FT segment

II

Accelerating incubation through DG's original cross-sectional platforms of each segment

III

Cross-sectional nurturing DG's next pillar business from each IT/MT/FT segment

Drive business strategies with the new 4 segments
by adding MI to the current IT/MT/FT

IT Incubation
Technology
(ex) Incubation

MT Marketing
Technology
(ex) Marketing

FT Financial
Technology
(ex) Payment



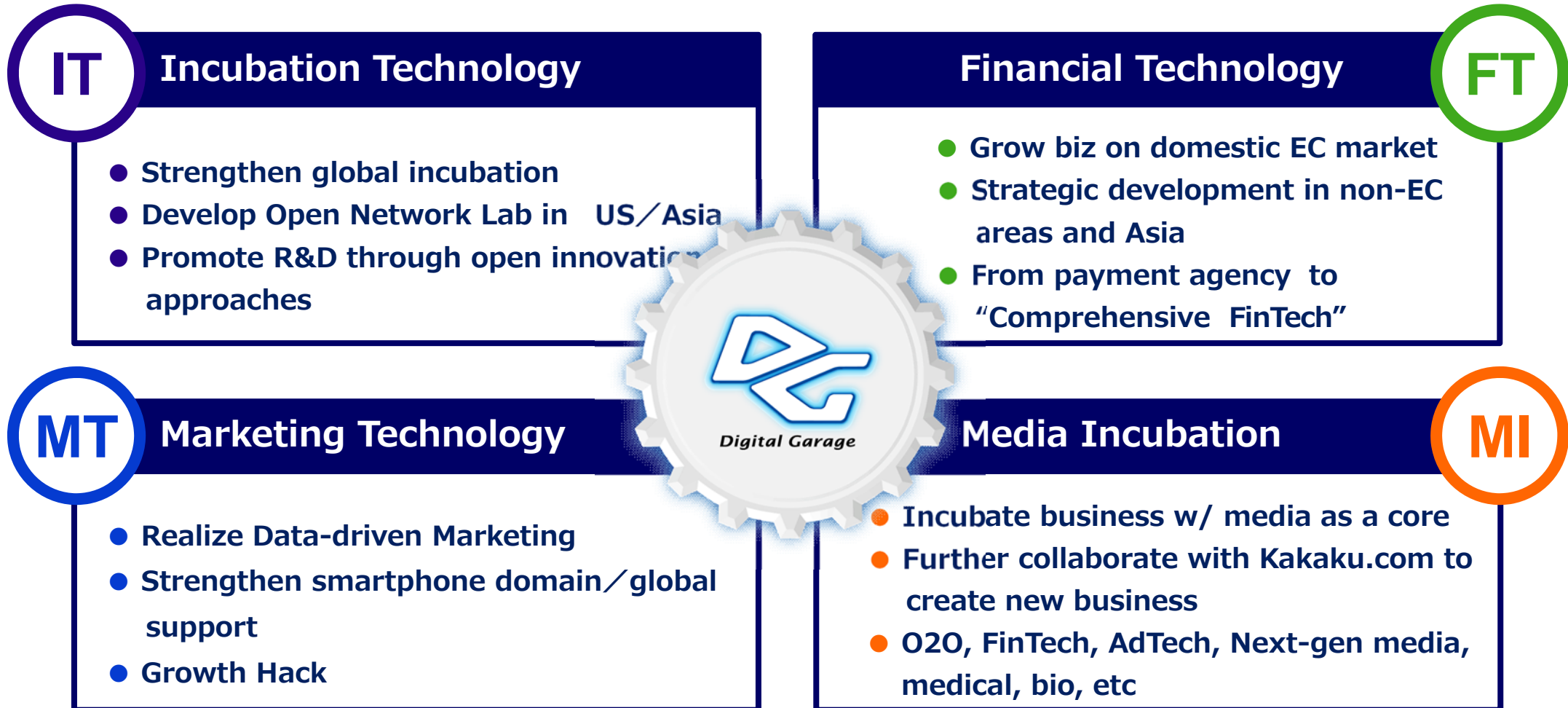
(New)
Media Incubation

MI

- Incubate business with media as a core
- Commercialize seeds / R&D results from and outside DG group
- Accelerate business alliance with DG's portfolio, etc

Manage the new 4 segments to increase DG group's overall profit ;
Gain investment profit from Kakaku.com (equity method affiliate),
Enhance business alliance, Monetize R&D results

Create new contexts for the next generation by flexibly responding to drastic technological changes over the next 3 years



	2015.6	2018.6
Income Before Income Taxes	9.2 B JPY	15 B JPY (CAGR +17%)
Consolidated ROE	17%	> 20%
Consolidated Dividend Payout Ratio	Ordinary 4.6% Commemorative 18.5%	> 20% 20%

< Background >

- Accelerate global incubation
- Introduce IFRS targeting FY2017.6. Focusing on incubation results, manage performance based on "income before income taxes"
- Set capital efficiency and shareholder return as significant management KPIs

Appendix



Quarterly Profit and Loss(Consolidated)












JPY in Million	FY14.6				FY15.6			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	7,273	8,349	8,271	9,857	8,126	9,760	8,377	11,822
Incubation	927	1,467	755	2,325	1,035	1,987	697	3,733
Marketing	3,068	3,557	4,012	4,184	3,669	4,111	4,003	4,279
Payment	3,277	3,326	3,503	3,346	3,421	3,661	3,675	3,810
Operating income	86	726	374	1,421	398	1,341	461	2,608
Incubation	△ 77	548	△ 48	1,222	78	1,060	△ 8	2,415
Marketing	136	199	308	210	245	281	317	221
Payment	203	260	415	322	316	273	397	333
Ordinary income	473	1,214	810	1,944	1,173	2,290	929	3,216
Net income	389	1,037	446	974	780	2,726	571	1,002
EBITDA	970	1,956	1,207	2,473	1,618	4,961	1,437	3,031
Amortization	191	204	170	191	171	217	182	182

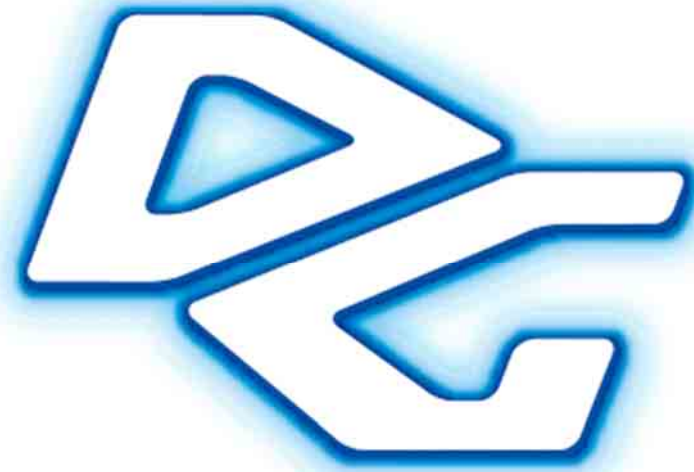
Note: Interest expense, depreciation, and amortization are added back to income before income taxes to calculate EBITDA.
Op income per segment is based on figures prior to elimination or group deduction.



Date	Logo	Company	Title
2015.8.7		Digital Garage	Kodansha and Digital Garage to Begin Full-Scale Expansion of Content Business in the U.S. Via Joint-Venture Kodansha Advanced Media Through Promoting Titles Including "Attack on Titan"
2015.6.30		Digital Garage	Digital Garage and Metaps establish Digital Science Lab in a joint venture
2015.6.22		Digital Garage	Digital Garage to exhibit at SOLID 2015, an IoT event held in San Francisco Unveiling of "techrice" prototype, a cloud service for rice farmers
2015.6.16		DG INCUBATION	iRidge, Inc., DG Incubation's Portfolio Company, Approved For Listing On Tokyo Stock Exchange Mothers
2015.6.4		Digital Garage	Digital Garage Enters into a Capital and Business Alliance with Singapore-based LCO to Support Loyalty Program Businesses by Providing a Platform for International Travel Apps
2015.6.2		Digital Garage	Digital Garage Completes 100% Acquisition of econtext ASIA, a Consolidated Subsidiary
2015.5.25		Digital Garage	Digital Garage to Hold "THE NEW CONTEXT CONFERENCE 2015 TOKYO" With Joi Ito As The Host-- The Future of Digital Currency and Virtual Reality
2015.5.7		Digital Garage	Digital Garage Invests in Website Analytics Tool Provider Chartbeat, Inc. to Support Japanese Expansion Through Media Site Sales Boost
2015.5.1		Digital Garage	Digital Garage Invests in US-Based FinTech Innovator MX Technologies - To Support Future Japan Expansion
2015.4.22		Digital Garage	Digital Garage To Lead Capital Investment in and Support Global Expansion of Mobile App Analytics Tool Repro
2015.4.2		Open Network Lab	Open Network Lab to Enhance Its Seed Accelerator Program by Increasing Maximum Funding Size and Strengthening Support
2015.2.19		Digital Garage	Digital Garage and Kodansha to establish a joint venture on digital content business for global expansion of Japanese contents and new business incubations
2015.2.12		Digital Garage	Digital Garage To Boost Its Japanese Expansion Business For Overseas Internet Services and Bring Website Analytics Service 'Chartbeat' to Japan
2015.2.3		Digital Garage	AnyPerk, Inc. announces an additional \$8.5M Series A funding from DCM Ventures and DG Incubation



Date	Logo	Title
2015.1.28	 Digital Garage	Digital Garage To Support Japanese Expansion of Global Social Media Community Wikia Through Capital Investment To Wikia, Inc. and Advertising Sales On Wikia Japan
2014.12.5	 econtext ASIA	econtext ASIA co-invests in Sendo which is owned by FPT Corporation, a leading technology company in Vietnam, to expand its online marketplace and payment services in Vietnam
2014.11.19	 Digital Garage	Participation in a Share Purchase Program through Public Tender Offering by Kakaku.com, Inc.
2014.11.7	 Digital Garage	CrowdWorks, DG Incubation's Portfolio Company, Approved For Listing On Tokyo Stock Exchange Mothers
2014.11.7	 Digital Garage	Bengo4.com, DG Incubation's Portfolio Company, Approved For Listing On Tokyo Stock Exchange Mothers
2014.11.4	 econtext	ECONTEXT and VeriTrans launched "Chargeback" group compensation insurance to participating merchants
2014.10.31	 Digital Garage	Sumitomo Mitsui Card, Digital Garage and iRidge Collaborate and Launch Mitsui Sumitomo VISA Taiheiyo Masters App
2014.10.29	 Digital Garage	Digital Garage Invests in Fleksy, Inc.
2014.9.19	 veritrans	VeriTrans teams with China's leading search engine Baidu to launch "Free SIM" service for Chinese tourists visiting Japan



Digital Garage

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