

Digital Garage

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DIGITAL GARAGE ANNUAL REPORT 2015

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Digital Garage

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DG717

717 MARKET STREET, SAN FRANCISCO

Cautionary Statement: Discussions of Digital Garage's current plans and strategies, and outlooks for future performance, included in this annual report are based on information available as of the preparation of this report. Digital Garage believes the views expressed are reasonable as of the time this report was prepared. Nevertheless, risk and uncertainty are inherent in discussions of the future. Users of this report should bear in mind that various factors may cause actual results to differ from expectations or outlooks expressed in this annual report.



For a colony of penguins to survive, they require their staple food: fish. However, the deep ocean in which fish inhabits; dangerous predators such as sharks and seals preying on penguin's abode as well. Despite the possibility of encountering such predators, the first penguin to courageously jump in is referred to as the "First Penguin." The Digital Garage Group was founded on the creed of being the "First Penguin"—having the spirit of stepping forward to be the first to take up a challenge, with courage and unshakeable will. With every one of our employees guided by this spirit of leading—being the first penguin—we will move forward to provide services that are useful to the world.



“BE THE FIRST PENGUIN”

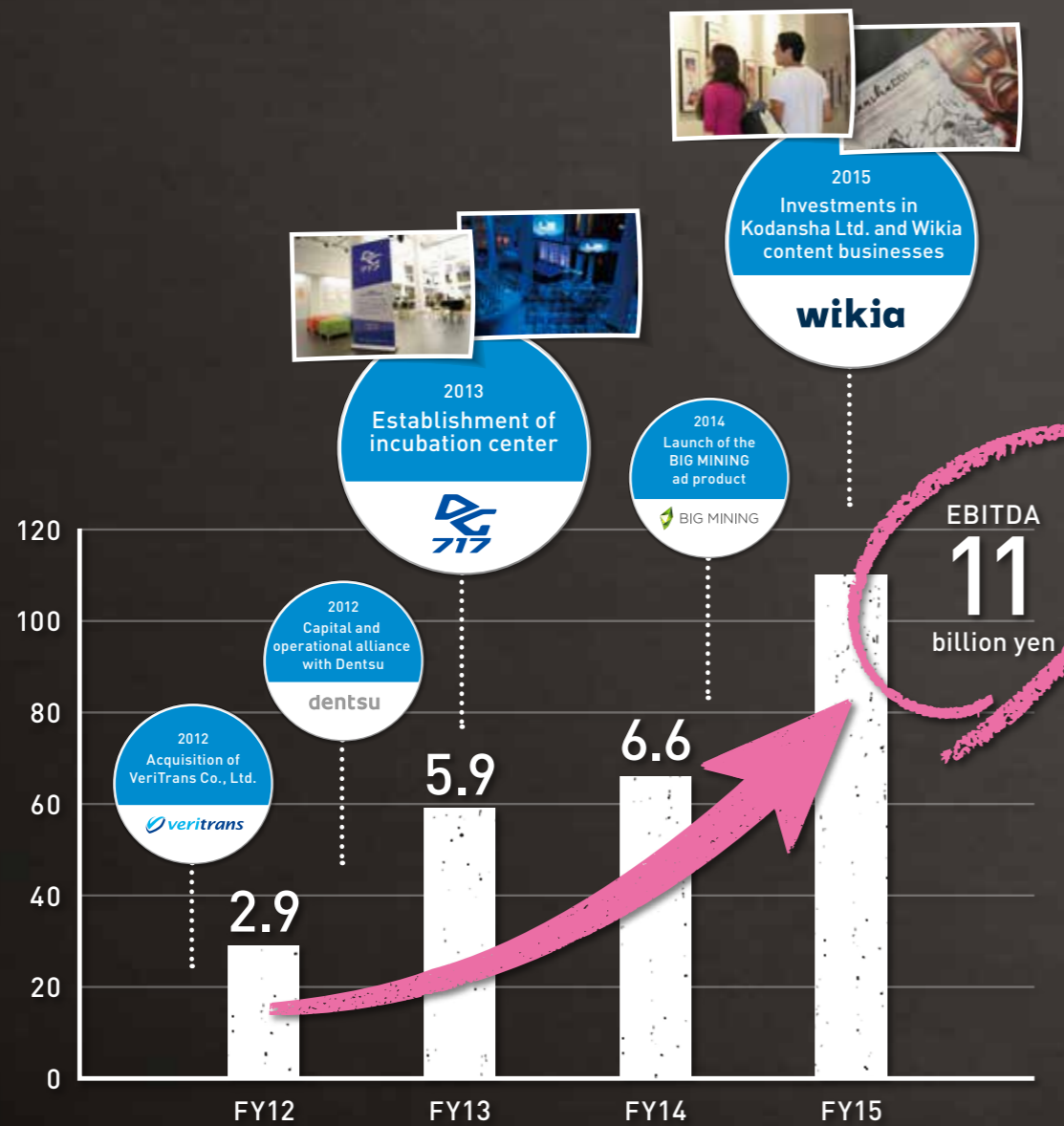
FY 2015 HIGHLIGHTS

Surpassed the Lean Global Midterm Business Plan Final-Year Goal of 10 Billion Yen in EBITDA

Continuation of highly selective investment globally and gradual expansion of the investment total

Achievement of the Midterm Business Plan Quantitative Target

EBITDA for the fiscal year ended June 2015: 11 billion yen



Construction of global incubation system completed

Investment expansion to 9.0 billion yen



Context Company



MESSAGE FROM THE CEO

KAORU HAYASHI

Adding a New Page to the History of Internet Business

We established our business based on the conviction that we must contribute to society by continuously creating new contexts and we remain committed to that idea as we press on with the development of next-generation Internet business.

With “Providing new contexts” as our watchword, we are moving forward to add a new page to the history of Internet business.





Recap of the Three “Lean Global” Years

For our Midterm Business Plan, established in August 2012, we declared the three years covered by the plan to be the “1st stage of DG’s global management centered around Global Incubation.” With the concept of the plan expressed as “Lean Global,” we set for ourselves the goal of achieving EBITDA of 10 billion JPY for our fiscal year ended June 2015.

Having recorded June 2015 consolidated results including net sales of 38.09 billion JPY (+12.8% YoY), operating income of 4.81 billion JPY (+84.4% YoY), ordinary income of 7.61 billion JPY (+71.3% YoY), net income of 5.08 billion JPY (+78.5% YoY), and EBITDA of 11.05 billion JPY, we not only booked record high results for the fourth year running but also achieved our midterm performance objectives.

Furthermore, regarding the Lean Global Midterm Business Plan concept, our DG717 incubation center has made itself a part of the local startup community in the US west coast city of San Francisco—a networking hub linking the US, Japan and mainland Asia—by holding various events and offering co-working space. This, together with growing collaboration with Betaworks—a leading incubator in New York City, on the US east coast—has enabled the establishment of the Global Incubation system DG had envisioned. Building on this success, the coming three years will be a time for transitioning Global Incubation to a full-scale operation phase.

Turning to the individual business segments, steady progress was achieved in expanding earnings bases

in preparation for the coming midterm business plan.

The Incubation Segment saw five of its investees (inside and outside Japan) achieve IPOs over three years, and its total net investments grew to 9.0 billion JPY as of June 30, 2015. New investments totaling 8.0 billion JPY were made in new growth fields, such as IoT and O2O (Online-to-Offline), in Japan, and digital currency outside Japan.

In the Marketing Segment, the performance-based ad business, consisting mainly of affiliate marketing, grew at an average annual rate of 35% over three years, greatly exceeding the industry average and yielding high growth for the segment as a whole. In addition, upfront investments were actively made in the smartphone ad and data science businesses—viewed as global strategic businesses going forward—ramping up measures targeting further growth.

The Payment Segment, benefiting from e-commerce market growth in Japan, increased its annual transaction volume to approximately 1.0 trillion JPY for the fiscal year ended June 30, 2015. Nevertheless, with financial sector and settlement business conditions entering a period of even greater change, a course correction—including a strategic shift making econtext Asia (publicly traded in Hong Kong) into a wholly owned subsidiary—was made to effect a foray into the wide-open FinTech sector melding financial services and IT.

THANKS FOR ALL THE SUPPORT!
NUS

About the New Midterm Business Plan

New Midterm Business Plan Quantitative Objectives

	FY15.6	FY18.6
Income Before Income Taxes	9.2 billion JPY	15.0 billion JPY
Consolidated ROE	17%	> 20%
Ordinary Dividend Payout Ratio	5%	> 20%

Beginning with the fiscal year ending June 2016, DG is implementing a new Midterm Business Plan to take us to the next stage. The watchword for this new plan, “IT/MT/FT X Open Innovation,” signifies our aim to give rise to new added value spanning the boundaries of our individual businesses by adding the concept of Open Innovation to IT (Information Technology), MT (Marketing Technology), and FT (Financial Technology), which we have relied on to date.

Under the new Midterm Business Plan, our quantitative targets for the fiscal year ending June 2018 include income before income taxes of 15.0 billion JPY (annual growth of 17%), consolidated ROE of 20%+, and a consolidated dividend payout ratio of 20%+. We have decided to use pretax earnings as a performance indicator because the performance of our individual business segments is reflected in pretax earnings and because we plan to adopt International Financial Reporting Standards (IFRS) in our fiscal year ending June 2017.

To achieve the objectives set forth in our new Midterm Business Plan, we have decided to create a new earnings source in the form of the Media Incubation Segment. The mission of this new segment is to create next-generation media businesses along the lines of two successful and extremely popular Internet businesses in Japan—Kakaku.com, an online price comparison and shopping site, and Tabelog, a restaurant review and advertising site.

We have also decided to change the names of our existing business segments. Going forward, these will be known as the Incubation Technology Segment, Marketing Technology Segment, and Financial Technology Segment. As a consensus within the DG Group, it was decided that the word “technology” should be added to the names of our existing business segments to indicate our intent to be pioneering adopters of the latest technology and use it to offer new value and engage in new businesses.

Business Segments

IT Incubation Technology
(formerly Incubation)

MT Marketing Technology
(formerly Marketing)

FT Financial Technology
(formerly Payment)



(New)

MI Media Incubation

Creation of new media businesses along the lines of **KAKAKU.com**

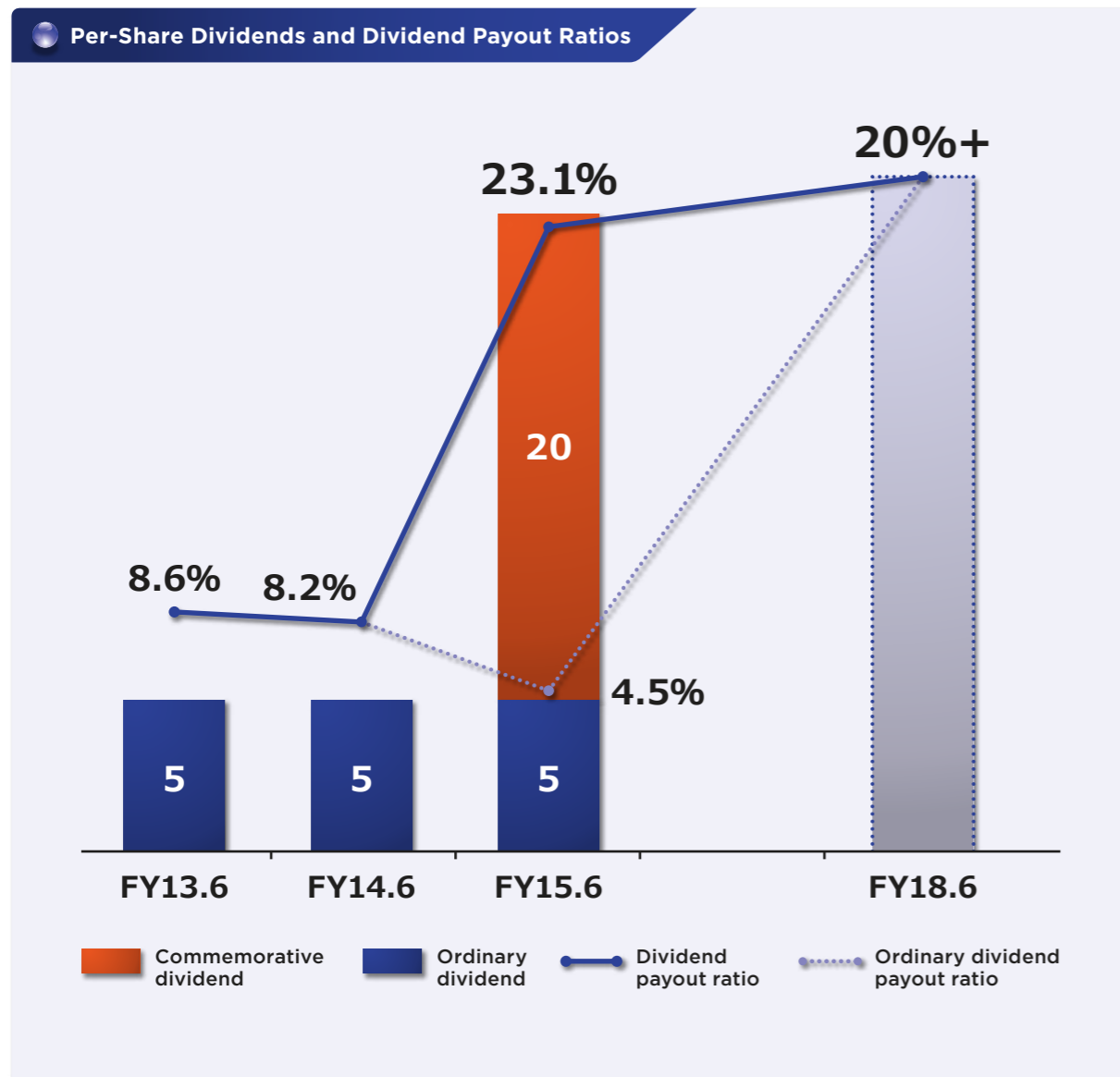
- Incubate businesses with media at the core
- Commercialize seeds/R&D results from inside and outside the Group
- Accelerate investee and other business growth, and alliances

Shareholder Returns

DG places returns to shareholders among its most important management concerns. Decisions on dividends are based on considerations of matters such as the company's financial condition, performance trends, and capital needs for growth investments. We do our best to make the most of opportunities to pay returns especially when we have realized significant investment gains in our incubation business.

For the fiscal year ended June 2015, we declared a per-share dividend of 25 JPY, consisting of the ordinary dividend of 5 JPY per share and a special dividend of 20 JPY per share to commemorate the 20th anniversary of our founding. The dividend payout ratio came to a record high 23.1%.

Given our emphasis to date on reinvesting gains in our incubation and other businesses, we have found it difficult at times to pay adequate shareholder returns. However, considering factors such as our marketing and payment businesses developing to the point of generating stable earnings under our previous Midterm Business Plan, we have included in our new Midterm Business Plan the goal of achieving a dividend payout ratio (for ordinary dividends) of 20%+ in the fiscal year ending June 2018. Furthermore, we will continue to make special efforts to pay shareholder returns when major incubation successes are achieved.



Toward 2020

Compared to three years ago when we adopted our previous Midterm Business Plan, the environment surrounding Internet business has undergone drastic change. The speed of this change is likely to grow exponentially in the lead-up to the 2020 Tokyo Olympic Games. As a result, we anticipate that the boundaries between our three core businesses—IT, MT, and FT—will gradually become less defined. The mission of the Media Incubation Segment is to link these businesses by discerning the future of technology evolution, and to create new businesses along the lines of Kakaku.com and Tabelog that will play useful roles for society. Toward that end, contexts that visualize an era in which people wear high-performance computers, and all manner of objects are connected to the network via IoT, are indispensable.

With that thought in mind, we will act globally over the coming three years with renewed appreciation for "Creating New Contexts for a Better Society," the concept we have embraced since our very beginning. We look forward to the ongoing guidance and support of our shareholders and other stakeholders as we move forward along this path.

K. Hayashi

Kaoru Hayashi

President and Group CEO, Digital Garage, Inc.
 Chairman of the Board, Kakaku.com, Inc.

Philosophy

DG CREDO

TENACITY
 OPENNESS
 INTEGRITY
 AGILITY
 COURAGE



Think for yourself and question authority.

—Timothy Leary





FINANCIAL PERFORMANCE AND STRATEGY



MAKOTO SODA

Board Director (in charge of finance)

Business Performance for the FY 2015

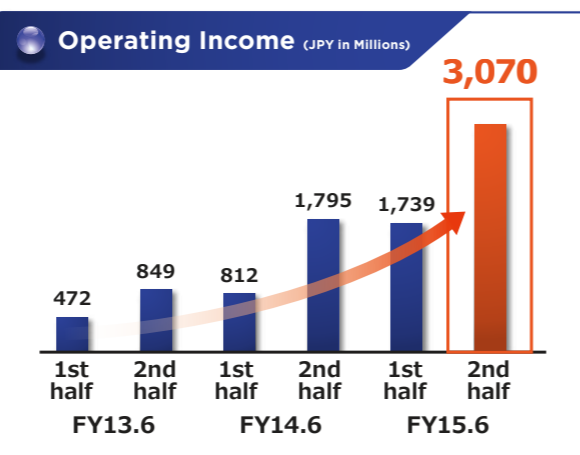
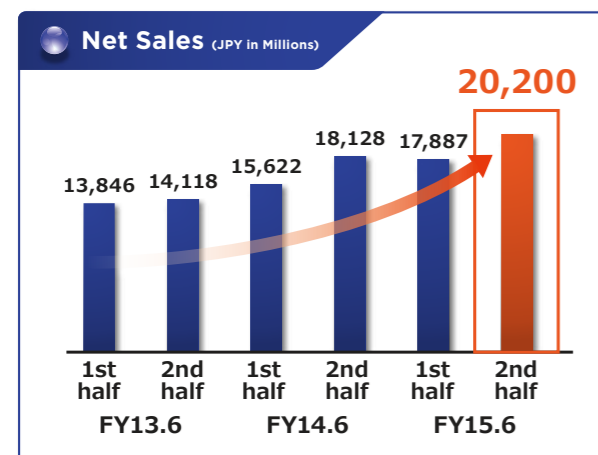
For FY 2015, we recorded our fourth consecutive year of record-high results, with net sales of 38.08 billion JPY (+12.8% YoY), operating income of 4.81 billion JPY (+84.4% YoY), and ordinary income of 7.61 billion JPY (+71.3% YoY). In addition, with EBITDA of 11.1 billion JPY, we achieved the EBITDA target of 10 billion JPY included in our Lean Global Midterm Business Plan, announced in August 2012.

Behind our success was significant growth in both net sales and earnings in all three of our business segments—incubation, marketing, and payment.

Making a particularly big contribution to our record earnings was the Incubation Business, where several of our venture company investees inside and outside Japan completed IPOs, resulting in major investment gains.

The Marketing Segment, another core component of our earnings base, achieved growth in excess of the industry average, and enhanced its profitability, by focusing on the high-return performance-based ad business. To make big data into a new key earnings source, it also moved forward with related upfront investments and organizational enhancements.

The Payment Segment, benefiting from growth of the e-commerce market in Japan, saw steady growth in its mainstay credit card and convenience store settlement businesses, and increased its annual transaction volume to 976.8 billion JPY, basically making itself a trillion-yen player in the industry. In the course of preparing the Payment Segment for its next stage of growth, econtext Asia Limited, a mid-tier holding company in the payment industry, was made into a wholly owned subsidiary.



Implementing a Financial Strategy to Create an Optimal Capital Structure Managing based on Pretax Net Income

DG is constantly aware of its balance of capital and liabilities, and pursues financial strategies always with the goal operating with an optimal capital structure. We believe that what constitutes an optimal capital structure changes depending on factors such as business strategies and the capital procurement environment. As such, we engage in capital procurement activities aimed at achieving an optimal capital structure for the business and financial risks at hand.

During FY 2015, DG made econtext Asia Limited, previously an FT Segment consolidated subsidiary and publicly traded on the Hong Kong Stock Exchange, into a wholly owned subsidiary. After considering business risk for the FT Segment, and conditions in the capital procurement environment, it was decided that financing for that transaction should be obtained in the form of bank borrowings. As a result, our equity ratio fell to 33.1% from 42.9%, and our asset/equity ratio increased to 2.67. Considering economic conditions in Japan and other parts of the globe, and factors internal to DG, we believe these figures indicate we are close to an optimal financial structure. Pursuing strategies for operating

under an optimal financial structure will continue to be a key objective moving forward.

As an Internet business incubator, DG engages in business activities oriented toward incubation in all of its business segments and believes that income before income taxes best reflects all of its business results. We, therefore, place great importance on income before income taxes as a management indicator for enhancing corporate value. Accordingly, beginning with our investment securities report for the fiscal year ending June 2016, we will use income before income taxes, instead of operating income, to report segment business results. This is also part of our preparations for adopting International Fiscal Reporting Standards in the future.

Going forward, we will continue to actively engage in investments that will thoroughly prepare us for sustainably increasing income before income taxes. At the same time, we will also take the steps necessary to maintain an optimal financial structure for the business and financial risks at hand.

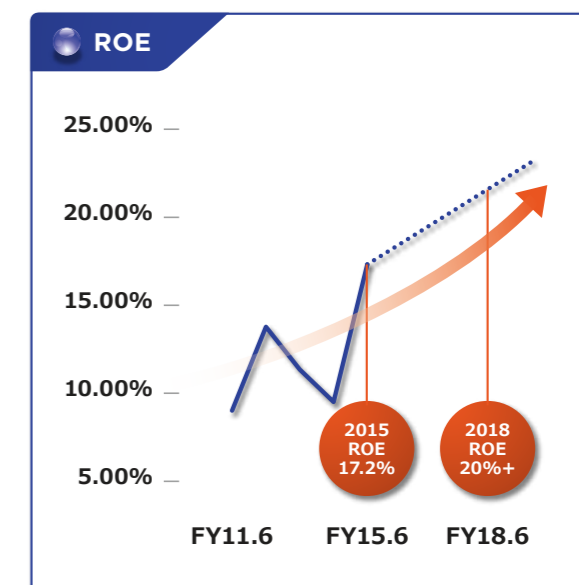
ROE and Shareholder Returns

ROE, of course, can be broken down into return on assets and the asset/equity ratio. DG, however, focuses on optimal capital structure and income before income taxes—important elements of ROE—as two key management indicators. While we have announced the inclusion of a 20%+ ROE as one of our Midterm Business Plan objectives, ROE itself is not a financial objective; rather, we believe that ROE will rise as a result of our implementing an optimal financial strategy and expanding our business.

For FY 2015, ROE came to 17.2%, which was significantly higher than the previous fiscal year's result of 10.1%. The increase can be traced to rises in both the return on assets and the asset/equity ratio, and we see these in turn resulting from growth in income before income taxes and our pursuit of a financial strategy aimed at achieving an optimal financial structure.

Returns to shareholders, as we have stated in our Midterm Business Plan, is one of our most important management concerns. In pursuing our business, however, we face significant investment demands and, therefore, believe dividends should be paid not

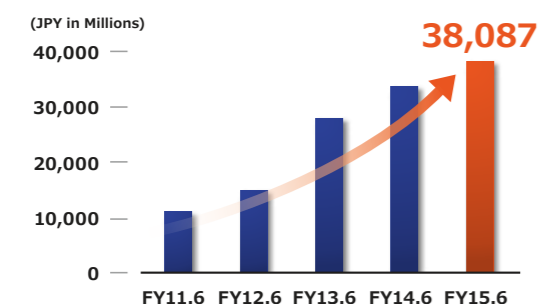
in accordance with some predetermined framework but as the result of efforts to balance distributions to stakeholders with investments for growth, in light of the fiscal year's cash flow and investment demands.





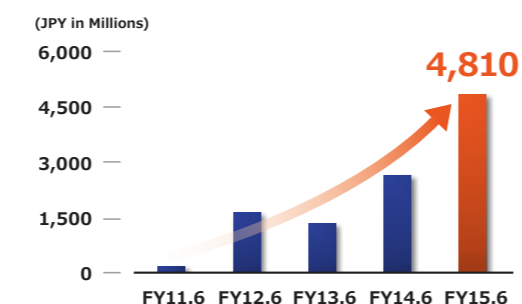
Discussions of Key Performance Indicators

1 Net Sales



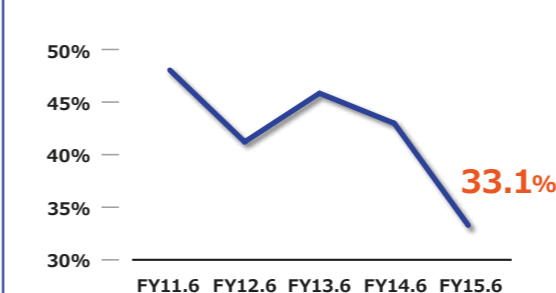
Net sales have risen in each of the past five fiscal years, with the most recent figure—38.0 billion JPY—nearly four times the level posted five years ago. This is the result of tremendous sales growth in all three business segments—the Incubation Segment, which has seen a series of investees go public amid favorable market conditions; the Marketing Segment, which has thrived on growth in the field of Internet advertising; and the Payment Segment, which now has a settlement platform among the largest in Japan.

2 Operating Income



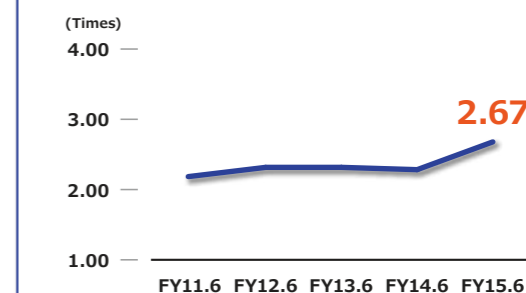
Over the past five fiscal years, there was a period during which operating income performance was less responsive than hoped. The last three fiscal years, however, have been a period of enormous growth and the result for FY 2015 set a record, at 4.8 billion JPY. Growth leading to the establishment of stable earnings capability in two enabling platforms—the Marketing and Payment segments—and gains from the IPOs of Twitter, Inc. overseas and Japanese companies such as Media Do Co., Ltd., Bengo4.com, Inc., and CrowdWorks Inc. in the Incubation Segment contributed to the growth in operating income.

5 Equity Ratio



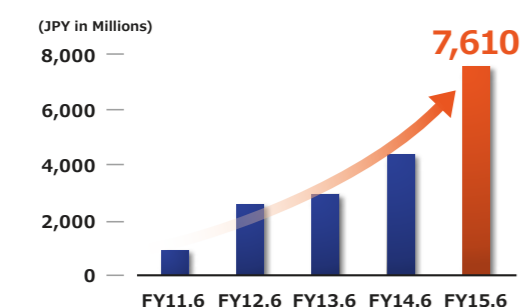
At 33.1%, the equity ratio for FY 2015 was 10 percentage points lower than for the previous fiscal year. This decline resulted largely from the move to make econtext Asia Limited, previously a consolidated subsidiary listed on the Hong Kong Stock Exchange, into a wholly owned subsidiary. The change in equity held and other impacts of the acquisition of additional econtext Asia Limited shares caused declines in capital surplus and minority interests, and ultimately a 7.4 billion JPY reduction in net assets. As a result, the equity ratio fell by approximately 5 percentage points on the year.

6 Asset/Equity Ratio



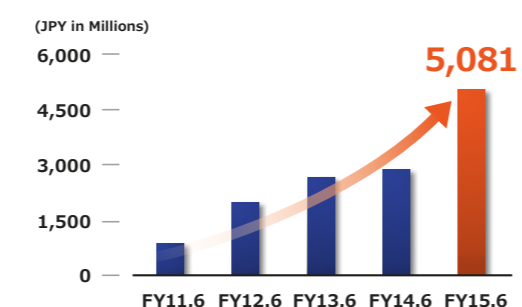
In FY 2015, the asset/equity ratio rose 0.4 percentage points to 2.67. The reason for this was a decrease in net assets and an increase in total liabilities to 22.9 billion JPY, partly because of an increase in borrowings. The borrowed funds were used to turn a consolidated subsidiary into a wholly owned subsidiary. The decision to finance this transaction with borrowed funds was made based on consideration of the current capital procurement environment and the impact of financial leverage in bringing about the optimal financial structure for current conditions.

3 Ordinary Income



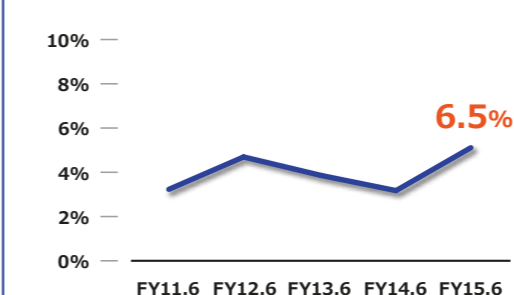
When Kakaku.com was made into an equity method affiliate in 2009, DG began recording its share of Kakaku.com's net income as non-operating income. Growth in Kakaku.com's net income, together with growth in DG's operating income, produced record ordinary income for DG in FY 2015.

4 Net Income



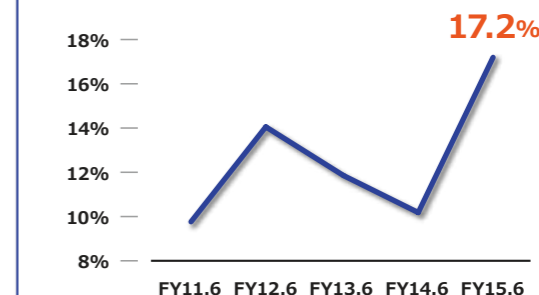
Gains on sales of investment securities, which comprise a portion of the earnings from DG's incubation activities, are recorded as extraordinary income. During FY 2015, Kakaku.com executed a share buy-back and DG responded by selling a part of its holdings. Gains from that sale contributed to DG's net income figure of approximately 5.0 billion JPY for the most recent fiscal year.

7 ROA



For FY 2015, ROA (Net income/Total assets) rose by 2 percentage points from the previous fiscal year, to 6.5%. An increase in net income to a record-high 5.0 billion JPY made this possible despite a 15.5 billion JPY increase in total assets. Over the past five fiscal years, ROA has fluctuated somewhat, but basically held steady at around 5.0%. We see this as evidence that increases in total assets are steadily bringing about higher sales. Nevertheless, we aim to increase our asset efficiency and boost ROA further.

8 ROE



ROE for FY 2015 came in at 17.2%, a significant increase compared to the 10.1% result for the previous fiscal year. The increase can be traced to rises in both return on assets and the asset/equity ratio. It also reflects record-high net income of 5.0 billion JPY and a 7.9 billion JPY decrease in net assets.

CONTEXT COMPANY

Think for yourself and question authority.
—Timothy Leary



REAL & CYBER
LOCAL & INTERNATIONAL
MARKETING & TECHNOLOGY
PRESENT & FUTURE

MISSION AS A CONTEXT COMPANY

Since its establishment 20 years ago, Digital Garage has put itself forward as a company that creates contexts for the Internet era. In using the word, “context,” we mean shared understanding based on relationships, environments, culture, and ideas.

We established DG as a company that would explore ways for creating Internet contexts incorporating real space and cyberspace—which was set to expand by leaps and bounds—and linking Japan and the rest of the world, marketing and technology, and the present with the future. We established DG to be a company that would create contexts useful for the world. And, indeed, DG has built a solid track record of constantly being at the cutting edge of Internet development, and taking on “first-in-Japan” projects. We are proud that the history of DG is the history of the Internet in Japan.

Looking to the future, we will remain steadfast in our efforts to add new pages to the history of the Internet by creating new services that contribute to society. We aim to accomplish much and welcome anticipation of our results.

BUSINESS MODEL

INCUBATION MODEL

DIGITAL GARAGE'S BUSINESS MODEL

The Digital Garage Group, with its IT (Information Technology), MT (Marketing Technology), and FT (Financial Technology), has created new contexts by connecting phenomena in different fields.

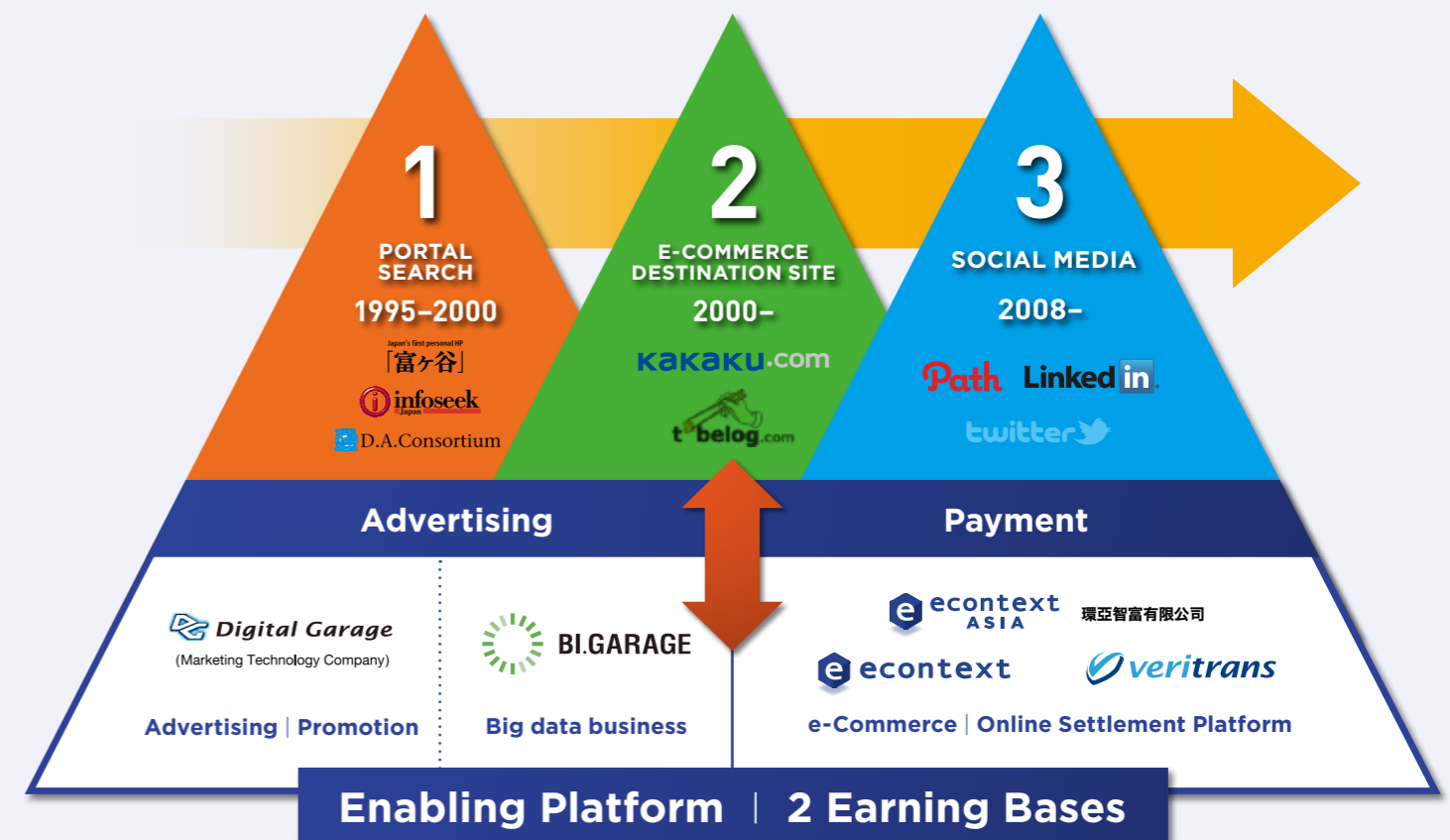
Amid the conflation of the real and cyber worlds, and relentless economic globalization, new contexts are the foundation for the creation of next-generation value. We firmly believe that concepts that go unnoticed at first can, in the right context, become central to people's lives.



THE DIGITAL GARAGE GROUP'S THREE EARNINGS BASES

DG has three earnings bases. We refer to two—the Financial Technology Segment providing Internet and convenience store payment systems and the Marketing Technology Segment engaging in web advertising and product promotion—as our Enabling Platform.

Underpinned by the Enabling Platform, our third earnings base—the Incubation Technology Segment investing in and nurturing venture companies throughout the world—has funded companies such as Kakaku.com and Twitter. This aspect of our business model is unique to DG. Digital Garage aims to continue contributing to society with stable earnings from its advertising and payment based Enabling Platform, and investment and nurturing of companies that develop and provide convenient, practical services.





IT INCUBATION TECHNOLOGY

Creating Internet Business by Nurturing Services that Will Change the World

Since its very beginning, Digital Garage has been growing businesses by uncovering and nurturing the latest developments in Internet services. This is in our DNA, which finds its strongest expression in our Incubation Technology Segment.

DG's approach to incubating startup companies is to take a progressive approach through its unique incubation stream. Possibilities for business development know no boundaries, and, through our network linking Japan, other parts of Asia, and the US, we identify promising startup companies working to develop next-generation Internet businesses and support them with investment and other types of assistance as they cultivate capabilities for realizing their potential.

INCUBATION TECHNOLOGY

Establishing DG's Own Unique Incubation Ecosystem

SEGMENT

FY 2015 Highlights

For FY 2015, the Incubation Segment posted net sales of 7.45 billion JPY (+1.98 billion JPY, 36.1% YoY) and operating income of 3.55 billion JPY (+1.90 billion JPY, 115.4% YoY).

Partly with gains from two IPOs in Japan, DG Incubation, Inc., the Group's venture investment arm, recorded a major increase in earnings from its venture company investment and incubation business. The company has invested in Wikia, Inc. (Headquarters: San Francisco, Ca., USA), the operator of the Wikia community website established by Jimmy Wales, who is also the founder of the online encyclopedia, Wikipedia. By providing operational support for the Japanese-language Wikia site, DG Incubation has also embarked on a content business initiative.

Investment Balance and Investment Direction Going Forward

During the three years of the previous Midterm Business Plan, implementation of which began in FY 2013, DG Incubation made new investments totaling 2.0–3.0 billion JPY per year and saw IPOs by four companies—aucfan Co., Ltd.; Media Do Co.,

Ltd.; Bengo4.com, Inc.; and CrowdWorks Inc.—in Japan, and one—Twitter, Inc.—overseas. As a result, Midterm Business Plan objectives were achieved and the investment portfolio was expanded and enhanced.

Looking to the future, the global incubation system established over the past three years will be applied to its fullest to expand and enhance the investment portfolio mainly with overseas investees. Investment attention will focus on O2O, FinTech, AdTech, next-generation media, medicine, biotechnology, and other new growth fields.

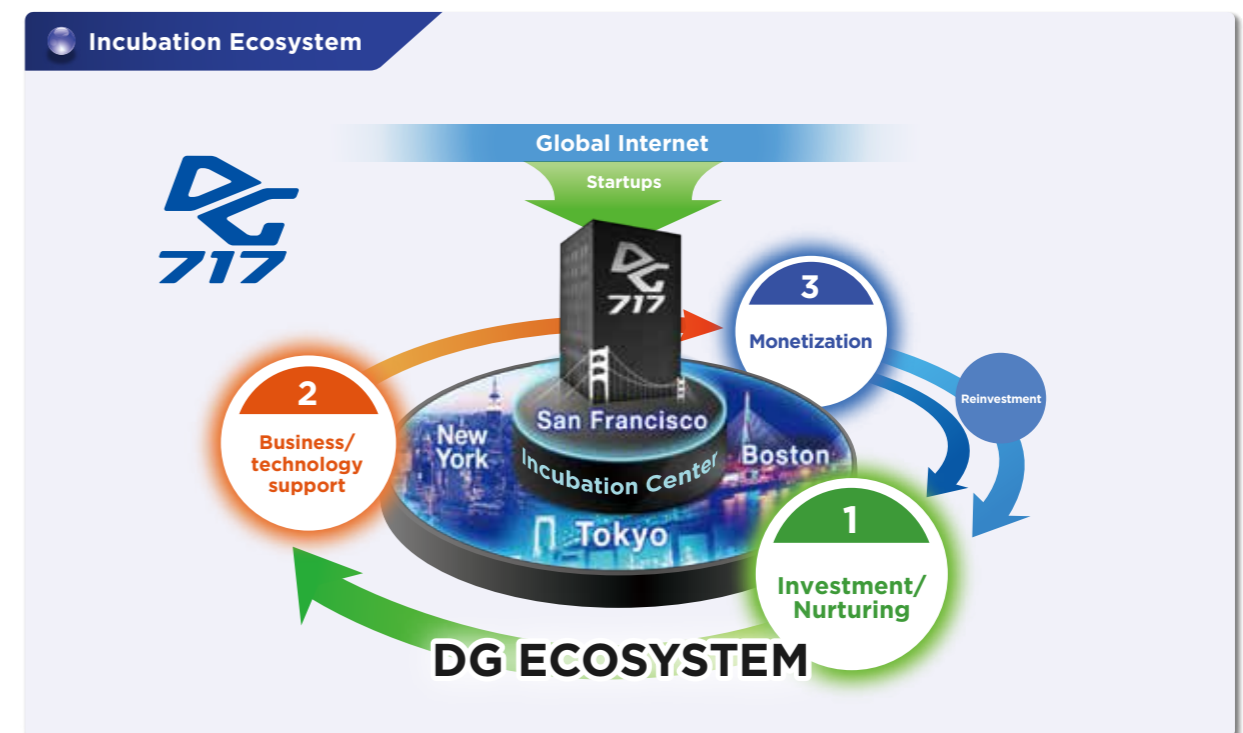
Incubation Ecosystem Structure

Under the previous Midterm Business Plan, which it began to execute in July 2013, DG established the DG Incubation Ecosystem for conducting the entire incubation cycle—from investment and nurturing of venture companies, through business and technical support, and monetization—solely with resources from within the DG Group. At the same time, a network for global application of the DG Incubation Ecosystem was also constructed.

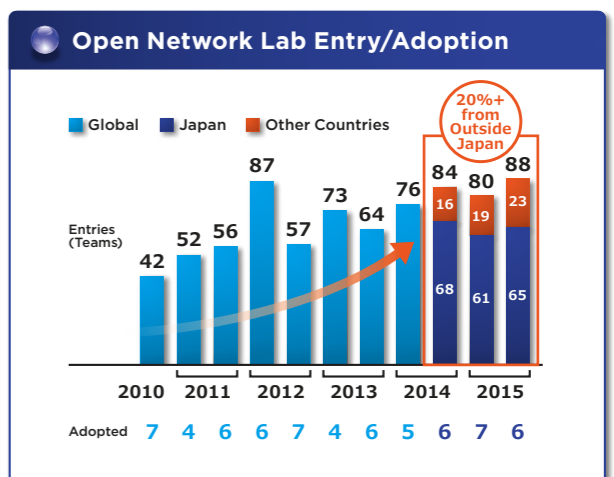
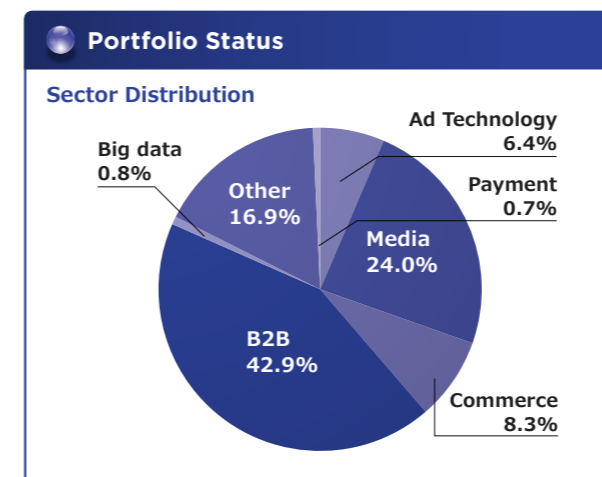
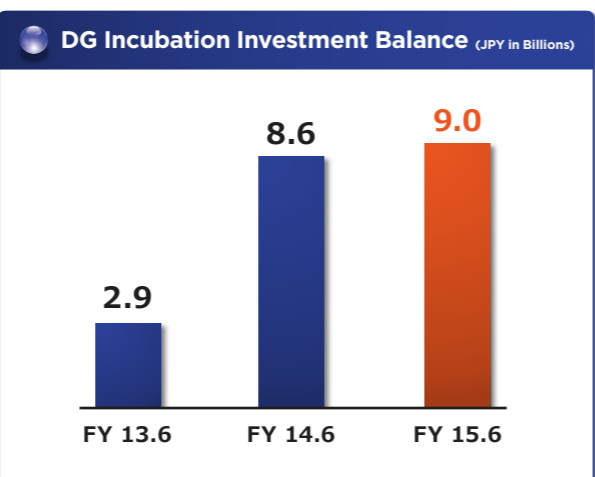
The core of this global ecosystem is the DG717 incubation center in San Francisco. DG717, as the DG Group's US location, is a gateway to Silicon Valley

that mingles Internet business with content and art, and provides global human resources and companies managing next-generation Internet businesses with opportunities to succeed and grow.

Moving forward, attention will focus on expanding the DG Incubation Ecosystem on a global basis and accelerating the DG Group's incubation activities.



	FY 14.6	FY 15.6	YoY
Net sales	5,475	7,454	+36.1%
Operating income	1,645	3,545	+115.4%
Income before income taxes	1,595	2,804	+75.8%

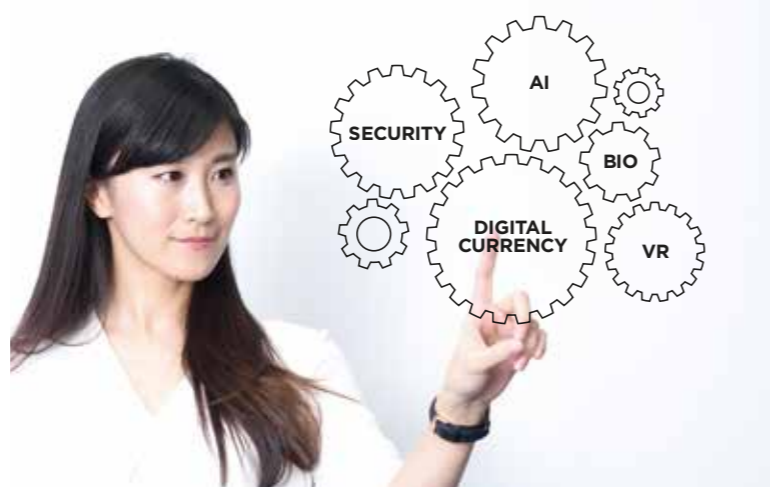


INCUBATION TECHNOLOGY SEGMENT

Flexibly Responding to an Era of Technology Diversifying with Open Innovation

Establishment of an Organization for Creating New Businesses

DG is moving forward with efforts to build an organization for not only investing in outstanding startup companies but also applying their technologies and services to establish new DG businesses. The Open Innovation Division, established in FY 2015, incubates products by new businesses and investees. And DG Lab, where operations will soon be underway, will uncover the foundations of future businesses by developing and testing prototypes of products based on advanced technologies.



Establishment of the Open Network Lab Brand

Since its establishment in the summer of 2010, the Open Network Lab's "Seed Accelerator Program" has nurtured the development of 58 teams composed, in total, of 230 entrepreneurs/engineers from countries and regions throughout the world. Among the outstanding teams graduating from the Open Network Lab are some of the world's most innovative startup companies. Examples include: Fabric, Inc., developer of the flea market app, Fril; AnyPerk, Inc., a provider of employee benefits services for

small-and-medium enterprises based in the US; and WHILL Inc., a developer of next-generation wheelchair-based mobility devices.

Moving forward, the Open Network Lab will collaborate with leading incubators from around the world, and expand its network to include Asia and Europe. Instrumental in this effort will be incubation centers in Tokyo, Kamakura, and San Francisco.

Startups Nurtured by the Open Network Lab

Envisioning 2020 Toward 2020

The Incubation Segment has constantly led the pursuit of the very latest in Internet business. From the mid-1990s, when attention focused on portal sites and search engines, to the beginning of the 2000s, when e-commerce and destination sites were the latest rage, and today when social media is dominating, Internet business has undergone enormous and extremely varied changes. Throughout this history of evolution, Digital Garage has excelled in discovering the exceptionally promising startups that appear from time to time, and, by investing in and nurturing them, has grown together with them.

This business model has made Digital Garage what it is today and there are no plans to change it. Indeed, it is now necessary to further elevate our antenna for discerning the future of cutting-edge technology. The reason is that the wave of open innovation unleashed by the Internet is swallowing up not only the software but also the hardware industry, and surging toward biotechnology, as well, and technology is rapidly evolving in various fields.

To flexibly respond to such diverse changes in technology, and grow businesses while continuing to incorporate cutting-edge technologies as we have in the past, the range of business fields targeted for

investment and business development in the Incubation Technology Segment will be expanded.

For its part, the Open Innovation Division will help investees develop their businesses, while also working to establish new DG businesses in future growth fields.

To identify the directions in which advanced technology is moving, and uncover the technology seeds that could become new businesses, DG Lab will be launched as an R&D unit. DG Lab will engage in collaborative R&D with investees and strategic partners to establish new businesses mainly in Blockchain technology, security, artificial intelligence, virtual reality, and biotechnology. In examining the potential technology seeds, active use will be made of the research results of the MIT Media Lab, which is headed by Joichi Ito, a Digital Garage co-founder.

DG Lab will test advanced-technology-based business concepts by developing prototypes and releasing them to users, and will then closely consider prospects for business success. The agile development know-how we have developed to date will be critical for this process. Business concepts judged to be promising will be transferred to the Open Innovation Division for full-scale business development.





MARKETING TECHNOLOGY

Applying Marketing Technology to Design Optimal Content

The Marketing Technology Segment offers advertising and promotion technology and solutions for targeting individual consumers. In supporting business partners, we apply marketing technology that is indispensable for its ability to grasp the perspectives of targeted customers.

We draw on One-to-One Marketing, CRM, and Online-to-Offline marketing concepts to present business partners with solutions that go beyond the simple application of data management techniques to realize marketing approaches that are characterized by a human touch and respond to the desires of individual customers. The roots of this unique philosophy, unconventional for an Internet company, trace all the way back to the advertising and marketing company, From Garage, that would later become Digital Garage.

MARKETING TECHNOLOGY

A Digital Marketing Company Applying Cutting-Edge Technology

SEGMENT

FY 2015 Highlights

For FY 2015, the Marketing Segment reported net sales of 16.06 billion JPY (+1.24 billion JPY, 8.4% YoY) and operating income of 1.07 billion JPY (+210 million JPY, 24.7% YoY).

In 2014, Internet advertising expenditures for the industry as a whole surpassed the one trillion JPY mark for the first time, growing 12.1% YoY, to 1.05 trillion JPY. Regarding the "performance-based ads" (actively managed advertising) DG offers, overall spending maintained its high rate of expansion, growing 23.9% YoY, to 510.60 billion JPY.

Within that overall environment, DG's Marketing Technology Company advertising and promotion arm continued to grow on the strength of affiliate marketing and other types of performance-based ads, and increased its sales of ads for smartphones. In addition, putting together its digital marketing know-how and big-data analysis technology, the Marketing Technology Company began offering support for both inbound and outbound app businesses.

Fantastic Growth in Performance-based Ads

DG's Marketing Segment has enjoyed growing business results led by performance-based ads emphasizing ROI stemming from the ability to actively manage web advertising. In FY 2015, performance-based ad net sales grew to 10.20 billion JPY, marking a second consecutive year of 35% annual growth, far exceeding the industry growth rate. Going forward, the Marketing Segment aims to use its outstanding ad management strengths to establish itself as the number one performance-based ad agency in Japan.

Marketing Technology Segment's Growth Strategy

DG's Marketing Technology Segment, working as a partner for clients and business collaborators, is pursuing the following three growth strategies as it endeavors to be a digital marketing company applying the latest technical resources.

The first strategy is expansion into the digital marketing periphery. The Marketing Technology Segment

will strengthen the smartphone-marketing and app-business areas of its web advertising, the current growth driver. At the same time, in its real promotion unit, it will apply its sales promotion know-how and web advertising expertise, and strengthen its O2O solution business applying smartphones, which have risen to prominence in recent years.

Expansion and growth of the data marketing business is the second strategy. The DG Group has linked media audience data from Kakaku.com, Internet payment data, advertising data from the Dentsu Group—a strategic partner—and other types of big data, as well. The Marketing Technology Segment aims to develop its DMP (Data Management

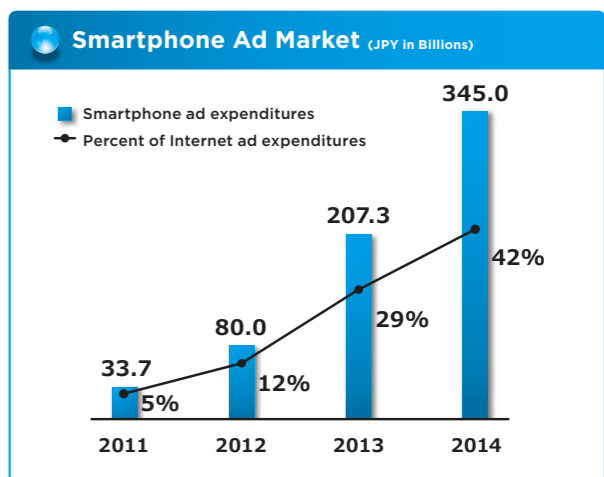
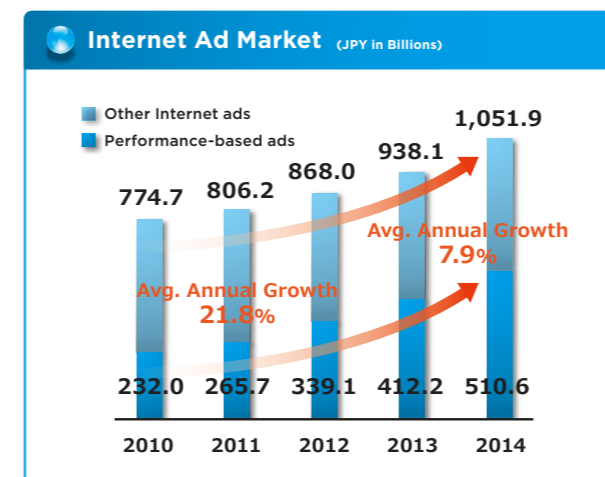
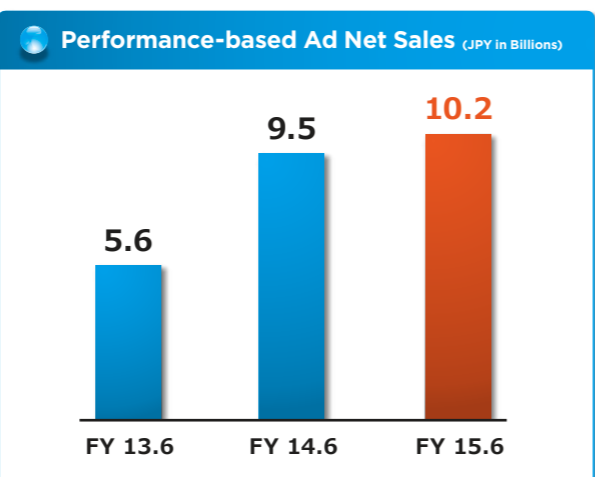
Platform) business, which makes use of this data, into a core next-generation earnings source.

The third strategy is global development of each of the Marketing Technology Segment's businesses. The marketing business being pursued in Japan and the DG strategic businesses mentioned with regard to strategies one and two above, in other words, will be developed at a global level. Indeed, global marketing operations are already in collaborative undertakings with business partners and clients.

Growth of the Marketing Technology Segment will be accelerated by implementing these strategies.



Business Results (JPY in Millions)			
	FY 14.6	FY 15.6	YoY
Net sales	14,822	16,064	+8.4%
Operating income	854	1,066	+24.8%
Income before income taxes	874	1,065	+21.9%



Source: "Advertising Expenditures in Japan 2014" published by Dentsu Inc.

Source: "Smartphone Ad Market" research report published by D2C Inc. and Cyber Communications Inc.

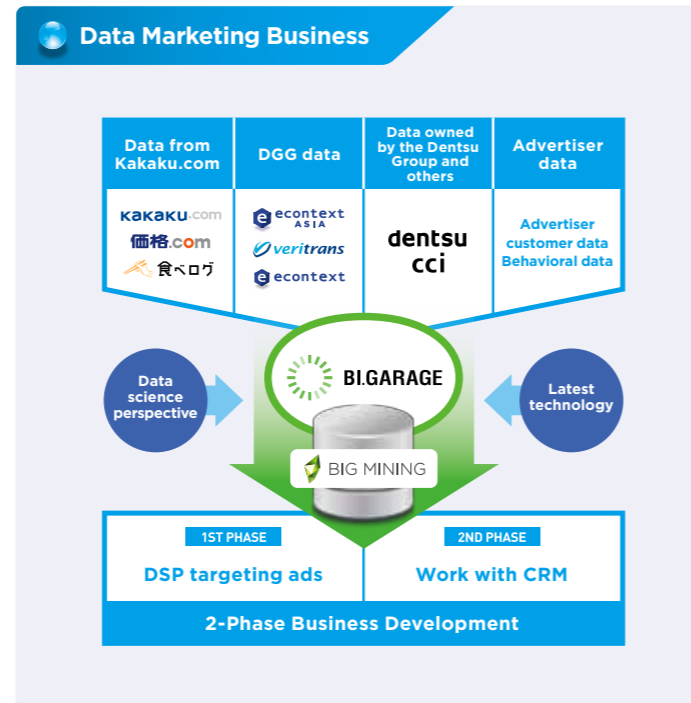
MARKETING TECHNOLOGY SEGMENT

Establishing a Solid Presence in Digital Marketing

Full-Scale Development of the DMP Business

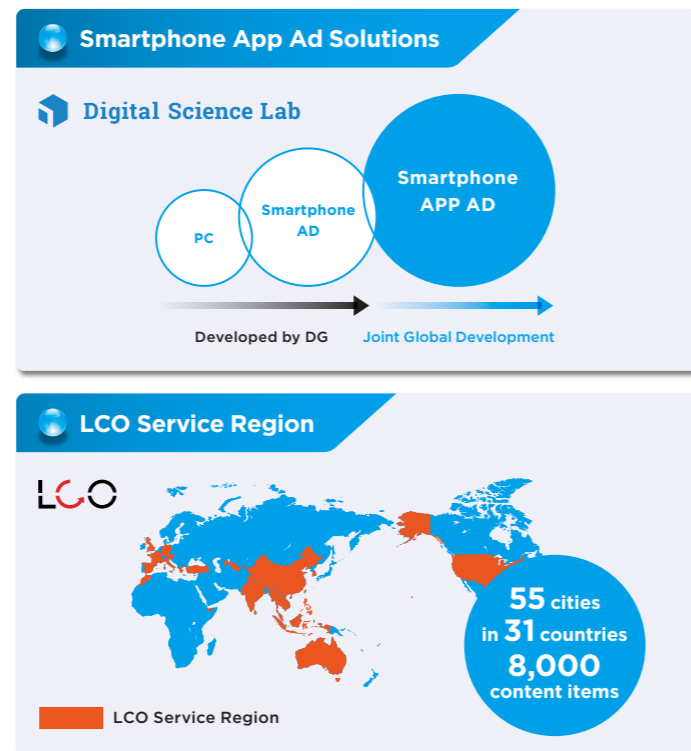
Since April 2014, we have been selling a new advertising product called BIG MINING. Using the DG Group's big data, BIG MINING identifies optimal target segments for client companies and then uses demand side platform (DSP) and other approaches to distribute ads to the target segments.

In August 2015, we embarked on the second phase of the DMP business, the provision of BIG MINING Private services. Working in combination with customer relationship management (CRM), these new private DMP services use the DG Group's proprietary database and cutting-edge business intelligence to integrate and analyze DG's audience data, membership segment data owned by client companies, and other types of data to offer marketing solutions that are optimal for client companies.



Smartphone-First Alliances

In support of the "smartphone-first" approach to software and website development, we embarked on two alliances in FY 2015. The first was a merger with Metaps Inc. that led to the establishment of Digital Science Lab. Inc. to pursue business in actively managed advertising via smartphone apps. With its ability to draw on both DG's wealth of strategy expertise and know-how in digital marketing, and Metaps's global marketing capabilities and advanced data analysis technology, Digital Science Lab aims to provide smartphone app advertising solutions. The second alliance we entered into is a capital and operational tie-up with LCO-Creation Singapore Pte. Ltd. Through this alliance, we and LCO are using app services to distribute LCO's trove of travel guide information—approximately 8,000 items of content on 55 cities in 31 countries—to users in client membership databases. In addition, applying tools such as preferential services only users can access at travel destinations, Digital Science Lab will promote service usage during overseas travel and build an O2O model for directing customers to local destinations.



Envisioning 2020 Toward 2020

Envisioning the business environment the Marketing Technology Segment will face in 2020, it is anticipated that new-generation hardware—smartphones, tablets, wearable computers, IoT, etc.—will have proliferated and that this will have led to the elimination of the separation of the real and cyber worlds, and to structural changes in consumer behavior.

It is expected that e-commerce and the smartphone-oriented Internet advertising markets will expand further as smartphones continue to be the center of convergence, and that it will become indispensable for company sites (services) to be accessible via apps. Given the anticipated demand for more sophisticated user interfaces and user experiences, we will advance smartphone-first approaches emphasizing user experience.

As mobile devices become more sophisticated and less expensive, smart phones and IoT will become more familiar and adoption rates will accelerate. This in turn will result in accumulations of enormous amounts of data. Applying big-data approaches, we will analyze browsing histories, location data, purchase histories, and other kinds of data, as well, and

use cutting-edge business intelligence to integrate and organize results to provide marketing services a cut above in sophistication.

With the holding of the Tokyo Olympic Games in 2020, and the effects of further globalization, there will be a need to respond to greater numbers of overseas visitors. We, therefore, will strengthen alliances—including collaborations with companies from outside Japan—to offer inbound solutions.

The Marketing Segment's mission, as the client's business partner, is to employ all manner of approaches—for example, marketing consulting, web integration, and incubation—to support monetization.

Aiming to become a presence that could be described as "a general trading company of the Internet," the Marketing Segment will accelerate investment and alliance activities aimed at strengthening data marketing, smartphone app development, and global business endeavors beyond advertising and promotion, while also elevating its existing businesses to new levels of sophistication. It will create new value in accordance with its vision of 2020 and firmly establish itself in the field of digital marketing.





FT

FINANCIAL TECHNOLOGY

Providing Technology New Businesses Can Rely on for Growth

FinTech has been in the spotlight recently, but DG has had its finger on the potential of IT-based financial services since the dawn of the Internet. Our involvement in Japan's first e-commerce site and convenience store payment systems attest to our early awareness.

In the present day, our endeavors in web-based financial services are encapsulated in the Financial Technology Segment. This part of DG's business draws on the strengths of econtext, Inc., which spearheaded the development and proliferation of convenience store payment systems, and Veritrans Inc., an online payment pioneer, to offer an array of services applying not only web-based payment technology but other aspects of FinTech, as well. The Financial Technology Segment is also gearing up to actively introduce highly reliable financial services developed in Japan to other parts of Asia.

FINANCIAL TECHNOLOGY

Striving to be Asia's Leading FinTech Company

SEGMENT

FY 2015 Highlights

For FY 2015, the Payment Segment reported net sales of 14.57 billion JPY (+1.11 billion JPY, 8.3% YoY) and operating income of 1.32 billion JPY (+119 million JPY, 9.9% YoY).

With the BtoC-EC market expanding at an annual rate of 14.6%, reaching 12.80 trillion JPY in 2014, business conditions have remained favorable.

Within that overall environment, DG subsidiaries Veritrans Inc. and econtext, Inc.—both of which are pursuing the payment business in Japan and have benefited from overall market growth—have continued to post steady gains in the number and value of transactions handled, and in business performance. In addition, using their e-commerce payment platforms, they have devoted significant attention to developing and offering payment solution packages for real estate and other non-e-commerce businesses, in which adoption of cashless payment is expected to grow.

In June 2015, Digital Garage, Inc. made econtext Asia Limited, which had been listed on the Hong Kong Stock Exchange, into a wholly owned subsidiary as part of its effort to revamp its investment and acquisition strategy in Asia.

Moving toward the Trillion JPY Mark in Transactions Handled

When it acquired Veritrans Inc. in 2012, the DG Group placed itself among the largest payment platform operators in Japan. Since then, DG's payment business has continued to expand together with Japan's e-commerce market. For FY 2015, the total value of payments handled grew to 976.8 billion JPY (+19.5% YoY), with the number of transactions handled coming to around 200 million.

Development of New Markets

The size of Japan's electronic payment market was 44 trillion JPY in 2012 and is projected to reach 66 trillion JPY in 2017, growing at an average of 8.4% annually. Even so, however, cash and other non-electronic payments will still make up a greater percentage of overall consumer purchases. Using our electronic payment technology, we are vigorously working to increase the use of electronic payments.

More specifically, we work with Kakaku.com, an equity method affiliate, to provide the Tabelog PAY smartphone-based credit card payment service for use by the restaurant industry, and with DG Communications, an advertising agency specializing in real estate, to make the Suma PAY system for rent payments available

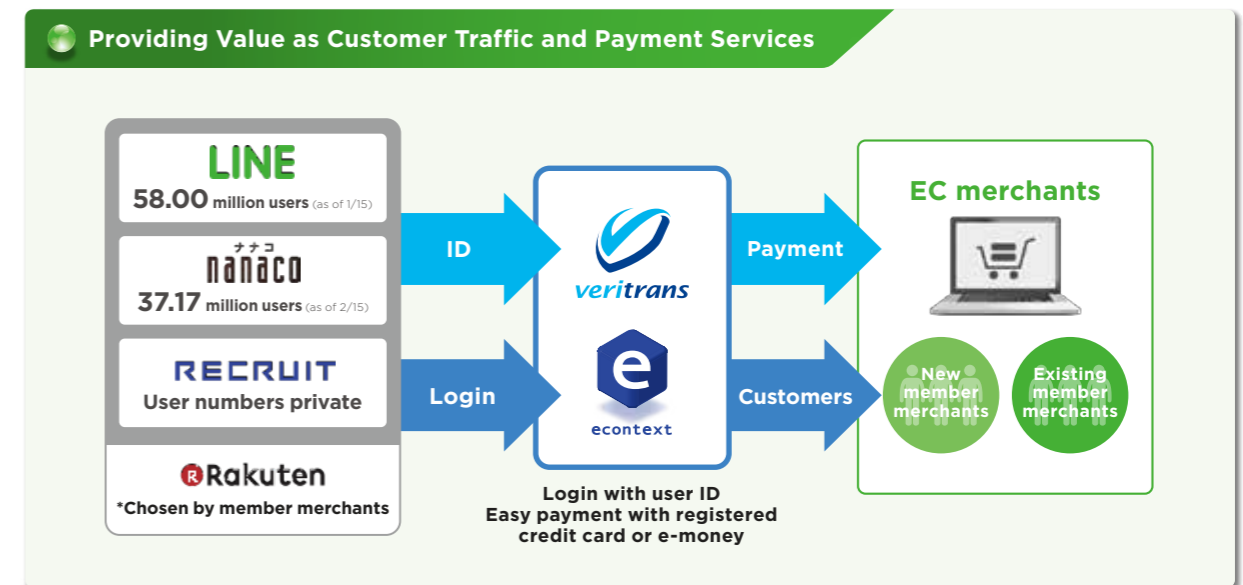
to the real estate industry. Other services include Ceremony PAY credit card payment and financing packages for covering funeral costs. We are actively seeking out new electronic payment market expansion opportunities outside of the existing e-commerce market.

that allow registered users of LINE, Rakuten, Recruit, and other services with large membership bases to simply enter their membership ID to make credit card payments for purchases from merchants using a DG Group payment system.

Partnering with Other Major Platform Operators

The Payment Segment has built payment environments

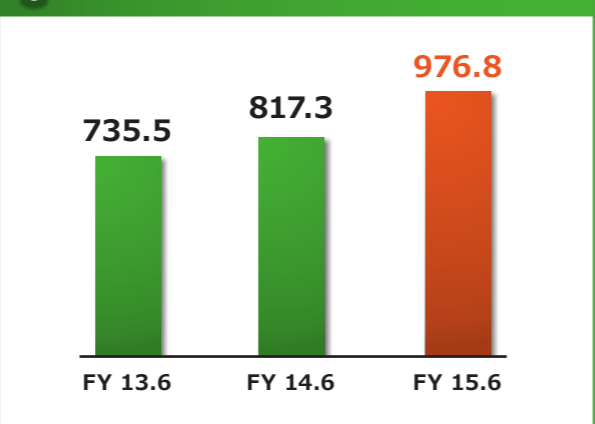
Through our partnerships with these services, we are not only offering our customers—e-commerce merchants—a way to receive payments but also enabling the provision of marketing value in the form of communications targeting registered users of the services mentioned as potential customers.



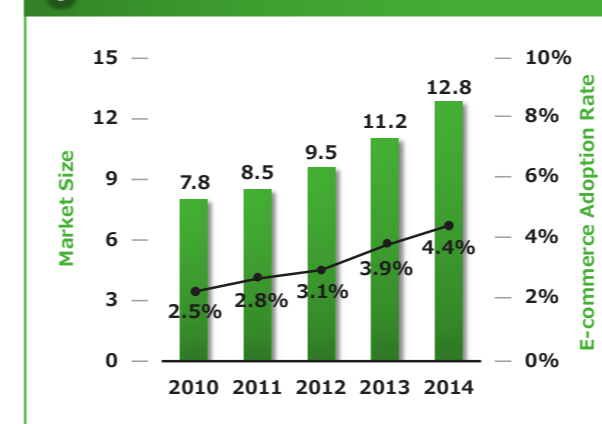
Business Results (JPY in Millions)

	FY 14.6	FY 15.6	YoY
Net sales	13,454	14,568	+8.3%
Operating income	1,201	1,320	+9.9%
Income before income taxes	1,496	1,335	-10.7%

Payment Transaction Value (JPY in Billions)

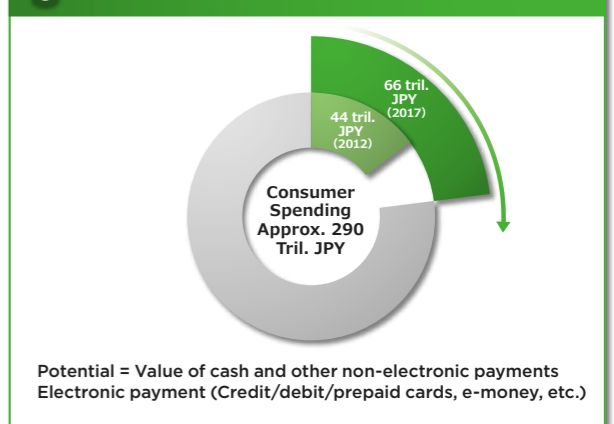


E-commerce Market Growth (JPY in Trillions)



Source: 2014 e-commerce transaction survey data published by the Japan Ministry of Economy, Trade and Industry

Electronic Payment Potential



Source: Research by the Japanese Ministry of Internal Affairs and Communications, Statistics Bureau; Yano Research Institute Ltd.; and Digital Garage, Inc.

FINANCIAL TECHNOLOGY SEGMENT

Transition from Payment Agency to Comprehensive FinTech Company

Asian Strategy and Making econtext Asia into a Wholly Owned Subsidiary

Aiming to expand the payment business in Asia, econtext Asia Limited, a DG consolidated subsidiary, listed its shares on the Hong Kong Stock Exchange in December 2013. econtext ASIA eventually attained a degree of success, making strategic investments and establishing joint venture companies in Indonesia, China, India, and Vietnam.

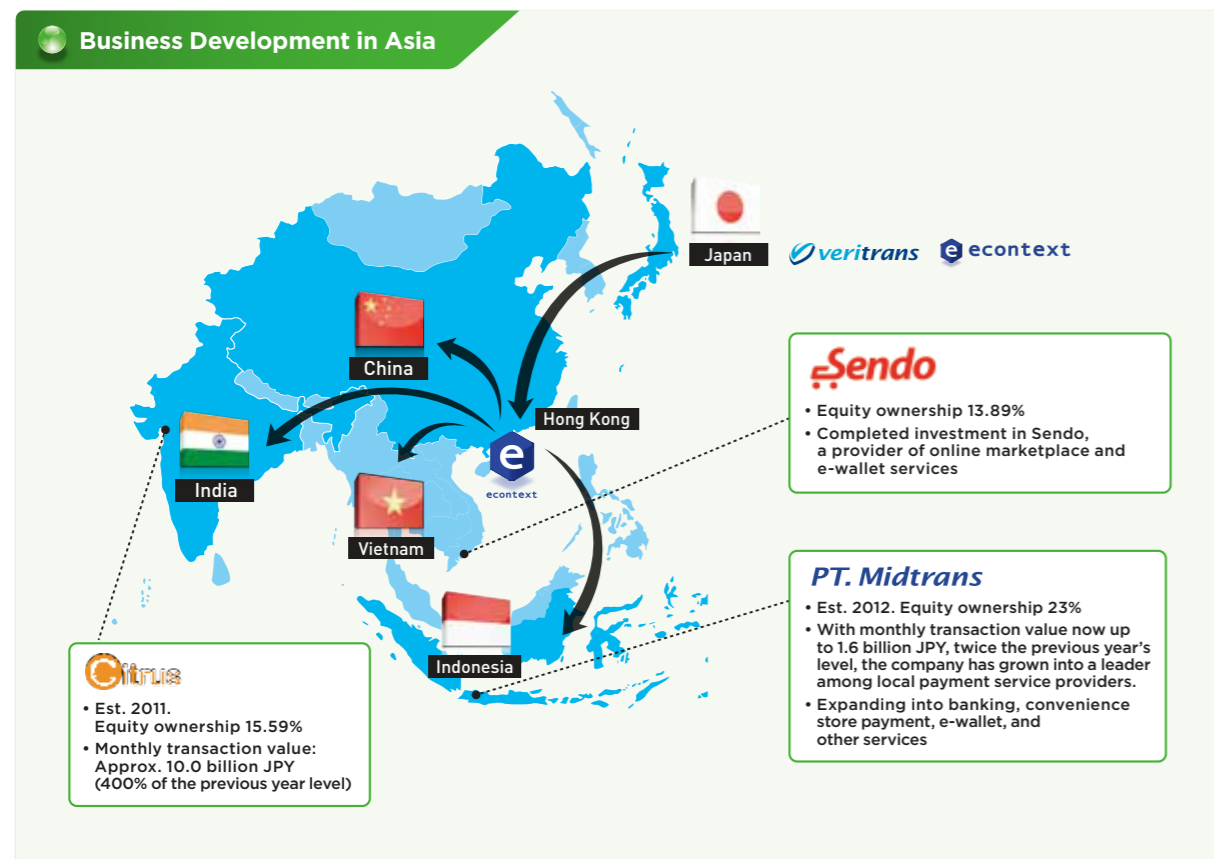
Corporate values in the IT sector in Asia, however, rose at a much higher pace than anticipated, and valuations and acquisition pricing skyrocketed. With the added impact of rapid yen depreciation starting soon after econtext ASIA listed shares, the growth of the (JPY denominated) payment business in Japan was not being properly reflected in consolidated results stated in Hong Kong dollars.

In response, the DG Group's Asia strategy and operation

of the payment segment were revisited and it was determined that econtext ASIA should be made into a wholly owned subsidiary, and that business development in Asia should be undertaken as part of the DG Group's overall financial and investment strategies exercised with rapid decision-making.

From the perspective of financial strategy, making econtext ASIA into a wholly owned subsidiary eliminates earnings flows to outside parties, and increases DG's net income. It also resulted in the deduction of goodwill (related to the change in ownership percentage) from capital surplus, reducing equity and increasing ROE.

Looking to the future, the Digital Garage Group is committed to continuing to play a role in the growth of e-commerce markets and evolution of FinTech not only in Asia but throughout the world.



Envisioning 2020 Toward 2020

The term "cloud computing" appeared in 2006, and it was only eight months later when the crowdfunding market hit the 20 billion yen mark in Japan alone. Over the past several years, a string of new technology words—terms such as "social media," "O2O," and "big data"—have emerged. "Fin-Tech" is one of the latest examples, with BitCoin and Blockchain as more widely recognized manifestations of the technology concept.

The documentation of financial payments is one area where there are significant possibilities for applying FinTech. For every payment, transaction evidence—for example, confirmation of the identification of transaction parties (authentication), plus an invoice, receipt, voucher, transaction agreement, etc.—that can be tracked in a household budget or reflected in company financial statements is created. If all of this evidence could be managed in digital form under common rules—something DG has vigorously promoted in industries yet to fully embrace electronic data management—there could be enormous benefits for business activity. And it is not difficult to imagine that payment and contracting activity, and accounting, tax, and other matters, as well, would gradually be integrated.

It could be said that this kind of business activity will require the integration of all commercial infrastructure. And that implies something very different from the current dominant form of FinTech, which is to offer one-off financial solutions applying IT.

With regard to personal consumption, in particular, there is a significant amount of activity that takes

place before and after payment. An entire purchase process, for example, could involve the search for a product or service, the making of a reservation, the issuance of a coupon, and then going to a store, making a purchase, and having loyalty points credited or debited. Marketing businesses have built various business activities around these purchase process stages, and the application of big data, in particular, is seen as an essential element. Innovation that will produce the comprehensive integration mentioned above will take place over the coming five years. The infrastructure changes those innovations lead to will take on global proportions and result in the pursuit of wholly new businesses that existing financial and payment systems will be inadequate to serve by ten years down the road.

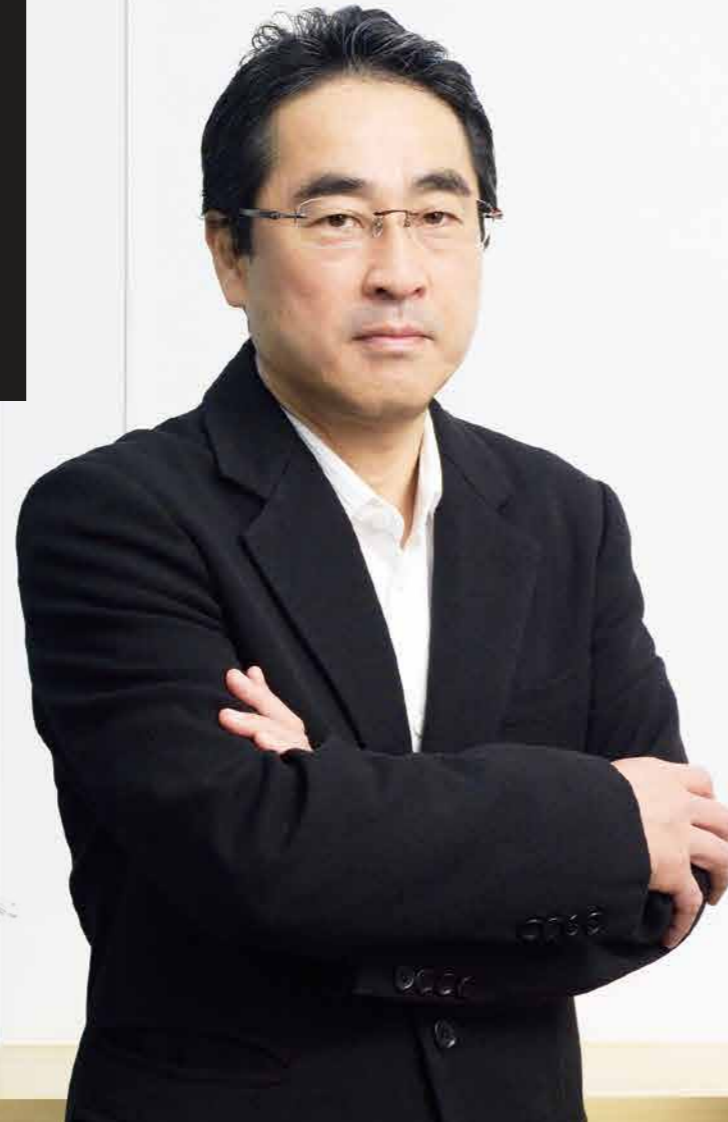
DG's Incubation Technology Segment, drawing on the global deal sources developed through its investments in well-known innovation ventures—Twitter, which DG supported as the only strategic shareholder in Japan and helped to promote, being one and Facebook another—is seeing a rapid rise in the number of FinTech investment deals. Working in close cooperation with some of the most innovative ventures, in places such as Silicon Valley, and fusing their cutting-edge financial technology with DG's payment services will be key. In the Marketing Technology Segment, which is experiencing significant activity in data science and O2O business, it will be critical to view payment as an element of marketing. The Financial Technology Segment is confident that the combination of these group assets will allow it to play a significant role in the coming five years of technical evolution and the social change expected to have emerged ten years from now.



Kakaku.com

MI

MEDIA INCUBATION



**Incubating New Media Companies
by Collaborating with
the Kakaku.com Group,
Now One of Japan's Leading
Media Enterprises**

The newly established Media Incubation Segment will create new added value that leverages DG's three existing business segments. Against a background of dramatic change from developments in areas such as cloud computing, IoT, and AI, the Media Incubation Segment will incubate media companies that will play instrumental roles in the next generation. Key to this effort will be collaboration with the Kakaku.com Group and the introduction of cutting-edge technologies.

KAORU HAYASHI

Chairman of the Board, Kakaku.com, Inc.

- Jun 2003 Named Chairman of the Board, Kakaku.com, Inc.
- Jul 2002 Named Representative Chairman, Kakaku.com, Inc.
- Aug 1995 Established Digital Garage, Inc., named Representative Director





MINORU TANAKA

Representative Director and President,
Kakaku.com, Inc.




- Jun 2006 Named Representative Director, President, Kakaku.com, Inc.
- Apr 2003 Named Director and CFO, Kakaku.com, Inc.
- Sep 2001 Joined Digital Garage, Inc.








INCUBATION TECHNOLOGY SEGMENT

	DG Incubation, Inc.	Consolidated subsidiary	As the investment arm of the Digital Garage Group, DG Incubation supports Internet entrepreneurs throughout the world. Targeting startup companies that can be expected to give rise to synergies with the DG Group's various businesses, DG Incubation, going beyond simple investment, focuses on being an incubator that engages in collaborative business creation.
	Open Network Lab, Inc.	Consolidated subsidiary	Open Network Lab was established in April 2010 for the purpose of cultivating startups that build world-class products. Through its Seed Accelerator Program, Open Network Lab has already nurtured and supported several dozen startups.
DGUS	Digital Garage US, Inc.	Consolidated subsidiary	Digital Garage US is the DG Group's US-based global strategy headquarters. It operates the DG717 incubation center established in the heart of San Francisco in 2013, supporting entrepreneurs and engineers from around the world.
	Neo Innovation, Inc.	Consolidated subsidiary	Neo Innovation engages in software development support based on the agile development approach and nurtures promising startup companies. Using agile development, Neo Innovation provides optimal services characterized by flexible responses to client demands and business environment changes.
DK Gate	DK Gate, Inc.	Consolidated subsidiary	A joint venture of Digital Garage and Kodansha Ltd., the purpose of DK Gate is to make strategic investments in content businesses. DK Gate focuses on identifying and nurturing companies pursuing next-generation content businesses throughout the world.
NEW CONTEXT	New Context Services, Inc.	Consolidated subsidiary	New Context Services provides security systems for all manner of services, including infrastructure, for daily life.
	Wikia Japan	Affiliate	Wikia Japan is the Japan-based arm of Wikia, a social community platform shaped by users.
DENTSU SCIENCEJAM	Dentsu ScienceJam Inc.	Affiliate	Dentsu ScienceJam commercializes scientific research results.

FINANCIAL TECHNOLOGY SEGMENT

	econtext ASIA Limited	Consolidated subsidiary	econtext ASIA acts as a headquarters for development of payment businesses in emerging Asian economies, and identification and investment in promising Asian startups.
	econtext Inc.	Consolidated subsidiary	As a pioneer of convenience-store-based cash payment, econtext provides online payment services for e-commerce businesses, of which it now counts over 50,000 as clients. While continuing to grow its payment business in Japan, econtext has its sights set on promoting the use of payment platforms that will expand e-commerce in other parts of Asia.
	Veritrans Inc.	Consolidated subsidiary	Since its establishment in 1997, Veritrans has provided a credit card payment system incorporating the latest security technology in the US, and been a leader in the payment aspect of e-commerce in Japan. Going forward, Veritrans will focus on developing, and introducing credit card payment systems, in major markets where electronic payment has yet to be adopted.
PT. Midtrans	PT. Midtrans	Affiliate	PT. Midtrans provides e-commerce infrastructure services, focusing on payment services for the Indonesian market.

MARKETING TECHNOLOGY SEGMENT

	Digital Garage Marketing Technology Company	Company	The Marketing Technology Company supports client businesses with Online-to-Offline strategies and Web marketing recommendations. Going beyond the expansion of existing businesses, the Marketing Technology Company, as the client's ultimate business partner, applies the Digital Garage Group's accumulated know-how and audience data to deliver optimal solutions.
	BI.Garage, Inc.	Consolidated subsidiary	BI.Garage—based on the philosophy that data creates new marketing context—combines, processes, and analyzes payment data accumulated by the Digital Garage Group, purchase behavior data owned by Kakaku.com, and advertising-related data of the Dentsu Group—a major DG shareholder—to optimize customer communications for company marketing activities.
	NaviPlus Co., Ltd.	Consolidated subsidiary	NaviPlus aims to enhance website profitability by collecting and analyzing data—user behavior data, product content data, user segmentation data, etc.—and using the results to offer marketing solution tools that optimize website content and navigation.
	Digital Science Lab, Inc.	Affiliate	Applying Digital Garage's digital marketing know-how and the global marketing and data analysis capabilities of Metaps Inc., Digital Science Lab engages in business based on smartphone app ads.
	LCO-Creation Singapore Pte. Ltd.	Affiliate	LCO-Creation Singapore offers services consolidating information and tools international travelers need, and provides companies with mobile solutions centered on OEM development and marketing systems.

MEDIA INCUBATION SEGMENT

	Kakaku.com, Inc.	Affiliate	Kakaku.com operates a price comparison site (kakaku.com) and a restaurant review and advertising site (tabelog.com).
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From the construction of the first personal homepage in Japan, through to today, Digital Garage has constantly been at the forefront of Internet business. Its “first-in-Japan” accomplishments—including an e-commerce business established to sell CDs and a convenience store payment business created together with the major Japanese convenience store operator Lawson, Inc.—are numerous.

DG has always been a step ahead of the times and that posture is clearly evident in its investment and incubation businesses, as well. When search engines were in the limelight in the mid-90s, DG invested in Infoseek, the leader in the field, and established that company’s Japanese unit. And when attention had shifted to destination sites in 2002, DG invested in Kakaku.com right around the time of its founding and supported its development. Today, with a total of over 100 million unique users for its Kakaku.com and tabelog.com websites, Kakaku.com is a major media company.

When the era of social media arrived with the boom in blogging, DG was among the first to recognize the potential of Twitter, Inc. Along with investing in the company in 2008, DG began to support the establishment of Twitter’s operations in Japan. And now, as a regular mode of communication, Twitter has firmly established itself in our daily lives.

DG has a strong track record of recognizing Internet business development paths early on and

capitalizing on that insight for business success. Leading the company’s business model are DG’s co-founders, Joichi Ito and Kaoru Hayashi.

Below, the two DG co-founders discuss their ideas on the future of Internet business and Digital Garage.

Data and Artificial Intelligence Hold the Keys

Hayashi: As technical evolution becomes more torrid and diverse, it will become even more important to keenly sense changes and steer businesses in new directions. For its part, Digital Garage is planning to work with Kakaku.com to set up an R&D system for uncovering the seeds of technologies that can underpin future businesses. What are you looking at as technologies that could become important between now and 2020?

Ito: I think probably data and artificial intelligence. IoT has already become a part of the vernacular, but when software and hardware are melded and countless objects become connected to the Internet, enormous amounts of data will be exchanged. Biotechnology, too, will rapidly develop stronger ties with computer science and dramatically change medicine. This is something else that will give rise to huge volumes of data. Between now and 2020,



Co-Founders Discuss

the Near Future for Digital Garage

**KAORU
HAYASHI**

President and Group CEO, Digital Garage, Inc.
Chairman of the Board, Kakaku.com, Inc.

**JOICHI
ITO**

Co-Founder and Board Director, Digital Garage, Inc.
Director, MIT Media Lab



I think artificial intelligence will become important for efficiently processing big data like this.

Hayashi: Looking at something like image analysis applying deep learning technology, I definitely get the feeling that something big is in the offing. But recently I've been thinking that contexts useful for business won't be coming out of artificial intelligence. And therein lies the value of Digital Garage, which has been billing itself as a "context company."

Ito: Yeah, that's because artificial intelligence produces value when it is used by people who understand contexts. Without that, the value just goes to waste.

Hayashi: Regarding the exchange of massive volumes of data, security will take on even greater importance. In that sense, I think security technology, too, is facing a paradigm shift.

Ito: Realizing even tighter security may entail the need to revisit the organization of networks themselves. And the key players in that would likely be objective research institutions, like the MIT Media Lab, and venture companies. Looking at how the world is changing, one cannot rely on big security companies or countries to create security systems.

A certain startup, for example, is thinking about a network structure that evolves to respond to a

situation in which programs themselves are changed as a result of an external attack. That startup would also include an autonomous function that, at the network level, would isolate a node that is behaving strangely and cut off its connections to other nodes.

Hayashi: At that level, they're talking about something resembling cells and immunity. At Digital Garage, we too see that even greater emphasis will have to be put on security-related businesses going forward.

It's No Longer about Advertising

Hayashi: So, how will marketing change in an era where big data sets the stage? There is a rapidly growing shift toward data-driven marketing that emphasizes actual data, rather than reliance on experience or intuition.

Ito: Marketing is another thing that will probably become tied to artificial intelligence. Marketing techniques that use data analysis are already beginning to undergo big changes. Ads by companies like Netflix and Amazon have already achieved sophisticated targeting of individuals based on their preferences. And as these companies have begun to do, we're

probably heading into a time when it will be an everyday thing for products to be recommended based on the profiles of individuals.

Hayashi: If things get to the point where we're presented with only what we actually want, we can't really call that advertising anymore, can we. We'll be approaching a situation in which the communication is between companies and individual consumers. We'll be looking at the shift from broad ads to narrow ads.

Ito: In the extreme, I think we'll get to where products are manufactured to suit the preferences of individual consumers. This is the exact opposite of behavioral economics in which people are enticed to want something they didn't originally. That algorithms for recommending products will differ depending on the business model is also interesting. In recommending movies, for example, Amazon starts with the most popular, while Netflix tends to recommend minor indie titles. Why? Because the low licensing fees of indie titles means a higher profit margin. This kind of marketing isn't possible unless artificial intelligence and computer science are specifically designed for it.

Hayashi: We often hear about artificial intelligence taking people's jobs, but is there really anything to worry about?

Ito: Regardless of the degree to which artificial intelligence comes into use, there will still be a need for human interfaces. For example, when people are sick, they'll communicate their symptoms, and a medical artificial intelligence system will diagnose them and issue a prescription. But rather than having medications given to us by a computer, wouldn't it be more comforting to have a human being at a pharmacy hand them to us with a personal explanation of their use and a few words of encouragement? In other words, it is possible that artificial intelligence will be able to play the role of a doctor and provide a diagnosis, but human-to-human communication will still be relatively important.

Hayashi: There will be a need for artificial intelligence based on outstanding algorithms, but without data to go with them, there won't be any value. In the case of the DG Group, the data owned by Kakaku.com will be key.

Ito: I agree. Companies, such as Kakaku.com, that hold vast amounts of data will gain competitive strength if they are able to take full advantage of artificial intelligence. The more data you put into it the smarter artificial intelligence becomes. Driverless cars are one example. Driving algorithms will be made based on data on actual driving by people, but, if, for example, data on driving by the average Boston driver is used, the algorithm would be terrible.

KAORU HAYASHI × JOICHI ITO

Boston drivers aren't very well-mannered and things like cutting in are normal. Japanese drivers, in comparison, allow others to merge into their lanes and they're judicious in using the brakes. Creating an algorithm based on their data would result in a good driverless system. And that in turn would allow us to look forward to the benefit of fewer traffic jams.

There are still, however, considerable algorithm problems that must be solved. With current systems, for example, cars will stop even if a "stop" sign hand-drawn by child is placed in front of them. People can easily see the difference, but artificial intelligence hasn't been designed with that kind of scenario in mind. In creating driverless cars capable of flexibly responding to such unexpected conditions there is still a lot of room for innovation.

Expecting Much from Digital Currency and Blockchain

Hayashi: So, what's in store for the future of FinTech? Digital Garage has long been a player in the payment business, so we are paying attention to digital currency and technology, like that of Blockchain, for supporting it. We were one of the first to adopt Bitcoin as a payment vehicle for e-commerce businesses. And we've begun to consider applying Blockchain's technology for supporting it.

Ito: I have the very real feeling that the electronic payment world we were aiming for at a time when there was nothing but personal computer communications is about to be realized. And of course the key is the emergence of digital currencies like Bitcoin. What's great about digital currencies is that they go beyond the existing framework of countries and banks from the very beginning, allowing transactions with people throughout the world. Actually, it's the national financial policies that are trying to catch up to the evolution in digital currencies. In that sense digital currencies are an example of how open innovation is working as it did in the case of the Internet.

Hayashi: For digital currencies and Blockchain, I feel the same amount of impact there was with the advent of the Internet.

Ito: Looking back on history of Digital Garage, you can see that it has expanded its business while riding the tides of major transitions that had to happen in various industries as a result of the emergence of Internet-based advertising and media. In the FinTech world, the same thing really is about to happen in the areas of digital currencies and Blockchain. And it's not just payments, either; the impacts are such that



they will change laws and the way contracts are written. In that sense, I think the conditions surrounding digital currencies are an opportunity just right for Digital Garage.

Hayashi: Looking to the future, I would like to also pursue biotechnology to expand our business activities, but I wonder how you see Internet business and biotechnology relating to one another?

Ito: What's happening on the frontlines of biotechnology is fusion with IT. Leading biotechnology researchers are also conversant in computer science. What's got my attention lately is a platform company that enables biotechnology experiments via the cloud. Experiments are done by robots in remote labs. Researchers can do experiments simply by writing programs on a computer. And the information and tools needed are openly available on the Internet. Results are delivered when the experiments are finished.

Hayashi: Open innovation will move forward if that kind of environment becomes commonplace. I wonder what we would have to look forward to from that point.

Ito: One thing President Obama has also been talking about lately is personalized medicine; it would include things like pharmaceuticals being made to suit the needs of individual patients, and it would become a real possibility. Attention would also focus on medicines for preventing disease. Making such things requires massive amounts of data, as well as advertising and marketing sense.

Hayashi: What are your thoughts on Japan's future?

Ito: There are some who say they can't see a future, but I think it's bright. The other day, I had a chance to talk with junior high school students for a television program. They were very smart and very energetic. I think they were much smarter than your typical college student. I talked with them for only short period of time, but it made me feel good to know that there are such young people. I, too, went through a period when I was worried about the future of Japan, but if a lot of young people like those I met come into society, I think there'll be big changes.

Hayashi: I want to make Digital Garage a company that can be carried forward by people like that.



Corporate Governance System Underpinning the Ongoing Growth of the DG Group

Basic Philosophy on Corporate Governance

Digital Garage creates contexts that are beneficial for the world. As we do so, we strive to achieve sustainable growth and increase our medium-to-long term corporate value by practicing corporate governance that shareholders, customers, business partners, employees, local communities, and others will see as transparent and fair, and characterized by rapid, resolute decision-making.

Corporate Governance System Overview

Under Japan's Companies Act, DG is organized as a company with a board of corporate auditors. DG's Board of Directors makes important management decisions and oversees the activities of the directors as they perform their duties. The individual corporate auditors comprising the Board of Auditors review and check activities undertaken in fulfillment of duties by directors. For the benefit of rapid decision-making for business activities, meetings of the Management Committee, consisting of full-time directors and other members of senior management, are convened on a regular basis.

Board of Directors

The Board of Directors of Digital Garage, Inc. consists of 10 members, including two outside directors. In principle, the Board of Directors comes together for regular, monthly meetings. It also meets at other times, as necessary. In FY 2015, the Board of Directors met a total of 17 times. The Board of Directors makes decisions on important matters set forth in laws and regulations, the Articles of Incorporation, and Board of Directors Provisions. It also oversees the activities of board members as they perform their duties. Outside directors perform governance functions by drawing on their individual expertise, management experience and insight, to oversee board activities and contribute advice, from an independent perspective.

Board of Auditors

The Board of Auditors consists of four members, three of whom are from outside the company. In accordance with laws and regulations, individual members of the Board of Auditors perform business and financial audits. Activities such as the sharing of information in Board of Auditors meetings promote organization and efficiency in audits. Furthermore, members of the Board of Auditors, while collaborating with independent auditors and the Internal Audit Office, engage in activities, such as attending Board of Directors and other important internal meetings, in vigorously and proactively exercising their authority, and performing their roles and duties.

Response to the Implementation of the Corporate Governance Code

Japan's Corporate Governance Code, which took effect on June 1, 2015, requires listed companies to construct systems that promote transparent, fair, rapid, and resolute decision-making. It is also intended to promote sound risk-taking by managers, enhance sustainable growth by companies, and increase corporate value. Respecting the intent and spirit of the Corporate Governance Code, DG has established an internal project team and embarked on initiatives aimed at enhancing the sophistication of its governance system.

Information on the status of our compliance with the Corporate Governance Code is planned to be reported to stakeholders as part of the Corporate Governance Report we submit to the Tokyo Stock Exchange.

Functions and Roles of Outside Officers

DG's five outside officers actively express their views and opinions from their positions independent of DG's management.



Kenji Fujiwara
Outside Director

Kenji Fujiwara is a former representative director and president of Lawson, Inc. Since 2008, when he was appointed an outside director, DG has been benefiting from the wealth of experience and breadth of knowledge he has acquired in his long career in corporate management.



Makoto Sakai
Outside Auditor

Makoto Sakai has held important positions at the Japan Federation of Bar Associations, as a member of the boards of auditors of listed corporations, and in other capacities as well. His expert knowledge and wealth of experience are reflected in his participation as a member of DG's Board of Auditors.



Junji Inoue
Outside Auditor

Junji Inoue has developed a wealth of international business experience from important positions he has held at companies such as Mitsubishi Corporation. His broad understanding based on this experience is reflected in his participation as a member of DG's Board of Auditors.



Emi Omura
Outside Director

Emi Omura is an experienced attorney who, as the head of the Office of International Affairs at the Japan Federation of Bar Associations, and in other positions, as well, has developed competence in handling international matters. The management of DG, which is globalizing its business activities, is benefiting from her expert knowledge and broad experience.



Kohji Makino
Outside Auditor

Kohji Makino has a wealth of experience as a certified public accountant and consultant. In his role as an outside auditor, he is contributing his views and opinions, based on his expertise in accounting and tax matters.

Digital Garage's Corporate Governance System in the Eyes of a Corporate Auditor

What I see at DG indicates the company is vigorously strengthening its corporate governance system to make the company worthy of even greater trust and promote its sound development. The Board of Auditors, which includes outside members who are experts in their respective fields, monitors company management and the company's internal control system to determine whether they are functioning properly. Managing a company within an increasingly diverse and complex society is extremely challenging, and I believe that having both a philosophy of improving the world, and the people to make that possible, is fundamental to that effort.

Since its founding, DG has pursued business activities with the goal of being a context company that makes the world better. Looking to the future, I expect that it will continue to do so and achieve ongoing growth and development as it boosts its corporate value.



Hitoshi Ushiku
Standing Corporate Auditor



Digital Garage Group Risk Management

Personal Information Protection Policy

In operating its businesses, DG receives and/or collects personal information from customers, business partners, employees, etc. DG recognizes the importance of personal information and pays utmost care in protecting it.

Collecting, using and providing personal information

When collecting personal information, DG will clearly state the purposes for which it is to be used, employ only lawful and fair collection practices, and limit the use of personal information to stated purposes.

In addition, DG will not collect, use, or provide personal information concerning race, ethnicity, family line, social standing, birthplace, permanent residence, religion, political views, labor union membership, or sexual orientation.

Moreover, DG will not provide personal information to any third party without the express consent of the individuals whose information would be provided. DG, however, may submit such information in cases where DG receives an order to submit personal information in accordance with a law (in cases where DG is ordered by a court, Public Prosecutors Office, the police, or other legal authority to submit information customers have provided, ID registration content, and/or registration profile).

For cases not addressed above, DG will inform individuals of the pertinent details concerning personal information collected, used, or provided in connection with DG's provision of services.

To prevent personal information from being used for other than stated purposes, DG will create internal rules on the handling of personal information, distribute the rules to all officers, employees, temporary staff, etc. (hereinafter "Employees") and handle personal information accordingly.

Compliance with laws/ Security management

DG complies with laws, guidelines and other standards established by the Government of Japan.

To ensure the accuracy and security of personal information, DG implements safety measures to protect personal information, and works to prevent leakage, and loss of, or damage to, personal information. DG also periodically reviews its security measures and makes revisions as necessary. In cases where personal information handling is outsourced,

DG will select a contractor who meets the standards regarding personal information protection, conclude an entrustment agreement for personal information protection with the contractor, and supervise and direct the contractor in its handling of personal information.

Basic Information Security Policy

DG believes that achieving sustained growth requires that each employee contribute to the betterment of society by creating new business opportunities. We recognize the role our information systems (i.e., data, computers and networks) play toward that end and strive to make the most of them as information assets. DG recognizes the value and importance of its information assets and believes maintaining the completeness, confidentiality and availability of information by establishing effective security measures is critical for clients, business partners and ourselves.

To offer better services and foster trust, every employee must fully recognize and understand the importance of information security in protecting our assets, brand image and the trust that our clients and business partners have in us.

Against this backdrop, we established a basic information security policy to properly secure our information assets against various threats. The policy expresses our commitment to the development and maintenance of an information security system and to ongoing efforts to improve its management and operation. DG employees strictly adhere to all information security provisions and demonstrate responsible conduct in compliance with the protocols of applicable regulations, business practices and our code of conduct, as well as contractual security obligations.

Code of Conduct

1. Promote employee understanding of the importance of information assets and the security thereof and ensure that appropriate usage of information assets, facilities and equipment is understood.
2. Establish objectives for maintaining an appropriate level of information security, and take action that results in their clear achievement.
3. Establish internal standards for risk assessments and conduct risk assessments based on them to identify essential information assets and related threats and vulnerabilities. Furthermore, take

appropriate risk management measures in order to protect information assets from unauthorized access, loss, damage, falsification, leakage, and other security events and accidents.

4. In the event that a security problem arises, take swift action to investigate the cause; implement corrective measures to minimize the impact and take steps to prevent a recurrence; and maintain or improve security.
5. If an employee breaches applicable laws, the basic information security policy, related security rules or internal regulations, take disciplinary action in accordance with company regulations (including secondary regulations).
6. Continuously conduct activities related to the basic information security policy, establish a management system capable of addressing new and ongoing threats, and engage in ongoing improvement of the basic information security policy through continuous review.

Disclosure Policy

Emphasizing transparency, fairness, and continuity, DG endeavors to provide information in a timely manner to all of its shareholders, investors and other stakeholders.

Our basic policy is to disclose information in compliance with the regulations on timely disclosure established under the Financial Instruments and Exchange Act and by Tokyo Stock Exchange, Inc. DG also strives to disclose as proactively and quickly as possible even information to which the timely disclosure regulations do not apply, if we consider it useful in promoting understanding of DG.

Information disclosure methods

Information to which the timely disclosure regulations apply is disclosed in accordance with said regulations through the Timely Disclosure network (TD-NET). Additionally, information to which the regulations, etc., do not apply is disclosed through such methods as the distribution of materials or through publication on our website.

Silent period

To prevent leaks of settlement information and to ensure information disclosure fairness, DG designates the period starting with the day following the

settlement date and extending to the financial statement release date as a "silent period." During this period, we refrain from answering or commenting on any question concerning business results. Nevertheless, during the silent period we will disclose events that are related to our business results, if they are covered by the timely disclosure regulations.

General Policy on Addressing Antisocial Forces

DG stipulates how its employees and other personnel shall address antisocial forces, or racketeers, defined in Article 8 of the "Compliance Program."

Article 8 (Prohibition on the Provision of Financial Benefit to Antisocial Forces)

All employees shall reject all ties with antisocial forces and organizations that pose a threat to the order or safety of civil society and shall not facilitate their activities.

To fulfill the above imperative, DG hereby declares its "General Policy on Addressing Antisocial Forces" as follows:

1. Undue claims from antisocial forces shall be responded to by the entire organization, led by the President and Group CEO.
2. The safety of any employee responding to undue claims from antisocial forces shall be ensured.
3. In preparation for the receipt of any undue claims from antisocial forces, close ties shall be developed with expert external institutions in the course of pursuing regular business activities.
4. No business or other relationships shall be maintained with antisocial forces and any undue claims by antisocial forces shall be refused.
5. Undue claims by antisocial forces shall be responded to with both civil and criminal legal action.
6. No secret deals shall be arranged in any way for the purpose of concealment, even if undue claims by antisocial forces are based on improprieties involving our business or employees.
7. No financial support shall be given to antisocial forces in any manner.

HISTORY of Digital Garage

The history of Digital Garage, which created Japan's very first personal homepage in 1994, is one of constantly discerning the future and growing together with the Internet. DG has localized crawler-based search services for Japan and created e-commerce sites. It offers payment platforms, has turned blog search into a business, and combined CGM and advertising. DG provides support for the operation of social media and is promoting the growth of a settlement platform in Asia. The experience and track record it has developed working with cutting-edge Internet businesses are the strengths of the DG Group, and the source of the high-value-added contexts it offers.



1995 -2000 PORTAL SEARCH

Established an Internet advertising business with a high-traffic portal site and crawler-based search engine at its core.

2000 E-COMMERCE DESTINATION SITE

Established an operational base by investing in Kakaku.com, a company developing a settlement service (targeting e-commerce sites) and a price-comparison site.

2008 SOCIAL MEDIA

Expanded advertising/marketing businesses for a new era of users utilizing blogs, Twitter, and other forms of social media.

2015 NEXT...

Accelerating investment in next-generation technologies and global incubation.



Key Web Milestones	1995	1998	2000	2007	2008	2011	2014
	Microsoft introduces Windows 95	Number of Internet users in Japan surpasses 10 million	Google introduces a Japanese-language search service	Apple introduces the iPhone	Number of fiber-optic service users exceeds number of ADSL users in Japan	Number of SNS users in Japan exceeds 40 million	Number of smartphone subscribers exceeds number of feature phone subscribers

CONTEXT



NAOHIKO IWAI

Board Director

Apr 1977 Joined Dentsu Inc.
 Oct 2007 Joined Digital Garage, Inc.
 Sep 2008 Sogei Co., Ltd. (now DG Communications Co., Ltd.) Director
 Sep 2009 Digital Garage, Inc. Director
 Sep 2012 Digital Garage, Inc. Director in charge of the Marketing Segment (now the Marketing Technology Segment)

KEIZO ODORI

Board Director

Apr 2000 Joined Faith, Inc.
 Jun 2005 Faith, Inc. Director
 Sep 2010 Digital Garage, Inc. Director
 Sep 2012 Digital Garage, Inc. Director in charge of the Payment Segment (now the Financial Technology Segment)
 Oct 2013 Econtext, Inc. Representative Director and President

YASUYUKI ROKUYATA

Board Director

Dec 1995 Digital Garage, Inc. Director
 Mar 2011 DG Incubation, Inc. Representative Director and President
 Sep 2012 Digital Garage, Inc. Director and Vice President in charge of the Incubation Segment (now the Incubation Technology Segment)
 Jul 2013 Digital Garage US, Inc. Director
 Jun 2015 DK Gate, Inc. Representative Director and President

KAORU HAYASHI

President and Group CEO

Apr 1983 From Garage, Inc. Representative Director
 Aug 1995 Founded Digital Garage, Inc. and became Representative Director
 Jun 2003 Kakaku.com, Inc. Representative Director and Chairman
 Nov 2004 Digital Garage, Inc. Representative Director, President and Group CEO
 Jun 2009 DG Incubation, Inc. Representative Director
 Jul 2011 Digital Garage US, Inc. Director
 Jun 2012 Monex Group, Inc. Director

JOICHI ITO

Board Director and Co-Founder

Aug 1995 Founded Digital Garage, Inc. and became Representative Director
 Jun 1999 Digital Garage, Inc. Director
 Apr 2011 MIT Media Lab Director
 Jun 2012 The New York Times Company Director
 Jun 2013 Sony Corporation Director

MAKOTO SODA

Board Director

Jun 1994 Joined Dresdner Kleinwort Benson Securities, Ltd.
 Jun 1997 Joined Daiwa Institute of Research Ltd.
 Apr 2000 Joined Monex Securities Inc.
 Mar 2007 Joined Digital Garage, Inc. as Executive Officer in charge of the Corporate Strategy Division
 Sep 2009 Digital Garage, Inc. Director, Head of the Group CEO Office
 Jan 2012 Digital Garage, Inc. Director in charge of the Corporate Strategy Division

MASASHI TANAKA

Board Director

Aug 2001 Joined Digital Garage, Inc.
 Jul 2006 DG&ibex Company (now Marketing Technology Company) Director
 Jan 2011 Digital Garage, Inc. Senior Operating Officer
 Sep 2012 Digital Garage, Inc. Director, Corporate Strategy Division Manager
 Sep 2015 Digital Garage, Inc. Director in charge of the Marketing Technology Company Executive Vice President

HIROKI YOKOTA

Board Director

Apr 1984 Joined Hakuodo Inc.
 Apr 2014 Hakuodo Inc. Overseas Marketing Services Executive Director
 Apr 2015 Joined Digital Garage, Inc. as Senior Operating Officer
 Aug 2015 Digital Garage US, Inc. Director
 Sep 2015 Digital Garage, Inc. Director in charge of the Marketing Technology Company Executive Vice President

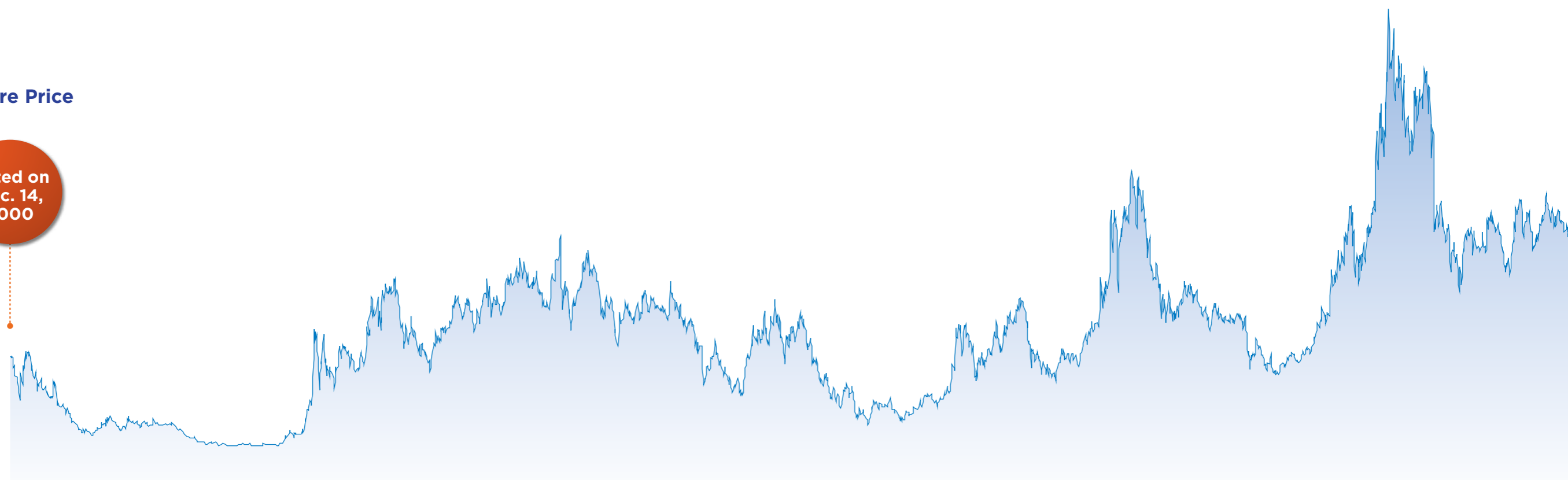


15-Year Summary of Consolidated Business Performance Indicators

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
(JPY in Millions)															
For the Year:															
Net sales	2,669	2,783	3,520	6,217	7,846	12,476	17,338	39,582	34,499	8,346	11,067	14,903	27,964	33,751	38,087
Operating income	273	0	-285	-319	442	1,703	1,613	-172	981	-960	135	1,621	1,322	2,608	4,810
Ordinary income	160	351	-202	-210	108	1,505	2,475	-375	537	-457	972	2,708	3,078	4,442	7,610
Net income	47	103	-217	380	633	338	588	-2,430	5,450	-2,207	901	2,106	2,715	2,847	5,081
At Year-End:															
Total assets	2,728	4,041	6,747	14,742	24,259	27,774	42,407	40,057	30,275	19,706	20,421	49,338	56,010	71,009	86,504
Net assets	2,361	2,726	2,667	3,576	9,330	10,668	11,743	9,716	11,989	8,829	9,895	20,476	27,258	36,489	29,074
Cash Flows:															
Cash flows from operating activities	20	212	558	-1,647	2,295	1,898	779	-1,049	1,963	-5,163	131	2,542	3,211	-34	5,040
Cash flows from investing activities	-1,011	-186	-776	-3,795	-165	-3,305	3,355	486	7,346	1,233	-165	-9,411	1,514	-5,155	508
Cash flows from financial activities	919	717	1,065	6,850	573	2,806	-203	1	-5,152	-3,294	-568	15,273	-1,816	11,260	1,390
Cash and cash equivalents at end of year	373	1,116	1,963	3,369	6,072	7,471	11,509	10,951	15,100	7,875	7,271	15,758	19,090	25,183	34,077

Share Price

Listed on
Dec. 14,
2000





Consolidated Balance Sheet

(JPY in Thousands)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Current assets	1,741,390	2,183,935	4,311,466	8,114,867	13,600,776	17,523,376	31,918,644	29,855,003	24,000,824	14,208,493	14,345,384	28,005,334	33,837,184	45,455,259	57,752,254
Cash and deposits	587,947	1,218,886	2,065,860	4,622,335	6,815,665	7,575,614	13,499,476	9,898,492	13,133,095	4,799,958	4,784,822	12,308,492	15,329,272	24,294,997	30,956,199
Notes and accounts receivable	785,030	591,330	1,202,784	1,298,787	2,069,288	2,662,547	9,546,686	9,379,461	2,850,681	2,238,506	1,466,303	2,479,801	2,688,570	3,658,527	3,824,046
Money held in trust	-	-	-	-	-	-	-	4,431,418	2,048,488	3,155,340	2,501,270	3,404,967	3,768,127	889,164	3,120,279
Operational investment securities	300,115	-	-	-	-	4,528,656	3,769,005	1,730,527	89,601	323,526	912,055	1,904,227	2,641,416	8,063,977	8,208,111
Receivables	-	-	719,381	1,623,103	4,021,563	2,542,621	3,100,575	3,591,293	5,449,164	3,413,224	4,351,131	7,577,965	9,037,107	8,596,697	11,646,489
Other	68,296	373,717	323,439	570,640	694,257	213,937	2,002,898	823,809	429,791	277,935	329,801	329,881	372,689	-48,106	-2,873
Fixed assets	987,071	1,857,842	2,436,073	6,356,952	10,631,226	10,250,995	10,489,024	10,202,495	6,274,550	5,497,837	6,075,875	21,333,298	22,173,453	25,554,459	28,752,062
Tangible fixed assets	153,123	123,842	122,822	140,385	233,346	300,362	360,233	408,865	56,175	429,995	377,434	912,588	2,038,649	2,158,533	2,250,655
Intangible assets	318,837	1,072,234	759,556	612,916	6,146,134	6,119,636	7,543,793	6,910,388	3,899,061	2,248,964	2,102,677	13,080,115	11,093,751	8,587,910	7,574,332
Software	225,418	341,459	258,317	215,770	242,008	790,217	880,047	936,407	293,368	283,763	316,695	959,106	1,106,943	1,210,198	1,314,926
Goodwill	-	631,413	491,263	388,098	5,715,201	5,186,799	6,645,839	5,956,003	3,590,203	1,945,975	1,768,577	12,104,667	9,968,182	7,354,590	6,237,218
Other	93,418	62,454	9,975	9,048	188,924	142,619	17,906	17,977	15,489	19,225	17,404	16,341	18,624	23,121	22,187
Investments and other assets	515,109	661,765	1,553,694	5,873,830	4,279,536	3,830,996	2,584,997	2,883,241	2,319,312	2,818,877	3,595,763	7,340,594	9,041,052	14,808,016	18,927,074
Investment securities	416,186	562,087	1,337,814	4,716,975	3,843,897	3,168,387	536,250	1,192,646	2,081,976	2,504,345	3,305,577	4,299,840	5,521,160	10,644,406	14,220,454
Other	98,922	99,677	215,879	1,156,855	435,638	662,607	2,048,746	1,690,593	237,336	314,531	290,184	3,040,753	3,519,890	4,163,609	4,706,619
Total assets	2,728,461	4,041,777	6,747,540	14,742,000	24,259,792	27,774,372	42,407,669	40,057,499	30,275,374	19,706,331	20,421,259	49,338,633	56,010,638	71,009,719	86,504,317
Current liabilities	360,825	1,108,889	3,613,003	6,469,452	14,379,868	13,784,419	26,384,002	27,635,747	17,360,950	9,941,255	9,933,415	28,505,805	21,801,952	25,461,162	50,623,812
Notes and accounts payable	184,524	156,109	454,018	118,454	1,123,359	1,238,963	10,640,033	7,249,152	1,237,925	1,021,255	540,603	1,154,325	1,232,135	1,629,586	2,039,224
Short-term borrowing	-	519,115	1,037,750	272,000	1,365,560	1,541,770	5,870,032	8,210,000	4,947,360	2,809,368	2,519,054	10,740,008	305,159	3,690,686	3,690,686
Income taxes payable	40,815	292,239	74,970	430,126	248,409	819,125	893,610	1,045,775	3,775,553	4,772	46,371	740,945	810,592	1,241,682	2,147,718
Deposits	-	-	1,911,330	4,907,484	10,237,863	9,542,633	6,399,144	9,143,489	6,691,237	5,743,393	6,168,961	14,956,391	18,229,792	16,434,414	20,998,870
Other	135,485	141,424	134,933	741,386	1,404,675	641,925	2,581,180	1,987,328	708,873	362,465	658,424	914,134	1,224,272	2,464,791	1,904,138
Fixed liabilities	6,811	207,072	467,293	4,696,416	549,548	3,321,915	4,279,982	2,704,897	925,294	935,502	592,338	355,896	6,950,157	9,058,799	6,805,977
Bonds payable	-	-	300,000	3,956,000	220,000	420,000	816,000	440,000	-	-	-	-	-	-	-
Long-term borrowing	-	191,560	82,000	300,000	281,770	2,870,000	2,630,000	1,630,000	845,740	670,370	351,316	183,308	6,799,916	8,841,160	5,546,550
Deferred tax liabilities	-	6,777	35,610	-	748	-	146,169	69,739	41,139	5,980	30,991	-	20,956	43,066	938,197
Other	6,811	8,734	49,682	440,415	47,028	31,915	687,812	565,156	38,413	259,151	210,030	172,587	129,284	174,572	321,229
Total liabilities	367,636	1,315,961	4,080,297	11,165,868	14,929,417	17,106,335	30,663,984	30,340,644	18,286,244	10,876,757	10,525,753	28,861,701	28,752,110	34,519,961	57,429,790
Shareholders' equity	2,293,958	2,406,183	2,235,020	2,801,037	6,646,665	7,041,383	7,452,752	5,066,929	11,924,984	8,785,078	9,759,174	20,155,922	25,279,508	27,762,568	24,650,134
Common stock	1,251,119	1,255,221	1,297,663	1,390,465	1,769,763	1,798,006	1,809,412	1,831,833	1,835,604	1,835,604	1,872,120	6,017,283	7,330,041	7,399,002	7,426,431
Capital surplus	1,341,856	1,346,040	1,389,331	1,483,213	4,303,537	4,331,780	4,152,370	4,174,790	5,521,655	5,521,655	5,558,171	9,703,334	11,016,091	10,817,448	2,854,445
Retained earnings	-299,017	-195,078	-451,974	-71,337	575,027	913,529	1,492,890	-937,772	4,637,565	1,497,658	2,398,722	4,505,145	7,003,215	9,615,957	14,439,097
Treasury stock	-	-	-	-1,304	-1,662	-1,932	-1,921	-1,921	-69,840	-69,840	-69,840	-69,840	-69,840	-69,840	-69,840
Accumulated other comprehensive income	-	137,033	115,209	-168,010	37,121	206,801	-157,856	-275,894	64,145	-17,072	64,866	115,195	426,196	2,679,609	4,002,546
Valuation difference on available-for-sale securities	-	137,033	115,209	-168,010	37,121	206,801	-157,856	-275,894	64,145	-17,072	64,866	-76,380	31,534	2,193,931	2,585,843
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	191,575	394,662	485,678	1,416,702
Minority interests	66,866	182,600	317,012	943,105	2,646,587	3,419,852	4,445,589	4,921,748	0	61,567	71,464	174,223	1,468,302	5,906,458	126,215
Subscription rights to shares	-	-	-	-	-	-	3,198	4,071	-	-	-	31,589	84,520	141,121	295,632
Net assets	2,360,825	2,725,816	2,667,243	3,576,132	9,330,375	10,668,036	11,743,684	9,716,854	11,989,130	8,829,573	9,895,505	20,476,931	27,258,528	36,489,758	29,074,527
Liabilities/Net assets	2,728,461	4,041,777	6,747,540	14,742,000	24,259,792	27,774,372	42,407,669	40,057,499	30,275,374	19,706,331	20,421,259	49,338,633	56,010,638	71,009,719	86,504,317

Consolidated Statement of Profit or Loss

(JPY in Thousands)

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Net sales	2,669,598	2,783,428	3,520,266	6,217,588	7,846,467	12,476,240	17,338,744	39,582,609	34,499,015	8,346,753	11,067,388	14,903,810	27,964,798	33,751,615	38,087,485
Cost of sales	1,268,976	1,426,081	2,100,179	4,476,502	4,664,452	6,627,105	10,046,843	28,733,316	22,058,007	6,630,196	8,282,406	10,644,889	21,533,032	25,534,895	27,301,795
Gross profit	1,400,622	1,357,347	1,420,087	1,741,086	3,182,014	5,849,135	7,291,900	10,849,293	12,441,007	1,716,557	2,784,982	4,258,921	6,431,765	8,216,720	10,785,690
Selling, general and administrative expenses	1,126,658	1,357,293	1,705,519	2,060,608	2,739,111	4,145,136	5,665,776	11,014,003	11,459,640	2,676,850	2,649,506	2,637,322	5,109,539	5,608,698	5,975,676
Directors' compensation	158,699	175,474	216,214	249,337	281,144	452,639	609,457	768,825	632,664	247,055	286,244	287,570	403,233	458,810	523,807
Salaries	293,156	349,056	495,323	565,152	734,969	1,000,819	1,298,472	3,345,803	3,422,077	911,033	851,643	825,566	1,319,714	1,428,888	1,509,062
Bonuses	24,846	40,226	55,228	42,251	42,683	44,499	75,679	507,689	626,525	11,697	40,209	77,809	65,742	85,365	90,456
Legal welfare expenses	50,734	57,130	83,772	82,599	110,146	146,136	189,080	430,766	475,456	113,608	128,886	128,657	162,296	199,662	211,336
Welfare expenses	5,351	6,566	8,014	8,378	9,343	13,980	21,580	117,298	91,433	23,249	21,255	25,691	48,766	82,136	101,807
Retirement benefit expenses	1,052	1,528	3,492	3,786	6,276	3,253	3,324	175,023	169,790	7,345	6,539	9,769	33,141	34,931	52,754
Advertising expenses	39,889	41,009	72,289	191,462	236,615	501,487	898,629	1,288,417	1,105,237	20,596	31,079	39,208	95,492	190,241	100,650
Travel and transportation expenses	26,066	37,718	40,173	46,315	63,253	80,174	111,591	275,400	253,853	55,792	52,880	84,703	157,222	200,714	188,659
Taxes and dues	3,930	4,457	8,545	10,240	34,610	59,437	84,062	106,307	196,192	30,008	34,964	58,625	111,028	91,849	128,083
Commission fees	38,737	54,132	51,621	97,560	141,353	200,568	255,679	413,359	763,375	132,059	137,761	124,298	203,334	277,636	285,901
Business consignment expenses	62,146	117,849	54,468	51,801	42,945	132,927	189,152	401,612	224,547	95,079	75,490	76,495	291,828	241,683	288,092
Research and development expenses	33,144	37,849	22,072	132,500	43,452	41,477	49,479	38,783	20,798	39,832	29,643	52,801	38,337	59,256	79,058
Rent expenses	69,871	80,080	87,035	145,958	184,047	245,160	302,976	743,148	724,364	219,368	269,146	274,877	404,458	430,443	433,613
Depreciation	38,117	44,121	34,882	23,270	19,634	27,659	37,883	52,715	66,610	59,142	66,540	39,475	99,137	107,703	122,926
Amortization of goodwill	-	-	129,589	134,691	279,918	526,570	624,056	635,492	627,932	249,395	177,398	188,753	940,412	756,336	754,098
Other	280,911	310,088	342,794	275,300	508,713	668,340	914,668	1,713,357	2,214,356	461,585	439,816	343,016	731,461	962,944	1,105,366
Operating income	273,963	53	-285,432	-319,522	442,902	1,703,998	1,613,152	-172,108	981,367	-960,292	135,475	1,621,598	1,322,226	2,608,022	4,810,014
Operating margin	10.3%	0.0%	-8.1%	-5.1%	5.6%	13.7%	9.3%	-0.4%	2.8%	-11.5%	1.2%	10.9%	4.7%	7.7%	12.6%
Non-operating income	9,383	457,680	216,946	474,086	272,449	133,157	1,032,797	142,616	110,191	616,562	925,584	1,215,506	2,179,576	2,307,218	3,736,778
Interest income	1,228	712	2,656	8,227	26,493	8,110	15,835	59,407	57,293	24,464	17,647	8,647	14,458	7,557	18,143
Dividends income	6	36	260	436	11,229	128	6	18,781	20,998	11,115	11,116	42,337	43,655	30,306	6
Investment profit on equity method	-	-	-	-	-	-	-	-	-	547,614	866,346	1,004,205	1,361,142	1,741,139	2,080,806
Foreign exchange gains	2,966	-	-	-	-	-	-	-	-	-	-	112,852	499,344	143,730	1,090,982
Rent expenses on real estates	-	-	-	-	-	-	-	-	-	-	-	32,328	222,372	278,675	337,782
Other	5,181	456,932	214,029	465,422	234,726	124,917	1,016,955	64,428	31,899	33,367	30,474	15,136	38,602	105,809	209,056
Non-operating expenses	123,276	106,053	134,090	364,939	606,820	332,121	170,141	345,509	553,978	113,480	88,390	128,138	423,160	472,748	936,466
Interest expenses	6,240	1,583	13,550	49,348	108,695	131,409	139,396	201,783	222,315	84,303	43,560	49,914	102,386	88,196	97,871
Commission fees	-	-	-	-	-	-	-	72,145	41,571	6,588	6,167	1,989	50,000	195	554,852
Foreign exchange losses	-	1,235	-	-	-	-	-	-	-	-	30,274	-	-	-	-
Rent cost of real estate	-	-	-	-	-	-	-	-	-	-	-	13,342	127,296	189,431	275,071
Listed expenses	-	-	-	-	-	-	-	-	-	-	-	-	94,689	191,602	-
Investment loss on equity method	85,621	97,980	82,716	124,567	320,189	144,579	-	-	-	-	-	-	-	-	-
Other	31,413	5,251	37,821	191,022	177,934	56,132	30,744	71,579	290,090	22,587	0	62,892	48,788	3,323	8,041
Ordinary income	160,070	351,681	-202,576	-210,374	108,532	1,505,034	2,475,808	-375,001	537,580	-457,210	972,669	2,708,966	3,078,642	4,442,492	7,610,325
Ordinary income rate	6.0%	12.6%	-5.8%	-3.4%	1.4%	12.1%	14.3%	-0.9%	1.6%	-5.5%	8.8%	18.2%	11.0%	13.2%	20.0%
Extraordinary income	29	5,547	236,891	1,355,148	1,437,442	7,941	236,152	473,817	16,147,076	49,125	58,089	63,423	1,304,628	630,922	2,463,041
Gain on change in equity	-	4,734	25,651	323,237	848,226	-	113,747	15,039	106,674	30,337	46,167	20,323	18,603	374,492	2,363,553
Gain on sales of investment securities	-	-	-	-	-	5,012	-	-	-	-	206	42,920	153,417	220,955	-
Gain on sales of shares of subsidiaries and associates	-	-	156,240	1,027,572	484,540	-	122,371	417,602	16,031,415	15,240	-	-	1,131,288	-	-
Other	29	812	55,000	4,338	104,676	2,928	33	41,174	8,986	3,547	0	180	1,319	35,474	99,487
Extraordinary loss	20,299	84,951	159,582	215,426	119,180	61,112	105,623	435,103	4,424,801	1,775,443	71,942	236,922	168,213	38,398	824,373
Loss on retirement of non-current assets	299	14,855	70,021	73,471	86	2,045	10,979	5,444	144,832	4,892	9,398	3,114	22,382	7,073	27,637
Loss on liquidation of subsidiaries and associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77,109
Impairment loss	-	-	-	-	-	-	-	62,500	1,759,936	1,435,962	22,157	222,529	88,430	376	657,611
Loss on valuation of investment securities	20,000	-	-	-	9,305	-	37,325	170,135	787,046	332,607	-	8,366	33,843	-	-
Other	-	70,096	89,560	141,952	109,789	59,064	57,317	197,021	1,732,985	1,981	0	2,912	23,557	30,948	62,014
Income before income taxes	139,800	272,277	-125,267	929,347	1,426,794	1,451,863	2,606,337	-336,287	12,259,855	-2,183,528	958,816	2,535,467	4,215,057	5,035,016	9,248,993
Income before income taxes and net profit rate	5.2%	9.8%	-3.6%	15.0%	18.2%	11.6%	15.0%	-0.8%	35.5%	-26.2%	8.7%	17.0%	15.1%	14.9%	24.3%
Income taxes-current	41,450	265,217	101,226	481,101	327,172	875,376	1,202,403	1,560,934	5,506,725	3,620	47,856	409,909	1,520,208	1,919,646	3,699,401
Income taxes deferred	52,652	-104,339	-20,507	-19,485	152,432	-290,586	256,359	-114,718	575	-	-	-	-9,850	-32,641	155,721
Minority interests in net income	-1,860	7,460	11,437	87,094	313,952	528,572	558,940	648,160	1,301,660	3,677	9,896	19,134	-11,170	300,956	312,270
Net income	47,558	103,938	-217,423	380,636	633,235	338,501	588,633	-2,430,663	5,450,893	-2,207,784	901,063	2,106,422	2,715,870	2,847,054	5,081,600
Net profit margin	1.8%	3.7%	-6.1%	6.1%	8.1%	2.7%	3.4%	-6.1%	15.8%	-26.5%	8.1%	133.8%	28.9%	4.8%	78.5%

Consolidated Statement of Cash Flows

(JPY in Thousands)

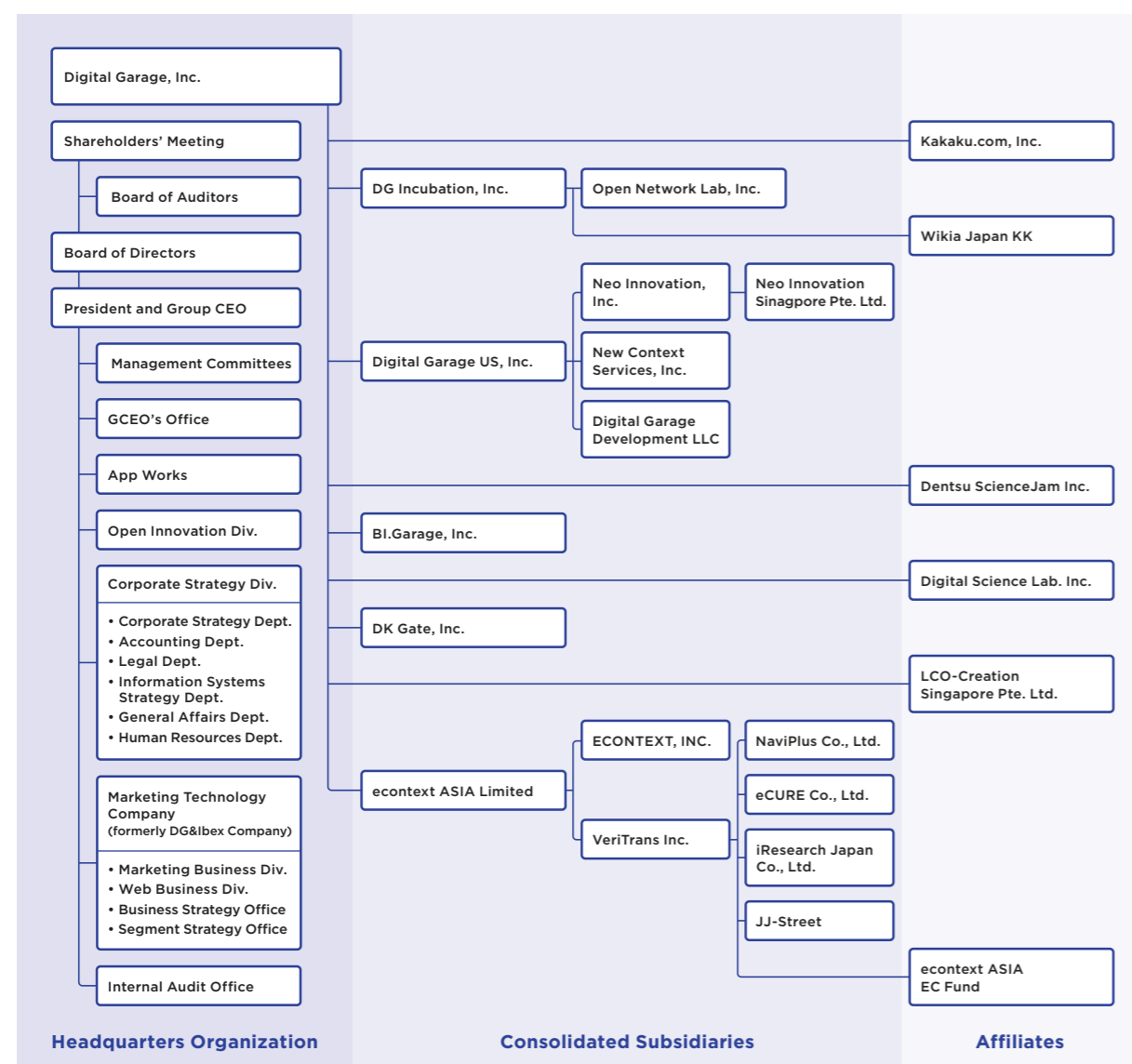
	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Cash flows from operating activities	20,560	212,838	558,196	-1,647,427	2,295,197	1,898,215	779,065	-1,049,211	1,963,899	-5,163,019	131,805	2,542,198	3,211,628	-34,900	5,040,076
Income before income taxes and minority interests	139,800	272,277	-125,267	929,347	1,426,794	1,451,863	2,606,337	-336,287	12,259,855	-2,183,528	958,816	2,535,467	4,215,057	5,035,016	9,248,993
Depreciation	40,234	45,236	47,064	46,098	54,952	83,579	107,371	136,235	223,148	75,792	90,782	86,934	209,787	229,091	291,543
Amortization of software	41,066	271,691	219,642	33,356	77,765	125,773	269,081	361,952	401,521	97,717	102,018	119,838	407,237	401,531	419,858
Impairment loss	-	-	-	-	-	-	-	-	1,759,936	1,435,962	22,157	222,529	88,430	376	657,611
Amortization of goodwill (2003-)	-	-	129,589	134,691	279,918	526,570	624,056	635,492	627,932	249,395	177,398	188,753	940,412	756,336	754,098
Amortization of goodwill (-2003)	18,453	18,453	18,453	-	-	-	-	-	-	-	-	-	-	-	-
Interest or dividends income	-1,234	-748	-2,916	-8,663	-37,722	-22,686	-32,972	-89,714	-78,984	-35,579	-28,764	-50,984	-58,114	-37,863	-18,150
Interest expenses	6,240	1,583	13,550	49,348	108,695	131,409	139,396	201,783	222,315	84,303	43,560	49,914	102,386	88,196	97,871
Foreign exchange gains (losses)	-2,966	1,235	88	75	-710	-272	-1,279	2,550	20,043	1,243	2,513	-36,609	-468,880	-153,280	-1,102,679
Investment profit (loss) on equity method	85,621	97,980	82,716	194,416	320,189	144,579	-	-	-	-547,614	-866,346	-1,004,205	-1,361,142	-1,741,139	-2,080,806
Gain on change in equity	-	-	-	-323,237	-848,226	14,317	-63,207	-7,967	-95,145	-30,337	-46,167	-20,323	-18,603	-374,492	-2,363,553
Gain on sales of shares of subsidiaries and associates	-	-	-156,240	-1,027,572	-484,540	-	-122,371	-417,602	-15,936,735	-15,240	15,443	0	-1,131,288	0	0
Gain on sales of investment securities	-	-451,311	-208,516	-455,554	-126,225	-5,012	-	-	157,433	-	19,682	-42,920	-153,417	-220,955	-68,480
Loss on valuation of investment securities	20,000	-	-	-	-	-	-	170,135	787,046	332,607	0	8,366	33,843	707	55,629
Increase in accounts receivable, trade	-151,138	221,366	-764,715	-117,037	-57,533	-632,092	-1,983,860	180,460	1,690,803	639,795	732,430	-275,828	-34,914	-960,614	-148,139
Increase (decrease) in investment securities for sale	-	-	-	-	-	136,667	177,908	1,360,015	1,445,585	-250,415	-529,304	-1,018,823	-582,498	-1,971,738	-1,437,205
Increase (decrease) in allowance for investment loss	-	-	-	-	-	-	-282,587	265,083	-491,441	0	9,200	84,138	156,576	267,974	-49,538
Increase (decrease) in receivables-other	27,426	1,467	-69,794	-491,945	-2,300,834	979,715	-551,137	-492,965	309,670	-113,066	-992,830	-2,377,507	-1,456,746	444,332	-3,016,113
Increase (decrease) in notes and accounts payable-trade	-222,436	-297,592	555,540	-738,838	774,578	135,264	1,112,837	-3,390,662	-1,180,367	-257,805	-505,930	130,262	15,549	459,748	489,763
Increase (decrease) in deposits	-	-	1,164,254	-215,755	3,701,402	-598,324	1,574,759	423,245	607,201	-947,844	430,259	3,542,213	3,269,418	-1,751,818	4,612,033
Other	28,372	93,476	116,222	385,531	7,979	-142,878	-1,434,696	1,406,722	826,356	-56,095	296,618	187,642	156,394	417,039	403,629
Sub-total	29,442	275,117	1,019,672	-1,605,738	2,896,484	2,328,475	2,139,635	408,479	3,556,175	-1,520,707	-68,459	2,328,861	4,329,485	888,180	6,746,366
Interest and dividends income received	1,119	748	765	9,749	34,547	11,354	-	19,419	219,363	168,882	234,130	313,717	420,293	517,646	629,567
Interest expenses paid	-5,955	-1,583	-13,941	-42,051	-103,763	-128,844	-144,595	-205,658	-235,890	-77,366	-41,944	-61,382	-82,088	-102,084	-102,025
Income taxes paid	-4,045	-61,443	-448,301	-131,377	-532,070	-314,808	-1,223,468	-1,422,841	-1,624,535	-3,733,862	-2,498	-55,511	-1,456,065	-1,396,074	-2,241,394
Income taxes refund	-	-	-	121,990	-	2,038	7,494	151,390	48,787	34	10,577	16,513	4	57,431	7,561
Cash flows from investing activities	-1,011,513	-186,734	-776,990	-3,795,977	-165,735	-3,305,766	3,355,538	486,273	7,346,657	1,233,513	-165,238	-9,411,154	1,514,636	-5,155,218	508,610
Payments into time deposits	-393,440	-277,199	-	-1,150,000	-640,101	-16,032	-300,019	-60,000	-	-	-	-	-	-	-
Proceeds from withdrawal of time deposits	390,242	472,950	-	-	1,243,333	656,981	360,057	855,185	169,000	-	-	-	-	-	-
Payments for acquisition of tangible fixed assets	-99,706	-25,498	-53,192	-84,297	-82,476	-171,704	-165,424	-191,841	-193,743	-362,605	-32,256	-559,335	-1,247,500	-303,155	-164,722
Payments for acquisition of intangible assets	-223,576	-449,726	-197,949	-96,915	-354,863	-692,335	-379,273	-472,407	-378,366	-116,387	-134,036	-269,452	-688,104	-512,701	-581,319
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-	120,489	-	678,778	-	1,307,465	-	-	-	-	-	-	-	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	-614,084	-	-	-	-	-	-	-	-	-	-5,678,052	-447,950	-	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	-	228,739	-	-	-	-	14,319	11,402,523	2,090,000	-	-	-	-	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-	-	-	-1,224	-765,418	-	-	-	-2,754,385	-	-3,249	-	-	-	-
Purchase of investment securities	-346,608	-65,280	-1,106,365	-1,945,578	-268,479	-3,115,024	-468,985	-88,481	-84,177	-662,330	-75,873	-370,598	-418,903	-4,189,218	-951,521
Purchase of stocks of subsidiaries and affiliates	-	-	-	-1,717,532	-871,954	-500,000	-560,589	-73,500	-178,350	-142,999	-	-	-51,000	-214,329	-332,291
Proceeds from sales of investment securities	-	464,784	213,684	460,376	352,222	22,897	3,911	252	141,764	8,842	6,942	66,913	211,882	893,354	346
Proceeds from sales of stocks of subsidiaries and affiliates	-	-	-	1,165,200	234,000	489,029	181,125	610,930	-	32,000	-	-	4,303,720	-	2,613,908
Proceeds from withdrawal of investments in silent partnership	-	-	-	-	-	-	3,000,000	4,492	-	-	-	-	-	-	-
Payments for investments in real estates	-	-	-	-	-	-	-	-	-	-	-	-2,549,232	-48,610	-249,150	-43,055
Other	-338,424	307,320	17,602	-426,005	309,221	20,423	377,269	-112,676	-777,609	386,991	73,234	-51,296	-98,894	-580,017	-32,734
Cash flows from financing activities	919,237	717,818	1,065,638	6,850,448	573,881	2,806,777	-203,196	1,592	-5,152,847	-3,294,577	-568,188	15,273,408	-1,816,526	11,260,971	1,390,209
Net increase (decrease) in short-term borrowing	-428,000	417,700	598,240	-903,750	77,500	270,000	-331,916	262,788	-1,168,000	-2,122,000	-110,000	7,440,000	-10,640,000	3,300,000	12,245,000
Net increase (decrease) in long-term borrowing	-67,663	292,975	-87,663	356,000	-611,665	2,494,440	-411,770	1,077,180	-2,678,900	-191,362	-499,368	-387,054	6,586,654	1,952,051	3,986,225
Proceeds from issuance of bonds	-	-	294,600	3,394,115	194,809	300,000	-	-	-	-	-	-	-	-	-
Redemption of bonds	-	-	-	-48,000	-96,000	-436,000	-100,000	-988,000	-376,000	-40,000	-	-	-	-	-
Payments for retirement by purchase of bonds	-	-	-	-	-2,576,420	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common shares	1,414,900	7,143	84,081	175,998	33,895	54,327	18,734	43,777	7,530	-	72,884	8,244,784	2,611,188	136,932	54,240
Cash dividends paid	-	-	-	-	-	-	-	-	-908,511	-923,440	-6,693	-711	-216,607	-233,735	-233,941
Proceeds from stock issuance to minority shareholders	-	-	176,380	897,093	1,750,255	269,360	672,604	94,169	221,369	-	-	-	-	6,371,344	3,400
Cash dividends paid to minority shareholders	-	-	-	-20,960	-28,125	-25,455	-50,863	-113,532	-44,501	-	-	-	-	-	-404,163
Proceeds from deposits received	-	-	-	3,001,255	2,137,241	2,840,157	-	-	-	-	-	-	-	-	-
Repayments of deposits received	-	-	-	-	-302,463	-2,937,062	-	-	-	-	-	-	-	-	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-14,087,596
Other	-	-	-	-1,304	-5,146	-22,988	13	-374,788	-205,835	-17,774	-25,011	-23,609	-157,762	-265,621	-172,954
Effect of exchange rate changes on cash and cash equivalents	2,348	-1,032	129	-1,276	-881	573	853	2,882	-2,471	-429	-2,513	82,718	422,300	21,707	1,954,918
Net increase (decrease) in cash and cash equivalents	-69,365	742,889	846,973	1,405,766	2,702,462	1,399,799	3,932,260	-558,462	4,155,237	-7,224,513	-604,135	8,487,171	3,332,039	6,092,559	8,893,814
Cash and cash equivalents at beginning of year	443,362	373,996	1,116,886	1,963,860	3,369,626	6,072,088	7,471,888	11,509,880	10,951,418	15,100,424	7,875,910	7,271,775	15,758,947	19,090,986	25,183,545
Increase in cash and cash equivalents from newly consolidated subsidiary	-	-	-	-	-	-	105,731	-	-	-	-	-	-	-	-
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	-	-	-	-	-	-	-	-6,232	-	-	-	-	-	-
Cash and cash equivalents at end of year	373,996	1,116,886	1,963,860	3,369,626	6,072,088	7,471,888	11,509,880	10,951,418	15,100,424	7,875,910	7,271,775	15,			



Company Information (as of June 30, 2015)

Company name	Digital Garage, Inc.
Head office	DG Bldg., 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo 150-0022, Japan
Established	August 17th, 1995
Phone	03-6367-1111 (Main)
Fax	03-6367-1119
Stock listings	JASDAQ, Tokyo Stock Exchange
Fiscal year end	June 30th
Stock capitalization	7,435 million yen
Total number of shares issued	47,277,200
Number of employees	509 [consolidated]/274 [non-consolidated]

Organization Chart (as of June 30, 2015)



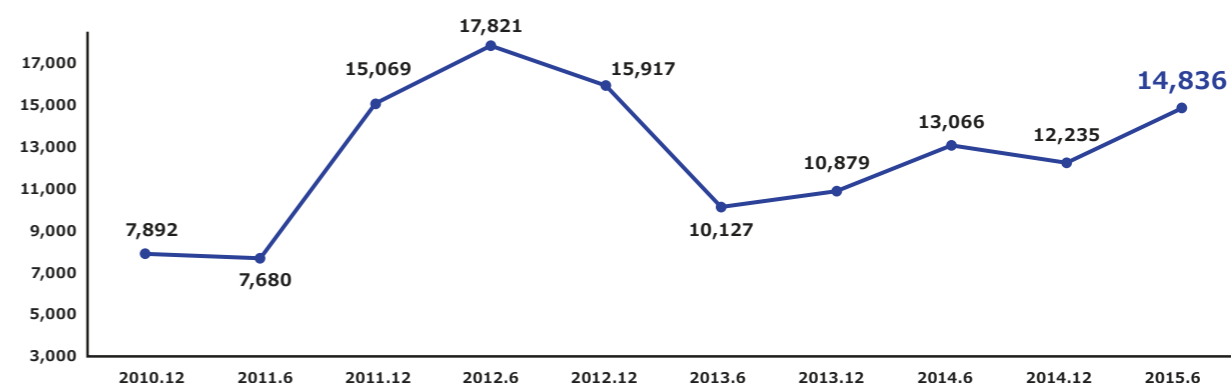
Share Information (as of June 30, 2015)

Authorized shares	120,000,000
Issued shares	47,277,200
Voting rights	470,168
Shareholders	14,836

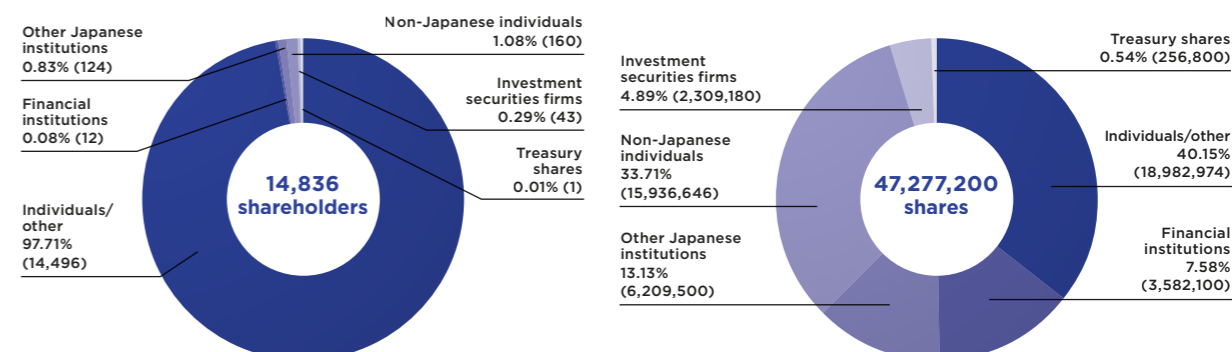
Major Shareholders	Shares Owned	Ownership Percentage
Kaoru Hayashi	6,766,800	14.39
Dentsu Inc.	3,300,000	7.02
The Bank of New York 133524	1,804,300	3.84
TIS Inc.	1,483,800	3.16
JPMCB CREDIT SUISSE SECURITIES EUROPE—JPY 1007760	1,246,483	2.65
The Master Trust Bank of Japan, Ltd. (Trust accounts)	1,193,700	2.54
Japan Trustee Services Bank, Ltd. (Trust accounts)	1,088,700	2.32
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	880,700	1.87
JPMorgan Chase Bank 385166	797,300	1.70
Credit Saison Co., Ltd.	655,200	1.39

*Share ownership percentages were calculated based on issued shares net of treasury shares (256,800 shares).

Number of Shareholders



Share Ownership Distribution





 *Digital Garage Group*

FOR THE NEXT

20 YEARS

Looking Ahead to the Next 20 Years

Established in 1995, Digital Garage has followed every step of the Internet's history over these 20 years.

The wave of open innovation engendered by the Internet is now reaching into hardware and biotechnology. And with such dramatic change taking place in fields of all kinds, the coming 20 years will likely see people's lives change with technical evolution even more audacious than what we have seen in the 20 years to date.

Holding fast to our "first penguin" spirit as we work at the interface of the future and present, we will continue to build businesses that are beneficial for the world. Expect great things from Digital Garage as we pioneer the coming 20 years.