



SHAREHOLDERS' GUIDE 2007

Digital Garage, Inc.

(Period: For the year ended June 30, 2007)



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Disclaimer:

Please note that the consolidated financial statements presented in English are a translated summary of audited consolidated financial statements presented in Japanese. The translation of the consolidated financial statements and the related information have NOT been audited by Ernst & Young ShinNihon, the Company's accounting auditor. The Company provides this translation for reference and convenience purposes only, without any warranty as to its accuracy or otherwise. In the event of any discrepancy between the translation and the Japanese original, the latter shall prevail. In no event shall the Company be liable for damages of any nature, including but not limited to, direct, indirect, special, punitive, consequential or incidental damages arising from or in connection with this translation. The final decision and responsibility for investments rests solely with the reader of this document.

Forward-Looking Statements:

Statements made in this shareholders' guide with respect to the Company's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Company. Forward-looking statements include, but are not limited to, those statements using such words as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "may" or "might" and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions and beliefs in light of the information currently available to it. The Company cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore the reader should not place undue reliance on them. The reader also should not oblige the Company to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The Company disclaims any such obligation. Risks and uncertainties that might affect the Company include, but are not limited to, (1) system risk, (2) security risk of customer information, (3) investment in incubation business, (4) possibility of legal regulation, (5) intellectual property right, (6) potential lawsuit, (7) competition, (8) reliance on someone specific, (9) group structures and (10) liquidation and retention of human resources. Risks and uncertainties also include the impact of any future events with materially adverse impacts.

PROFILE

The Digital Garage Group consists of Digital Garage, Inc., and its 19 consolidated subsidiaries. The Group's major businesses include:

(1) "Solutions Business" to provide IT solutions and marketing solutions, etc., focusing on ROI, with fusing real fields with digital fields, (2) "Portal & Blog Business" to operate portal sites on the Internet and provide platform contents for mobile terminals, (3) "Finance Business" to conduct settlement/logistic services for e-commerce, and foreign-exchange margin trading services, and (4) "Incubation Business" to invest into and foster venture companies as well as provide incubation functions to each company in the Group.

The principal consolidated subsidiaries, business segments and business content are as follows:

<i>Business Segment</i>	<i>Company Name</i>	<i>Relation to Our Company</i>	<i>Principal Business Content</i>
Solutions Business	DG Solutions Co., Ltd.	Consolidated subsidiary	Interim holding company of Solutions Business segment
	DG & Ibex, Inc.	Consolidated subsidiary	Marketing/Promotion support service, IT system design and development
	Creative Garage, Inc.	Consolidated subsidiary	Design and planning of advertising graphics, images and Web, etc., and Creative content development for publication, etc.
	DG Media Marketing Inc.	Consolidated subsidiary	Planning/Development/Distribution of Web advertising and group media consulting service
	Sogei Co., Ltd.	Consolidated subsidiary	Leading real estate advertising agency
Portal & Blog Business	Kakaku.com, Inc.	Consolidated subsidiary	Planning and operation of price comparison site "Kakaku.com," etc.
	4travel, Inc.	Consolidated subsidiary	Planning and operation of travel community site "4travel," etc.
	Technorati Japan, Inc.	Consolidated subsidiary	Planning and operation of blog search site
	WEB2.0, Inc.	Consolidated subsidiary	Planning and operation of information-sharing site "PingKing"
	DG Mobile, Inc.	Consolidated subsidiary	Planning and operation of mobile contents and delivery service, etc.
	CGM Marketing, Inc.	Consolidated subsidiary	Developing advertising products with CGM, Matching service for bloggers and advertisers
Finance Business	ECONTEXT, INC.	Consolidated subsidiary	Settlement and logistics platform for e-commerce sites, etc.
	Growth Partners, Inc.	Consolidated subsidiary	Operation of IR support service business and IR portal site "STOCKCAFE"
	Kakaku.com Insurance, Inc.	Consolidated subsidiary	Insurance agency, operations related to life insurance subscription, etc.
	Kakaku.com Financial, Inc.	Consolidated subsidiary	Foreign-exchange margin trading services, etc.
Incubation Business	DG Incubation, Inc.	Consolidated subsidiary	Incubation business, investment and development of new businesses
	DG & Partners, Inc.	Consolidated subsidiary	Management and operation of venture capital fund property
	DG New Context Fund	Consolidated subsidiary	Purchase and hold of shares or stock acquisition rights

FINANCIAL HIGHLIGHTS

(As of and for the years ended June 30, 2006 and 2007)

1. Consolidated Performance

	2006	2007	2007 / 2006	2007
	(thousands of yen)		(percentage change)	(thousands of U.S. dollars)
(1) Consolidated financial results:				
Net sales	¥12,476,240	¥17,338,744	39.0%	\$140,657
Operating income	1,703,998	1,613,152	-5.3%	13,086
Ordinary income	1,505,034	2,475,808	64.5%	20,084
Income before income taxes and minority interests	1,451,863	2,606,337	79.5%	21,143
Net income	338,501	588,633	73.9%	4,775
Net income, basic per share (yen, U.S. dollars)	¥4,294.73	¥3,724.33	-13.3%	\$30.21
Net income, diluted per share (yen, U.S. dollars)	3,971.69	3,666.18	-7.7%	29.74
Return on equity (ROE)	4.9%	8.1%		
Return on assets (ROA)	5.8%	7.1%		
Operating income to net sales	13.7%	9.3%		
(2) Consolidated financial position:				
Total assets	¥27,774,372	¥42,407,669	52.7%	\$344,023
Net assets	10,668,036	11,743,684	10.1%	95,268
Shareholders' equity ratio	26.1%	17.2%		
Net assets per share (yen, U.S. dollars)	¥91,745.46	¥46,090.88	-49.8%	\$373.90
(3) Consolidated cash flows:				
Cash flows from operating activities	¥1,898,215	¥779,065		\$6,320
Cash flows from investing activities	(3,305,766)	3,355,538		27,221
Cash flows from financing activities	2,806,777	(203,196)		(1,648)
Cash and cash equivalents at year-end	7,471,888	11,509,880		93,371

2. Dividends

	Dividends per Share				Year
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
	(yen)				
2006	-	-	-	-	¥0.00
2007	-	-	-	-	0.00
2008 (Forecast)	-	-	-	-	0.00

	Total Dividends (Annual)	Payout Ratio (Consolidated)	Dividend on Net Assets Ratio (Consolidated)
	(millions of yen)	(%)	(%)
2006	-	-	-
2007	-	-	-
2008 (Forecast)	-	-	-

3. Consolidated Results Forecast for Year Ending June 30, 2008

	2008	
	Interim	Annual
	(millions of yen)	
Net sales	¥19,000	¥43,000
Operating income	40	3,000
Ordinary income (loss)	(100)	2,700
Net income (loss)	(400)	700
Net income (loss), basic per share (yen)	(¥2,527.29)	¥4,422.77

Notes:

1. U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate of 123.27 yen per U.S. dollar, the approximate exchange rate of TTM of Mizuho Bank, Ltd., on June 29, 2007.
2. Return on equity (ROE) = Net income / Average shareholders' equity
3. Return on assets (ROA) = Ordinary income / Average total assets
4. Forecasts stated above disclosed on August 28, 2007 in the *Consolidated Kessan Tanshin*.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Summary of Performance

(1) Performance

The Japanese economy over the course of the current consolidated fiscal year was generally on a course of gradual recovery, thanks to private capital investment remaining at a high level sustained by improved corporate profits, as well as steady personal consumption due to an improved employment market. Furthermore, the Internet and broadband environment in which the Company focuses its activities showed positive expansion trends: the number of contracts for broadband service exceeded 26 million as of the end of March 2007, and has continued to expand.

Under such conditions, the Company has continued to form and implement business objectives from the position of the Group as a pure holding company, and to enhance organic cooperation among the Group's companies. The Company in order to strengthen and leverage its core competence in Internet-related business created the following joint ventures. CGM Marketing Inc. (a consolidated subsidiary), with the mission to develop new marketing techniques and strategies using CGM (Consumer Generated Media), was co-founded with DENTSU INC., cyber communications inc., and ASATSU-DK INC., in August 2006. In the same month, Growth Partners Inc., a company supporting IR activities using Web2.0 technologies was established jointly with Asia Securities Printing Co., Ltd. (present PRONEXUS INC.). Furthermore in order to develop a wide range of businesses, in April 2007 the Company acquired 100% of the shares of Sogei Co., Ltd., a general advertising agency with a long track record in the field of real estate advertisement.

Solutions Business

In the Solutions Business, one-stop solutions in the digital field and the real field were actualized with corporate separation to make DG Solutions Co., Ltd. (a consolidated subsidiary), an interim holding company in August 2006 to functionally reconstruct resources within the Group. Consequently, DG & Ibex, Inc. (former Ibex & rims Corporation), took over the business and performed well, and DG Media Marketing Inc., established in the previous consolidated fiscal year, is growing steadily.

As a result, in comparison with the previous year, sales increased by 56.1% (¥2,788 million), to ¥7,761 million, and operating income surged by 246.8% (¥306 million), to ¥430 million.

Portal & Blog Business

In the Portal & Blog Business, sales and operating income expanded significantly, thanks to a full-year contribution from the introduction of the pay-as-you-go system to shops from March 2006 in Kakaku.com, Inc. (a consolidated subsidiary), improvement in ability to attract customers and diversification of profits with new releases and renewal of contents. Since sales of DG Mobile, Inc., which provides contents delivery service, etc., for mobile terminals, grew steadily, a full-year surplus was achieved.

As a result, in comparison with the previous year, sales increased by 68.0% (¥1,961 million), to ¥4,847 million, and operating income surged by 216.6% (¥621 million), to ¥907 million.

Finance Business

In the Finance Business, the Company emphasized on expansion in sales of settlement/logistics services provided by ECONTEXT, INC. (a consolidated subsidiary), with new partnerships with leading music and software delivery companies, and enhanced those services with the introduction of "Edy settlement," pre-paid electronic money. In Kakaku.com Insurance, Inc., the insurance agency that became our consolidated subsidiary from the current consolidated fiscal year, the number of customers and sales amount are steadily increasing.

As a result, in comparison with the previous year, sales increased by 25.4% (¥550 million), to ¥2,718 million, and operating income decreased by 16.9% (¥102 million), to ¥503 million, absorbing the impact of initial expenses for newly established subsidiaries.

Incubation Business

In the Incubation Business, ALC PRESS INC., which the Company invested in and fostered in previous years, was listed on the JASDAQ market in August 2006, and CELSYS, Inc., which the Company also invested in was listed on the Centrex market of the Nagoya Stock Exchange in December 2006. Profits were ensured not only from the going public of invested companies but also sales of a part of shares of unlisted companies as a result of incubation.

As a result, in comparison with the previous year, sales decreased by 17.8% (¥437 million), to ¥2,012 million, and operating income decreased by 74.1% (¥814 million), to ¥284 million, with conservatively posting appraisal losses of a part of shares.

Finally, the Group's consolidated sales increased by 39.0% (¥4,862 million), to ¥17,338 million, while operating income decreased by 5.3% (¥90 million), to ¥1,613 million, with posting the above-mentioned share appraisal losses. Ordinary income increased by 64.5% (¥970 million), to ¥2,475 million, including dividends from contracts for investment in anonymous associations. Net income in which corporate tax and minority stockholder income was deducted increased by 73.9% (¥250 million), to ¥588 million.

2. Analysis of Financial Position and Business Results

(1) Analysis of Financial Position

(Current Assets)

The balance of current assets at the end of the current consolidated fiscal year increased by ¥14,395 million, to ¥31,918 million, over the previous year. This is mainly because of receiving refund money and dividends from investment to anonymous associations aiming at integrating office buildings of major Group companies, as well as an increase in cash and deposits of ¥5,923 million due to making Sogei Co., Ltd., a consolidated subsidiary. Furthermore, also with making Sogei Co., Ltd., a consolidated subsidiary, notes receivable and account receivable increased by ¥6,884 million, inventory assets by ¥900 million and outstanding collections regarding settlement business of ECONTEXT INC., by ¥557 million.

(Fixed Assets)

The balance of fixed assets at the end of the current consolidated fiscal year increased by ¥238 million, to ¥10,489 million, over the previous year.

The major factors of this are as follows:

While investment securities decreased by ¥2,632 million due to refund money from investment to anonymous associations aiming at integrating office buildings of major Group companies, goodwill (consolidated adjustment accounts and business rights at the end of the current consolidated fiscal year) increased by ¥1,329 million, long-term deposits by ¥600 million and deposit guarantee by ¥795 million. Furthermore, software increased by ¥89 million due to new acquisition, etc.

(Current Liabilities)

The balance of current liabilities at the end of the current consolidated fiscal year increased by ¥12,599 million to ¥26,384 million over the previous year.

The major factors of this are as follows:

Notes and accounts payable increased by ¥9,401 million, and corporate bonds to be redeemed within one year by ¥888 million, due in part to making Sogei Co., Ltd., a consolidated subsidiary. Moreover, guarantee deposits received regarding securities loaned to financial institutions, which is indicated in short-term borrowings from the current consolidated fiscal year, decreased by ¥851 million.

(Long-Term Liabilities)

The balance of fixed liabilities at the end of the current consolidated fiscal year increased by ¥958 million, to ¥4,279 million, over the previous year. This is mainly because corporate bonds increased by ¥396 million and allowance for retirement benefits by ¥550 million, due in part to making Sogei Co., Ltd., a consolidated subsidiary.

(Net Assets)

The balance of net assets at the end of the current consolidated fiscal year increased by ¥1,075 million, to ¥11,743 million, over the previous year.

The major factors of this are as follows:

Retained earnings increased by ¥579 million due to posting current net income, and minority shareholders' interest increased by ¥1,025 million along with an increase in net assets with posting profits of consolidated subsidiaries. Meanwhile, valuation differences of other marketable securities decreased by ¥364 million in accordance with current prices of listed securities.

(2) Analysis of Business Results

(Net Sales)

Net sales in the current consolidated fiscal year surged by ¥4,862 million, to ¥17,338 million, from ¥12,476 million in the previous year.

The major factors of this are as follows:

Sales of the Portal & Blog Business increased by ¥1,961 million, to ¥4,847 million, over the previous year, thanks to a full-year contribution from the introduction of the pay-as-you-go system to stores from March 2006, improvement in ability to attract customers and diversification of profits with new releases and renewal of contents in Kakaku.com, Inc. (a consolidated subsidiary). Sales of the Solutions Business also increased by ¥2,788 million, to ¥7,761 million, over the previous year, as DG & Ibex, Inc. (former Ibex & rims Corporation), performed well, and DG Media Marketing Inc., established in the previous consolidated fiscal year, is growing steadily. Furthermore, sales of the Finance Business generally increased by ¥550 million, to ¥2,718 million, due to the favorable growth in ECONTEXT, INC.

(Operating Income)

Operating income in the current consolidated fiscal year slightly decreased by ¥90 million, to ¥1,613 million, from ¥1,703 million in the previous year. This is mainly because operating income in the Incubation Business decreased by ¥814 million, to ¥284 million, over the previous year, due to a conservatively posted valuation loss on certain stocks, and ones in the Finance Business fell by ¥102 million, to ¥503 million, over the previous year with burdens of initial expenses for a newly established subsidiary. Meanwhile, as the Solutions Business and the Portal & Blog Business performed well as mentioned above, significant increases in their operating income, respectively, to ¥430 million (year-on-year increase of ¥306 million) and to ¥907 million (year-on-year increase of ¥621 million) offset the above-mentioned decline.

(Ordinary Income)

In the current consolidated fiscal year, ordinary income increased by ¥970 million, to ¥2,475 million, from ¥1,505 million in the previous year. This is mainly because dividends of ¥999 million regarding investment in anonymous associations aiming at integrating office buildings of major Group companies were recorded.

(Net Income)

Net income in the current consolidated fiscal year increased by ¥250 million, to ¥588 million, from ¥338 million in the previous year.

The major factors of this are as follows:

In addition to increases in ordinary income and others, gains on sale of shares of an affiliated company of ¥122 million and gains on change of equity of ¥113 million were posted as extraordinary gains along with sale of shares of 4travel, Inc. (a consolidated subsidiary), and allocation of new shares to a third party. However, deferred income tax assets regarding amount of loss carried forward were not recorded. Consequently, the actual corporate tax burden ratio became higher, and the amount of income-taxes deferred increased by ¥546 million, to ¥256 million, over the previous year.

(3) Analysis of Cash Flows

Cash and cash equivalents in the current consolidated fiscal year increased by ¥4,037 million (54.0%), to ¥11,509 million, over the previous year.

(Cash Flows from Operating Activities)

Cash flows from operating activities in the current consolidated fiscal year decreased by ¥1,119 million, to ¥779 million, over the previous year. This is mainly because corporate tax of ¥1,223 million was paid, and funds decreased by ¥1,983 million along with an increase in trade receivable. Meanwhile, net income before taxes and other adjustment was ¥2,606 million, and funds increased by ¥1,574 million due to increased deposits regarding the settlement business of ECONTEXT, INC. (a consolidated subsidiary).

(Cash Flows from Investing Activities)

Cash flows from investing activities in the current consolidated fiscal year increased by ¥6,661 million, to ¥3,355 million, over the previous year. This is because of refunds of ¥3,000 million and dividends of ¥994 million from the investment to the anonymous association aiming at integrating office buildings of major Group companies, despite expenses to acquire investment securities of business partners, etc., of ¥468 million.

(Cash Flows from Financing Activities)

Cash flows from financing activities in the current consolidated fiscal year decreased by ¥3,009 million, to negative ¥203 million, over the previous year. This is because of the net amount of repayment of short-term borrowings of ¥331 million, the one of long-term borrowing of ¥411 million and redemption of corporate bonds of ¥100 million, despite income from payment by minority shareholders of ¥672 million.

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FINANCIAL SUMMARY

(As of and for the years ended June 30, 2003, 2004, 2005, 2006 and 2007)

	2003	2004	2005	2006	2007
<i>(thousands of yen, except per share amounts)</i>					
Consolidated financial indicators:					
Net sales	¥3,520,266	¥6,217,588	¥7,846,467	¥12,476,240	¥17,338,744
Ordinary income (loss)	(202,576)	(210,374)	108,532	1,505,034	2,475,808
Income (loss) before income taxes and minority interests	(125,267)	929,347	1,426,794	1,451,863	2,606,337
Net income (loss)	(217,423)	380,636	633,235	338,501	588,633
Net assets	2,350,230	2,633,026	6,683,788	10,668,036	11,743,684
Total assets	6,747,540	14,742,000	24,259,792	27,774,372	42,407,669
Net assets per share (yen)	¥176,914.84	¥36,985.75	¥85,031.47	¥91,745.46	¥46,090.88
Net income (loss), basic per share (yen)	(17,168.55)	5,620.80	8,423.84	4,294.73	3,724.33
Net income, diluted per share (yen)	-	5,094.84	7,763.52	3,971.69	3,666.18
Cash flows from operating activities	¥558,196	(¥1,647,427)	¥2,295,197	¥1,898,215	¥779,065
Cash flows from investing activities	(776,990)	(3,795,977)	(165,735)	(3,305,766)	3,355,538
Cash flows from financing activities	1,065,638	6,850,448	573,881	2,806,777	(203,196)
Cash and cash equivalents at year-end	1,963,860	3,369,626	6,072,088	7,471,888	11,509,880

	2003	2004	2005	2006	2007
<i>(thousands of U.S. dollars, except per share amounts)</i>					
Consolidated financial indicators:					
Net sales	\$29,397	\$57,342	\$70,925	\$108,263	\$140,657
Ordinary income (loss)	(1,692)	(1,940)	981	13,060	20,084
Income (loss) before income taxes and minority interests	(1,046)	8,571	12,897	12,599	21,143
Net income (loss)	(1,816)	3,510	5,724	2,937	4,775
Net assets	19,626	24,283	60,416	92,572	95,268
Total assets	56,347	135,959	219,288	241,013	344,023
Net assets per share (U.S. dollars)	\$1,477.37	\$341.10	\$768.61	\$796.13	\$373.90
Net income (loss), basic per share (U.S. dollars)	(143.37)	51.84	76.14	37.27	30.21
Net income, diluted per share (U.S. dollars)	-	46.99	70.18	34.46	29.74
Cash flows from operating activities	\$4,661	(\$15,193)	\$20,747	\$16,472	\$6,320
Cash flows from investing activities	(6,488)	(35,009)	(1,498)	(28,686)	27,221
Cash flows from financing activities	8,899	63,179	5,187	24,356	(1,648)
Cash and cash equivalents at year-end	16,400	31,077	54,886	64,838	93,371

	2003	2004	2005	2006	2007
Consolidated key ratio:					
Shareholders' equity ratio	34.8%	17.9%	27.6%	26.1%	17.2%
Return on equity (ROE)	-8.9%	15.1%	13.6%	4.9%	8.1%
Price earnings ratio (PER)	-	95.2 times	51.8 times	107.3 times	41.9 times
Consolidated other statistics:					
Number of employees	114	121	247	283	718

Note:

1. U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate per U.S. dollar as described below; the approximate exchange rate of TTM of Mizuho Bank, Ltd., on June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, and June 29, 2007, respectively.

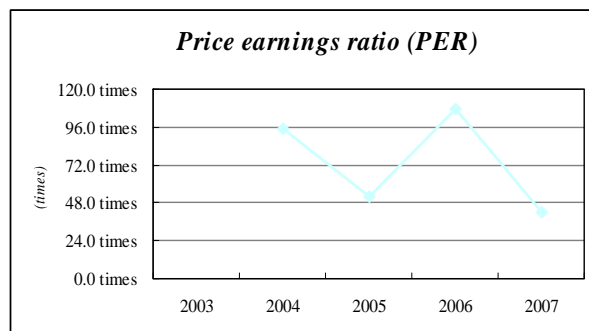
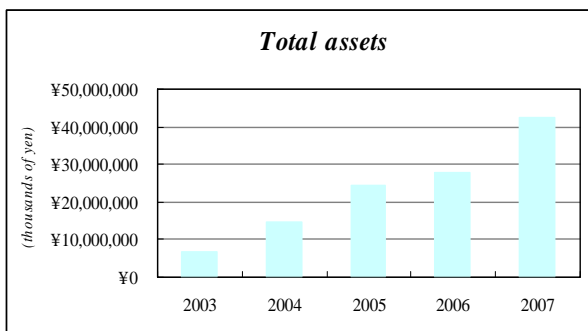
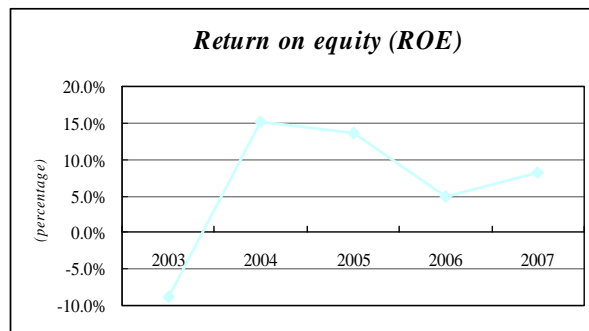
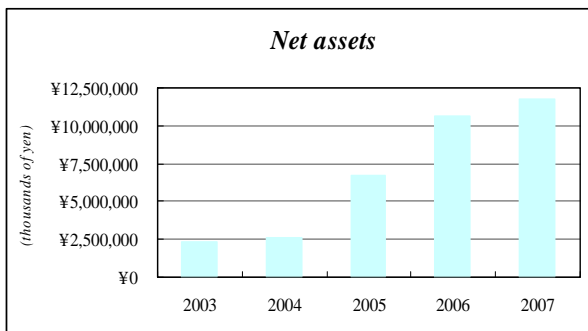
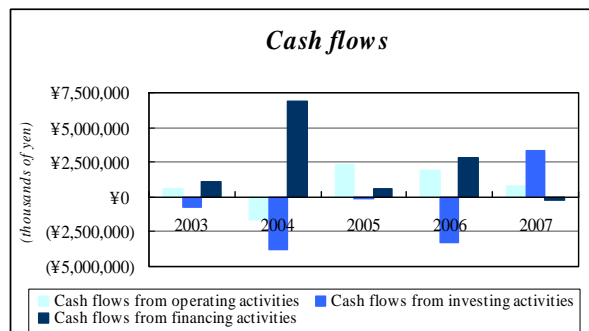
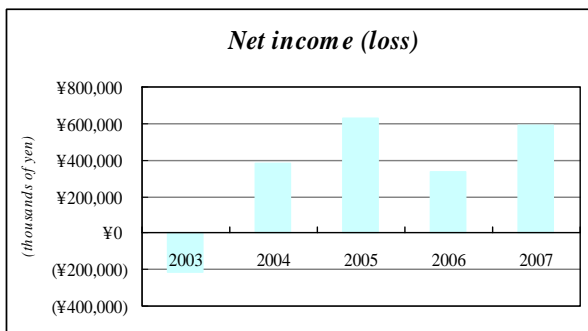
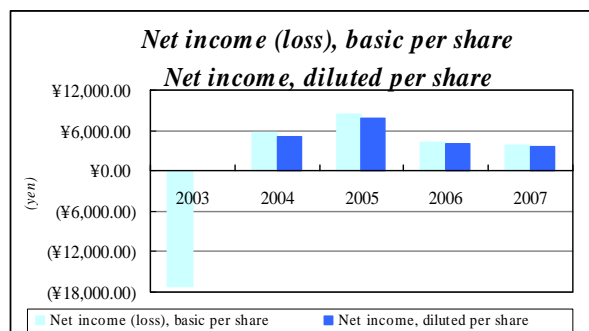
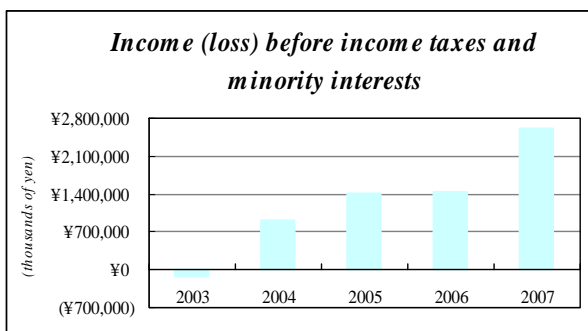
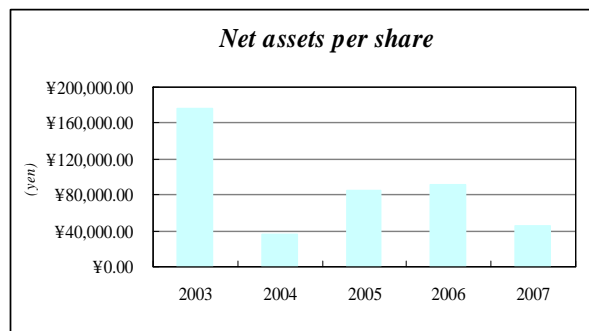
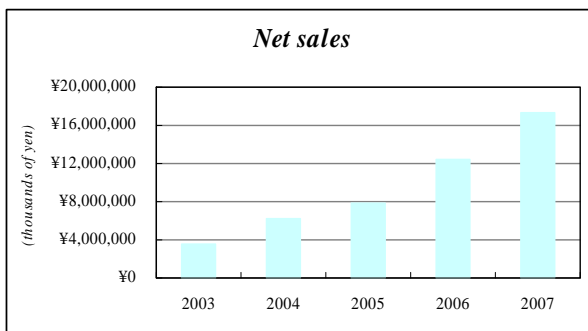
2003: U.S. \$1.00 = 119.75 yen on June 30, 2003

2004: U.S. \$1.00 = 108.43 yen on June 30, 2004

2005: U.S. \$1.00 = 110.63 yen on June 30, 2005

2006: U.S. \$1.00 = 115.24 yen on June 30, 2006

2007: U.S. \$1.00 = 123.27 yen on June 29, 2007



CONSOLIDATED BALANCE SHEETS
(As of June 30, 2006 and 2007)

	2006	2007	2007
	(thousands of yen)		(thousands of U.S. dollars)
(Assets)			
I Current assets			
1 Cash and deposits	¥7,575,614	¥13,499,476	\$109,511
2 Notes and accounts receivable	2,662,547	9,546,686	77,445
3 Investment securities for sales	4,528,656	3,769,005	30,575
4 Allowance for investment loss	(508,945)	(226,358)	(1,836)
5 Inventories	118,113	1,018,311	8,261
6 Deferred income taxes	175,592	234,996	1,906
7 Other accounts receivable	2,542,621	3,100,575	25,153
8 Other	430,572	1,025,356	8,318
Allowance for doubtful accounts	(1,395)	(49,407)	(401)
Total current assets	17,523,376	31,918,644	258,933
II Fixed assets			
1 Property, plant and equipment			
(1) Buildings and structures, net	107,497	120,226	975
(2) Machinery and vehicles, net	-	0	0
(3) Furniture and fixtures, net	190,394	220,255	1,787
(4) Land	2,470	2,470	20
(5) Construction in progress	-	17,281	140
Total property, plant and equipment	300,362	360,233	2,922
2 Intangible fixed assets			
(1) Software	790,217	880,047	7,139
(2) Consolidated adjustment account	5,186,799	-	-
(3) Goodwill	-	6,645,839	53,913
(4) Other	142,619	17,906	145
Total intangible fixed assets	6,119,636	7,543,793	61,197
3 Investments and other assets			
(1) Investment securities	3,168,387	536,250	4,350
(2) Long-term receivables	1,665	78,412	636
(3) Deferred income taxes	227,449	34,964	284
(4) Other	434,995	1,952,680	15,841
Allowance for doubtful accounts	(1,502)	(17,310)	(140)
Total investments and other assets	3,830,996	2,584,997	20,970
Total fixed assets	10,250,995	10,489,024	85,090
Total assets	¥27,774,372	¥42,407,669	\$344,023

	2006	2007	2007
	(thousands of yen)		(thousands of U.S. dollars)
(Liabilities)			
I Current liabilities			
1 Notes and accounts payable	¥1,238,963	¥10,640,033	\$86,315
2 Short-term borrowings	1,130,000	5,537,212	44,919
3 Current portion of long-term borrowings	411,770	332,820	2,700
4 Current portion of bonds and notes	100,000	988,000	8,015
5 Income taxes payable	819,125	893,610	7,249
6 Deferred tax liabilities	78,417	-	-
7 Reserve for bonuses	53,838	102,554	832
8 Reserve for sales return	-	12,972	105
9 Reserve for business reconstruction	-	165,162	1,340
10 Deposits received	9,542,633	6,399,144	51,912
11 Other	409,670	1,312,492	10,647
Total current liabilities	13,784,419	26,384,002	214,034
II Long-term liabilities			
1 Bonds	420,000	816,000	6,620
2 Long-term borrowings	2,870,000	2,630,000	21,335
3 Deferred tax liabilities	-	146,169	1,186
4 Reserve for retirement benefits	22,807	573,611	4,653
5 Other	9,108	114,201	926
Total long-term liabilities	3,321,915	4,279,982	34,720
Total liabilities	17,106,335	30,663,984	248,755
(Net assets)			
I Shareholders' equity			
1 Common stock	1,798,006	1,809,412	14,678
2 Capital surplus	4,331,780	4,152,370	33,685
3 Retained earnings	913,529	1,492,890	12,111
4 Treasury stock	(1,932)	(1,921)	(16)
Total shareholders' equity	7,041,383	7,452,752	60,459
II Valuation and translation adjustments			
1 Net unrealized gain on available-for-sale securities	206,801	(157,856)	(1,281)
Total valuation and translation adjustments	206,801	(157,856)	(1,281)
III Stock acquisition rights	-	3,198	26
IV Minority interests	3,419,852	4,445,589	36,064
Total net assets	10,668,036	11,743,684	95,268
Total liabilities and net assets	¥27,774,372	¥42,407,669	\$344,023

CONSOLIDATED STATEMENTS OF INCOME*(For the years ended June 30, 2006 and 2007)*

	2006	2007	2007
	<i>(thousands of yen)</i>		<i>(thousands of U.S. dollars)</i>
I Net sales	¥12,476,240	¥17,338,744	\$140,657
II Cost of sales	6,627,105	10,046,843	81,503
Gross profit	5,849,135	7,291,900	59,154
Provision for reserve for sales return	-	12,972	105
Gross profit, net	5,849,135	7,278,928	59,049
III Selling, general and administrative expenses	4,145,136	5,665,776	45,962
1 Directors' and auditors' compensation	452,639	609,457	4,944
2 Salary for employees	1,000,819	1,298,472	10,534
3 Bonus for employees	44,499	75,679	614
4 Legal welfare expenses	146,136	189,080	1,534
5 Welfare expenses	13,980	21,580	175
6 Retirement benefit	3,253	3,324	27
7 Sales commission	77,792	116,214	943
8 Advertising expenses	501,487	898,629	7,290
9 Entertainment expenses	16,758	26,812	218
10 Travel and transportation expenses	80,174	111,591	905
11 Communication expenses	51,123	58,550	475
12 Office supplies	55,194	70,869	575
13 Tax and dues	59,437	84,062	682
14 Commissions	200,568	255,679	2,074
15 Business consignment expenses	132,927	189,152	1,534
16 Maintenance expenses	38,726	48,054	390
17 Research and development expenses	41,477	49,479	401
18 Rent	245,160	302,976	2,458
19 Depreciation	27,659	37,883	307
20 Amortization of consolidated adjustment account	526,570	-	-
21 Amortization of goodwill	-	624,056	5,063
22 Other	428,747	594,169	4,820
Operating income	¥1,703,998	¥1,613,152	\$13,086

	2006	2007	2007
	<i>(thousands of yen)</i>		<i>(thousands of U.S. dollars)</i>
IV Non-operating income	¥133,157	¥1,032,797	\$8,378
1 Interest income	8,110	15,835	128
2 Dividend income	128	6	0
3 Gain on investment business association	99,041	-	-
4 Gain on anonymous association agreements	-	999,150	8,105
5 Other	25,876	17,805	144
V Non-operating expenses	332,121	170,141	1,380
1 Interest expenses	131,409	139,396	1,131
2 Investment loss under equity method	144,579	-	-
3 Bond issue expenses	27,790	-	-
4 Other	28,342	30,744	249
Ordinary income	1,505,034	2,475,808	20,084
VI Extraordinary gains	7,941	236,152	1,916
1 Gain on changes in equities	-	113,747	923
2 Gain on sales of investment securities	5,012	-	-
3 Gain on sales of investments in subsidiaries and affiliates	-	122,371	993
4 Reversal of allowance for doubtful accounts	2,667	-	-
5 Other	261	33	0
VII Extraordinary losses	61,112	105,623	857
1 Loss on disposal of fixed assets	2,045	10,979	89
2 Loss on changes in equities	14,317	50,540	410
3 Appraisal loss of investment securities	-	37,325	303
4 Restoration expense for operating site	41,714	-	-
5 Other	3,033	6,777	55
Income before income taxes and minority interests	1,451,863	2,606,337	21,143
Income taxes-current	875,376	1,202,403	9,754
Income taxes-deferred	(290,586)	256,359	2,080
Minority interest in net income	528,572	558,940	4,534
Net income	¥338,501	¥588,633	\$4,775

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(For the years ended June 30, 2006 and 2007)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	(thousands of yen)				
Balance as of June 30, 2005	¥1,769,763	¥4,303,537	¥575,027	(¥1,662)	¥6,646,666
Changes in the year					
Issue of new shares	28,242	28,242			56,485
Net income			338,501		338,501
Repurchase of treasury stock				(270)	(270)
Net changes other than shareholders' equity					
Total of changes in the year	28,242	28,242	338,501	(270)	394,716
Balance as of June 30, 2006	1,798,006	4,331,780	913,529	(1,932)	7,041,383
Changes in the year					
Issue of new shares	11,406	11,406			22,812
Deferred tax liabilities for unrealized gain on investments in subsidiaries and affiliates		(190,817)			(190,817)
Decrease of retained earnings from rise in number of consolidated subsidiaries			(9,272)		(9,272)
Net income			588,633		588,633
Disposal of treasury stock		2		11	13
Net changes other than shareholders' equity					
Total of changes in the year	11,406	(179,409)	579,361	11	411,369
Balance as of June 30, 2007	¥1,809,412	¥4,152,370	¥1,492,890	(¥1,921)	¥7,452,752

	Valuation and Translation Adjustments				
	Net Unrealized Gain on Available-for-sale Securities	Total Valuation and Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets
	(thousands of yen)				
Balance as of June 30, 2005	¥37,121	¥37,121	-	¥2,646,587	¥9,330,375
Changes in the year					
Issue of new shares					56,485
Net income					338,501
Repurchase of treasury stock					(270)
Net changes other than shareholders' equity	169,679	169,679		773,264	942,944
Total of changes in the year	169,679	169,679		773,264	1,337,661
Balance as of June 30, 2006	206,801	206,801	-	3,419,852	10,668,036
Changes in the year					
Issue of new shares					22,812
Deferred tax liabilities for unrealized gain on investments in subsidiaries and affiliates					(190,817)
Decrease of retained earnings from rise in number of consolidated subsidiaries					(9,272)
Net income					588,633
Disposal of treasury stock					13
Net changes other than shareholders' equity	(364,658)	(364,658)	3,198	1,025,737	664,277
Total of changes in the year	(364,658)	(364,658)	3,198	1,025,737	1,075,647
Balance as of June 30, 2007	(¥157,856)	(¥157,856)	¥3,198	¥4,445,589	¥11,743,684

Shareholders' Equity					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Share- holders' Equity
<i>(thousands of U.S. dollars)</i>					
Balance as of June 30, 2006	\$14,586	\$35,141	\$7,411	(\$16)	\$57,122
Changes in the year					
Issue of new shares	93	93			185
Deferred tax liabilities for unrealized gain on investments in subsidiaries and affiliates		(1,548)			(1,548)
Decrease of retained earnings from rise in number of consolidated subsidiaries			(75)		(75)
Net income			4,775		4,775
Disposal of treasury stock		0		0	0
Net changes other than shareholders' equity					
Total of changes in the year	93	(1,455)	4,700	0	3,337
Balance as of June 30, 2007	\$14,678	\$33,685	\$12,111	(\$16)	\$60,459

Valuation and Translation Adjustments					
	Net Unrealized Gain on Available-for- sale Securities	Total Valuation and Translation Adjustments	Stock Acquisition Rights	Minority Interests	Total Net Assets
<i>(thousands of U.S. dollars)</i>					
Balance as of June 30, 2006	\$1,678	\$1,678	-	\$27,743	\$86,542
Changes in the year					
Issue of new shares					185
Deferred tax liabilities for unrealized gain on investments in subsidiaries and affiliates					(1,548)
Decrease of retained earnings from rise in number of consolidated subsidiaries					(75)
Net income					4,775
Disposal of treasury stock					0
Net changes other than shareholders' equity	(2,958)	(2,958)	26	8,321	5,389
Total of changes in the year	(2,958)	(2,958)	26	8,321	8,726
Balance as of June 30, 2007	(\$1,281)	(\$1,281)	\$26	\$36,064	\$95,268

CONSOLIDATED STATEMENTS OF CASH FLOWS

(For the years ended June 30, 2006 and 2007)

	2006	2007	2007
	<i>(thousands of yen)</i>	<i>(thousands of yen)</i>	<i>(thousands of U.S. dollars)</i>
I Cash flows from operating activities:			
1 Income before income taxes and minority interests	¥1,451,863	¥2,606,337	\$21,143
2 Depreciation and amortization	83,579	107,371	871
3 Amortization of software	125,773	269,081	2,183
4 Amortization of consolidation adjustment account	526,570	-	-
5 Amortization of goodwill	-	624,056	5,063
6 Interest and dividend income	(22,686)	(32,972)	(267)
7 Gain on anonymous association agreements	-	(999,150)	(8,105)
8 Interest expenses	131,409	139,396	1,131
9 Foreign exchange gains	(272)	(1,279)	(10)
10 Share issuing expense	-	4,077	33
11 New share issuing expense	2,158	-	-
12 Bond issue expenses	27,790	-	-
13 Gain on sales of investment securities	(5,012)	-	-
14 Investment loss under equity method	144,579	-	-
15 Loss (gain) on changes in equities	14,317	(63,207)	(513)
16 Gain on sales of investments in subsidiaries and affiliates	-	(122,371)	(993)
17 Increase in notes and accounts receivable	(632,092)	(1,983,860)	(16,094)
18 Decrease in investment securities for sales	136,667	177,908	1,443
19 Decrease in allowance for investment loss	-	(282,587)	(2,292)
20 (Increase) decrease in sales deposit	(70,000)	45,000	365
21 (Increase) decrease in inventories	50,866	(1,489)	(12)
22 (Increase) decrease in accounts receivable	979,715	(551,137)	(4,471)
23 Increase in notes and accounts payable	135,264	1,112,837	9,028
24 Increase in accrued expenses	55,356	53,569	435
25 Increase (decrease) in accrued consumption taxes	(78,681)	116,585	946
26 Increase (decrease) in deposits received	(598,324)	1,574,759	12,775
27 Other	(130,367)	(653,288)	(5,300)
Subtotal	2,328,475	2,139,635	17,357
28 Interest and dividends received	11,354	-	-
29 Interest paid	(128,844)	(144,595)	(1,173)
30 Income taxes paid	(314,808)	(1,223,468)	(9,925)
31 Refund of income taxes	2,038	7,494	61
Net cash provided by operating activities	¥1,898,215	¥779,065	\$6,320

	2006	2007	2007
	<i>(thousands of yen)</i>		<i>(thousands of U.S. dollars)</i>
II Cash flows from investing activities:			
1 Deposit into term-deposits	(¥16,032)	(¥300,019)	(\$2,434)
2 Refund from term-deposits	656,981	360,057	2,921
3 Payments for refund of specified deposits	(2,000)	-	-
4 Proceeds from refund of specified deposits	902	2,437	20
5 Payments for purchases of property, plant and equipment	(171,704)	(165,424)	(1,342)
6 Proceeds from sale of property, plant and equipment	349	2,693	22
7 Payments for purchases of intangible fixed assets	(692,335)	(379,273)	(3,077)
8 Proceeds from additional acquisition of shares of subsidiaries accompanied by change in scope of consolidation	-	1,307,465	10,607
9 Payments for purchases of investment securities	(3,115,024)	(468,985)	(3,805)
10 Payments for acquisition of shares of subsidiaries and affiliates	(500,000)	(560,589)	(4,548)
11 Proceeds from sale of investment securities	22,897	3,911	32
12 Proceeds from sale of shares of subsidiaries and affiliates	489,029	181,125	1,469
13 Payments for acquisition of investments in equity	(9,800)	-	-
14 Proceeds from refund of investments in anonymous association agreements	-	3,000,000	24,337
15 Proceeds from distribution of anonymous association agreements	-	994,615	8,069
16 Payments for loans	(225,312)	(3,426,850)	(27,800)
17 Proceeds from collection of loans	389,556	2,911,927	23,622
18 Payments for security deposits/guarantee deposits	(50,096)	(79,511)	(645)
19 Proceeds from refund of security deposits/guarantee deposits	4,707	9,377	76
20 Other, net	(87,883)	(37,419)	(304)
Net cash (used in) provided by investing activities	(3,305,766)	3,355,538	27,221
III Cash flows from financing activities:			
1 Proceeds from short-term borrowings	2,520,000	4,842,200	39,281
2 Repayments of short-term borrowings	(2,250,000)	(5,174,116)	(41,974)
3 Proceeds from long-term borrowings	3,000,000	-	-
4 Repayment of long-term borrowings	(505,560)	(411,770)	(3,340)
5 Proceeds from bond issuance	300,000	-	-
6 Repayment of bond redemption	(436,000)	(100,000)	(811)
7 Proceeds from issue of shares	54,327	18,734	152
8 Payments for repurchase of treasury stock	(267)	-	-
9 Proceeds from payments from minority shareholders	269,360	672,604	5,456
10 Amount of payment of dividends for minority shareholders	(25,455)	(50,863)	(413)
11 Proceeds from acceptance of deposits received	2,840,157	-	-
12 Repayment of deposits received	(2,937,062)	-	-
13 Payments for listing of stock	(22,721)	-	-
14 Other, net	-	13	0
Net cash provided by (used in) financing activities	2,806,777	(203,196)	(1,648)
IV Foreign currency translation adjustments on cash and cash equivalents			
	573	853	7
V Net change in cash and cash equivalents	1,399,799	3,932,260	31,900
VI Cash and cash equivalents at beginning of year	6,072,088	7,471,888	60,614
VII Cash and cash equivalents of newly consolidated subsidiaries	-	105,731	858
VIII Cash and cash equivalents at end of year	¥7,471,888	¥11,509,880	\$93,371

SEGMENT INFORMATION

(As of and for the years ended June 30, 2006 and 2007)

Business Segment Information

As of and for the year ended June 30, 2007

	Solutions Business	Portal & Blog Business	Finance Business	Incubation Business	Total	Eliminations and Corporate	Consolidated Total
<i>(thousands of yen)</i>							
I Net sales and operating income:							
Net sales							
(1) Net sales to external customers	¥7,761,000	¥4,847,034	¥2,718,159	¥2,012,550	¥17,338,744	-	¥17,338,744
(2) Intersegment net sales or transfer amount	163,303	155,420	11,824	-	330,548	(330,548)	-
Total	7,924,303	5,002,454	2,729,983	2,012,550	17,669,292	(330,548)	17,338,744
Operating expenses	7,494,168	4,094,532	2,226,903	1,728,200	15,543,805	181,786	15,725,592
Operating income	430,135	907,921	503,080	284,349	2,125,487	(512,334)	1,613,152
II Assets, depreciation and amortization and capital expenditures:							
Assets	20,408,759	5,646,439	10,268,756	5,467,190	41,791,144	616,524	42,407,669
Depreciation and amortization	28,294	222,750	131,591	4,800	387,436	23,697	411,134
Capital expenditures	¥11,631	¥373,385	¥174,955	¥4,477	¥564,449	¥20,674	¥585,124

As of and for the year ended June 30, 2006

	Solutions Business	Portal & Blog Business	Finance Business	Incubation Business	Total	Eliminations and Corporate	Consolidated Total
<i>(thousands of yen)</i>							
I Net sales and operating income:							
Net sales							
(1) Net sales to external customers	¥4,972,751	¥2,885,897	¥2,167,966	¥2,449,625	¥12,476,240	-	¥12,476,240
(2) Intersegment net sales or transfer amount	17,017	43,385	170	-	60,573	(60,573)	-
Total	4,989,769	2,929,282	2,168,136	2,449,625	12,536,814	(60,573)	12,476,240
Operating expenses	4,865,722	2,642,473	1,562,839	1,351,017	10,422,052	350,189	10,772,242
Operating income	124,046	286,809	605,297	1,098,607	2,114,761	(410,762)	1,703,998
II Assets, depreciation and amortization and capital expenditures:							
Assets	6,219,176	4,634,317	7,287,065	6,143,837	24,284,397	3,489,974	27,774,372
Depreciation and amortization	32,762	135,115	56,180	2,318	226,376	35,820	262,197
Capital expenditures	¥21,978	¥385,488	¥434,340	¥14,819	¥856,626	¥53,965	¥910,592

As of and for the year ended June 30, 2007

	Solutions Business	Portal & Blog Business	Finance Business	Incubation Business	Total	Eliminations and Corporate	Consolidated Total
<i>(thousands of U.S. dollars)</i>							
I Net sales and operating income:							
Net sales							
(1) Net sales to external customers	\$62,959	\$39,320	\$22,050	\$16,326	\$140,657	-	\$140,657
(2) Intersegment net sales or transfer amount	1,325	1,261	96	-	2,681	(2,681)	-
Total	64,284	40,581	22,146	16,326	143,338	(2,681)	140,657
Operating expenses	60,795	33,216	18,065	14,020	126,096	1,475	127,570
Operating income	3,489	7,365	4,081	2,307	17,243	(4,156)	13,086
II Assets, depreciation and amortization and capital expenditures:							
Assets	165,561	45,805	83,303	44,351	339,021	5,001	344,023
Depreciation and amortization	230	1,807	1,068	39	3,143	192	3,335
Capital expenditures	\$94	\$3,029	\$1,419	\$36	\$4,579	\$168	\$4,747

Geographical Segment Information

Geographical segment information is omitted because net sales and the amount of assets in the domestic market account for more than 90% of aggregate segment sales and assets, respectively.

Overseas Sales

Overseas sales is omitted because net sales in the overseas market account for less than 10% of consolidated net sales.

QUARTERLY INFORMATION

(As of and for the years ended June 30, 2006 and 2007)

As of and for the year ended June 30, 2007

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(thousands of yen, except per share amounts)</i>				
(1) Consolidated financial results:				
Net sales	¥4,280,065	¥7,601,510	¥11,489,774	¥17,338,744
Operating income	1,000,230	1,015,339	1,204,992	1,613,152
Ordinary income	960,203	938,149	1,096,662	2,475,808
Quarterly (net) income	431,091	68,221	632	588,633
(2) Consolidated financial position:				
Total assets	27,301,685	29,065,096	28,426,421	42,407,669
Net assets	11,198,831	11,071,188	11,269,005	11,743,684
(3) Consolidated cash flows:				
Cash flows from operating activities	497,444	1,520,966	750,375	779,065
Cash flows from investing activities	674,750	511,936	259,445	3,355,538
Cash flows from financing activities	(490,655)	(266,761)	120,681	(203,196)
Cash and cash equivalents at quarter-end	8,259,290	9,344,158	8,708,446	11,509,880
(4) Per share data (yen):				
Quarterly (net) income, basic per share	¥5,456.63	¥863.48	¥4.01	¥3,724.33
Quarterly (net) income, diluted per share	5,351.58	790.20	-	3,666.18
Net assets per share	94,623.27	88,299.03	43,666.19	46,090.88

As of and for the year ended June 30, 2006

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(thousands of yen, except per share amounts)</i>				
(1) Consolidated financial results:				
Net sales	¥1,862,299	¥4,296,433	¥8,792,027	¥12,476,240
Operating income (loss)	(192,574)	(159,738)	1,077,769	1,703,998
Ordinary income (loss)	(327,495)	(249,985)	968,794	1,505,034
Quarterly (net) income (loss)	(376,099)	(433,800)	136,064	338,501
(2) Consolidated financial position:				
Total assets	24,132,280	28,578,862	27,202,453	27,774,372
Net assets (shareholders' equity)	6,698,994	7,849,916	7,883,676	10,668,036
(3) Consolidated cash flows:				
Cash flows from operating activities	677,373	1,072,308	1,937,988	1,898,215
Cash flows from investing activities	473,947	(1,026,959)	(2,874,206)	(3,305,766)
Cash flows from financing activities	826,664	2,170,812	1,475,108	2,806,777
Cash and cash equivalents at quarter-end	8,050,359	8,288,676	6,611,422	7,471,888
(4) Per share data (yen):				
Quarterly (net) income (loss), basic per share	(¥4,783.46)	(¥5,514.36)	¥1,727.65	¥4,294.73
Quarterly (net) income, diluted per share	-	-	1,524.75	3,971.69
Net assets (shareholders' equity) per share	85,176.16	99,588.90	99,795.65	91,745.46

As of and for the year ended June 30, 2007

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>(thousands of U.S. dollars, except per share amounts)</i>				
(1) Consolidated financial results:				
Net sales	\$36,306	\$63,814	\$97,297	\$140,657
Operating income	8,484	8,524	10,204	13,086
Ordinary income	8,145	7,876	9,287	20,084
Quarterly (net) income	3,657	573	5	4,775
(2) Consolidated financial position:				
Total assets	231,586	243,998	240,718	344,023
Net assets	94,994	92,941	95,427	95,268
(3) Consolidated cash flows:				
Cash flows from operating activities	4,220	12,768	6,354	6,320
Cash flows from investing activities	5,724	4,298	2,197	27,221
Cash flows from financing activities	(4,162)	(2,239)	1,022	(1,648)
Cash and cash equivalents at quarter-end	70,059	78,443	73,744	93,371
(4) Per share data (U.S. dollars):				
Quarterly (net) income, basic per share	\$46.29	\$7.25	\$0.03	\$30.21
Quarterly (net) income, diluted per share	45.39	6.63	-	29.74
Net assets per share	802.64	741.26	369.77	373.90

Notes:

1. The Company's fiscal period is made up of the following four quarters:

First Quarter: Three months ended September 30, 2005 and 2006

Second Quarter: Three months ended December 31, 2005 and 2006

Third Quarter: Three months ended March 31, 2006 and 2007

Fourth Quarter: Three months ended June 30, 2006 and 2007

2. U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate per U.S. dollar as described below; the approximate exchange rate of TTM of Mizuho Bank, Ltd., on September 29, 2006, December 29, 2006, March 30, 2007, and June 29, 2007, respectively.

First Quarter: U.S. \$1.00 = 117.89 yen on September 29, 2006

Second Quarter: U.S. \$1.00 = 119.12 yen on December 29, 2006

Third Quarter: U.S. \$1.00 = 118.09 yen on March 30, 2007

Fourth Quarter: U.S. \$1.00 = 123.27 yen on June 29, 2007

SIGNIFICANT ACCOUNTING POLICIES

(As of and for the year ended June 30, 2007)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries:

23

2. Significant Accounting Policies

(1) Standards and methods of valuation of significant assets

a. Securities

Other securities (including operating investment securities)

* Securities with market value:

- Stated at fair value determined by the market value at settlement of account. (Unrealized gains or losses are recorded in shareholders' equity. Sales cost is determined by the moving-average method.)

* Securities without market value:

- Stated at cost determined mainly by the moving-average method.

b. Derivatives

- Stated at fair value.

c. Inventories

Product in process

- Stated at cost determined by specific cost method.

Commodity and stock

- Stated at cost determined by the moving-average method.

(2) Depreciation/amortization methods for significant depreciable assets

a. Tangible fixed assets

Computed on declining-balance method.

Depreciation expenses for buildings (other than fixtures) acquired on or after April 1, 1998 are computed using the straight-line method.

The period of depreciation for the main tangible fixed assets are as follows:

- Buildings and structures 6-22 years

- Furniture and fixtures 2-20 years

(Changes in accounting policies)

According to the revision of corporate tax law, the method of depreciation of tangible fixed assets acquired on or after April 1, 2007 was changed based on the revised corporate tax law.

This change slightly influenced operating income, ordinary income and income before income taxes and minority interests.

b. Intangible fixed assets

Software

- Amortization of software costs for internal use is computed using the straight-line method based on the expected lifespan up to 5 years.

(3) Method of accounting of significant deferred assets

a. Stock issuance expenses

- All costs are expensed as incurred.

(4) Standards of accounting for significant allowances and reserves

a. Allowance for investment losses

To provide for investment losses, the estimated amount of losses is recorded in consideration of the actual state of invested companies.

b. Allowance for doubtful accounts

The Company provides for losses on ordinary receivables using the historical default rate and provides for losses on specific receivables where there is a possibility of default based on the estimated amount of uncollectible receivables on an individual basis.

c. Accrued bonuses to employees

To provide for the payment of bonuses to employees, a part of consolidated subsidiaries makes provisions for the amount of future payments incurred in the current consolidated fiscal year.

d. Accrued retirement benefits for employees

To provide for employees' retirement benefits, the Company records an amount that is recognized as arising at the end of the period based on the estimated retirement benefit obligations and value of pension assets at the end of the fiscal year.

The Company and a part of consolidated subsidiaries have adopted the simplified method in which the amount of liability estimated based on voluntary termination at end of term is regarded as retirement benefit obligations.

Unrecognized actuarial differences are amortized using the straight-line method over the average remaining service period for employees in service (12 years or less) at the time the liabilities are incurred. In this case actuarial differences are amortized from the following fiscal year this process has been applied.

e. Allowance for sales return

For certain consolidated subsidiaries, an allowance is provided for estimated losses on sales returns at an amount calculated based on historical experience.

f. Allowance for business reconstruction

For certain consolidated subsidiaries, an allowance is provided for unrealized losses on business reconstruction at a reasonably estimated amount.

(5) Accounting methods for significant lease transactions

The Company accounts for finance leases, other than those in which ownership of the leased property is transferred to the lessee, in accordance with standards for ordinary operating leases.

(6) *Significant hedge accounting*

a. *Hedge accounting trading method*

When interest rate swap fulfills certain requirements, special treatment is applied.

b. *Means of hedging and hedged item*

- | | |
|--------------------|-----------------------|
| - Means of hedging | Interest rate swap |
| - Hedged item | Interest on borrowing |

c. *Hedging policy*

Based on the Group's policy of derivatives trading, we principally aim to raise funds at a fixed rate and do not conduct speculative trading.

d. *Method of assessing the effectiveness of hedges*

The Company concludes only interest rate swap contracts that satisfy all of the following conditions, aimed at hedging interest volatility risks and cash flow volatility risks:

- a) The notional principal amount of the interest rate swap contract is almost the same as the principal amount of the relevant long-term borrowing.
- b) The term and maturity of the interest rate swap contract are almost the same as those of the relevant long-term borrowing.
- c) Both the index of the floating rate received and paid in the interest rate swap contract and the index of the floating rate of the relevant long term borrowing are based on TIBOR.
- d) The term for revision of interest rate of the interest rate swap contract are almost the same as those stipulated in the relevant long-term borrowing.
- e) The receipt-and-payment conditions of the interest rate swap contract are fixed throughout the swap period.

3. *Amortization of Goodwill and Negative Goodwill*

Goodwill are amortized on a straight-line basis over the period that expenses are effective (5-20 years).

4. *Cash and Cash Equivalents on Consolidated Statements of Cash Flows*

Cash and cash equivalents on the consolidated statements of cash flows include cash on hand, saving accounts, current accounts and fixed-period deposits to mature within three months from the date of acquisition.

5. *Changes of Significant Items for Basis of Preparation of Consolidated Financial Statements*

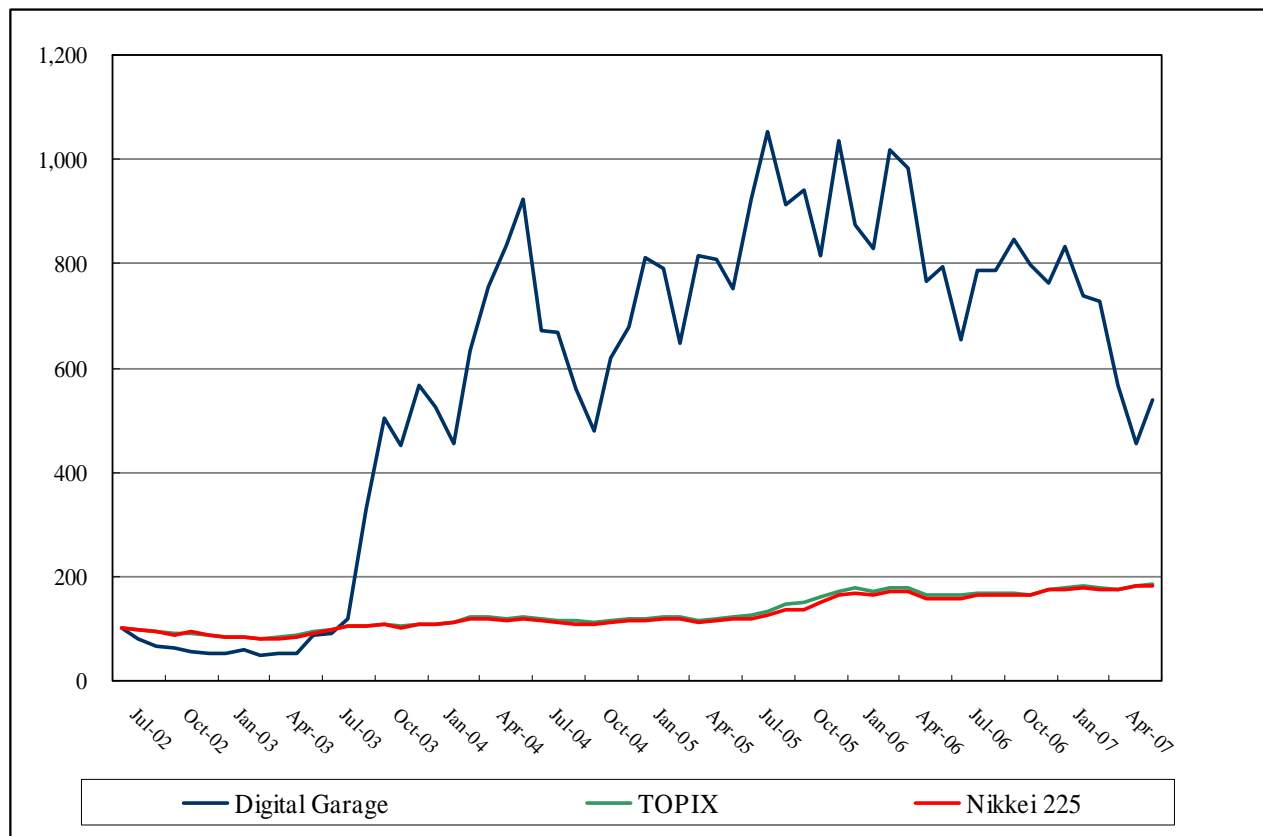
(Accounting standards for business combinations)

Beginning with this fiscal year under review, the Company has adopted "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7, December 27, 2005) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, December 27, 2005).

STOCK INFORMATION

(From July 1, 2002 to June 30, 2007)

Stock Price Index Compared with Main Indices



Note:

1. One share was split into five shares on December 31, 2003, and one share was split into two shares on December 31, 2006, respectively. Thus, the Company's stock price index is computed on adjusted closing prices of split shares.

CORPORATE HISTORY

(From August 17, 1995 to June 30, 2007)

- August 1995 * Established Digital Garage, Inc., for the purpose of advertising, planning and production using the Internet as a medium. (Representatives: Kaoru Hayashi, Joichi Ito)
- October 1996 * Made an exclusive contract for an Internet search engine service with Infoseek in the United States, and newly set up Infoseek Division.
- December 1996 * Co-founded Digital Advertising Consortium with HAKUHODO INCORPORATED, Asahi-Tsushin Co., Ltd. (present ASATSU-DK INC.), YOMIKO Advertising Inc., and I&S (present I&SBBDO)
- May 1997 * Bought out From Garage, Studio Garage and Eccosys.
- April 1999 * Co-founded Electronic Commerce Institute, Inc., with Communication Science Institute, Inc.
- June 1999 * Transferred business of Infoseek Division to Infoseek in the United States.
* Acquired 60 % of shares of Electric Commerce Institute to make it a subsidiary.
* Acquired 60 % of shares of Creative Garage (later DS Interactive Inc., present Xenlon Corporation) to make it a subsidiary.
- May 2000 * Co-founded ECONTEXT, INC., with LAWSON INC., Toyo Information System Co., Ltd. (present TIS, Inc.), and Mitsubishi Corporation, as a company in charge of an e-commerce platform for logistic/settlement service.
- October 2000 * Co-founded Gift Port as an e-commerce gift company with Shaddy Co., Ltd.
- December 2000 * Listed on over-the-counter market.
- June 2002 * Acquired 45 % of Kakaku.com, Inc., to make it a consolidated subsidiary measured by the degree of substantial control.
- December 2002 * Liquidated Gift Port.
- January 2003 * Underwrote capital increase of ECONTEXT, INC., through allocation of new shares to a third party to make it a consolidated subsidiary.
- February 2003 * Established Creative Garage, Inc., as a consolidated subsidiary for creative production.
- May 2003 * Sold all shares of DS Interactive Inc. (present Xenlon Corporation), and removed it from consolidated subsidiaries.
- February 2004 * Established DG Mobile Inc., as a consolidated subsidiary for contents for mobile terminals.
- June 2004 * Sold all shares of Electronic Commerce Institute, Inc., and removed it from consolidated subsidiaries.
- December 2004 * Acquired shares of Ibex & rims Corporation, through stock exchange to make it a consolidated subsidiary.
* Applied to JSDA for cancellation of over-the-counter market registration and listed on JASDAQ market.
- January 2005 * Established Technorati Japan, Inc., as a consolidated subsidiary to operate a blog search engine site.
* Kakaku.com, Inc. (a consolidated subsidiary), acquired shares of 4travel, Inc., through stock exchange, etc., to make it a consolidated subsidiary.
- July 2005 * Established DG Incubation, Inc., as a consolidated subsidiary for incubation business.
- September 2005 * Co-founded DG & Partners, Inc., as a consolidated subsidiary for management and operation of properties of venture capital fund with DG Incubation, Inc., and Japan Asia Investment Co., Ltd.
- November 2005 * Co-founded WEB2.0, Inc., as a consolidated subsidiary to operate “PingKing,” an information-sharing site that is CGM (Consumer Generated Media) with PIA Corporation. and Kakaku.com, Inc.
- December 2005 * Kakaku.com, Inc. (a consolidated subsidiary), established Kakaku.com Financial, Inc.

- January 2006
- * Implemented corporate separation to make DG Solutions Co., Ltd., a newly established consolidated subsidiary, take over solution business, and DG Incubation, Inc. (a consolidated subsidiary), take over incubation business. Shifted to a pure holding company.
 - * Established DG Asset Management, Inc., as a consolidated subsidiary for real estate-related management/operation and investment.
- March 2006
- * Established DG Media Marketing Inc., as a consolidated subsidiary for general WEB advertising business.
- August 2006
- * DG Solutions Co., Ltd., for solution business implemented corporate separation to make Ibex & rims Corporation, and DG Media Marketing, Inc., take over its business, and became an intermediate holding company.
 - * Ibex & rims Corporation changed its corporate name to DG & Ibex, Inc.
 - * Established CGM Marketing, Inc., as a consolidated subsidiary for developing new marketing techniques and strategies with CGM and matching bloggers and advertisers, jointly with DENTSU INC., cyber communications inc., and ASATSU-DK INC.
 - * Established Growth Partners, Inc., as a consolidated subsidiary for IR supporting business with Web 2.0 and operation of “STOCKCAFE,” an IR portal site, jointly with Asia Securities Printing Co., Ltd. (present PRONEXUS INC.).
- April 2007
- * DG Solutions Co., Ltd. (a consolidated subsidiary), acquired all shares of Sogei Co., Ltd., to make it a consolidated subsidiary.
 - * Bought out DG Asset Management, Inc., and took over its business.

CORPORATE INFORMATION

(As of June 30, 2007)

Corporate Name:

Digital Garage, Inc.

Date of Establishment:

August 17, 1995

Paid-in Capital:

¥1,809,412,522

Fiscal Year:

July 1 to June 30

Number of Shares Authorized:

480,000

Number of Shares Issued:

158,282

Number of Shareholders:

3,169

Securities Code:

4819

Stock Exchange Listing:

JASDAQ Securities Exchange

Number of Employees:

718 (Consolidated)

Number of Subsidiaries:

23

Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited.

Accounting Auditor:

Ernst & Young ShinNihon

Headquarters:

Yamazaki Building, 2-43-15 Tomigaya, Shibuya-ku, Tokyo 151-0063, Japan

Investor Relations Contact:

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- URL: <http://www.garage.co.jp/en/index.html>

Principal Shareholders (Top 10):*As of June 30, 2007*

Name of Shareholder	Number of Shares Held	Percentage of Total Number of Shares Issued
Kaoru Hayashi	44,473	28.10%
JP Morgan Chase CREF Jasdec Lending Account (Local Custodian: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	11,731	7.41%
TIS Inc.	8,800	5.56%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,081	3.84%
K Garage Ltd.	5,360	3.39%
Mitsui Asset Trust and Banking Company, Limited. (Local Custodian: Japan Trustee Services Bank, Ltd.)	5,300	3.35%
Japan Trustee Services Bank, Ltd. (Trust Account)	5,249	3.32%
Yasuyuki Rokuyata	4,986	3.15%
Man and Machine Interface Co., Ltd.	4,701	2.97%
Mixx (Local Custodian: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	4,189	2.65%
Total	100,870	63.73%

As of June 30, 2006

Name of Shareholder	Number of Shares Held	Percentage of Total Number of Shares Issued
Kaoru Hayashi	22,234.85	28.14%
JP Morgan Chase CREF Jasdec Lending Account (Local Custodian: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	5,428.00	6.87%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,330.00	6.75%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,616.00	5.84%
TIS Inc.	4,400.00	5.57%
Man and Machine Interface Co., Ltd.	2,850.96	3.61%
K Garage Ltd.	2,680.00	3.39%
Yasuyuki Rokuyata	2,492.70	3.15%
Mitsui Asset Trust and Banking Company, Limited. (Local Custodian: Japan Trustee Services Bank, Ltd.)	2,000.00	2.53%
Narihiko Yoshida	1,430.00	1.81%
Total	53,462.51	67.66%

Note:

1. One share was split into two shares on December 31, 2006.



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<http://www.garage.co.jp/en/index.html>