

A black and white photograph of a building facade. In the center, there is a large, three-dimensional sign for Digital Garage. The sign features a stylized 'DG' logo on the left and the words 'Digital Garage' in a bold, sans-serif font to its right. Above the sign is a large window with multiple panes. To the right of the window, a flag with the Digital Garage logo and name is flying. The building's concrete structure is visible around the window and sign.

DG Digital Garage

IT/MT/FT × OPEN INNOVATION

Digital Garage, Inc.

3Q of FYE June 30, 2016 Financial Report

2016.5.13

 **Digital Garage**

Record-high op income of 3.1 B JPY (+41% YoY) in cumulative 3Q FY16

~ Record-high sales, op income, ordinary income. Listed on TSE 1st Section ~

I Promoting global investment ecosystem

- Delivered incubation results, selling global investment portfolio gradually. Enhanced relations with Credit Saison and iRidge as Credit Saison made an additional investment in iRidge
- Investment balanced grew to 11.5 B JPY through continued aggressive global investment
- Invested in key areas such as AI, VR/AR, Security, BioTech, following investment in a leading blockchain developer, Blockstream

II Smartphone ads grew steadily. Started strategic data marketing business

- Growth gaining traction in smartphone ads. YoY sales grew +26%, income before taxes grew +13%
- Aggressively initiated investment in data related business
- Planning to launch new initiatives in DMP utilizing data from major credit card companies

III Payment platform expanded. Launched initiatives for FinTech

- Transaction volume grew +19% YoY to 860 B JPY. Op income grew strongly + over 30% YoY
- Enhancing "Payment OEM solutions" to major financial institutions
- Aiming to become a comprehensive FinTech company with a "next gen smart payment platform"

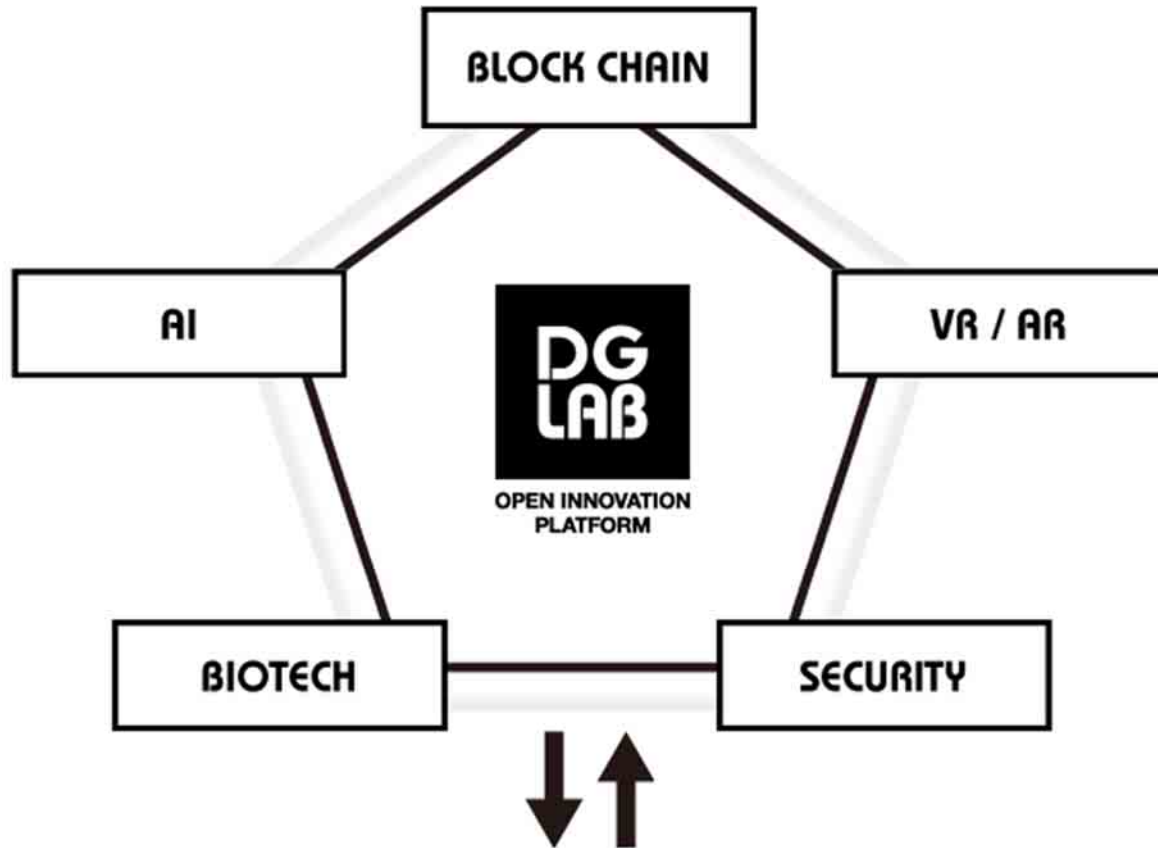


Digital Garage is now on the Tokyo Stock Exchange First Section

Since creating the first website, Digital Garage has over 20 years of history with the Internet. With the help of the Internet, the wave of open innovation has overflowed into fields such as hardware and biotechnology. With the dramatic change in a variety of fields, the next 20 years will see more intense technological advancements and change daily lives compared to the past 20 years. Within that competitive environment, we have always held the First Penguin Spirit and aimed to be at the frontline of creating businesses that will be useful in the world. Please watch as Digital Garage paves a new path in the next 20 years.

special webpage for TSE First Section listing

<http://www.garage.co.jp/en/tse1/>



Business based on open innovative platform to pass on to our next generation

At DG Lab, we will focus on the following 5 areas: Block Chain, VR/AR, AI, Security, and Biotechnology. We will collaborate with our portfolio companies inside and outside of Japan, in hopes of creating new products and services that have the potential of becoming DG's next business pillar. Engineers and designers who are passionate in the leading research developments will gather to DG Lab, striving together to develop through active discussions. With the image of the next "Bauhaus of technology" in mind, we hope that DG Lab become a global platform where new chemical change happens with design × data × technology were all organically connected.



INAMOTO&CO A creative company run by Rei Inamoto, Former Chief Creative Officer of AKQA.

【special webpage】

<http://www.garage.co.jp/en/tse1/#project1>

In honor of those who follow Digital Garage's philosophy,
we have newly established the First Penguin Award



Presented to: Mr. Keisuke Honda for the first ever First Penguin Award

Digital Garage has newly established "Digital Garage First Penguin Award," honoring and celebrating those who keep creatively challenging oneself worldwide in the fields of Technology, Arts, and Sports, and also who is actively contributing in nourishing younger generations. For the first time will be presented to Mr. Keisuke Honda, a successful professional footballer actively playing at Japan national football team because he acts as a role model for the next generation. The awarding ceremony will be held in Tokyo in July 2016.

【special webpage】

<http://www.garage.co.jp/en/tse1/#project2>



Digital Garage's annual conference highlights the Internet's news and cutting edge technologies of the future

We will hold "THE NEW CONTEXT CONFERENCE 2016 Tokyo" on Jul 5th-6th, 2016 in Tokyo. We picked "Blockchain" and "Artificial Intelligence" as the themes this year. The details are to be announced later.

THE NEW CONTEXT CONFERENCE 2016 TOKYO

Dates : July 5th-6th, 2016

Venue : Tokyo Garden Terrace Kioicho Conference Hall

Host : Digital Garage, Inc.

※ NCC-San Francisco will be held in November 2016.

【special webpage】

<http://www.garage.co.jp/en/tse1/#project3>

Group Financial Performance Review





FY16.6 3Q (Cumulative) Consolidated P/L Summary



context company

Record-high YoY sales grew +20%, op income grew +41% to 3.1 B JPY

~ Ordinary income grew +4% to 4.5 B JPY with expansion of investment profit on equity method from Kakaku despite recording foreign exchange loss ~

JPY in Millions	FY15.6 3Q	FY16.6 3Q	YoY		FY16.6 Full Year	
	Cumulative Act	Cumulative Act	%	Amount	Forecast	1Q-3Q Progress
Net sales	26,264	31,474	+19.8	+5,210	41,000	77%
Operating income	2,199	3,104	+41.2	+905	5,200	60%
Non-operating income	2,627	2,156	-17.9	-471		
Investment profit on equity method	1,522	1,687	+10.8	+164		
Foreign exchange gain	689	-	-	-689		
Non-operating expenses	435	678	+55.9	+243		
Foreign exchange loss	-	400	-	+400		
Ordinary income	4,391	4,582	+4.3	+190		
Extraordinary income	2,369	164	-93.1	-2,205		
Gain on change in equity	2,301	145	-93.7	-2,155		
Gain on sales of investments in securities	68	-	-	-68		
Income before income taxes	6,666	4,735	-29.0	-1,930	8,200	58%
Income taxes	2,275	1,412	-37.9	-862		
Net income attributable to owners of parent	4,077	3,307	-18.9	-769	5,500	60%



FY16.6 3Q (Cumulative) Consolidated Segment P/L Summary



Double-digit growth of sales and income before taxes in IT/MT/FT

~ Income before taxes in IT grew strongly +55% YoY to 1.7 B JPY ~

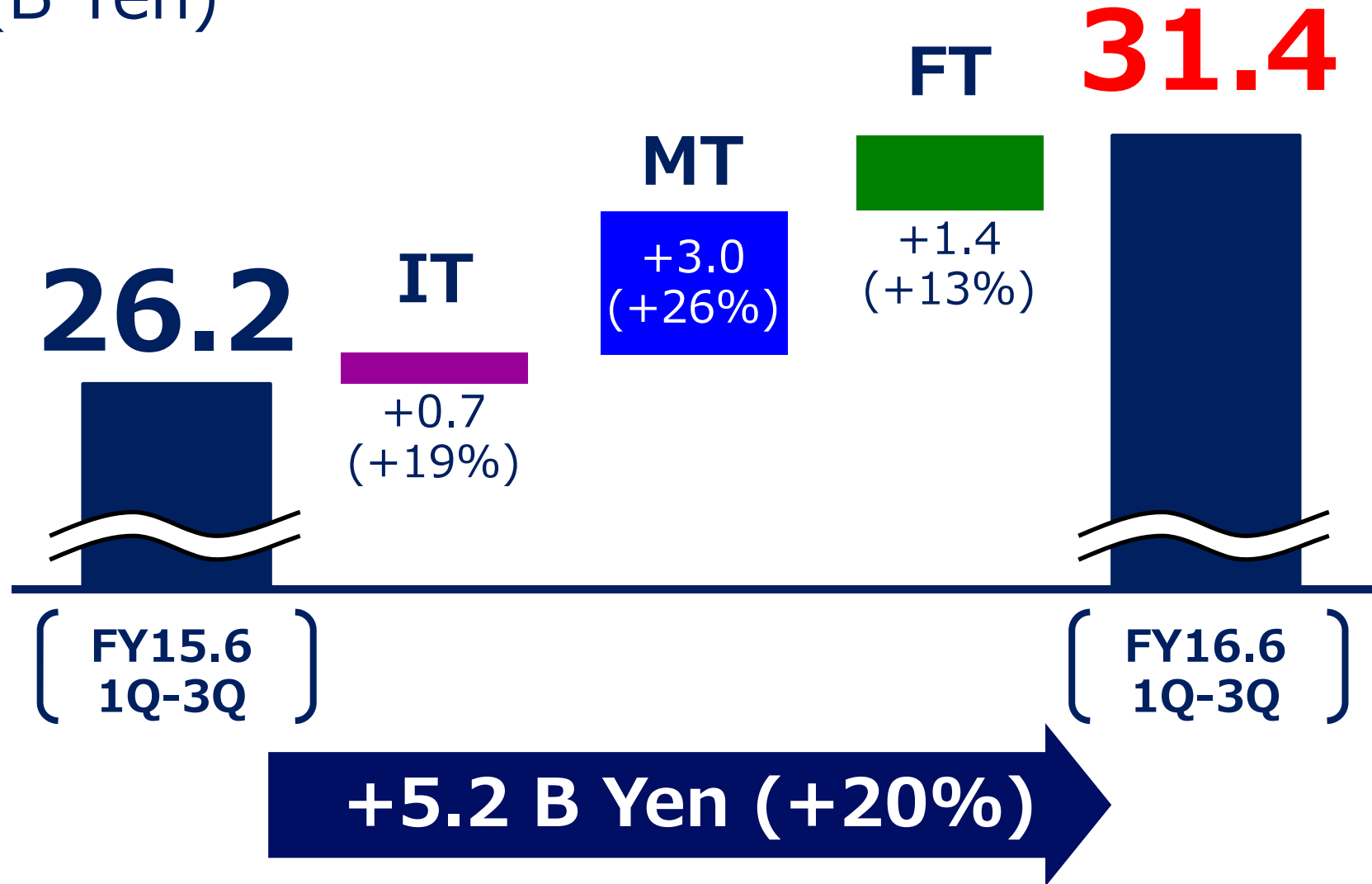
JPY in Millions	FY15.6 3Q	FY16.6 3Q	YoY		FY16.6 Full Year	
	Cumulative Act	Cumulative Act	%	Amount	Forecast	1Q-3Q Progress
Net sales	26,264	31,474	+19.8	+5,210	41,000	77%
IT Incubation Technology	3,720	4,421	+18.8	+700	7,000	63%
MT Marketing Technology	11,784	14,880	+26.3	+3,095	18,500	80%
FT Financial Technology	10,758	12,172	+13.1	+1,413	15,500	79%
MI Media Incubation	-	-	-	-	-	-
Income before income taxes	6,666	4,735	-29.0	-1,930	8,200	58%
IT Incubation Technology	1,111	1,728	+55.4	+616	4,100	42%
MT Marketing Technology	840	947	+12.6	+106	1,390	68%
FT Financial Technology	1,156	1,307	+13.0	+150	1,840	71%
MI Media Incubation	3,812	1,878	-50.7	-1,934	2,500	75%
(Gain on change in equity)	2,301	145	-93.7	-2,155		

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

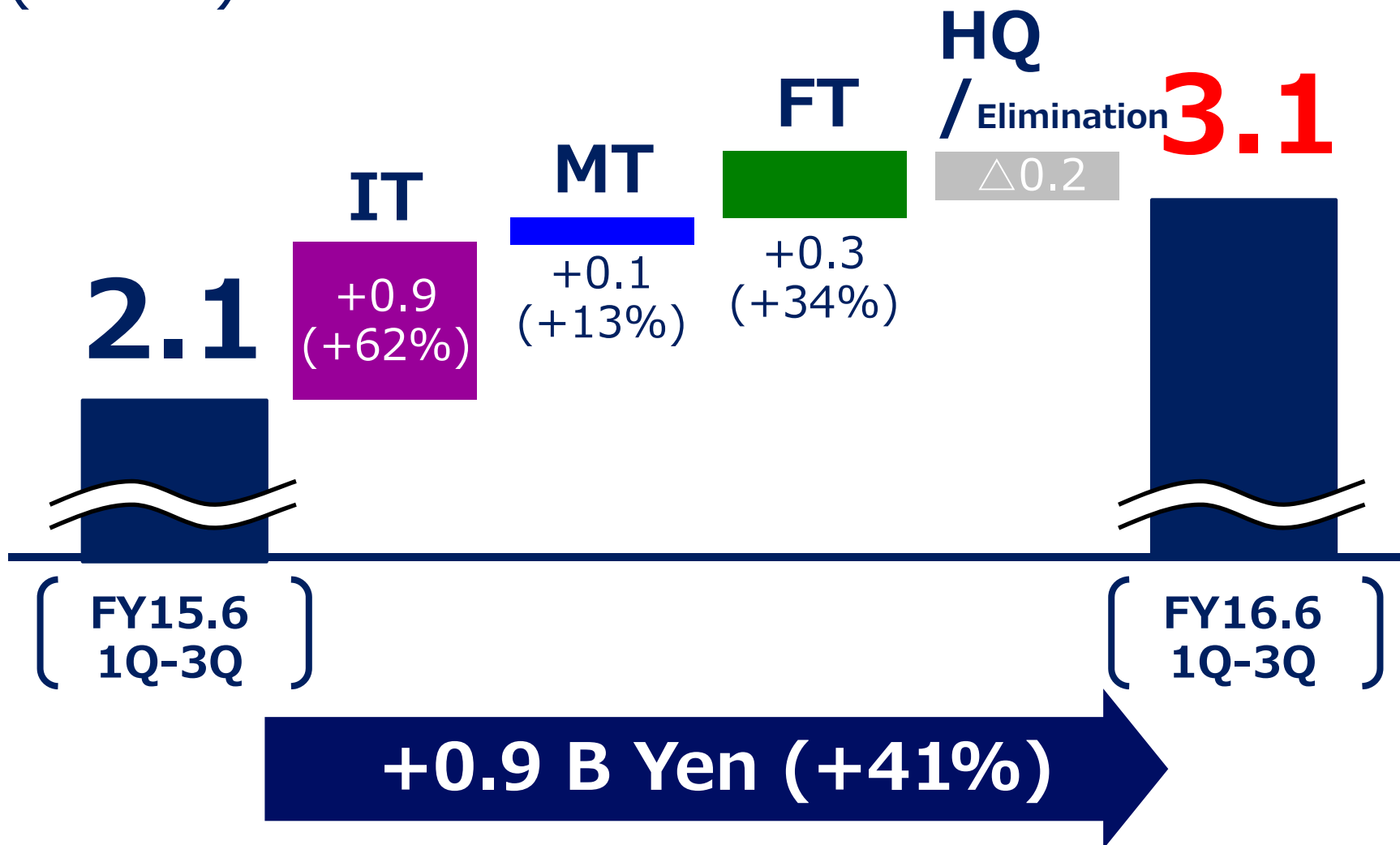
FY16.6 3Q Consolidated B/S Summary

JPY in Million	FY15.6	FY16.6 3Q	Difference	Reason for change / Remarks
Current assets	57,742	49,594	-8,148	
Cash and deposits	30,956	16,843	-14,112	Payout of corporate tax and dividends, repayment of borrowings, new investment, etc
Receivables	11,646	13,714	+2,067	Payment segment related items
Money held in trust	3,120	2,089	-1,031	Payment segment related items
Operational investment securities	8,208	11,651	+3,443	New investment, Mark-to-market for stock related to IPO, etc.
Fixed assets	28,752	28,924	+172	
Investment securities	14,220	14,537	+317	Partial reclassification to operating investment securities, increased investment profit on equity method, Mark-to-market for listed stocks, etc.
Goodwill	6,237	5,883	-353	
Total assets	86,495	78,518	-7,976	
Current liabilities	50,623	32,024	-18,599	
Deposits	20,998	21,323	+324	Payment segment related items
Short-term borrowing	23,533	6,508	-17,025	Partial repayment of borrowings of funds for share purchase of econtext ASIA
Fixed liabilities	6,805	17,024	+10,219	
Long-term borrowing	5,546	16,077	+10,531	Stable and long-term refinancing
Total liabilities	57,429	49,049	-8,380	
Net assets	29,065	29,469	+404	
Shareholders' equity	24,640	26,752	+2,111	
Common stock	7,426	7,435	+8	
Capital surplus	2,854	2,825	-28	
Retained earnings	14,429	16,561	+2,131	
Accumulated other comprehensive income	4,002	2,248	-1,753	
Unrealized gains on securities	2,585	774	-1,811	Unrealized gains after tax for securities with market value
Liabilities / Net assets	86,495	78,518	-7,976	

(B Yen)



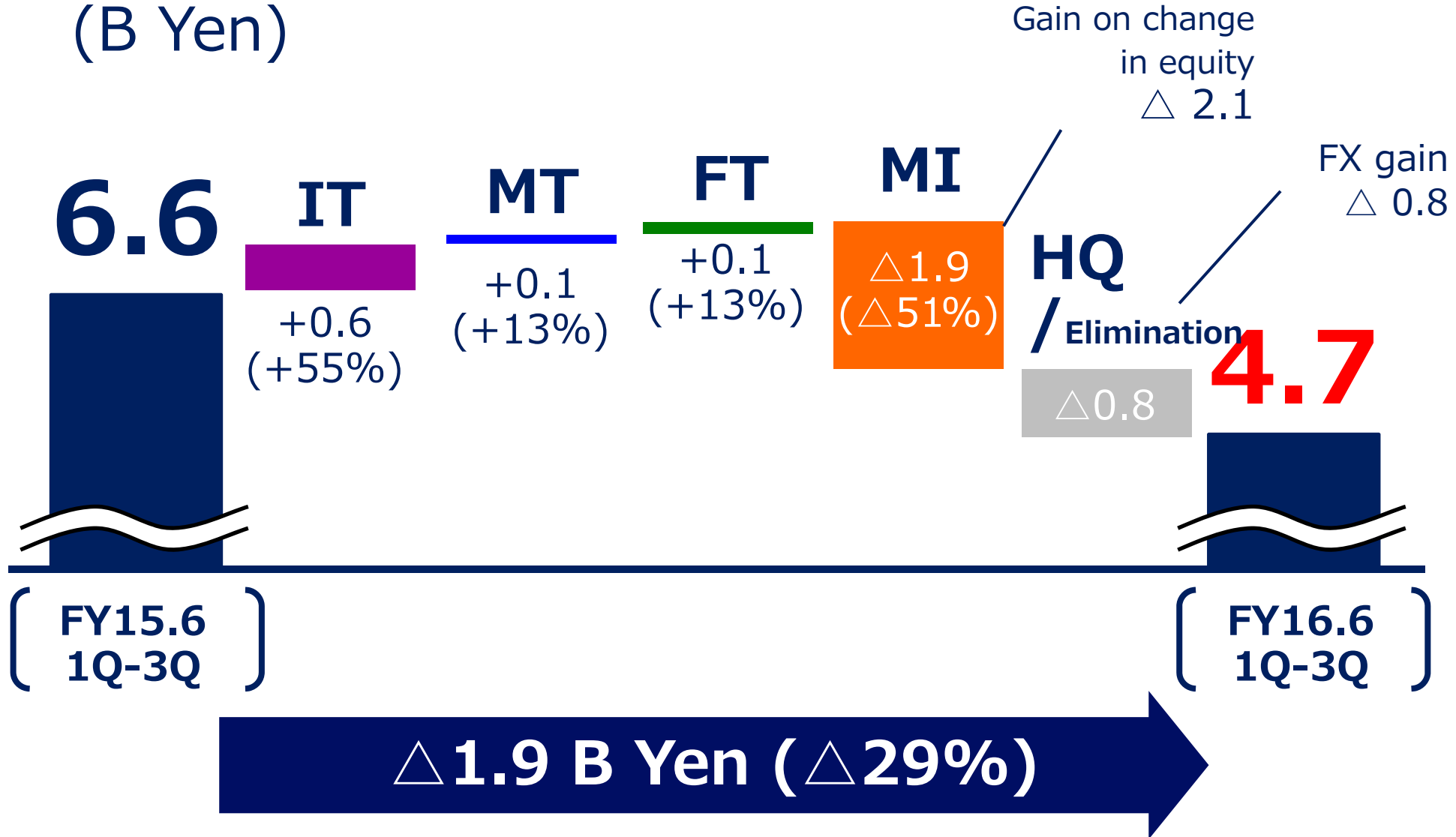
(B Yen)



❖ Contribution to Income before income taxes by Segment

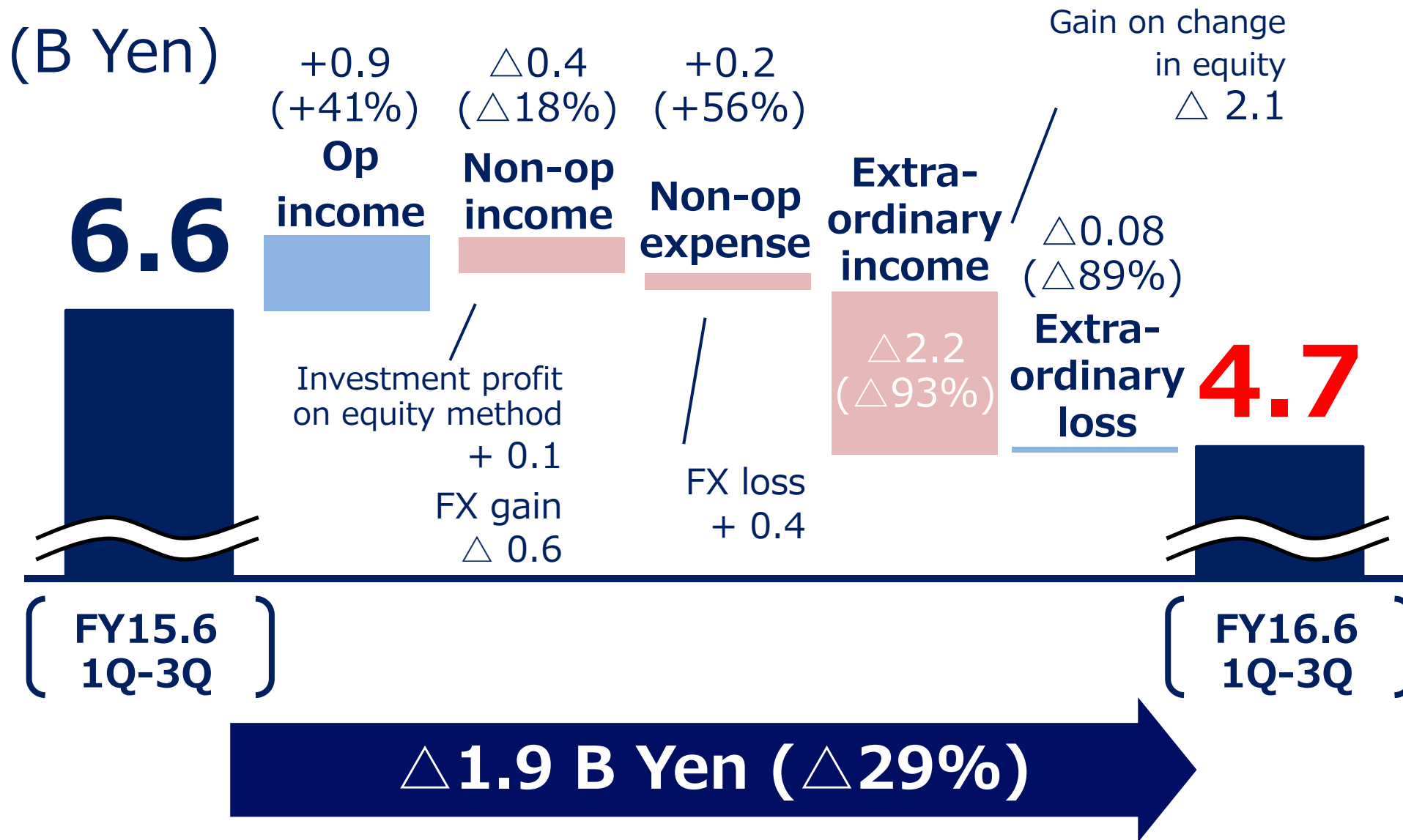


(B Yen)





Contribution to Income before income taxes by P/L



Segment Performance Review



IT

- Selling global investment portfolio gradually
- Investment balance reached 11.5 B Yen globally

MT

- Smartphone ads grew steadily
- Driving alliances in big data related business

FT

- Payment platform expanded. Op income grew significantly
- Launched initiatives for FinTech (Blockchain)

MI

- Investment profit on equity method from Kakaku grew steadily
- Preparing a new business using social graph

(Current Portfolio)

	# of companies	Book Value (B Yen)
Equity	116	10.7
Domestic	35	2.0
Overseas	81	8.7
Fund	6	0.7
Total	122	11.5

Note) DG Incubation's investment balance
Mark-to-market as of quarter end for listed stocks
Equity includes convertible note

Major Portfolio

Blockstream [Canada]



Develops sidechain technologies, parallel blockchains that are interoperable

Increments [Japan]



Provide technical knowledge platform called Qiita for engineers

Bridestory [Indonesia]



One of Indonesia's top wedding portal. Provides matching services for vendors and consumers

Welby [Japan]



Builds apps for patients with chronic malady, diabetes, cancers



Wevr [U.S.]

Virtual reality community and VR media player for aspiring and professional creatives

Goodpatch [Japan]



Web development and consulting service firm



Estimote [U.S.]

Provides small, wireless sensors and location technology to retailers

ContextLogic [U.S.]



Operates Wish, a mobile shopping app. One of the "unicorn" startups with \$ 1 B valuations or higher

MT Segment Highlights

Performance-based ad sales –

10.6 B Yen
YoY **+43 %**

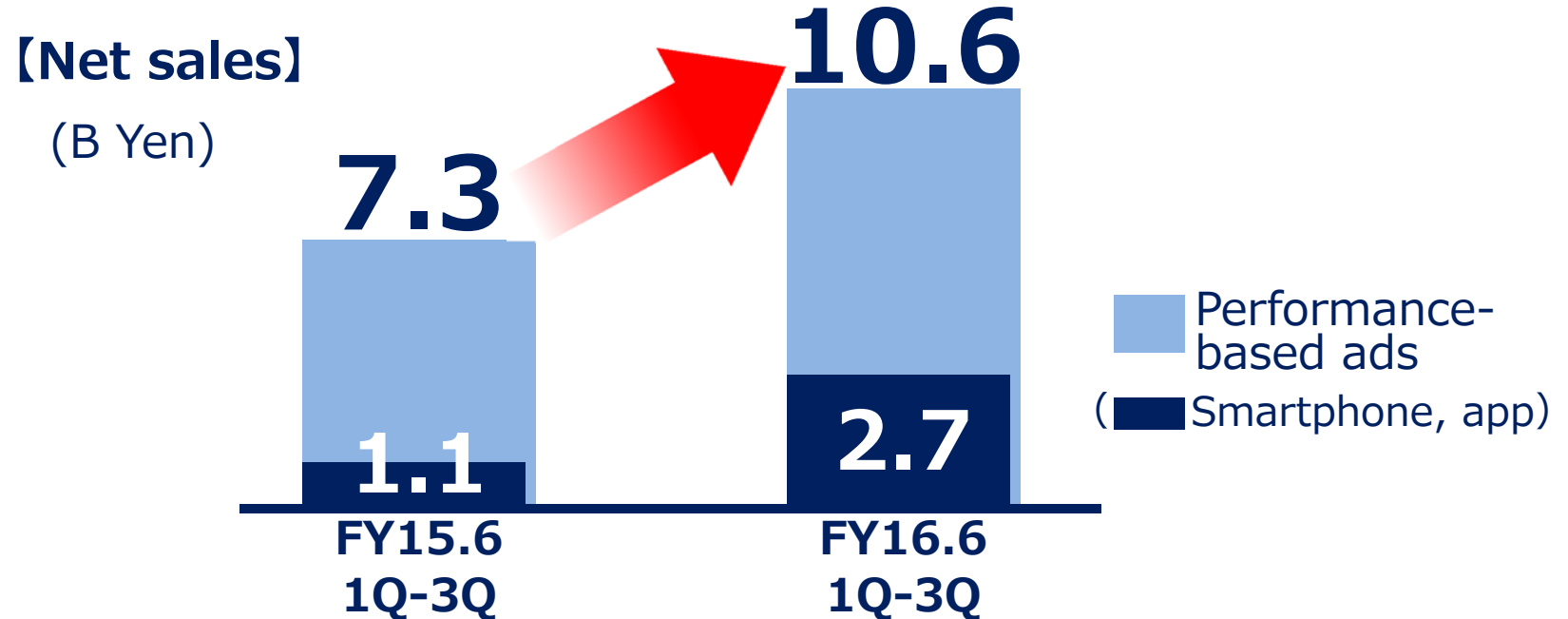
Smartphone / app domains –

2.7 B Yen
YoY **2.4 x**

Smartphone Mix _____

26 %
YoY **+10%pts**

Performance ad sales increased +43% YoY. Growth gaining traction in smartphone domain



- ◎ Aggressively initiated investment in data related business
 - Collaboration with major credit card companies
 - Accelerate DMP business utilizing their data

Amount of transactions —
856 B Yen
 YoY **+19 %**

Segment sales —
12 B Yen
 YoY **+13 %**

Segment Op. income —
1.3 B Yen
 YoY **+33 %**

Cost reduction from reorganization helped boost op income. Managing group resources efficiently

JPY M	FY15.6 1Q-3Q	FY16.6 1Q-3Q	YoY
Transaction Amount	720 (B Yen)	856 (B Yen)	+18.8%
Net Sales	10,758	12,172	+13.1%
Op. Income	987	1,320	+33.8%
Op. margin	9.2%	10.9%	
Income before income taxes	1,156	1,307	+13.0%

- Increased volume in digital content
- Growth in smartphone-based CtoC (auction, flea market)
- Reduced cost from reorg
- Managed group resources efficiently
- Last term (special factors)
- FX gain (depreciation of yen)
- Delivered incubation results in Asia

Investment profit on equity method

1.7 B Yen
YoY **+ 15 %**

Income before income taxes

1.8 B Yen
YoY **△ 51 %**

Special factor (Previous term)

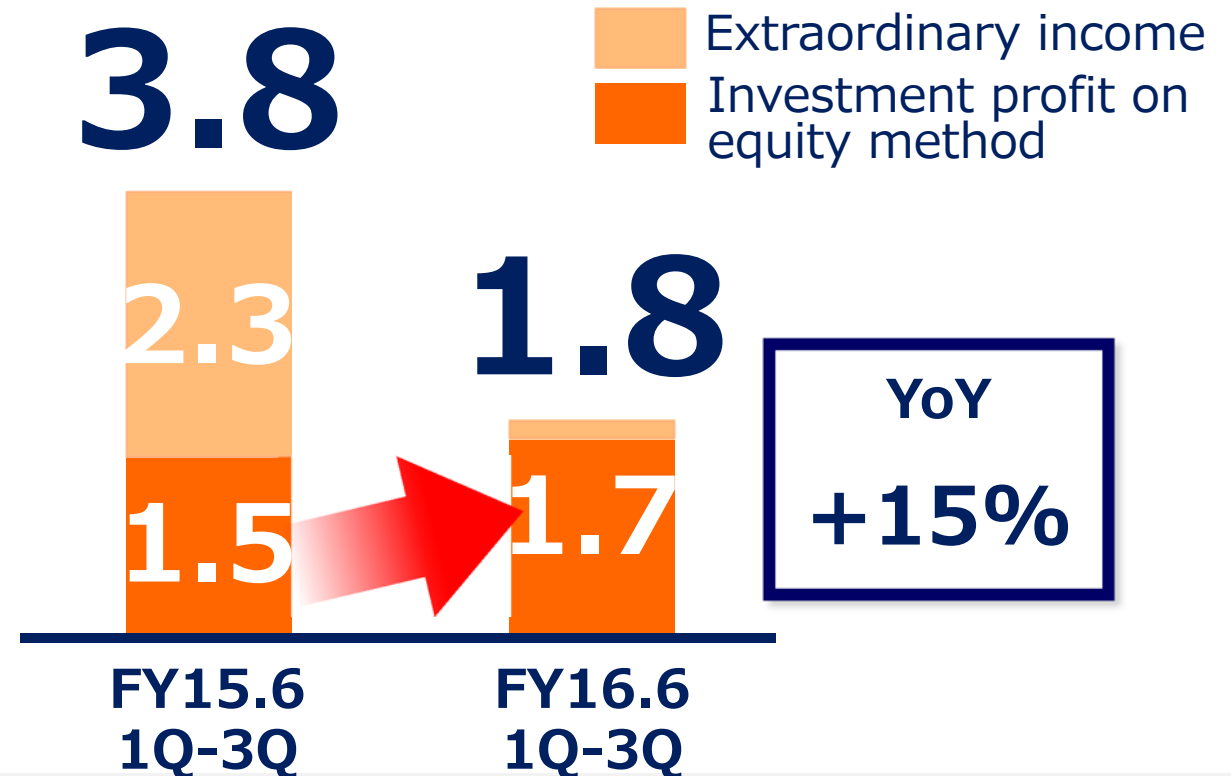
Extraordinary income as DG participated in share purchase by Kakaku via public tender offering

2.2 B Yen

Investment profit on equity method from Kakaku grew steadily

【Income before income taxes】

(B Yen)



Appendix



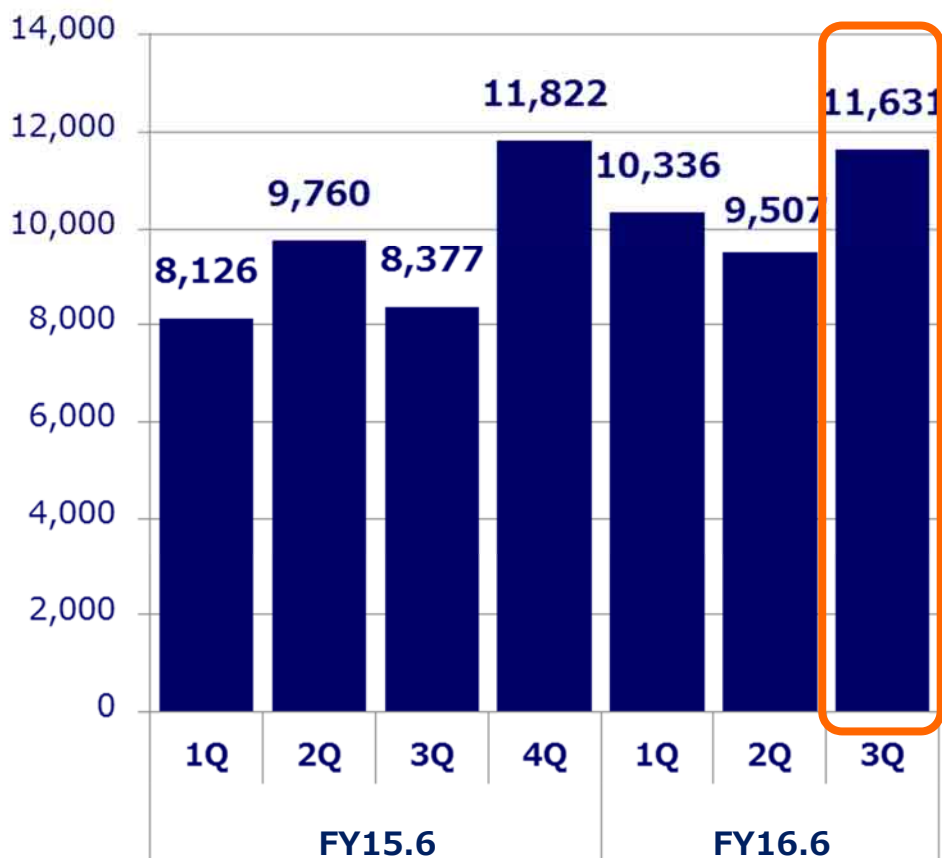


Achieved Sales +20% YoY in 1Q-3Q FY16.6

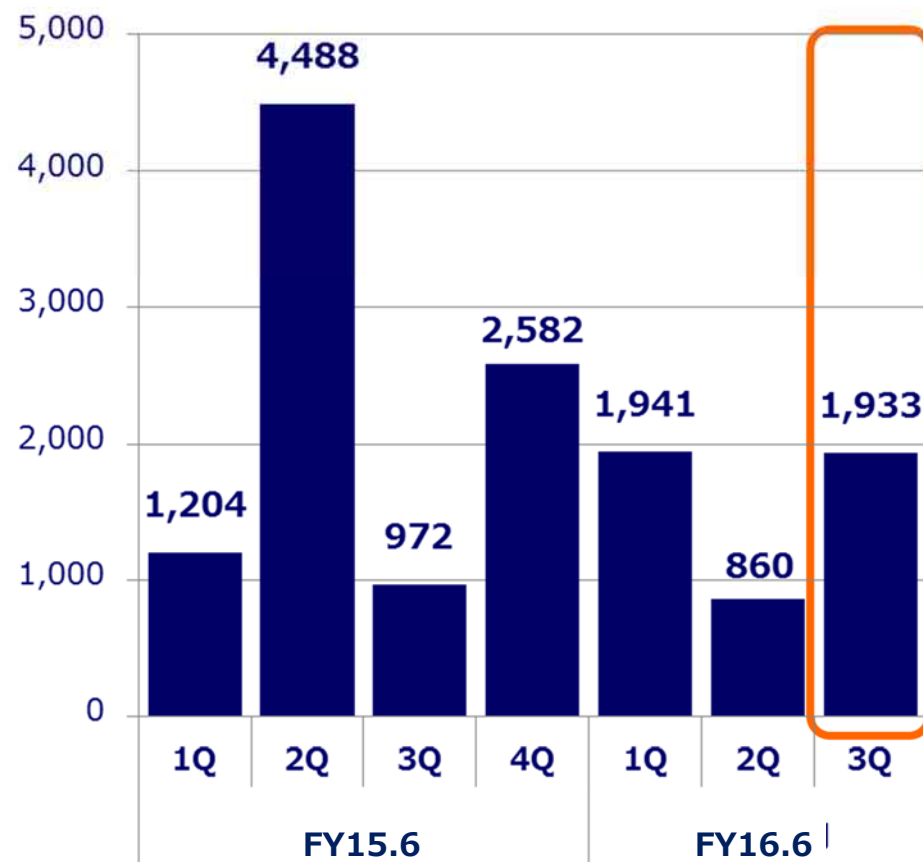
~ Hit record high for cumulative 3Q sales, op income, and ordinary income ~

【Net Sales】

(JPY in Million)



【Income Before Income Taxes】

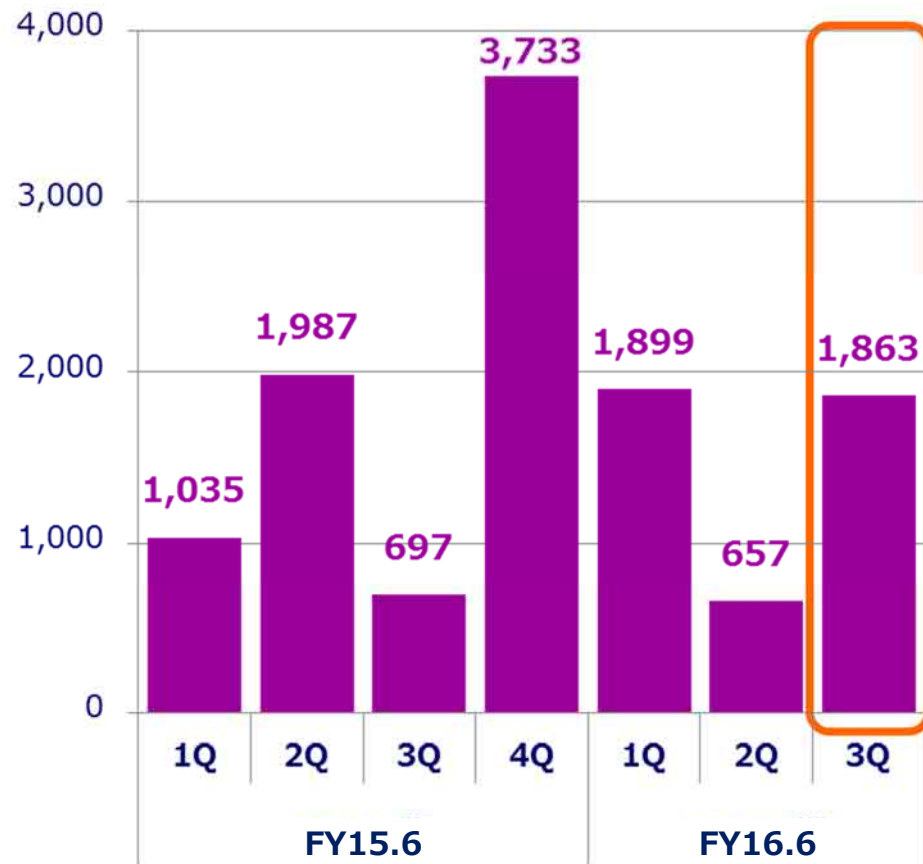


Partially sold stocks, delivering Incubation results

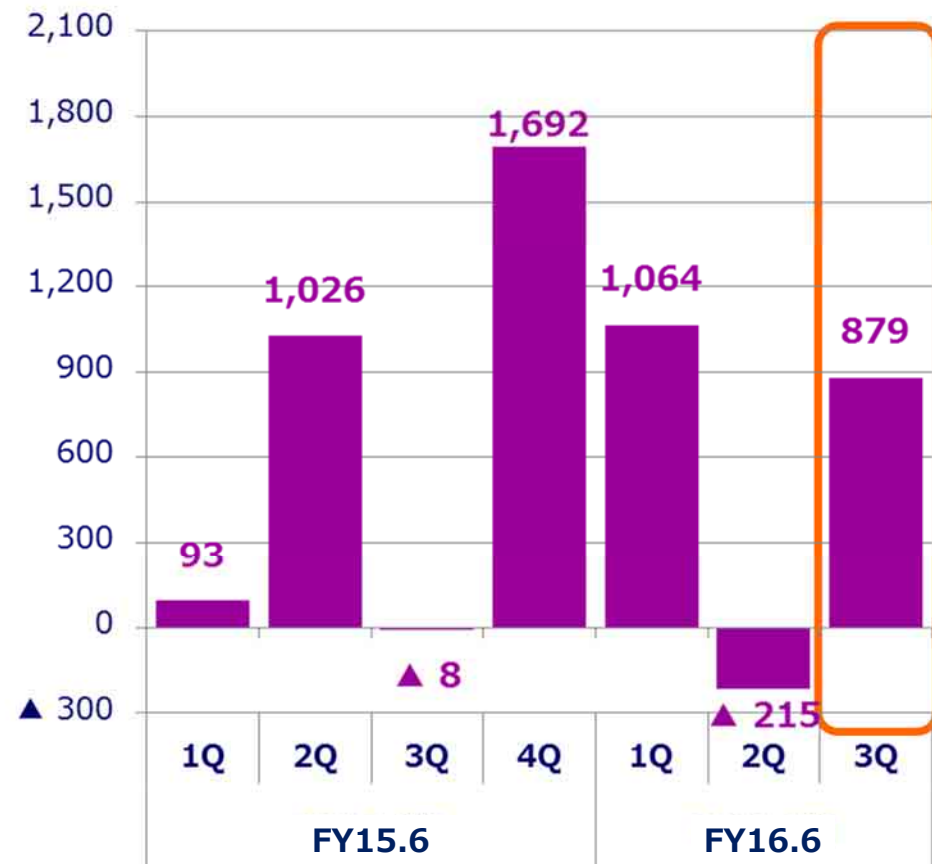
~ Enhanced domestic and global portfolio. Investment balance reached about 11.5 B Yen ~

【Net Sales】

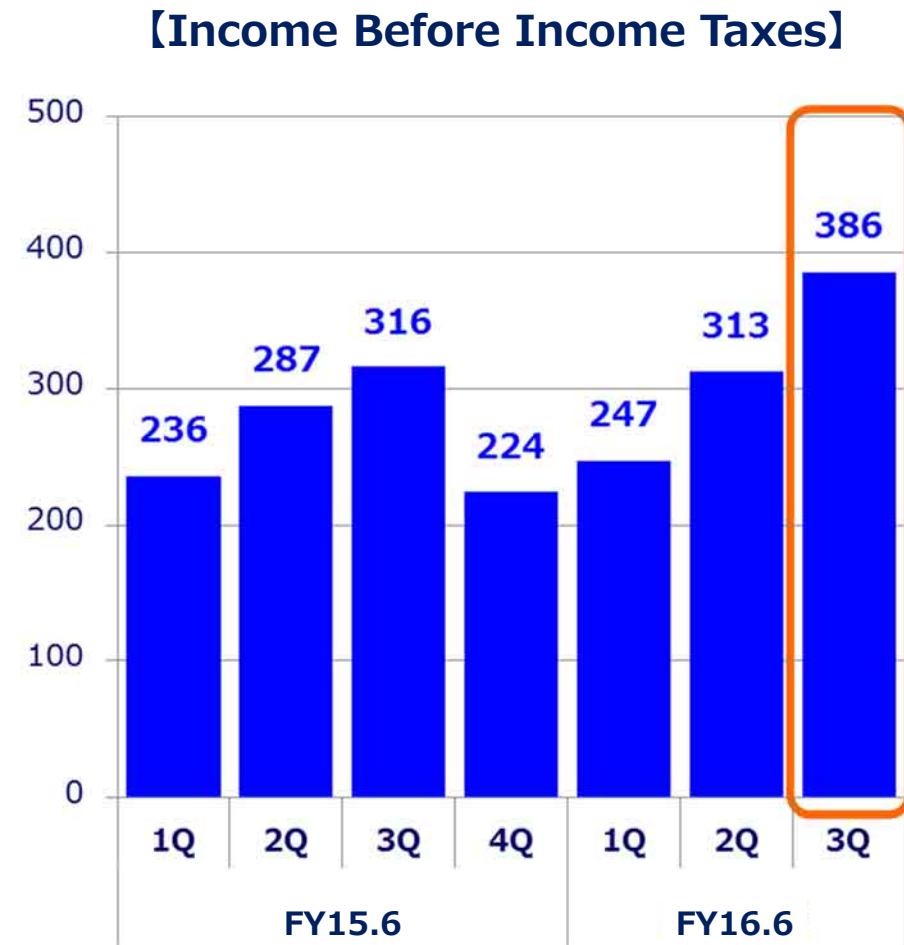
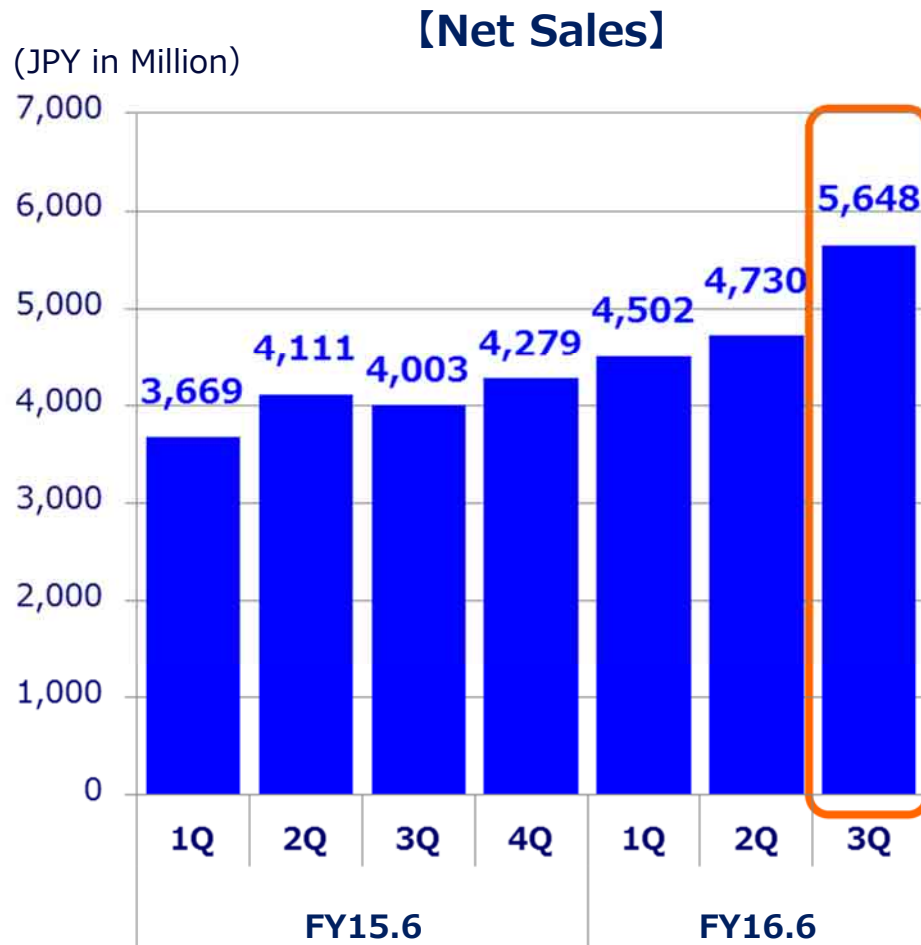
(JPY in Million)



【Income Before Income Taxes】

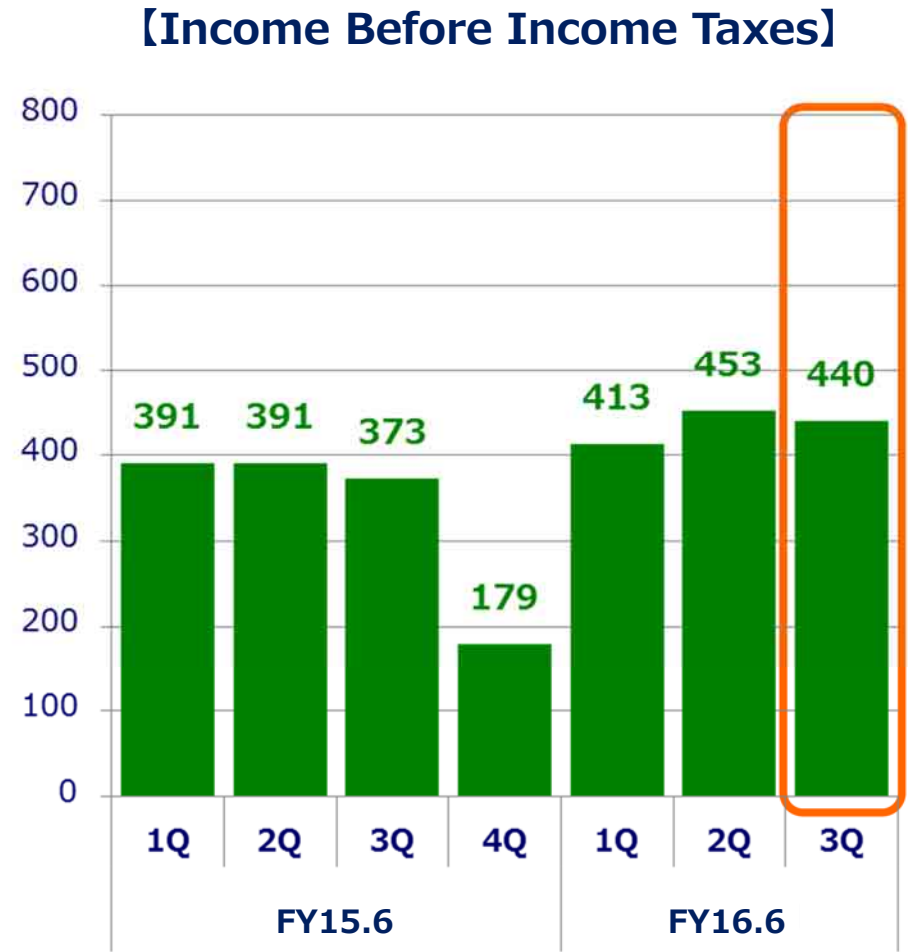
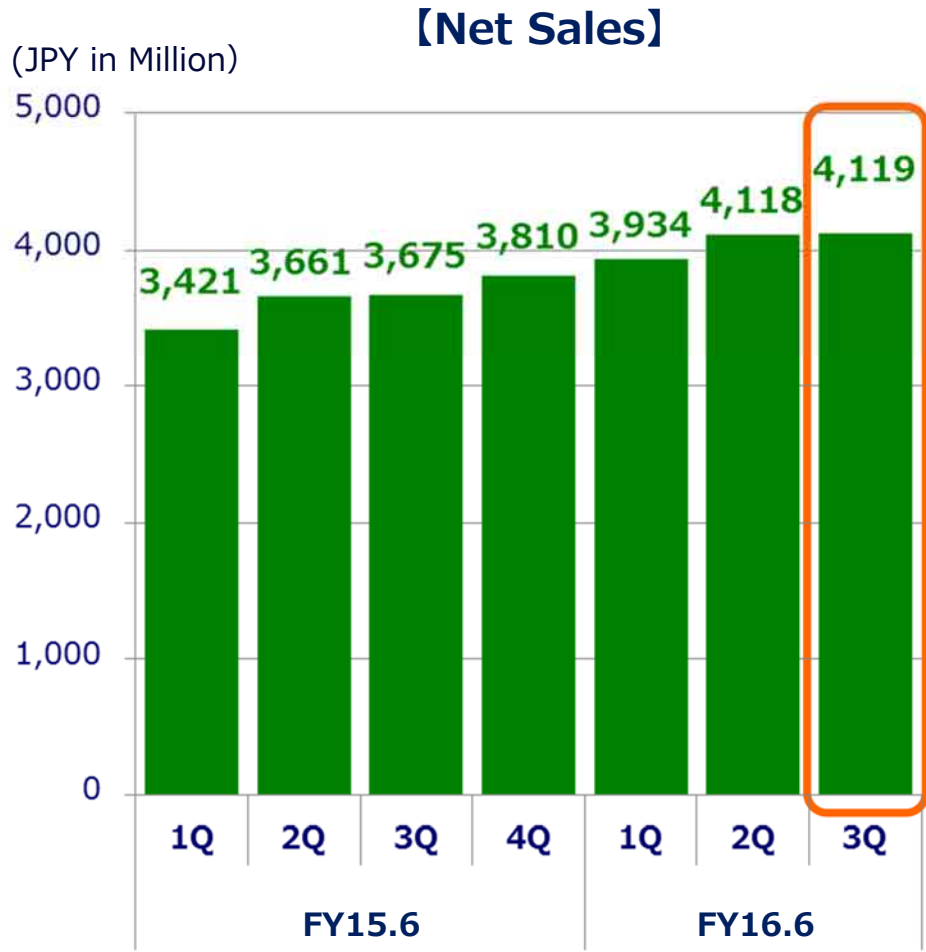


Smartphone ads for apps grew steadily along with performance-based ads
~ Aggressively initiated investment in data related business ~



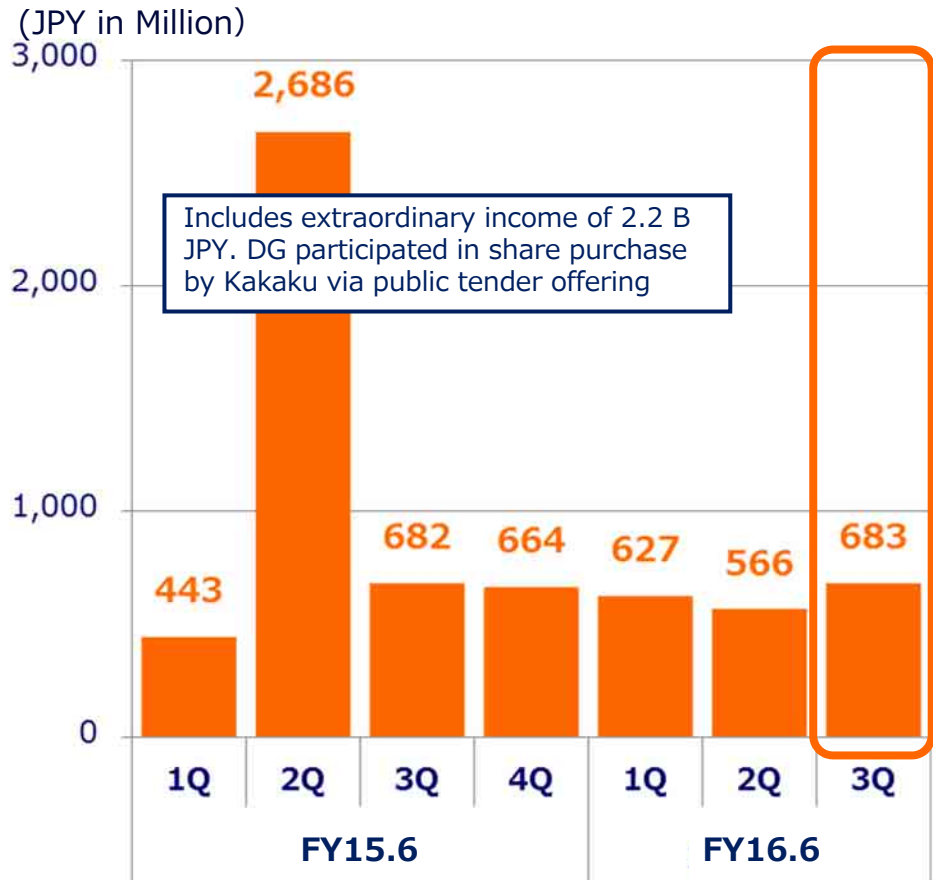
Transaction amount increased significantly with sales up +13 % YoY

~ Expanding business in non-EC (food, real estate, etc). Enhancing "Payment OEM" to financial institutions ~



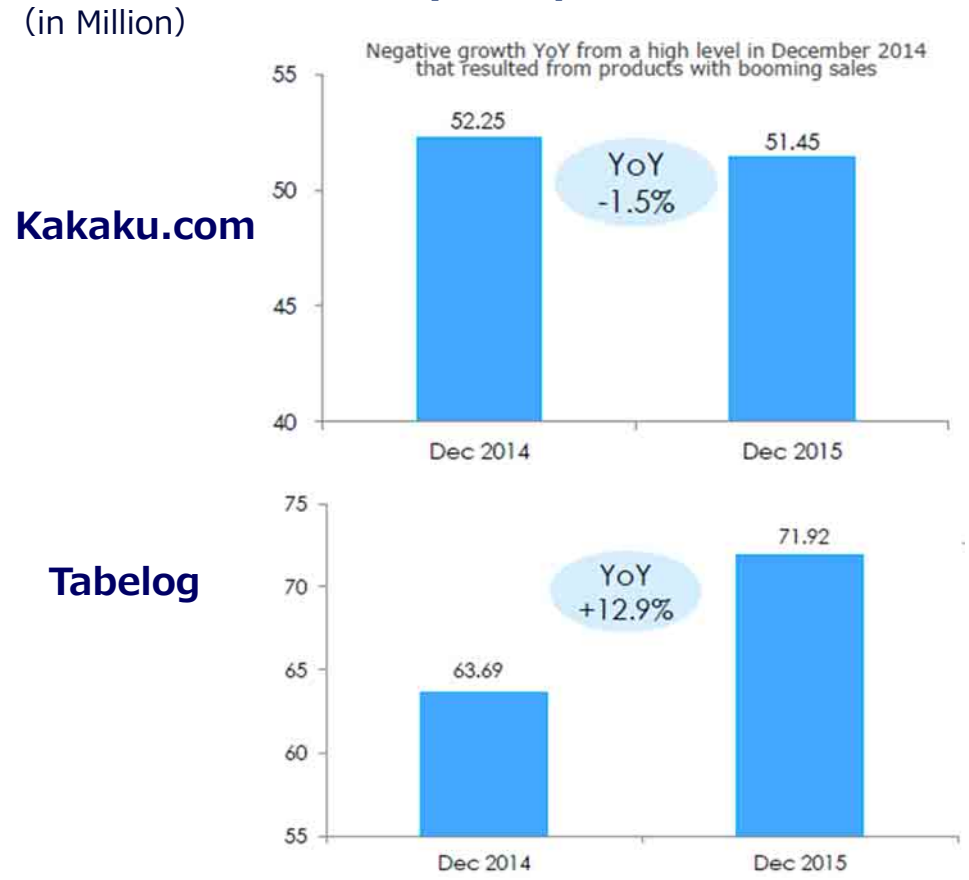
Investment profit on equity method from Kakaku grew steadily
 ~ Launching incubation business with media as a core ~

【Income Before Income Taxes】



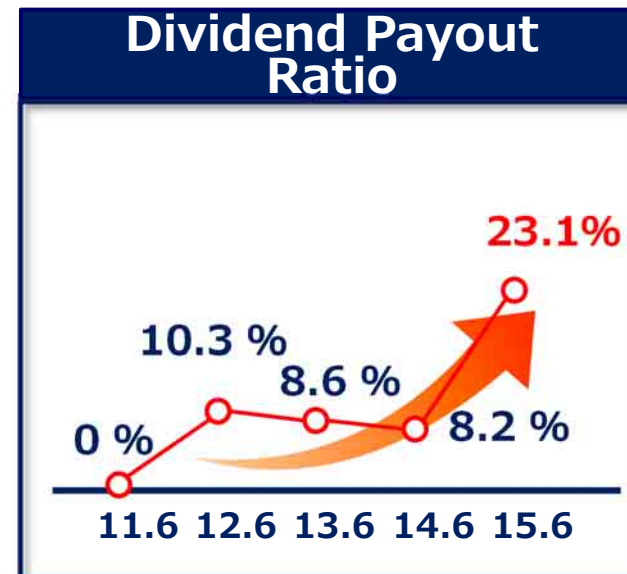
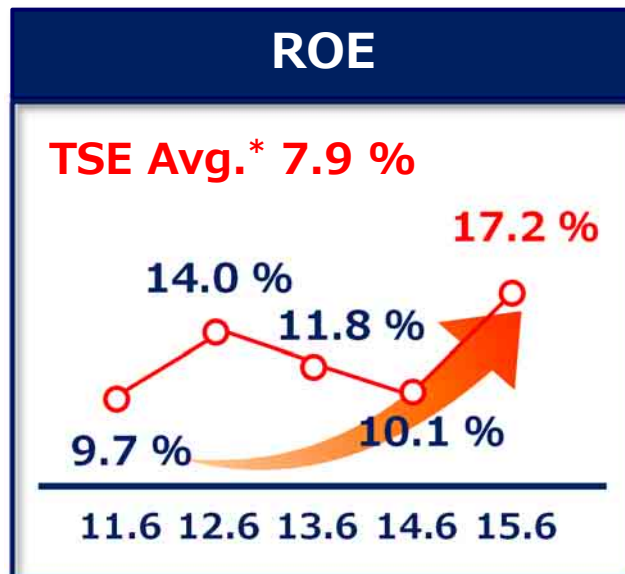
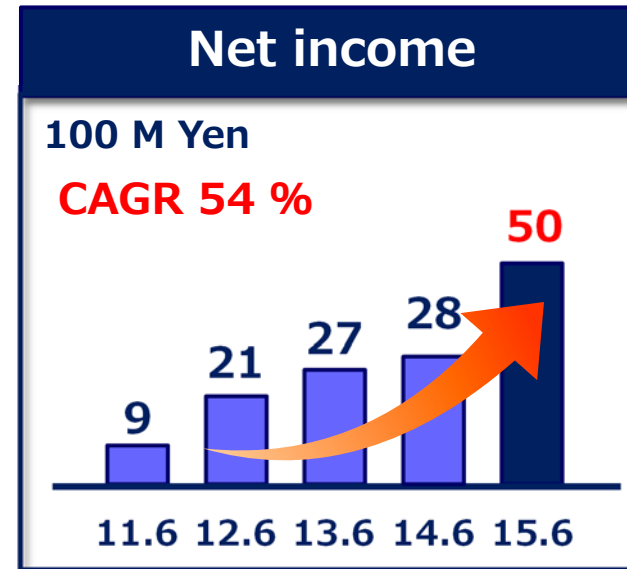
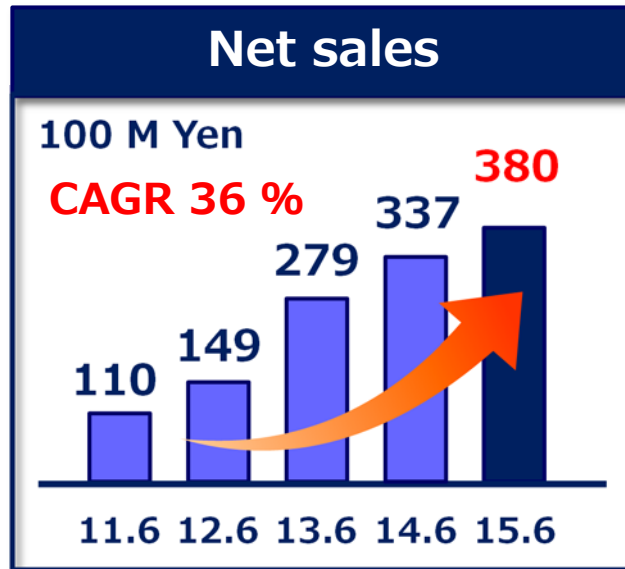
Note : The fiscal year for Kakaku.com, Inc ends in March while the one for DG ends in June.
 DG's 2Q earnings on a consolidated basis incur Kakaku's 3Q earnings (April - December).

【Monthly unique users】



Results Briefing for the Third Quarter of the Fiscal Year Ending March 31, 2016, Kakaku.com, Inc.

◆ Last 5 Year Financial Performance, Consolidated



Note) * Tokyo Stock Exchange, Summary of Earnings Digests by Listed Companies, Fiscal year ending Mar. 2015 (TSE 1st, 2nd, Mothers, and JASDAQ)

JPY in Million	FY15.6				FY16.6		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	8,126	9,760	8,377	11,822	10,336	9,507	11,631
Operating income	390	1,347	461	2,610	1,425	201	1,477
Ordinary income	1,165	2,297	928	3,218	1,863	831	1,887
Income before income taxes	1,204	4,488	972	2,582	1,941	860	1,933
Net income attributable to owners of parent	772	2,733	571	1,004	1,196	599	1,510



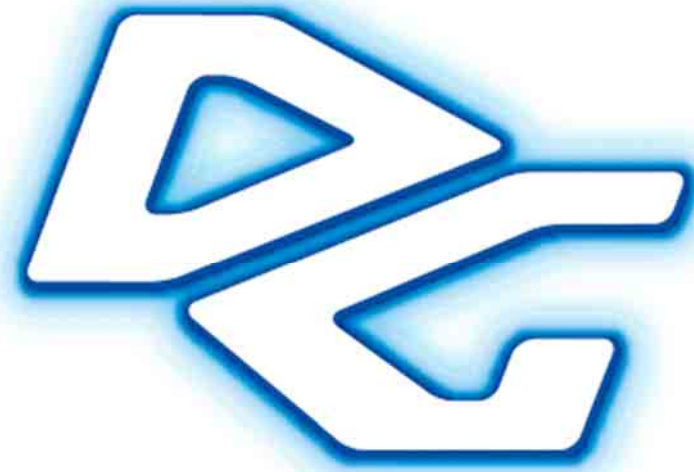
Quarterly Segment Profit and Loss(Consolidated)



JPY in Million	FY15.6				FY16.6		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	8,126	9,760	8,377	11,822	10,336	9,507	11,631
IT Incubation Technology	1,035	1,987	697	3,733	1,899	657	1,863
MT Marketing Technology	3,669	4,111	4,003	4,279	4,502	4,730	5,648
FT Financial Technology	3,421	3,661	3,675	3,810	3,934	4,118	4,119
MI Media Incubation	-	-	-	-	-	-	-
Income before income taxes	1,204	4,488	972	2,582	1,941	860	1,933
IT Incubation Technology	93	1,026	△ 8	1,692	1,064	△ 215	879
MT Marketing Technology	236	287	316	224	247	313	386
FT Financial Technology	391	391	373	179	413	453	440
MI Media Incubation	443	2,686	682	664	627	566	683

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

Date	Logo	Title	Description
2016.5.9	 Digital Garage		Digital Garage newly established "Digital Garage First Penguin Award", honoring and celebrating leaders who keep creatively challenging in the global world
2016.2.12	 Digital Garage		Digital Garage announces the sale of one of its US subsidiaries to Pivotal, a Silicon Valley-based cloud software company
2016.2.4	 Digital Garage		Digital Garage Invests in Blockchain Developer Blockstream, Collaborating Toward the Verification Testing of Financial Technology Products
2016.2.2	 DG INCUBATION		Digital Garage invests as lead investor in renowned creator Rei Inamoto's Business Invention Studio, Inamoto & Co.
2015.12.16	 Digital Garage		Digital Garage Invests in Illustration and 3DCG Service Whomor, Offers Cloud Sourcing Services to over 3000 Creators Internationally
2015.11.16	 Digital Garage		Digital Garage Invests in Curation Media Company "Digg" To Support its Japan Expansion
2015.11.5	 Digital Garage		Digital Garage's Open Network Lab to Deploy Full Scale Global Expansion between North America, Europe and Asia to Support Entrepreneurs Seeking to Expand Globally
2015.11.2	 Digital Garage		Digital Garage Invests in Monstar Lab, Inc, a Global Sourcing Business for IT Service Development
2015.10.23	 Digital Garage		Digital Garage hosts "THE NEW CONTEXT CONFERENCE 2015 San Francisco"
2015.10.2	 Open Network Lab		Open Network Lab Begins Accepting Applications for the 12th Batch of its Seed Accelerator Program
2015.9.15	 Digital Garage		In collaboration with Business France of the French Embassy Japan, Digital Garage will host "the 1st French Tech Tokyo" pitch session
2015.9.15	 Digital Garage		Digital Garage enters into exclusive business collaboration with Taiwan's HAPPY GO--the biggest point rewards card in Taiwan--to develop its business in Japan
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"



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.