



LEAN GLOBAL

PROVIDING NEW CONTEXTS

Digital Garage, Inc.

1Q of FYE June 30, 2015 Financial Report

2014.11.11

 **Digital Garage**

Results for 1Q of FY15, the final year of the mid-term plan, exceeded the budget

~ All segments grew sales and op income, ordinary income increased 2.5x to 1.2 B JPY YoY ~

I Incubation : Delivered results, two portfolio companies approved for listing

- Sales of stocks and US business expansion resulted in revenue and profit growth
- Investment balance grew to 9 B JPY through continued aggressive global investment
- Two companies, whose lead outside investor is DG Incubation, were approved for listing on TSE Mothers (CrowdWorks, Bengo4.com)

II Marketing : Online Ads continue positive performance with improved profitability

- YoY Sales grew +20%, Op income grew +80%, Op margin up to about 7%
- Sales / profit growth led by ROI-focused performance ads
- Sales from smartphone ads increased in addition to PC ads

III Payment : Steady growth due to the expansion of e-commerce market

- YoY Sales grew +4%, Op income grew +55%
- Domestic shows steady growth, following the expansion of e-commerce market
- Accelerating Asian expansion of the payment and EC-related services

FY15.6 1Q Consolidated P/L Summary



context company

YoY Revenue up 12%, Op income up about 5 x, Ordinary income up 2.5 x

~ All business segments grew Sales and Op income YoY ~

JPY in Million	FY14.6	FY15.6	YoY		FY15.6
	1Q (Act)	1Q (Act)	%	Amount	Full Year Forecast
Net sales	7,273	8,126	+11.7	+853	40,000
Incubation	927	1,035	+11.7	+108	7,500
Marketing	3,068	3,669	+19.6	+600	17,000
Payment	3,277	3,421	+4.4	+144	15,500
Operating Income	86	398	4.6 x	+311	4,500
Incubation	▲ 77	78	-	+156	3,600
Marketing	136	245	+80.2	+109	1,100
Payment	203	316	+55.2	+112	1,450
Non-operating income	469	854	+82.2	+385	
Investment profit on equity method	400	431	+7.8	+31	
Foreign exchange gain	-	297	-	+297	
Non-operating expenses	82	79	-3.2	-2	
Ordinary Income	473	1,173	2.5 x	+699	6,700
Extraordinary income	123	39	-68.3	-84	
Gain on sales of investments in securities	116	33	-70.8	-82	
Income before income taxes	590	1,212	2.1 x	+621	
Income taxes	179	306	+71.1	+127	
Net Income	389	780	2.0 x	+391	4,000
EBITDA	970	1,618	+66.8	+648	9,000

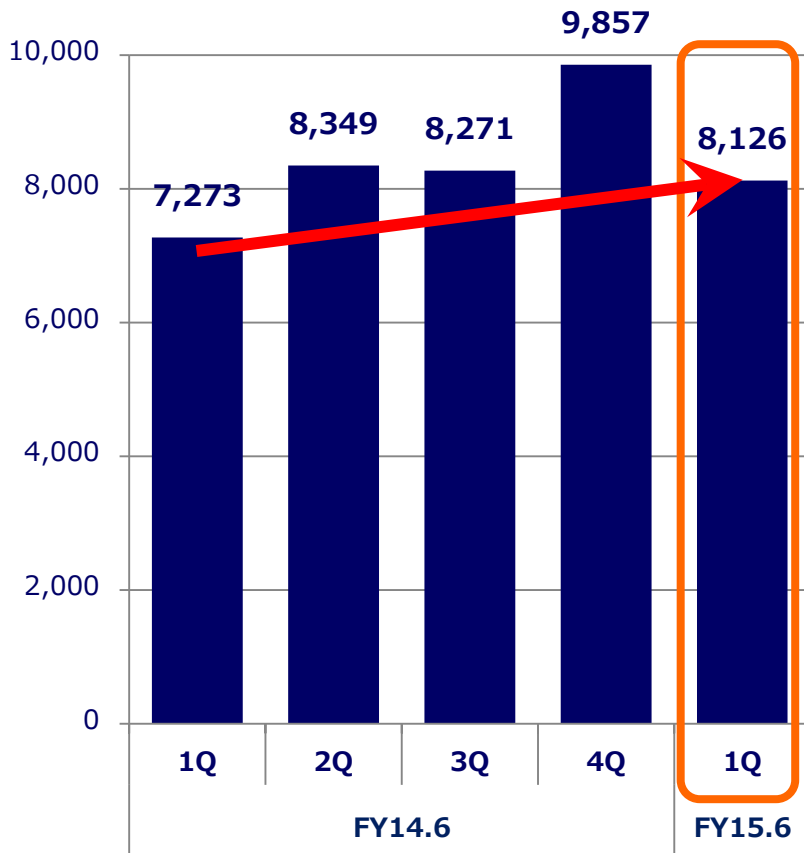
Note: Interest expense, depreciation, and amortization are added back to income before income taxes to calculate EBITDA.

Op income per segment is based on figures prior to elimination or group deduction.

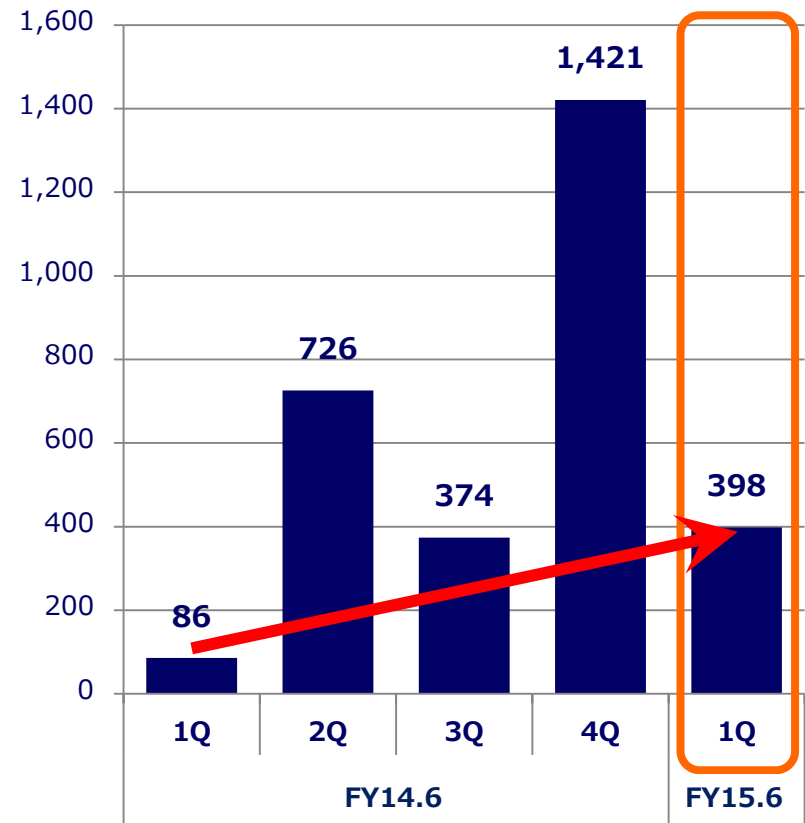
YoY Sales grew +12%, Op income grew about 5 x

(JPY in Million)

【Net Sales】



【Operating Income】

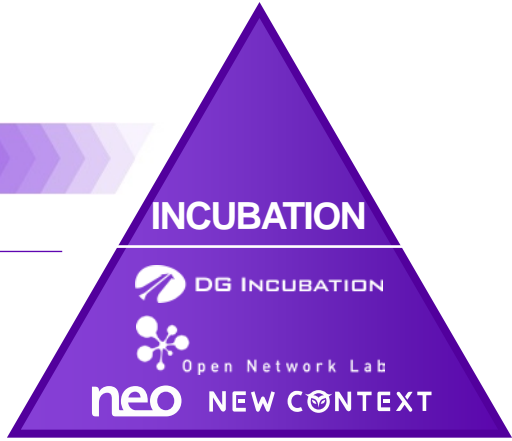


Accelerating *Lean Global* Through 3 Business Segments

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

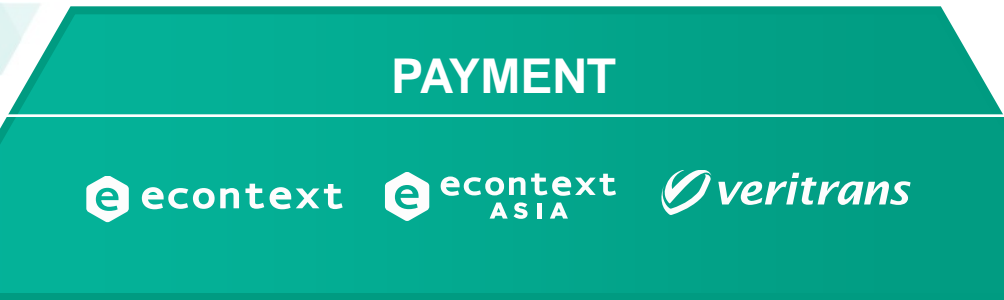
- ▶ Data science business
- ▶ Web advertisement, media business
- ▶ O2O related, business development



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



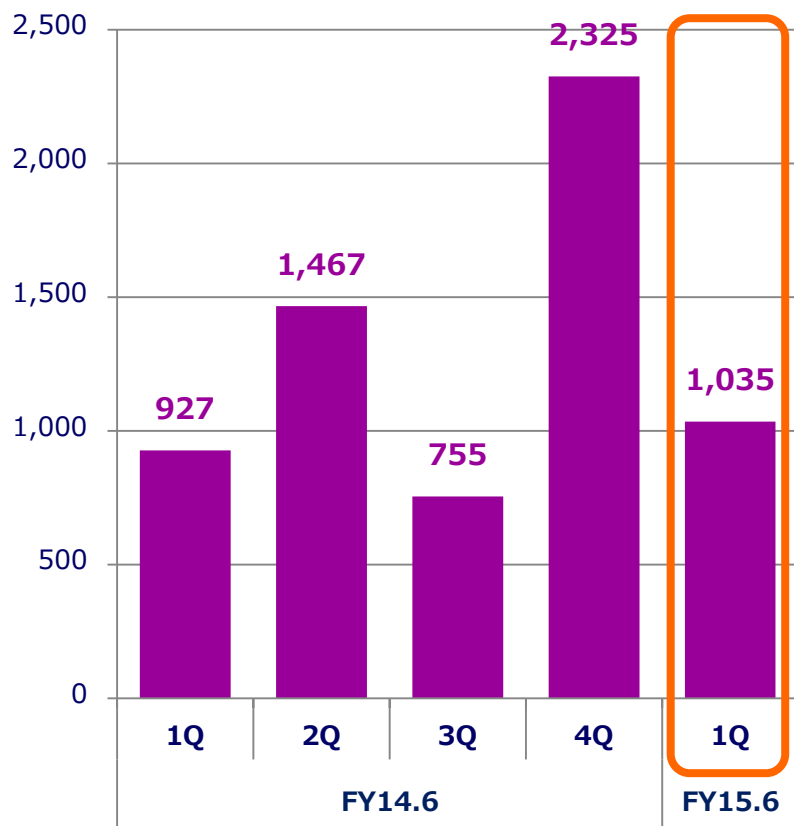
Quarterly comparison of Incubation Performance

Sales of stocks and US business expansion resulted in sales and op income growth

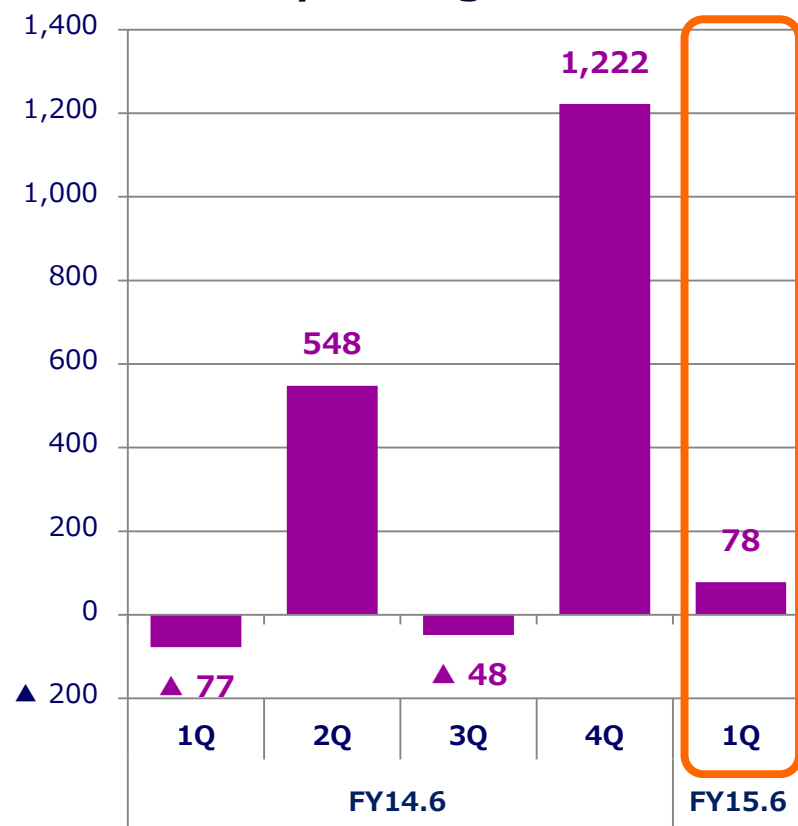
~ Investment balance reached about 9 B JPY, two portfolio companies were approved for listing on TSE Mothers ~

(JPY in Million)

【Net Sales】



【Operating Income】

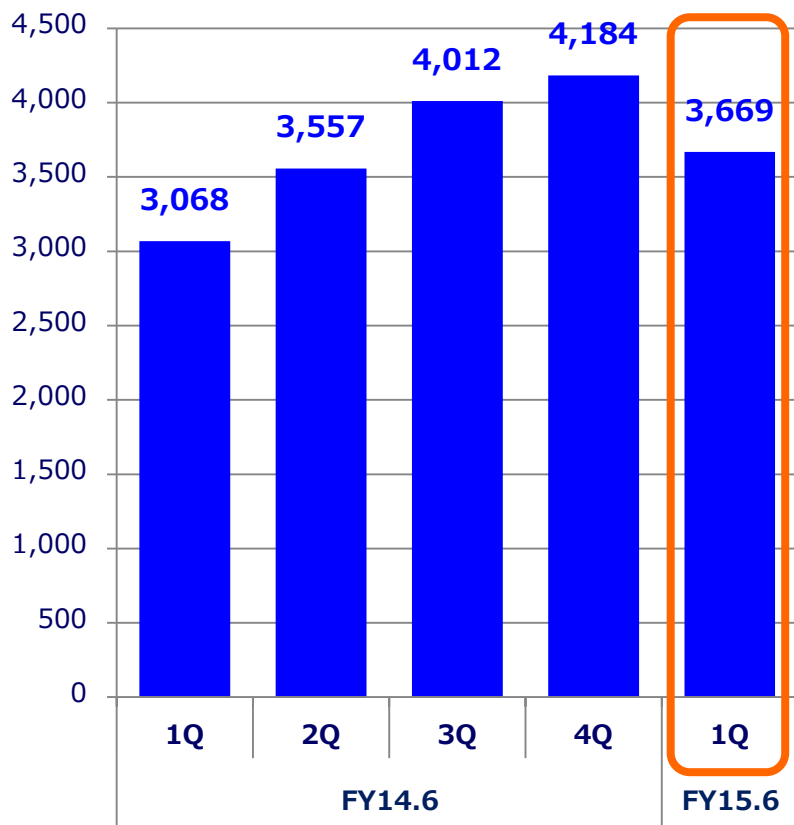


Growth gaining traction in ROI-focused performance ads

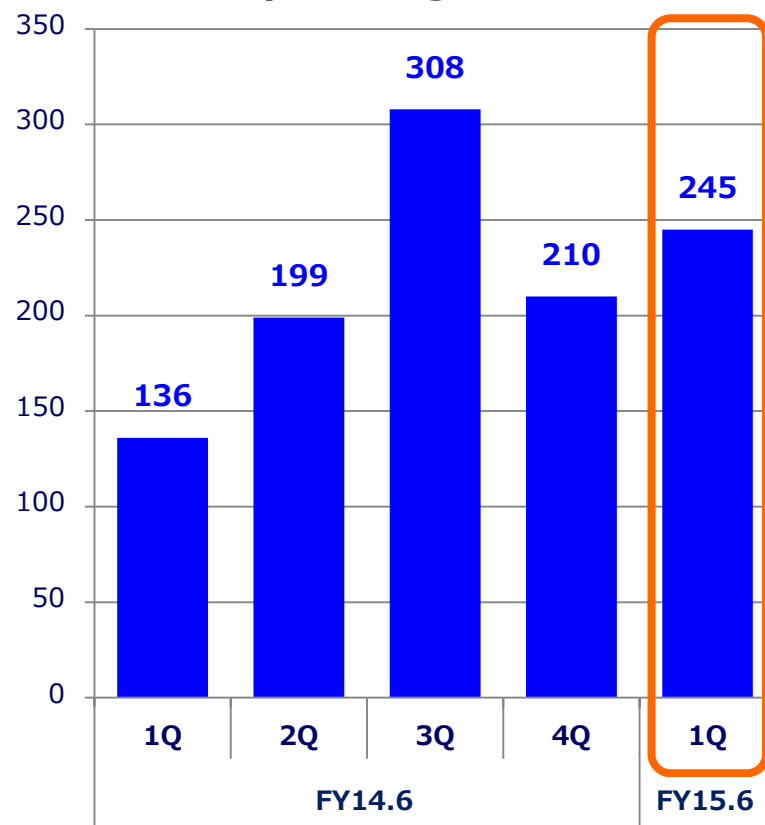
~ YoY Op income increased 80%, driven by efficient implementation of ad platform ~

(JPY in Million)

【Net Sales】



【Operating Income】

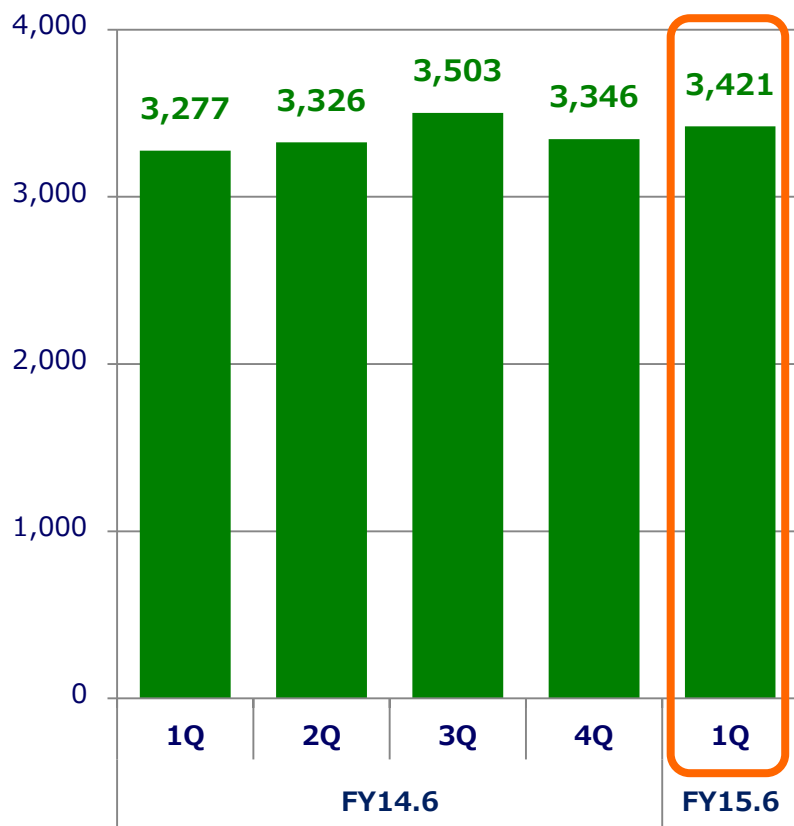


Net sales and op income increased due to the expansion of the domestic e-commerce market and the decrease of HK IPO expenses

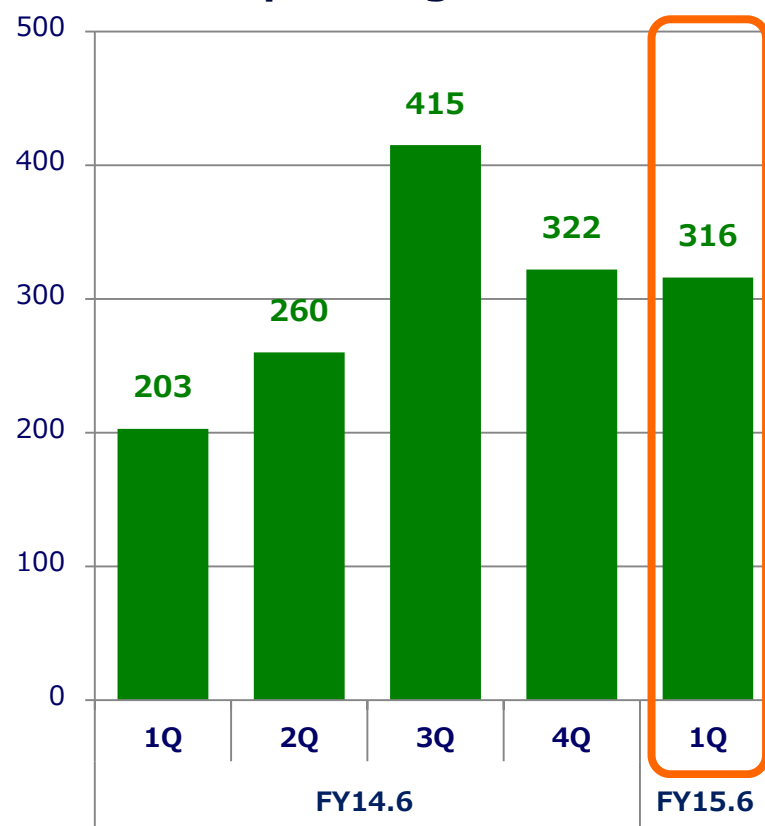
~ Achieved net sales growth of 4% and op income growth of 55% YoY ~

(JPY in Million)

【Net Sales】



【Operating Income】



FY15.6 1Q Consolidated B/S Summary

JPY in Million	FY14.6	FY15.6 1Q	Difference	Reason for change / Remarks
Current assets	45,455	48,714	+3,259	
Cash and deposits	24,294	25,427	+1,133	Sales of stocks, Corporate tax, dividends, etc
Receivables	8,596	9,138	+542	Payment segment related items
Money held in trust	889	2,817	+1,928	Payment segment related items
Operational investment securities	8,063	7,766	-297	Sales of stocks, New acquisition
Fixed assets	25,554	26,200	+646	
Investment securities	10,644	11,451	+807	Increased investment profit on equity method, New acquisition, etc
Investment real estate	3,619	3,580	-39	
Goodwill	7,354	7,173	-181	
Total assets	71,009	74,914	+3,905	
Current liabilities	25,461	30,754	+5,293	
Deposits	16,434	17,160	+726	Payment segment related items
Short-term borrowing	3,690	9,377	+5,687	Transfer from Long-term borrowing, Demand for working capital
Deferred tax liability	1,264	1,176	-88	Estimated amount of tax for Unrealized gains
Fixed liabilities	9,058	6,902	-2,156	
Long-term borrowing	8,841	6,624	-2,217	Transfer of Long-term borrowing due within one year to Current liabilities, Demand for working capital
Total liabilities	34,519	37,657	+3,138	
Net assets	36,489	37,257	+768	
Shareholders' equity	25,279	27,762	+2,483	
Retained earnings	9,615	10,138	+523	
Accumulated other comprehensive income	2,679	2,663	-16	
Unrealized gains on securities	2,193	2,112	-81	Unrealized gains after tax
Minority interests	5,906	6,245	+339	
Liabilities / Net assets	71,009	74,914	+3,905	

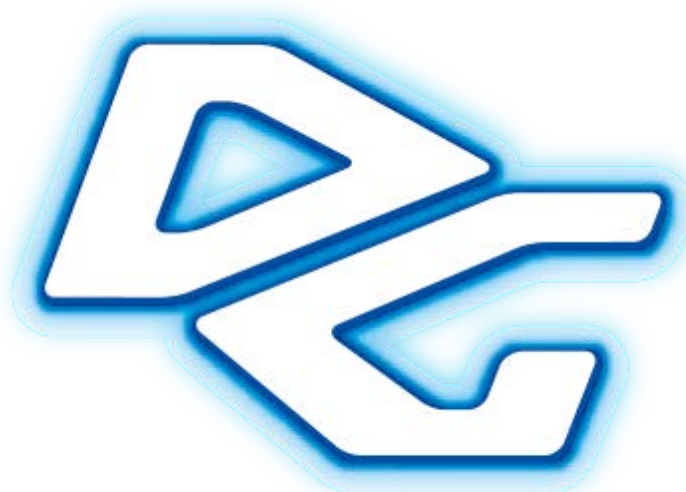


Quarterly Profit and Loss (Consolidated)



JPY in Million	FY13.6				FY14.6				FY15.6
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net sales	5,307	8,539	6,482	7,636	7,273	8,349	8,271	9,857	8,126
Incubation	131	616	497	1,263	927	1,467	755	2,325	1,035
Marketing	2,364	2,748	2,825	3,104	3,068	3,557	4,012	4,184	3,669
Payment	2,810	5,174	3,158	3,269	3,277	3,326	3,503	3,346	3,421
Operating income	△ 51	523	151	698	86	726	374	1,421	398
Incubation	△ 258	56	△ 20	512	△ 77	548	△ 48	1,222	78
Marketing	129	120	55	167	136	199	308	210	245
Payment	308	480	253	260	203	260	415	322	316
Ordinary income	167	1,000	719	1,191	473	1,214	810	1,944	1,173
Net income	213	700	1,294	507	389	1,037	446	974	780
EBITDA	696	1,573	2,050	1,581	970	1,956	1,207	2,473	1,618
Amortization	200	333	211	195	191	204	170	191	171

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.



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.