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August 27, 2008

For Immediate Release:

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Announcement Concerning Merger between Digital Garage, Inc. and ECONTEXT, Inc.

Digital Garage, Inc. (Head office: Shibuya-ku, Tokyo, President/CEO Kaoru Hayashi, hereinafter "Digital Garage") and ECONTEXT, Inc. (Head office: Shibuya-ku, Tokyo, President/CEO Hitoshi Ushiku, hereinafter "ECONTEXT") are pleased to announce that their respective boards of directors passed a resolution held on August 27, 2008 approving an absorption merger effective as of October 27, 2008, with Digital Garage as the surviving company and ECONTEXT as the dissolving company, and both companies entered into a merger agreement as described below.

In addition, the Board of Directors of Digital Garage passed a resolution in its meeting held on August 27, 2008 to authorize the surviving company of Digital Garage, Inc. to absorb and merge with the dissolving companies of DG Solutions Co., Ltd. (hereinafter "DG Solutions"), a wholly owned subsidiary of the Company, and DG & Ibex, Inc. (hereinafter "DG & Ibex), Creative Garage, Inc. (hereinafter "Creative Garage"), and DG Media Marketing, Inc. (hereinafter "DG Media Marketing"), all of which are wholly owned subsidiaries of DG Solutions, and entered into a merger agreement with these dissolving companies. The Merger is subject to the demerger of Sogei Inc., a wholly owned subsidiary of DG Solutions, in which Sogei inherits the rights and obligations of DG Media Marketing concerning its e-marketing business. The demerger is scheduled for October 27, 2008, the same day as the effective date of the merger. On August 27, 2008, DG Marketing and Sogei entered into a demerger agreement. For details of the demerger and the merger with the wholly owned subsidiaries, please refer to the press release that was published separately by Digital Garage on August 27, 2008.

Notes

1. Purpose of the Merger

Digital Garage, Inc. was founded in 1995 to conduct advertising, planning, production, and other businesses via the Internet. It operates according to a management vision to create new contexts (foundations in diversifying values) and contribute to society by organically connecting a variety of complex data and further enhancing the value of existence for corporations, customers, and data. It aims to do this by utilizing the Company's solution expertise based on its achievements since the early days of the Internet industry, and effective utilization of the state-of-the-art Internet technologies.

Digital Garage adopted the pure holding company system through a company split in January 2006 in order to strengthen its group management function, clarify the profitability and management responsibilities of each of its business, and enhance the speed and flexibility of decision-making in each of its businesses. The Company operates in four core business areas: the solution business for IT construction, marketing promotion support, and Internet advertising-related business; the portal/blog business for Internet media businesses, such as Kakaku.com; the incubation business for investment in and development of venture and other companies; and the financing business for settlement and logistics, such as ECONTEXT's e-commerce, as well as foreign exchange margin transactions.

The corporate solution business is increasingly required to hybridize by comprehensively connecting "real" business and cyber (Internet) business. In the Digital Garage Group, we have DG & Ibex that promotes "real" and cyberspace businesses; DG Media Marketing that has established web advertising as its business domain; and Creative Garage that runs a creative production business. In addition, ECONTEXT, which conducts settlement business, can be defined in a broader sense as a corporate solution business. Digital Garage, a pure holding company, believes that the Company has succeeded in offering unique solutions that its competitors are unable to provide, by encouraging close working relationships between its solution companies.

Digital Garage, as a major shareholder of ECONTEXT, has supported its business operations since its establishment in May 2000. Since January 2003 in particular, when ECONTEXT became a consolidated full subsidiary of Digital Garage, the Company has considered ECONTEXT as the core company in Digital Garage's corporate solution business, and they have complemented each other in the way they conduct business.

ECONTEXT was listed in June 2005 in order to further improve its financial strength and increase its social trustworthiness. ECONTEXT has developed its business mainly through providing settlement infrastructure for e-commerce companies, and it has achieved a leading position, particularly in the area of convenience store settlement business.

ECONTEXT can be considered as an exclusive settlement business entity, since 93% of its sales were derived from its settlement services in the fiscal year ended on June 30, 2008. About 50% of all settlement transactions were generated in the field of electronic money, which is used in online games and media content download, and the remaining 50% were derived from settlement of merchandise sales, ticket sales, and sales at various organizations. The e-commerce market is expected to grow further in the medium- and long-term. On the other hand, the introduction of settlement infrastructure by major e-commerce companies has taken a hit. For this reason, we recognize that the key to achieving a rate of growth that exceeds market expansion is through enhancing and expanding services for existing clients, as well as by advancing into peripheral fields associated with settlement. With this background in mind, we also recognize that the existing customer base needs to be maintained and further expanded with the acquisition of new clients. In addition, we need to develop a system and implement a wide range of marketing activities to provide one-stop settlement solutions on cards and mobile devices, on top of our main business line of convenience store settlement. We need to offer total settlement solutions that maximize our customers' profits to expand our business field into the peripheral fields associated with settlement. We therefore believe that our medium- to long-term growth is contingent upon our grasp of customers' business processes from business development to fund collection, and our provision of comprehensive solutions that range from proposal to system development to business operation to settlement.

However, in addition to the issues related to the corporate size of ECONTEXT and its limited human management resources, ECONTEXT had little expertise in the fields of system development and marketing. In order to compensate for these shortcomings, ECONTEXT has strengthened its collaboration with the solution companies of the Digital Garage Group.

In this environment, disharmony began to arise between Digital Garage and its solution companies and ECONTEXT, because business collaboration was strengthened largely due to the pure holding company format. Specifically, issues such as the following have become evident between the group business companies, including ECONTEXT: slower decision-making speed for offering total solutions, conflicts in the distribution of human resources relating to system development and marketing, and time-consuming adjustment processes for transaction prices and profit sharing among each company. These issues, in turn, led to conflicting interests that hindered the maximization of group value through maximizing business synergy. In addition, awareness had arisen of problems in the areas of internal control system introduction and appropriate distribution of management resources, as the cost of managing stock exchange listings increased. We have reached the conclusion that the diffused management resources need to be optimally redistributed to solve these issues, implement strategies for further growth, and conduct business in a flexible manner. It was therefore decided that Digital Garage would be transformed from a pure holding company to an operating holding company. On August 27, 2008, Digital Garage and ECONTEXT entered into an absorption merger agreement. On the same day, Digital Garage entered into an absorption merger agreement with the following four companies: DG Solutions, DG & Ibex, Creative Garage, and DG Media Marketing.

By amalgamating with their solution companies, Digital Garage and ECONTEXT will optimize sales channels and conduct cross-marketing. This, in turn, will enable Digital Garage to offer a more comprehensive consultation, marketing, and settlement unit that can solve customers' issues. The Company will therefore be able to further enhance the corporate value of the DG Group. The Company has chosen not to turn ECONTEXT into a wholly owned subsidiary but to carry out a merger, which is the simplest and most effective management form for dissolving conflicts between maximizing the interests of each subsidiary and the group as a whole, reducing cost in indirect divisions, and constructing a system that can obtain large orders and promptly implement unified growth strategies. In addition, by choosing a merger, Digital Garage will actively reward its shareholders through maximizing business synergy, cost synergy and financial synergy at the earliest point in time.

Digital Garage is resolved to continue making constant efforts after the merger as a corporate group that creates new businesses, in line with the management vision of contributing to society.

[Delisting schedule and reason]
As a result of the merger, ECONTEXT, Inc. is scheduled to be dissolved on October 27, 2008, the effective date of the merger. The ECONTEXT stocks currently listed on the Hercules Market of the Osaka Securities Exchange are scheduled to be delisted in accordance with the procedures stipulated in the regulations of the Osaka Securities Exchange (currently, ECONTEXT shares are scheduled to be delisted on October 21, 2008). After delisting, ECONTEXT shares may not be traded on the Hercules Market of the Osaka Securities Exchange.
Digital Garage, Inc. does not plan to apply to list its shares on the Osaka Securities Exchange.

[Reason for delisting and consideration for compensation measures]
As noted above, ECONTEXT shares are scheduled to be delisted after the implementation of the merger. Digital Garage believes that it is able to continue to offer stock liquidity to ECONTEXT shareholders since common shares of Digital Garage, which are scheduled to be allotted to ECONTEXT shareholders in the merger, are listed on the JASDAQ Market. In addition, we believe that the merger will enhance the corporate value of the overall Digital Garage Group, and that Digital Garage will be able to adequately respond to the expectations of shareholders, including current ECONTEXT shareholders who are scheduled to hold Digital Garage shares. Incidentally, shareholders who are allotted shares including fractions of less than one share may use the fractional share buy-up system.

[Measures for guaranteeing fairness]
Digital Garage holds 44.0% of all issued ECONTEXT shares, and ECONTEXT is a consolidated subsidiary of Digital Garage. In order to guarantee fairness with regard to the merger ratio, both Digital Garage and ECONTEXT asked independent third party institutions to calculate a fair merger ratio. The companies negotiated using the results of the merger ratio calculations, and decided to implement the merger based on the agreed merger ratio.
The third party institution used by Digital Garage was Nomura Securities Co., Ltd (hereinafter "Nomura Securities"), and ECONTEXT used Nikko Cordial Securities, Inc. (hereinafter "Nikko Cordial Securities") to calculate the merger ratio.

[Measures for avoiding conflicts of interest]
To avoid conflicts of interest, Kaoru Hayashi, who serves as a director of both Digital Garage and ECONTEXT, did not participate in the discussions and resolutions of both companies' respective meetings of Board of Directors regarding the Merger. In addition, Kota Sakurai, who is concurrently elected as a director of Digital Garage and an auditor of ECONTEXT, did not participate in the discussions and resolutions of both companies' respective meetings of Board of Directors regarding the Merger.
We have confirmed that none of the auditors at both companies who participated in the discussions at the respective meetings of Board of Directors opposed the method of discussion and resolution concerning the merger.

2. Outline of the Merger

(1) Merger schedule

Meeting of the Board of Directors that resolved to undertake the merger (both companies)	Wednesday, August 27, 2008
Conclusion of merger agreement	Wednesday, August 27, 2008
General meeting of shareholders to approve the merger (ECONTEXT)	Thursday, September 25, 2008 (planned)
General meeting of shareholders to approve the merger (Digital Garage)	Friday, September 26, 2008 (planned)
Scheduled delisting date (ECONTEXT)	Tuesday, October 21, 2008 (planned)
Effective date of merger (the day on which the merger takes effect)	Monday, October 27, 2008 (planned)
Scheduled delivery date	Early December, 2008 (planned)

(2) Merger method

The merger method is the absorption type, with Digital Garage as the surviving company and ECONTEXT as the dissolving company.

(3) Allocation of new shares in association with the merger

Company name	Digital Garage, Inc. (surviving company)	ECONTEXT, Inc. (dissolving company)
Merger allocation ratio	1	0.61
Number of new shares to be issued as a result of the merger	Common stock: 27,875 shares (planned)	

(Note 1) For every one share of ECONTEXT (excluding the ECONTEXT shares held by Digital Garage and the 40,150 ECONTEXT shares held by ECONTEXT), 0.61 share of Digital Garage will be allocated.

(Note 2) The number of new Digital Garage shares to be issued may be greater if the stock acquisition rights issued by ECONTEXT are exercised.

(4) Calculation basis for allocation concerning the merger

(i) Calculation basis

To ensure fairness in the merger ratio, Digital Garage appointed Nomura Securities Co., Ltd. and ECONTEXT appointed Nikko Cordial Securities, Inc. as financial advisors, respectively, and asked them to calculate a fair merger ratio.

Prior to the Board of Directors meeting at which the merger agreement was approved, Digital Garage received a report from Nomura Securities containing the following calculation results.

Nomura Securities adopted the market share price average method with regard to Digital Garage, since Digital Garage is listed on the Jasdaq market, and that market share price exists for its shares. Specifically, Nomura Securities used the closing price on the calculation base date of August 26, 2008 and the average closing price for the period from the next business day following Digital Garage's announcement of results for the fiscal year ended June 30, 2008, to the calculation base date (August 15, 2008 to August 26, 2008). In addition, calculations were made based on the discounted cash flow method based on financial forecasts ("the DCF method") in order to reflect future business activities.

With regard to ECONTEXT, the market share price average method was used, since ECONTEXT is listed on the Hercules market of the Osaka Securities Exchange, and that market share price exists for its shares. Specifically, Nomura Securities used the closing price on the calculation base date of August 26, 2008 and the average closing price for the period from the next business day following ECONTEXT's announcement of results for the fiscal year ended June 30, 2008, to the calculation base date (August 15, 2008 to August 26, 2008). In addition, calculations were made based on the discounted cash flow method based on financial forecasts ("the DCF method") in order to reflect future business activities.

The calculation results for each method are shown below. The calculated range of merger ratio is the range within which the common stock of Digital Garage is to be allocated to one share of common stock of ECONTEXT.

	Adopted method	Calculated range of merger ratio
(i)	Market share price average method	1 : 0.48 ~ 0.53
(ii)	DCF method	1 : 0.45 ~ 0.67

Note In principal, at the time of calculating the merger ratio Nomura Securities used the information offered by both companies and the information disclosed to the general public without change. Nomura Securities has assumed that all the materials and information used are accurate and complete, and for that reason has not independently verified their accuracy and completeness. Nomura Securities has not independently evaluated, appraised, or assessed the assets and liabilities of the companies and their affiliates (including contingent liabilities) including analysis and evaluation of individual assets and liabilities, nor it has asked third-party institutions to conduct appraisals and assessments. In addition, Nomura Securities has assumed that the data concerning the financial forecasts of the companies has been rationally obtained based on the best possible forecast and decision at the present time. The calculation of the merger ratio by Nomura Securities reflects information and economic conditions up to August 26, 2008. The merger with wholly-owned subsidiaries is scheduled to take effect on October 27, 2008, but no issuance of new shares as a result of the merger with wholly-owned subsidiaries is scheduled, and it has been determined that the merger with wholly-owned subsidiaries would not influence the ratio evaluation for the merger in any way.

Prior to the Board of Directors meeting at which the merger agreement was approved, ECONTEXT received a report from Nikko Cordial Securities containing the following calculation results.

Following analysis of a variety of conditions for the merger and businesses of the merging companies, among other factors, Nikko Cordial Securities adopted the market share price method for Digital Garage to reflect the stock market appraisal in the calculation, since the Company is listed on the Jasdaq market. For ECONTEXT, Nikko Cordial Securities decided to take a diversified approach to evaluating the ECONTEXT stock. Specifically, Nikko Cordial Securities adopted the market share price method to reflect the stock market appraisal in the calculation, since ECONTEXT is listed on the Hercules market of the Osaka Securities Exchange; the comparable mutual valuation method to reflect the assumed stock value based on the appraised level of similar listed companies on stock markets; and the DCF method to reflect the cash flow which is expected to be acquired through future business activities.

The calculation results for each method are shown below. The calculated range of merger ratio is the range within which the common stock of Digital Garage is to be allocated to one share of common stock of ECONTEXT.

	Digital Garage, Inc.	ECONTEXT, Inc.	Merger ratio
(i)	Market share price method	Market share price method	1 : 0.53
(ii)	Market share price method	Comparable mutual valuation method	1 : 0.80 ~ 1.01
(iii)	Market share price method	DCF method	1 : 0.98 ~ 1.09

With regard to the market share price method for Digital Garage, Nikko Cordial Securities used the closing price of the calculation base date of August 26, 2008 and the average closing price for the period from the next business day following Digital Garage's August 14, 2008 announcement of the Tanshin business results for the fiscal year ended June 30, 2008, to the calculation base date (August 15, 2008 to August 26, 2008).

With regard to the market share price method for ECONTEXT, Nikko Cordial Securities used the closing price of the calculation base date of August 26, 2008 and the average closing price for the period from the next business day following ECONTEXT's August 14, 2008 announcement of the business results for the fiscal year ended June 30, 2008, the Announcement Concerning Personnel Transfer of the Representative Director, and the Announcement Concerning Resignation and Personnel Transfer of Directors, to the calculation base date (August 15, 2008 to August 26, 2008).

The comparative mutual valuation method used for ECONTEXT is calculated with the EBIT ratio, the EBITDA ratio, and the PER ratio against the business value of listed companies which are comparable to ECONTEXT in terms of size and business lineup.

With regard to the business plans of ECONTEXT, which were used as assumptions in the appraisal of Nikko Cordial Securities using the DCF method, no significant fluctuation is expected in income increases or decreases.

Note In principal, at the time of calculating the merger ratio Nikko Cordial Securities used the information offered by both companies and the information disclosed to the general public without change. Nikko Cordial Securities has assumed that all the materials and information used are accurate and complete, and for that reason has not independently verified their accuracy and completeness. Nikko Cordial Securities has not independently evaluated, appraised, or assessed the assets and liabilities of the companies and their affiliates (including contingent liabilities) including analysis and evaluation of individual assets and liabilities, nor it has asked third-party institutions to conduct appraisals and assessments. In addition, Nikko Cordial Securities has assumed that the data concerning the financial forecasts of the companies has been rationally obtained based on the best possible forecast and decision at the present time. The merger with wholly-owned subsidiaries is scheduled to take effect on October 27, 2008, but no issuance of new shares as a result of the merger with wholly-owned subsidiaries is scheduled, and it has been determined that the merger with wholly-owned subsidiaries would not influence the ratio evaluation for the merger in any way.

(ii) Calculation history

As discussed above, Digital Garage engaged Nomura Securities and ECONTEXT engaged Nikko Cordial Securities to calculate the merger ratio. Using the results of calculations provided by the third-party institutions as a reference, both merging companies comprehensively considered key factors such as both companies' financial situations, asset conditions, and outlook, and entered into frequent discussions concerning the merger ratio. As a result, on August 27, 2008 the companies reached the conclusion that the above-mentioned merger ratio was appropriate.

Digital Garage and ECONTEXT have not obtained an appraisal concerning the fairness of the merger ratio *per se* from either Nomura Securities or Nikko Cordial Securities, respectively.

(iii) Relationship to the calculation institutions

Neither Nomura Securities nor Nikko Cordial Securities fall under the category of interested parties of Digital Garage and ECONTEXT.

(5) Treatment of the dissolving company's stock acquisition rights and convertible bonds

As a result of the merger, no stock acquisition rights or cash shall be delivered to holders of stock acquisition rights issued by ECONTEXT in exchange for the stock acquisition rights. ECONTEXT plans to acquire and cancel all unexercised stock acquisition rights that it had previously issued by the day immediately prior to the effective date of the merger, contingent upon the merger agreement being approved at general meetings of shareholders at both companies. ECONTEXT has never issued convertible bonds.

3. Overview of parties to the merger (as of June 30, 2008)

(1)	Company name	Digital Garage, Inc. (surviving company)	ECONTEXT, Inc. (dissolving company)
(2)	Nature of business	Holding shares of group companies to manage their business activities	E-commerce settlement and logistic platform business
(3)	Date of establishment	August 17, 1995	May 29, 2000
(4)	Location of head office	43-15, Tomigaya 2-chome, Shibuya-ku, Tokyo	9-9, Shibuya 3-chome, Shibuya-ku, Tokyo
(5)	Title and name of representative (Note 1)	President and CEO Kaoru Hayashi	President and CEO Hitoshi Ushiku
(6)	Paid-in capital	1,831,833 thousand yen	1,097,775 thousand yen
(7)	Number of shares issued	159,358 shares	85,824 shares
(8)	Net assets	2,750,045 thousand yen (non-consolidated)	3,220,210 thousand yen (non-consolidated)
(9)	Total assets	11,776,438 thousand yen (non-consolidated)	9,803,850 thousand yen (non-consolidated)
(10)	Fiscal year closing	June 30	June 30
(11)	Number of employees	753 (consolidated)	27 (non-consolidated)
(12)	Major customers	—	BitCash, Inc. Digital Check, Inc. Lawson, Inc.

(13)	Major shareholders and shareholding ratios	Kaoru Hayashi: 27.9% State Street Bank & Trust Company: 7.0% TIS Inc.: 5.5% The Master Trust Bank of Japan, Ltd. (trust account): 5.2% BBH (LUX) Fidelity Funds Pacific Fund: 5.0%	Digital Garage, Inc.: 44.0% Lawson, Inc.: 3.4% ECONTEXT, Inc. (treasury stock): 2.8% Japan Trustee Services Bank, Ltd. (trust accounts): 2.4% Hitachi Systems & Services, Ltd.: 2.2%
(14)	Major banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd Resona Bank, Ltd. Sumitomo Mitsui Banking Corporation	Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Resona Bank, Ltd. Mizuho Bank, Ltd. eBank Corporation

(15)	Relationship between the two companies	Capital	Digital Garage holds 44.0% of all issued shares of ECONTEXT, and has made ECONTEXT one of its consolidated subsidiaries.
		Personnel (Note 1)	The Representative/CEO of Digital Garage is concurrently serving as a director of ECONTEXT. In addition, a director and an auditor of Digital Garage are concurrently serving as auditors of ECONTEXT.
		Transactions	In the fiscal year immediately prior, there were no major transactions between the two companies or between group companies of the two companies.
		Application of the interested party category	Digital Garage has made ECONTEXT one of its consolidated subsidiaries.

(Note 1) The details shown in "(5) Title and name of representative" and "(15) Relationship between the two companies: Personnel" are correct as of August 27, 2008.

(16) Business performance in the past three fiscal years

(Unit: million yen)

	Digital Garage, Inc. (surviving company) (consolidated)			ECONTEXT, Inc. (dissolving company) (non-consolidated)		
Fiscal period	Fiscal year ended June 30, 2006	Fiscal year ended June 30, 2007	Fiscal year ended June 30, 2008	Fiscal year ended June 30, 2006	Fiscal year ended June 30, 2007	Fiscal year ended June 30, 2008
Sales	12,476	17,338	39,582	2,084	2,575	2,812
Operating income	1,703	1,613	-172	543	659	598
Ordinary income	1,505	2,475	-375	542	659	599
Net income	338	588	-2,430	630	398	255

Net income per share (yen)	4,294.73	3,724.33	-15,281.86	7,803.98	4,810.94	3,048.11
Dividend per share (yen)	-	-	-	-	800.00	800.00
Net assets per share (yen)	91,745.46	46,090.88	30,066.49	35,434.57	38,978.26	38,597.28

4. Post-merger situation

(1) Company name	Digital Garage, Inc.
(2) Nature of business	Solution business Settlement and logistics platform business in EC business, etc. Holding shares of group companies to manage their business activities
(3) Location of head office	43-15, Tomigaya 2-chome, Shibuya-ku, Tokyo
(4) Title and name of representative	President and CEO Kaoru Hayashi
(5) Paid-in capital	1,831,833 thousand yen (There will be no change to the amount of paid-in capital as a result of the merger.)
(6) Net assets	The amount has not yet been determined.
(7) Total assets	The amount has not yet been determined.
(8) Fiscal year closing	June 30

(9) Overview of accounting treatment

Accounting treatment for the merger will be implemented by applying III. 4. Transactions under Common Control in the Accounting Standards for Business Associations (published on October 31, 2003 by the Business Accounting Council of the Financial Services Agency).

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