



DIGITAL GARAGE ANNUAL REPORT 2017

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 Digital Garage



Digital Garage

Digital Garage, Inc.
DG Bldg., 3-5-7 Ebisu Minami, Shibuya-ku, Tokyo 150-0022, Japan

www.garage.co.jp

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

Mission

CONTEXT COMPANY

Since its establishment 22 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 is set to expand by leaps and bounds—and linking Japan with the rest of the world, marketing with technology, and the present with the future. We also

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 a new page 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.

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 ANNUAL REPORT 2017

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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.



Philosophy

FIRST PENGUIN SPIRIT

For a colony of penguins to survive, they require their staple food: fish. However, the deep ocean where fish thrive is also home to dangerous predators such as sharks and seals that prey on penguins. The penguin that courageously decides to be the first to take the plunge, despite the possibility of encountering such predators, is referred to as the “First Penguin.” The Digital Garage Group was founded on the creed of being the “First Penguin” —having the courage and unshakeable will to be the first to step forward and take up a challenge. With all of our employees guided by the spirit of leading and being the “First Penguin,” we will move forward to provide services that are useful to the world.

DG is moving into the fourth stage of incubation in preparation for 2020 and the 25th anniversary of its founding.

In the three years leading up to the 2020 Tokyo Olympic and Paralympic Games, the business environment is expected to experience the end of some existing businesses and the creation of new businesses, brought about by unprecedented rapid technological innovation. To respond to these major shifts, DG formulated a new Mid-term Business Plan with the slogan “Open Incubation,” which is the next step for “Open Innovation.” With DG Lab, an open innovation platform for R&D established in July 2016, at the core, DG will support the creation of a new Japan and further expand business. We will accomplish this by using context to connect new businesses created by technological innovation while collaborating with various corporations, from startups to major corporations, engaged in progressive initiatives.

THINK FOR YOURSELF AND QUESTION AUTHORITY

— Timothy Leary

A handwritten signature in black ink, appearing to read 'Timothy Leary', positioned to the right of the quote.

DG HISTORY

The past and future of Digital Garage, a company that has applied IT (Information Technology), MT (Marketing Technology), FT (Financial Technology) to give rise to new value in the age of the internet

What DG has done

A history of making the most of networks in Japan and abroad to pioneer pathways for internet development.

Experience and a track record of performance, at the leading edge of internet business, is DG's strength and the source of the high-value-added contexts it creates.

Key Web Milestones

- 1995** Microsoft introduces Windows 95
- 1998** Number of Internet users in Japan surpasses 10 million
- 2000** Google introduces a Japanese-language search service
- 2007** Apple introduces the iPhone
- 2008** Number of fiber-optic service users exceeds number of ADSL users in Japan
- 2011** Number of SNS users in Japan exceeds 40 million
- 2014** Number of smartphone subscribers exceeds number of feature phone subscribers
- 2017** AI program called "AlphaGo" beats the best professional Go player in the world
- 2020** Tokyo Olympic and Paralympic Games

1995 '95-'00 PORTAL SEARCH

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

2000 '00 E-COMMERCE DESTINATION SITE

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

2008 '08 SOCIAL MEDIA

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

2016

Established "DG Lab," an R&D platform, with the aim of developing technology that supports next-generation businesses.

2017 '17 FUTURE...

In anticipation of the business environment in the year 2020 and beyond, starting preparations to develop new businesses through open incubation.

Hybrid Solution

Social Media Incubator

Lean Global
Providing New Contexts

IT/MT/FT x Open Innovation

Open Incubation toward 2020

1995

Digital Garage

Created Japan's first personal homepage "Tomigaya," and established Digital Garage to create Internet-based advertising.

2000

Digital Garage

Digital Garage was listed on the OTC (now the Tokyo Stock Exchange JASDAQ).

2005

DG&lbex

Established DG&lbex, a company providing advertising and promotion services by fusing real space and cyberspace, into a consolidated subsidiary.

2008

twitter

Entered into a business alliance with Twitter, Inc. and provided localization support.

2011

Open Network Lab

Established the Open Network Lab to support next-generation startups.

2012

Veritrans

Made VeriTrans Inc. into a consolidated subsidiary in order to become Japan's largest payment platform.

2013

BI.GARAGE

BI. Garage, a joint venture with the Dentsu Group, embarked on a big data operations mission.

2016

DG LAB

Launched an R&D platform by DG, Kakaku.com, and Credit Saison to create new businesses.

2017

DG Life Design

Started a lifestyle support business as the first proposition of the Long-term Incubation.

2000

econtext

Established econtext, Inc. to provide payment and other e-commerce solutions.

2003

kakaku.com

Kakaku.com was listed on the Tokyo Stock Exchange Mothers Index.

2005

DG INCUBATION

Established DG Incubation to invest in and provide business support to venture companies.

2011

DGUS

Established DGUS, the DG Group's US base of operations, to accelerate US incubation activities.

2012

dentsu

Entered into a capital and business tie-up with Dentsu Inc. and began collaborating in all aspects of digital marketing.

2013

DG717

Established the incubation center, DG717, in the heart of San Francisco.

2016

DK MEDIA

Established DK Media, a joint-venture internet media company that utilizes the women's magazines of Kodansha Ltd.

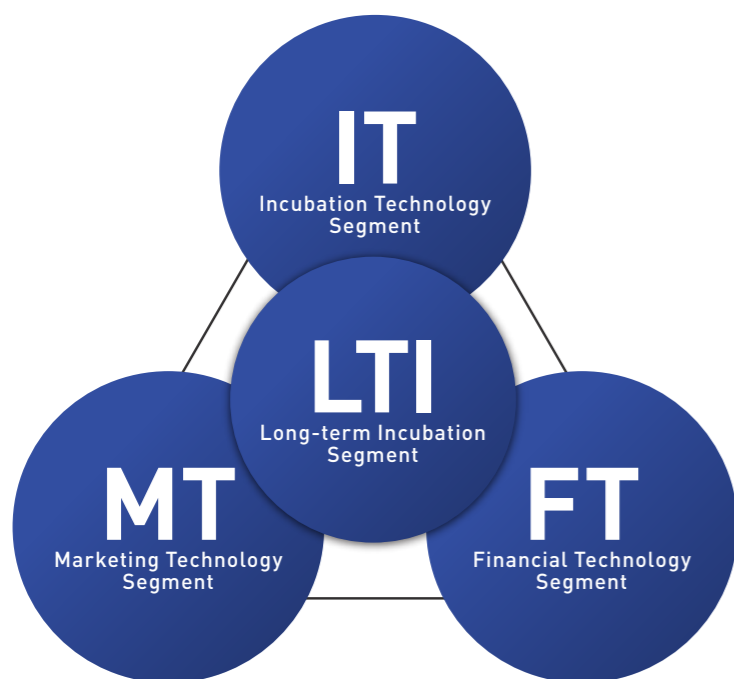
FOUR SEGMENTS

FOUR SEGMENTS and BUSINESS CONCEPTS

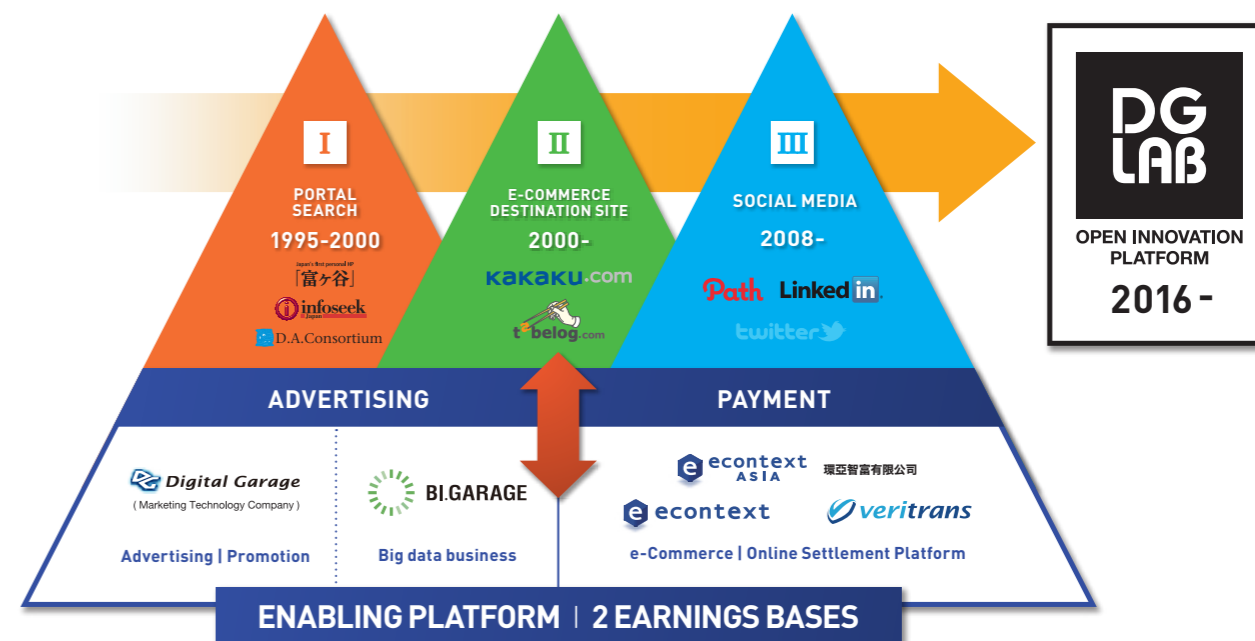
Business Model Creating innovative internet services with open innovation in four segments.
 Adding to sustainable growth in marketing (MT) and payment services (FT), which are indispensable for the profitability of internet-related businesses, we will discern the future of technology evolution and create new businesses through DG Lab, an open innovation platform.

BUSINESS MODEL

THE DIGITAL GARAGE GROUP'S THREE EARNINGS BASES



- POINT 01**
Organic growth in the IT, MT, and FT segments.
- POINT 02**
Acceleration of incubation with DG's unique cross-segment platform.
- POINT 03**
Achievement of long-term benefits from business incubation by bringing incubated businesses into the DG Group.



Connecting diverse business areas with contexts, discerning the evolution of technology, and building a business capable of ongoing earnings expansion

DG applies three fundamental technologies—IT (Information Technology), MT (Marketing Technology) and FT (Financial Technology)—to create new contexts for the internet era. These new contexts, projected onto business areas, have given rise to our Incubation Technology Segment, Marketing Technology Segment, Financial Technology Segment, and Long-term Incubation Segment. As of FY2017, the Media Incubation Segment was renamed to the Long-term Incubation Segment.

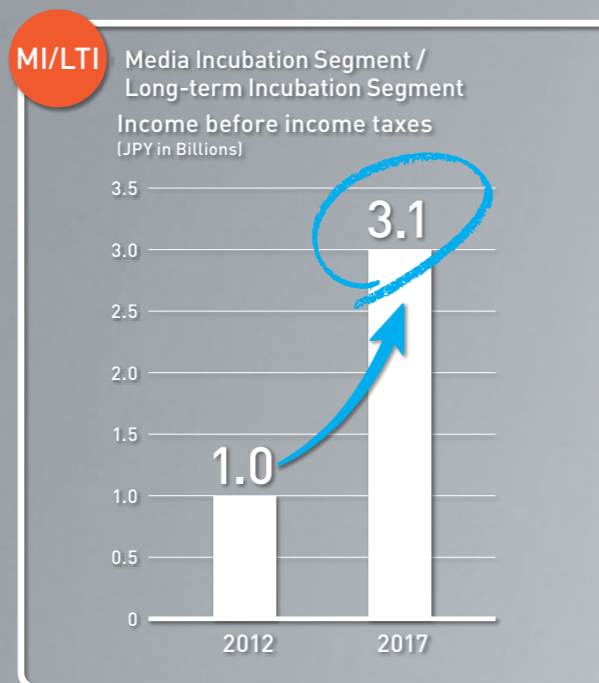
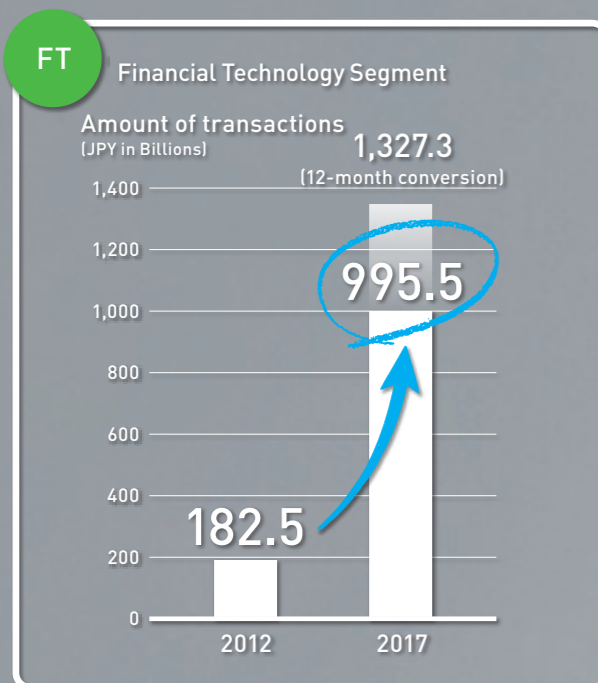
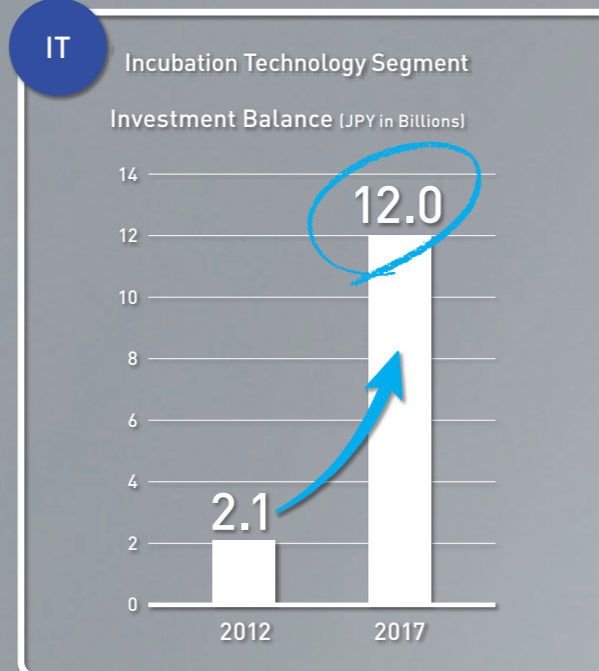
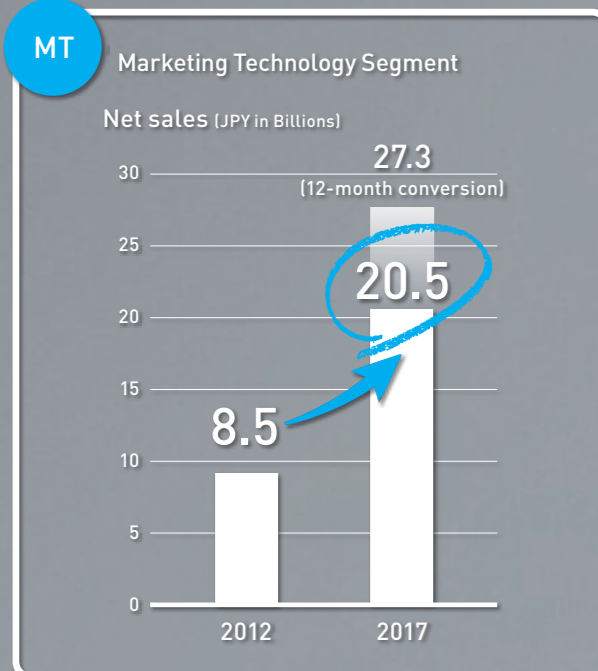
Incubation model applying the enabling platforms

The Marketing Technology Segment and Financial Technology Segment are generating stable earnings as an enabling platform. Digital Garage's incubation model uses this enabling platform to invest in and nurture companies in Japan and abroad. Adding DG Lab to this incubation model, we are striving to continue contributing to society by further accelerating incubation, and developing and providing useful services.

MESSAGE FROM THE CEO

Entering the 4th Stage of Incubation toward our 25th Anniversary in 2020

Track Record of DG Group Segments (5-year period)



At the start of FY 2016 (ended June 30, 2016), we commenced a Mid-term Business Plan under the slogan - "IT/MT/FT x Open Innovation - Creating New Contexts For A Better Society." In the financial results for FY 2017 (ended March 31, 2017), the second year covered by this three-year plan, we posted net sales of 36.4 billion JPY, income before income taxes of 5.8 billion JPY, and net income attributable to owners of parent of 4.2 billion JPY. Although it was a nine-month irregular account settlement period as result of the change of closing date, if we compare these results with the same period of previous fiscal year (first nine months of FY 2016), we see a 15.8% rise in net sales and a 23.1% rise in income before income taxes, which is a management indicator.

As for our individual business segments, Marketing Technology (MT) and Financial Technology (FT), both achieved two-digit increases in both sales and earnings. In the Incubation Technology (IT) Segment, meanwhile, despite initial forecasts of income before income taxes of 2,500 million JPY, the actual result was 588 million JPY. This reflected DG revising a plan to sell shares of multiple companies, estimated at the start of the fiscal year to realize gains of approximately 1,200 million JPY, and instead increasing equity interest in certain companies to make them companies of the DG Group. We made this decision on the grounds that the medium to long term business interests we expect to gain would contribute more to the expansion of shareholder value than the short-term capital gains from investment would have provided. In the Media Incubation (MI) segment, which captured equity interest of Kakaku.com, Inc., income before income taxes was 3,087 million JPY, which is slightly higher than the 3,050 million JPY of FY 2016.

Each segment has grown significantly as shown by their trends in KPI over the past five years (left table). We believe that this is proof of the stable business foundations possessed by each segment. In the future, although we expect the business environment will change greatly as technology progresses, we aim to convert such change into business opportunity and realize further growth.



Kaoru Hayashi

Representative Director,
President
Executive Officer and
Group CEO
Digital Garage, Inc.

MESSAGE FROM THE CEO

OPEN INCUBATION TOWARD 2020



KAORU HAYASHI

K. Hayashi
Representative Director, President
Executive Officer and Group CEO

Formulating a new Mid-term Business Plan in Line with the Changing Business Environment

The wave of open incubation, which began with the internet, is now reaching the fields of finance, hardware, and biotechnology, and the environment surrounding DG's business is experiencing major change. This is because of the constant advancement of various technological innovations, including the penetration of the blockchain technology, an element of social infrastructure supporting a wide range of business transactions; the commercialization of 5G networks, which could realize 100 times or more the network capacity we have now; and the commodification of genetic analysis and synthesis - each of which having the potential to cause paradigm shifts.

To ensure that we ride the waves of the dramatic technological innovations occurring in the future and achieve remarkable growth of our businesses, we recognize the importance of taking a proactive stance toward the creation of new businesses that cut across various fields under flexible policies free from the trappings of preconceived notions. This is in response to recent efforts to accelerate the trend of developing new technologies in the interdisciplinary domain where the research of different fields overlap and converge.

To anticipate these rapid changes of the times and strengthen our business foundation, even though we were only through the second year of a three-year Mid-term Business Plan, we formulated a new three-year Mid-term Business Plan starting in FY 2018 under the slogan of "Open Incubation toward 2020."

In the new three-year Mid-term Business Plan, we are simply including the phrase "Open Incubation," which aims to further advance the technological innovation taking place through the cooperation of various companies in the form of "Open Innovation," and to develop businesses with future potential, including new business areas, through an open ecosystem facilitated by collaboration with other companies. The breakdown and creation of the existing business environment brought about by the emergent rapid technological innovation offer a chance for business

expansion. To take advantage of this chance, while going beyond the boundaries of business areas, we must collaborate openly with all companies taking a forward-thinking approach, from startups to major companies. If we don't collaborate in this way in the future, it may be difficult to recognize the technological innovation that arises from the interdisciplinary domain as the potential of budding new businesses and develop them at opportune timing into a pillar of our business.

Establishing the Long-term Incubation

Another reform at the foundation of the new three-year Mid-term Business Plan is the medium-to-long-term development of companies in which DG has invested who wish to collaborate with DG. To realize one of our missions as a company representing being an internet incubator, the creation of new businesses, in addition to short-term incubation results (gains on sales of shares), we renewed our focus on the importance of creating long-term, continuous cash inflow. To clarify the management stance of enhancing the business development of medium-to-long-term holdings, starting in FY 2018 we changed the name of the MI (Media Incubation) segment, whose business had focused mainly on investment profit on equity method and media development at Kakaku.com, to the LTI (Long-term Incubation) segment.

In the LTI segment, we added the businesses of DG Life Design, Inc., which is developing a lifestyle support business that includes Japan's largest wine school under its umbrella by offering "Valuable Life." We also added DK Media, Inc., established as a joint venture with Kodansha to manage the distribution of "compilation media" that optimally re-edits content beyond the framework of individual magazines through the combination of quality articles from multiple magazines and AI technology. As the first step, in June 2017 DK Media launched "HOLICS" to distribute content based on women's magazine articles.

Through these businesses, the LTI segment will pursue continuous cash inflow including investing in and nurturing new businesses and business alliances.

Start in Full Swing of R&D at DG Lab that Anticipates New Businesses

In anticipation of the 2020 Tokyo Olympic and Paralympic Games and beyond, we are steadily moving forward with preparations to develop new businesses utilizing cutting-edge technologies. To do so, "DG Lab," an open innovation R&D platform we established with Kakaku.com and Credit Saison in July 2016, has fully begun R&D premised on commercialization centered on the blockchain technology and AI, two of DG Lab's five priority fields. Regarding the blockchain technology, based on our technological collaboration Blockstream, Inc., in which we invest, we are rapidly developing a platform technology for a range of applications utilizing the blockchain technology, which is used in bitcoin. In addition to launching a proof-of-concept implementation of regional currencies using the blockchain technology by Autumn 2017, we are making preparations with our strategic partners for the commercialization of point exchange systems and smart contracts.

In the field of AI, we built an open platform for interactive agent technology that provides a dialogue-type user experience using voice and text for smartphone and home appliance users. As the first project using this open platform, we developed a prototype of a restaurant search service that uses the restaurant information of "Tabelog," the food blog operated by Kakaku.com. Going forward, we plan to continue to evolve the platform to make it even more user-friendly by accumulating knowhow through collaboration with a range of companies.

Additionally, regarding VR/AR and biotechnology, through collaboration with the investment targets of the DG Lab Fund, we aim to produce research results while functioning as a hub connecting startups and major companies, creating a framework to develop new businesses.

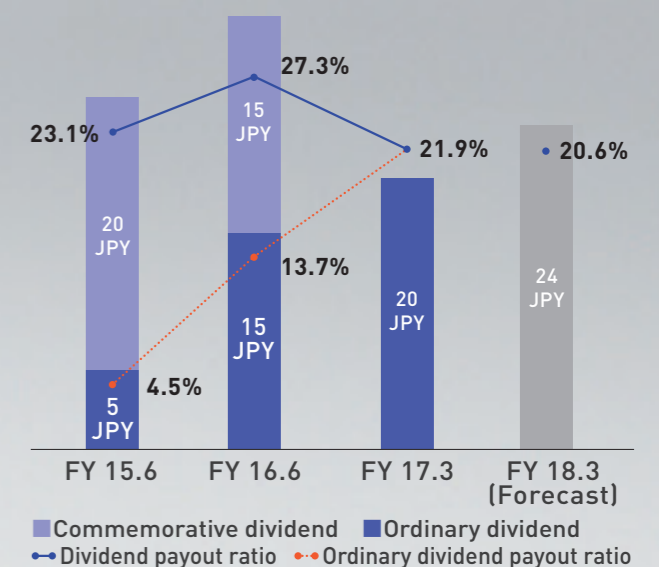
Moreover, to evaluate the research results at DG Lab, we plan to create proof-of-concept implementations of services aimed at realizing "smart cities" that enrich people's lives through collaboration with local governments and companies in designated regions.

Shareholder Returns

Maintain a Dividend Payout Ratio of 20% in FY 2018

DG views shareholder returns as one of its principal management concerns. We make decisions on shareholder returns based on considerations of factors such as financial condition, business performance outlook, and capital needs for growth investments. The three-year Mid-term Business Plan calls for us to achieve 20% dividend payout ratio.

In light of that target, we paid an ordinary dividend of 20 JPY per share as a year-end dividend in FY 2017. This resulted in a dividend payout ratio of 21.9%. In the new three-year Mid-term Business Plan starting in FY 2018 as well, we plan to maintain a dividend payout ratio of 20%. I would like to take this opportunity to express our gratitude to our shareholders for their ongoing support and encouragement.



Concept of New Mid-term Business Plan

DG has experienced remarkable growth in its IT, MT, and FT segments in the past ten years, and we believe that our management fundamentals have now stabilized. The investment balance in our IT segment has grown by 3.2 times to 12.0 billion JPY; net sales in the MT segment have grown by 30 times to 27.3 billion JPY; and transaction volume in the FT segment has grown by 15 times to 1.30 trillion JPY. However, large structural changes are occurring in the business environment surrounding DG due to the rapid technological innovation in what can aptly be called the "4th Industrial Revolution." The effects of the coming technological innovation on DG's business will not be insignificant, and rather a prompt response is required. Given this type of business environment, we have reconsidered the Mid-term

Business Plan released in August 2015 from the standpoint of the group, and reached the decision that a rolling plan is required. Therefore, we have formulated a new Mid-term Business Plan starting in FY 2018 and looking forward three years to the 25th anniversary of our founding in 2020.

We see these major changes as a business opportunity, and to expand business, Open Innovation that collaborates with startups and major companies alike and takes a forward-thinking approach is required. To further evolve Open Innovation in DG, the main concept of the new Mid-term Business Plan is "Open Incubation" that connects the new businesses created by technological innovation through context. Based on the slogan of "Open Incubation Toward 2020," we will advance the following six action steps.

OPEN INCUBATION TOWARD 2020

~ Moving to the 4th Phase of Incubation for 2020, the 25th Anniversary of DG ~

Collaborating with forward-looking companies from startups and big players, connecting new businesses with technological innovation in contexts and incubate a new Japan

< Six Actions to Achieve Open Incubation >

I The first action step is to advance projects through the open innovation R&D platform of "DG Lab."

As we approach the 4th Industrial Revolution, the creation of open ecosystems will become more and more important. We wish to work together with a range of industry partner companies to create innovation that crosses industry boundaries.

II The second action step is a long-term-ownership investment strategy that employs the entire group to develop the superior companies in which we have invested.

In addition to short-term incubation results, we will work to create a system that realizes long-term, continuous cash inflow. We will build and advance an incubation system that incorporates the new cash inflow from the businesses of the superior companies in which we have invested.

III The third action step is the design of a project that drives financial innovation utilizing the blockchain technology.

FinTech, the typification of blockchain technology, holds the possibility of creating dramatic changes in both existing payment services and the business of financial institutions. By utilizing blockchain technology, we will work to create next-generation payment platforms and produce innovative payment solutions.

IV The fourth action step is the establishment of collaborations and joint ventures among startups, major companies, and research institutions both in Japan and overseas.

In an open innovation framework that aggressively utilizes external resources, an approach that makes use of alliances and joint ventures is essential. Through mutually supportive collaboration utilizing each partner's strengths, we will build a platform for co-creation and advance businesses that create new value.

V The fifth action step is the design of future city projects and projects that boost local businesses utilizing AI, VR/AR, and IoT.

The rapid evolution in technology will likely result in new types of urban city development and economic activities, as well as large changes in the makeup of society itself. Regional collaboration is also becoming more and more important from the standpoint of increased inbound tourism. Through close collaboration with local governments and companies, we will focus on future city projects and projects that boost local business.

VI The sixth action step is the establishment of a Japanese-style biotech ecosystem utilizing computer science.

The fusion between IT technology and biotechnology is projected to advance further going forward. We will expand the scope of the incubation business DG has developed to include the biotechnology field and build an ecosystem to develop startups in the next-generation bio field.

New Mid-term Business Plan Outline

We are optimizing (pivoting) our business direction to flexibly respond to changes in the business en-

vironment on an individual business segment basis while maintaining continuous earnings expansion.

IT Incubation Technology

We have established new investment criteria and clarified investment standards. By establishing high ROI and a reinvestment cycle, we will aim to continuously realize incubation results.

Long-term Incubation LTI

While the business had been centered on the investment profit on equity method and media development of Kakaku.com, from FY 2018 we will change the segment name to LTI, and through medium-to-long-term ownership in the companies in which we invest, as well as business development and nurturing new businesses, we will work to create continuous cash inflow.

MT Marketing Technology

As a new business pillar to follow the performance-based ads that have driven results thus far, we will accelerate the shift to data marketing, and through collaboration with DG Lab, grow the business into high profitability over the medium-to-long-term.

Financial Technology FT

As a payment platformer boasting 1 trillion JPY in annual transaction volume, we are aiming for even greater future growth. Based on card payments as well as cash and convenience-store-based cash payments, we will pursue a next-generation FinTech business utilizing the blockchain technology and AI.

New Mid-term Business Plan Target

Looking forward toward FY 2020 in the new Mid-term Business Plan, we have disclosed the KPI for each business segment and committed to those numerical targets as target values in the Mid-term Business Plan. Specifically, in the MT Segment and FT Segment, while firmly maintaining the goal of continuous business growth, we have chosen the CAGR based on income before income taxes as one KPI and set our goal at 15%, above the industry average. Regarding incubation results, we have set ROI, an indicator of return on investment, as another KPI, with 2.5x ROI as our numerical target in both the IT

and LTI segments.

As company-wide numerical targets, we have chosen ROE, a metric showing the profitability of capital, and the dividend payout ratio, which shows returns to shareholders. By achieving the KPI for each segment and implementing an optimal financial strategy, we can in turn achieve our company-wide metrics, and as a result, increase corporate value. Moreover, we aim to clear 20% ROE in the final fiscal year of the Mid-term Business Plan while maintaining a 20% dividend payout ratio in each fiscal year.

Growth Indicators (Income before income taxes CAGR)		
	FY17.3 (Full year conversion)	CAGR (17.3 -20.3)
MT	1.4 (B JPY)	15% ↑
FT	1.9 (B JPY)	15% ↑
Hurdle Rate for Investment (ROI/Return on Investment)		
LTI IT		2.5x ↑
Capital Efficiency	ROE	20%
Shareholder Return	Dividend payout ratio	20%

Maximizing Shareholder Value through Ongoing Growth Investment and Financial Strategies

MAKOTO SODA

Member, Board of Directors, Senior Executive Officer and Senior Executive Vice President



In FY 2017, Net Sales Rose 16% YoY, and Income before Income Taxes Rose 23% YoY

DG changed its fiscal year end from June 30 to March 31. Because of this change, a simple comparison to FY 2016 is not possible, and as such we have reviewed performance by comparing the results through the third quarter of FY 2016 to FY 2017. For FY 2017, we posted net sales of 36.4 billion JPY (+15.8% YoY), ordinary income of 3.6 billion JPY (-19.5% YoY), income before income taxes of 5.8 billion JPY (+23.1% YoY), and net income attributable to owners of parent of 4.2 billion JPY (+30.0% YoY). Net sales, income before income taxes, and net income attributable to owners of parent all greatly exceeded prior period figures (total through the third quarter of FY 2016). However, when compared to the initial plans, while net sales were almost in line with our initial forecast (37.5 billion JPY), income before

income taxes, an indicator DG places significant weight on, missed our initial projection of 7.1 billion JPY by 1.27 billion JPY, and net income attributable to owners of parent fell below the initial forecast of 5.3 billion JPY by 1.0 billion JPY. This occurred because of missed results in the incubation technology segment, specifically due to the postponement of planned share divestment and the recording of conservative impairment in shares owned by DG group. That said, the postponement of planned share divestment was due to the proactive reason of changing our sales strategy from one that seeks to enjoy incubation results not only through short-term gains on sales to one that looks to also enjoy continuous results by capturing cash inflow through bringing incubated businesses into the DG Group.

JPY in Millions	FY16.6	FY16.6 3Q	FY17.3 (9 month)		YoY		Act vs Fcst	
	Full Year Act	Cumulative Act	Initial Forecast	Full Year Act	%	Amount	%	Amount
Net sales	43,763	31,474	37,500	36,451	+15.8	+4,976	-2.8	-1,048
Operating income	4,201	3,104		723	-76.7	-2,380		
Non-operating income	3,031	2,156		3,257	+51.1	+1,100		
Investment profit on equity method	2,406	1,687		2,539	+50.5	+851		
Foreign exchange gain	-	-		171	-	+171		
Non-operating expenses	1,040	678		292	-56.9	-386		
Foreign exchange loss	689	400		-	-	-400		
Ordinary income	6,193	4,582		3,688	-19.5	-893		
Extraordinary income	1,392	164		2,265	13.8 x	+2,101		
Gain on sales of investments in securities	-	-		1,829	-	+1,829		
Extraordinary loss	10	10		124	11.9 x	+113		
Impairment loss	-	-		104	-	+104		
Income before income taxes	7,574	4,735	7,100	5,829	+23.1	+1,093	-17.9	-1,270
Income taxes	2,385	1,412		1,525	+8.0	+112		
Net income attributable to owners of parent	5,165	3,307	5,300	4,299	+30.0	+991	-18.9	-1,000

Creating a Framework to Enjoy Incubation Results over the Long Term

Thus far, DG has realized incubation results through the divestment of shares in companies in which we invest. While this business has played a role in supporting DG's growth, the incubation results enjoyed through share divestment are temporary, and we cannot enjoy the results of the growth in those companies following the sales. This trend was particularly apparent for companies with which DG maintained a deep relationship and with which

we continued to collaborate after the sale. To resolve this issue, for companies in which DG has invested and with which we plan to deepen collaboration, as well as for joint ventures established with major companies, we will no longer engage in share divestment. Instead, we have decided to evaluate policy to increase our holding ratio, make more affiliates group companies, and by incorporating cash inflow in DG, continuously capture incubation results.

Promoting Aggressive Investment and Returns to Shareholders

Growth investment is fundamental to DG's strategy as a company whose future is intimately tied to the growth of its incubation business. Success in closely linking and balancing investment with the growth of our MT and FT segments, which function as enabling platforms, is fundamentally important to our financial strategy. That we have made income before income taxes the key indicator for assessing segment earnings is because this performance measure reflects incubation results. Determining optimal structures for liabilities and capital to achieve an optimal overall capital structure, based on income before income taxes and ROE as measures of earnings and capital efficiency, respectively, and linking this capital structure to our incubation activities is the nucleus of DG's financial strategy. In FY 2017, aiming for the following growth targets, we invested in making one company in which we invest an affiliated company to implement a scheme to realize continuous incubation results. Additionally, by continuing our normal incubation investment, we expanded our total assets to 91.6 billion JPY. FY 2017 also marked the first step in our investment strategy aimed at future growth. However, the change in the accounting year meant the FY 2017 accounting year only included nine months, resulting in FY 2017 in-

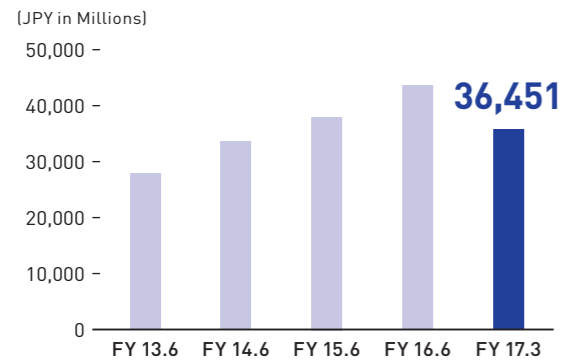
come before income taxes of only 5.8 billion JPY and ROE of 13.5%, falling 4.1 percentage points YoY. Due to the effects of the change in the accounting year, a simple comparison to the prior year is not possible. However, we will work to achieve the target ROE of 20% in FY2020, the final year of the new Mid-term Business Plan, while maintaining a balance between growth and capital efficiency. We also succeeded in maintaining a dividend payout ratio of 20%, with our year-end dividend of 20 JPY resulting in a dividend payout ratio of 21.9%. Going forward, the Mid-term Business Plan's target dividend payout ratio of 20% for FY 2018 will serve as a standard for balancing our growth investments with shareholder returns.

	FY 16.6	FY 17.3
Total Assets :	77.3 billion JPY	→ 91.6 billion JPY
Net Assets :	30.6 billion JPY	→ 34.3 billion JPY
Asset/Equity Ratio :	2.57x	→ 2.73x
ROA :	6.7%	→ 5.1%
ROE :	17.6%	→ 13.5%

Notes: 1. FY 2017 was the 9-month period, due to a change of the fiscal year end.
2. The figures used when calculating the financial leverage, ROA, and ROE, are from the end of the fiscal year.

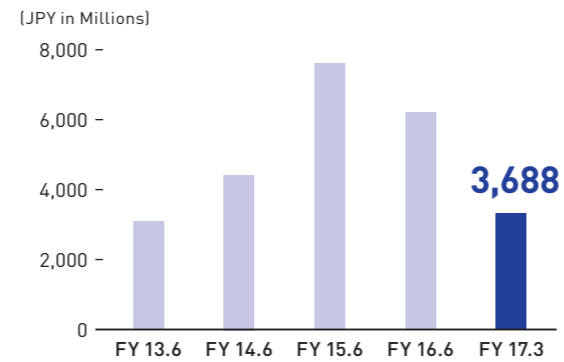
Key Performance Indicators

Net Sales



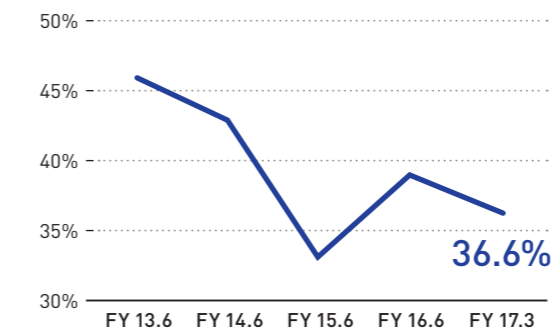
Net sales rose 15.8% YoY, to 36.4 billion JPY in FY 2017. This is 48.4 billion JPY annualized, as DG continued its strong growth, with a CAGR of 26.6% over the most recent five fiscal years. The MT segment, which continued its strong growth centered on performance-based ads, as well as the FT segment, which continued to achieve results exceeding the e-commerce market, both stably posted double-digit gains, driving growth in sales for the entire company.

Ordinary Income



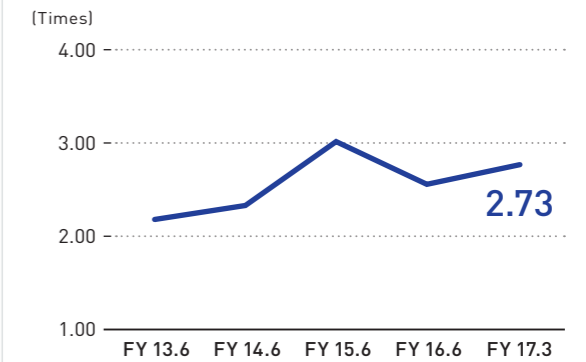
Ordinary income fell 19.5% YoY, to 3.6 billion JPY in FY 2017. This is 3.9 billion JPY annualized, with the CAGR over the most recent five fiscal years limited to 8.0%. In the IT segment, the main factors in the YoY decline were a revision of our divestment portfolio and a shift to a more conservative stance. This led us to declare impairment for certain securities for which we postponed divestment and instead held in our portfolio.

Equity Ratio



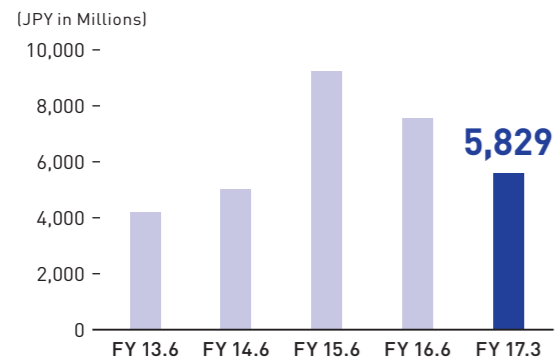
The equity ratio fell 2.3 percentage points YoY, to 36.6% in FY 2017. This fiscal year, DG launched a new approach to continuously capture incubation results and made aggressive investments in the next business pillars. As a result, we saw a large expansion in total assets. In an environment of continuing low interest rates, by proactively utilizing interest-bearing bonds, we lowered our equity ratio. We still believe this is an entirely acceptable level in terms of financial health.

Asset/Equity Ratio



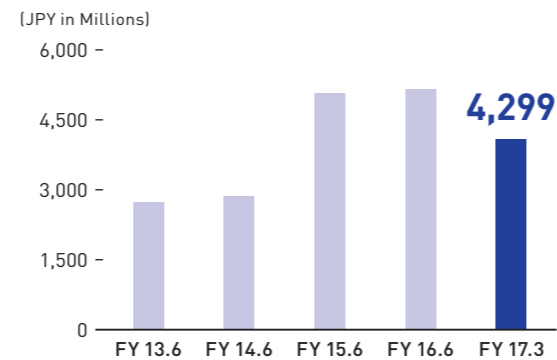
In FY 2017, the asset/equity ratio rose by 0.2 percentage points YoY, to 2.73. We consciously covered this fiscal year's investment through a balance of operating income, cash flow, and bank loans, and as a result, the asset/equity ratio remained at around the same level of last year. Going forward, we will continue to maintain financial health while conducting management utilizing some level of asset/equity ratio.

Income Before Income Taxes



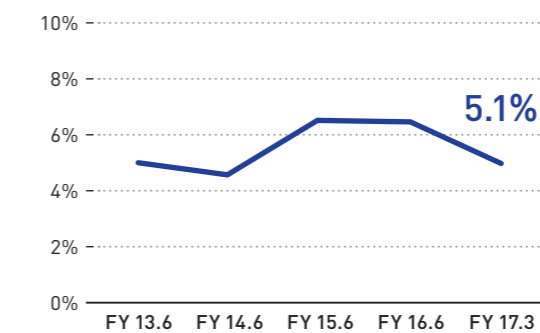
Income before income taxes rose 23.1% YoY, to 5.8 billion JPY in FY 2017. This is 6.7 billion JPY annualized, with a CAGR of 21.5% over the most recent five fiscal years, representing growth exceeding 20%. The reason for the large increase in ordinary income was the nearly 1.8 billion JPY in extraordinary gains recorded from gains on divestment shares held by subsidiaries and DG itself. All of these sales came through either M&A or IPOs, and we consider them DG incubation results.

Net income attributable to owners of parent



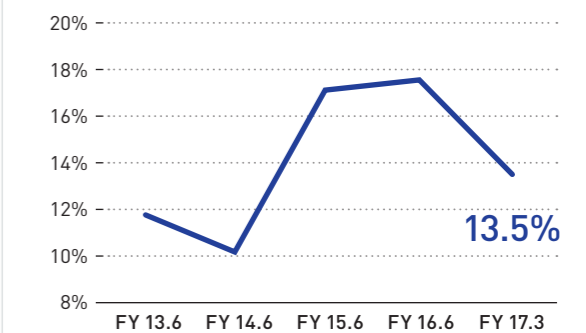
Net income attributable to owners of parent rose 30.0% YoY, to 4.2 billion JPY in FY 2017. This is 4.7 billion JPY annualized, with a CAGR of 17.5% over the most recent five fiscal years, and we have succeeded in recording stable growth in the form of six straight years of increased income until the previous fiscal year. We believe this is the result of having created a framework to stably produce incubation results in the IT segment, in addition to sustainable business growth in the MT and FT segments.

ROA



As the FY 2017 accounting year was only nine months, a simple YoY comparison is not possible, and net income attributable to owners of parent has been annualized for the comparison. While FY 2017 ROA fell 1.5 percentage points YoY, to 5.1%, this was due to increased total assets as a result of the aforementioned aggressive investments. Because the results of these investments have not yet appeared as revenue, we believe that a temporary decline in ROA is unavoidable. However, by recouping these investments in the new Mid-term Business Plan, we will work to improve ROA.

ROE



As the FY 2017 accounting year was only nine months, a simple YoY comparison is not possible, and net income attributable to owners of parent has been annualized for the comparison. In FY 2017, ROE fell 2.8 percentage points YoY, to 14.8%. Compared to the increase in net assets from the increase in retained earnings, the factor was net income attributable to owners of parent falling below plans due to the reconsideration of divestment with the change in the IT segment strategy. DG will place every effort into achieving the 20% ROE set forth as a target in the new Mid-term Business Plan, taking into account profitability and capital efficiency.

Note: Due to irregular accounting settlement period as a result of the change of closing date, the YoY comparison is calculated as a simple comparison between the nine months ended March 31, 2016 of FY 2016 (ended June 30, 2016), and the nine months ended March 31, 2017 of FY 2017 (ended March 31, 2017) as follows.
 In case of companies that had a closing date of March 31 before the change of closing date: Comparison between the nine months (April - December) of FY 2016 (ended June 30, 2016) and the twelve months (April - March) of FY 2017 (ended March 31, 2017) / Companies that changed to March 31 closing date: Comparison between the nine months (July - March) of FY 2016 (ended June 30, 2016) and the nine months (July - March) of FY 2017 (ended March 31, 2017)



Technologies Supporting Digital Garage's Future

JOI ITO

Member of the Board of Directors and Co-Founder,
Digital Garage, Inc.
Director, MIT Media Lab

KAORU HAYASHI

Representative Director, President
Executive Officer and Group CEO
Digital Garage, Inc.

Location courtesy of Andaz Tokyo hotel

Here, DG's co-founders, Kaoru Hayashi (Representative Director, President Executive Officer and Group CEO) and Joi Ito (Director, Digital Garage, Inc.; Director, MIT Media Lab), discuss the evolution of advanced technologies that will support DG's future business expansion: from AI and user interfaces to blockchain and biotechnology.

Hayashi Technology is evolving at incredible speed, from artificial intelligence (AI) to blockchain and biotechnology. How does the situation look to you?

Ito I think we've reached an age where we need to think about using advanced technologies with a focus on how we can make people happy. Some say that despite the current penetration of IT, people haven't made any productivity gains. It's possible that people

who ran freely around the forests in ancient times were actually happier than modern people. Going forward, rather than simply increasing speed and efficiency, thinking about how technology can be used to enrich people's lives in a real way will lead directly to DG's aspiration of "creating businesses for a better society." I think we need to view things at the level of society and cities.

Hayashi The impact of AI on society and the associated ethical issues are also closely connected to human happiness, aren't they?

Ito Americans are more concerned than Japanese people about the potential for the evolution of AI to make people obsolete. People are discussing what kind of relationship will exist between people and AI if self-driving cars become a reality, and what the

ideal balance is between driver assist, where AI assists the driver, and fully self-driving cars. I think the important thing is to create products where humans and machines can assist one another in their activities by designing the human-machine interface well.

Hayashi When the fax machine appeared, some said that newspaper delivery would become a thing of the past, and the invention of the ATM was said to herald the end of bank tellers. And yet, in the end nothing changed. I feel that the same might be said of AI.



Ito To take companies as an example, large companies have already become complex systems that are beyond the scope of understanding of an individual person. Various forms of AI are already starting to be incorporated as elements that make up these systems. It is now commonplace for judges, pilots, and doctors to rely on assistance from AI to make decisions. Stock trading is actually carried out by computers following algorithms in most cases. If we consider this, then we can say that AI is assisting human decision-making in various scenarios right now. It is already a driving force accelerating the evolution of our world. Therefore, if AI evolves in the wrong direction,

then society will be accelerated in the wrong direction. To ensure that society itself is heading in the right direction, we need to guide the evolution of AI.

Hayashi The key here is ethics- and values-based design, don't you think?

Ito Right now in Japan, the normal values are that having more material goods will make one happier. Long ago, however, values were aligned with a balance between nature and people, and not wanting to have more than is needed. Under the Western value system of controlling nature and putting it to use for people, the introduction of AI could have ruinous consequences for the natural environment. That is my greatest misgiving at present.

The problem can also be put in terms of whether one prioritizes personal benefit or the benefit of society overall. Even if we decide to adopt self-driving cars, the design concept will be radically different depending on whether the emphasis is on the individual or on society. According to research conducted by Iyad Rahwan of MIT Media Lab, when people are asked whether they approve of self-driving cars that decide to save the lives of many by sacrificing the driver, most say that although it may be ethically correct, they would never buy such a car. In other words, if we leave it up to the market, the world will become full of cars that prioritize the life of the driver over other people. This would not be good for society. We need to guide technology development in a direction that contributes to the

benefit of overall society.

Hayashi What kind of impact do you think 5G networks will have on self-driving cars when they start introducing them around 2020? Will Japanese manufacturers be able to demonstrate their strengths?

Ito In the U.S., for example, Tesla is using sensor technology to achieve self-driving cars entirely on its own. But to prioritize the benefit of society, I think it might be better to adopt a collaborative framework, where all automobiles communicate with one another using a 5G network and harmonize like an orches-

tra. Japanese manufacturers value harmony, and so their strengths will probably come into play. I hope to see products that are rooted in Japanese culture like this appearing around the world.

User-Oriented Service Development

Hayashi DG formed a settlement company as a joint venture with the ANA group, and is looking at providing an experimental shopping method at airports. How do you imagine shopping will be in the near future?

Ito It's important to consider the relationship between privacy and advertising. Amazon is also very careful about that. From the user's perspective, useful recommendations are convenient and desirable, but they don't want their own information to be leaked externally. It may be realistic for trustworthy brands to manage personal information properly and provide individually tailored shopping experiences. It will also become important to achieve a seamless connection between online and real-store shopping. It's human nature that people want to know which stores stock the products that they like, but they don't want their preferences to be spread all over the place. There needs to be a good balance between security and recommendations.

DG is also operating an advertising agency business, so I think it should work to develop technologies that will skillfully manage information of affiliated stores, products, and users. Various approaches could be taken. For example, the latest encryption technology might be used to allow access user preference data for only a moment, or to suppress detailed information and disclose only data that has been refined to the necessary information.

Hayashi What is your analysis of Amazon's acquisition of luxury supermarket operator Whole Foods Market?

Ito Out of Amazon, Google, and Facebook, Amazon is the only one whose founder has created a business plan. Google and Facebook have expanded by making

something first and then thinking about business. This has also influenced their current management approach, while at Amazon, the CEO has a clear strategy. I am sure that the Whole Foods Market acquisition is part of a detailed plan. That's why I think that Amazon will probably continue to experience gradual and steady growth.

Hayashi These days, smartphones are commonly used for getting online. How do you see user interfaces changing in the future? In what ways will Amazon Alexa or Google Home evolve?



Ito In the U.S. so-called mixed reality, or augmented reality (AR) is garnering a lot of attention right now. This is a technology that displays real-world images overlaid with virtual-world images. Voice interfaces such as Alexa and Google Home will probably also continue to spread. Going forward, we are likely to see many startup companies emerge in fields connecting the virtual world and the real world visually and by voice.

Hayashi Many people see devices with voice interface as eavesdroppers in the home. What do you think about concerns over privacy?

Ito Companies that provide services realize that losing trust will effectively wipe out all the value they have built. Previously the FBI requested Amazon to provide a suspect's Alexa user data to assist with a criminal investigation, but Amazon refused. Apple has also battled with the FBI around personal information stored inside iPhones. In other words, U.S. companies consider increasing customer trust so important that they are prepared to fight with the government over it. I think Japanese manufacturers should take note.

Expectations for Interactive Agents

Hayashi How do you think AR and VR will spread?

Ito VR will probably penetrate in the entertainment field. AR has various applications. Even without the eyeglasses format, it can be fully enjoyed just with a smartphone. I think design is the key to promoting the spread of the eyeglass-type AR devices. No one wants to put something ugly on their face. It will be difficult to expand products in new fields without overcoming this hurdle first.

Hayashi Do you think interactive agents that can have a dialogue with individual users might stake a claim in the market as a new type of user interface over the next few years?

Ito Rather than agents that respond to commands from the user, I think we will see agents that can perceive the user's situation and take anticipative action become mainstream. Various processes take place within our bodies other than those we are consciously aware of. The ideal agent would probably be able to integrate all this information to provide optimal services for the user. For example, it might detect that the user's body temperature has risen, causing them to sweat, and respond by lowering the temperature in the room; or it may detect a drop in blood sugar level and produce a glass of juice. We may see the emergence of an environment where an entire town acts as a single agent.

Hayashi That would really be a "smart city." In Japan, places like Shibuya are getting involved in movements to create new urban spaces ahead of the 2020

Tokyo Olympic and Paralympic Games. What is your vision of an ideal town?

Ito I think it's important that the place feels good to the people who live in it. To me, a town that feels good is one where I can access everything on foot. In Paris, for example, there are any number of cafes, patisseries, drug stores, and so forth spread out everywhere. To get to the art galleries you may have to use the public transport, but all of your everyday needs can be procured within walking distance. Japanese towns are similar to this. Conversely, in big U.S. cities, the towns are divided up by function, with residential areas, financial districts, and so forth. It tends



to be harder to live just on foot. At MIT Media Lab we are currently involved in urban development projects in China and other areas.

The Dawn of FinTech, and a Lively Biotech Sector

Hayashi Joi, you've been acting as an advisor to Japan's Financial Services Agency. What is your take on the current state of FinTech?

Ito FinTech is still in its early stages, not only in Japan. To take the history of the internet as an analogy, FinTech today is at the stage before the internet was standardized. It's like there are the Captain system

(a system for sending text and images to compatible display devices that saw wide use in Japan) and telecommunications companies, but we still have to develop everything from fiber optics to content by ourselves. The Ethernet standard hasn't even been decided on yet. Once the internet protocol was decided, companies that make routing equipment like Cisco appeared, and the internet really took off. In FinTech, too, we are seeing cutting-edge startups emerge, such as DG's investee Blockstream. As these startups work to standardize the industry with regard to blockchain and other technologies, FinTech will become recognized as a major presence supporting social infrastructure.

Hayashi Looking at historic trends, even excellent technology is not guaranteed to be a big success, I think.

Ito In the early days of the internet there were also various competing technologies vying to become the industry standard; for example, there were X.25 and IBM's Token Ring, among others. What the internet proved is that the best way to grow is to bring the best people together in a community where they can interact openly. That's why MIT Media Lab deliberately works to create open communities. The problem with FinTech is that too much money has gathered around startup companies, and the best engineers are moving to them. There is a shortage of personnel in open source communities at universities and non-profit organizations. I'm concerned that the situ-

ation is starting to become a bubble.

Hayashi The evolution of biotechnology is also accelerating.

Ito The AI AlphaGo, developed by DeepMind, has beaten world class Go players. Two of the top executives at DeepMind were both formerly researchers in neuroscience. This shows how biotechnology and computer science are becoming progressively integrated. At MIT Media Lab, too, top-tier researchers with backgrounds in computer science are beginning to enter the biotechnology field. As a result, digital thinking has been introduced into the conventional biotechnology field of drug discovery, while at the same time, lessons from biology are starting to be applied in fields like materials, construction, and design. Just as one cannot understand computer science without learning programming, we are reaching an era where it is necessary to understand biotechnology in order to understand AI and construction. So children today should study biology, and corporate managers today should also acquire a certain level of understanding about the direction of biotechnology, or risk falling behind the times, just as companies that were too slow to ride the internet wave were left high and dry.

Hayashi It seems similar to the thinking of architects at the time when modern architecture emerged.

Ito During the Metabolism architectural movement in Japan, ideas from biology were incorporated, but at the time biology and architecture hadn't advanced to the point of mutually sharing technology. Today, we are seeing initiatives being realized such as using biotechnology to mass produce materials like spider silk from natural raw materials, and using this as the basis for making automobile parts. We are entering an era where we need to be able to imagine this kind of world as normal.

Hayashi Humans are now developing the power to manipulate things that developed over billions of years on Earth. I want Digital Garage to be at the forefront of these tremendous changes in our times, creating businesses that can contribute to society from a global perspective.

BUSINESS OVERVIEW

		Principal Companies	FY 2017 Highlights
<p>IT Incubation Technology Segment P.26</p> 	<p>Promoted strategic investment in the next-generation technology field</p> <p>While missing our budget targets due to a review of our divestment portfolio, the year marked the first step toward a new business model that will allow us to enjoy incubation results over the medium-to-long-term. We established the DG Lab Fund in collaboration with DG Lab, and pursued aggressive investment into DG Lab's five strategic fields.</p> <p>In line with the new Mid-term Business Plan, we have overhauled our investment business system, and will aim for even further growth going forward.</p>		<ul style="list-style-type: none"> ■ Added the DG Lab Fund to the ONL and DGI to build a new incubation model ■ Strategic shift to a more sustainable growth phase
<p>MT Marketing Technology Segment P.28</p> 	<p>Performance-based ads continue to drive performance. Promoted more aggressive upfront investment in new businesses and enhanced competitiveness</p> <p>By focusing on the expansion of internet advertising centered on actively managed ads as well as our growth fields, we continued our strong growth, with net sales rising 38% YoY. To continue responding to needs that change with dizzying speed, the segment will utilize the most advanced technologies and pursue initiatives aimed at diversifying advertising approaches and developing new services.</p>		<ul style="list-style-type: none"> ■ Actively managed ads penetrated all fields, starting with the core financial industry and including smartphones and apps ■ Focused on the data marketing business, and quickly launched initiatives in cross-border e-commerce
<p>FT Financial Technology Segment P.30</p> 	<p>As a leading FinTech company, we intensified our initiatives in new growth fields</p> <p>In addition to payments in the traditional e-commerce market, we expanded development in markets including person-to-person payments, inbound payments by foreign tourists visiting Japan, and the face-to-face market, and realized growth exceeding the market. We are also pursuing development of next-generation payment services utilizing the blockchain technology in partnership with Blockstream, Inc. as one of the activities of our R&D platform DG Lab.</p>		<ul style="list-style-type: none"> ■ Even while the scale of the e-commerce market steadily expanded, our growth continued to exceed the market ■ Pursued the development of the non-e-commerce market and started to provide payment solutions through our joint ventures
<p>MI/LTI Media Incubation Segment / Long-term Incubation Segment P.32</p> 	<p>New segment launched to create long-term, continuous cash inflow</p> <p>In FY 2018, the segment name was changed to the Long-term Incubation Segment (LTI). In addition to Kakaku.com, by creating group companies of DG, we are promoting a style which will allow us to enjoy medium-to-long-term incubation results. Going forward, in making companies receiving DG investment group companies, we will aim to create long-term and continuous cash inflow through the establishment of joint ventures with other alliance partners.</p>		<ul style="list-style-type: none"> ■ While maintaining strong investment profit on equity method at Kakaku.com, achieved 3.0 billion JPY in income before income taxes ■ Reorganized the MI segment to the LTI segment starting in FY 2018



INCUBATION TECHNOLOGY SEGMENT



Moving forward with strategic investments in next-generation technologies

Despite missing budget targets due to revisions to our divestment portfolio, during the year we successfully laid the groundwork for our new business model to continuously produce incubation results. We established the DG Lab Fund in partnership with DG Lab and made aggressive investments in DG Lab's five strategic fields. In line with the new Mid-term Business Plan, we have overhauled the structure of our investment business, and are aiming for even greater future growth.

KEY FIGURES FY2017

Segment net sales	Segment income before income taxes	Investment balance
1.8 billion JPY	0.58 billion JPY	12.0 billion JPY

Number of companies invested / Investment balance

	Number of companies	Investment balance (B Yen)
Equity	130	11.3
Domestic	42	1.9
Overseas	88	9.3
Fund	6	0.7
Total	136	12.0

* The figures provided for investment balance and number of companies invested are those for DG Incubation.

Market Environment and Business Overview

Strategic shift toward a more sustainable growth phase

For FY 2017, the Incubation Technology Segment achieved net sales of 1.8 billion JPY (-58.9% YoY) and income before income taxes of 0.5 billion JPY (-66% YoY). The investment balance, meanwhile, expanded to 12.0 billion JPY as of March 31, 2017, as we continued to make aggressive investments.

The sale of major Indian online payment company Citrus Payment Solutions Pve. Ltd. resulted in an extraordinary gain of 1.3 billion JPY, representing another large-scale exit case. However, income before income taxes for the full year only totaled 0.5 billion JPY. This was due to two main factors. The first was the reconsideration of share divestments in multiple companies for which we had expected gains on sales of around 1.2 billion JPY at the start of the fiscal year. We implemented policy to continuously capture cash inflow from incubation results by increasing our investment stakes and forming group companies. The second factor was a conservative valuation of shares in our portfolio. This valuation resulted in an impairment in those shares of around 0.7 billion JPY.

In terms of the market environment, annual investment (Japan and overseas) for Japanese VCs and CVCs in 2016 totaled 145.4 billion JPY (+18% YoY), as robust funding demand from startups continued*. However, the number of IPOs in Japan in 2016 fell for the first time in seven years, dropping by 12 companies to 86 companies (-12% YoY). More time-consuming, stringent listing standards are believed to be a factor in the decline, but overall levels are still high compared to the 80 IPOs in 2014 and 58 in 2013.

* Venture Enterprise Center "Quarterly Trend"

FY 2017 Key Initiatives

DG Lab Fund newly established, investment with DG Lab accelerated Incubation Program with Toyota Motor Corporation underway

As one of our main initiatives, DG and Daiwa Securities Group Inc. established the DG Lab First Investment Limited Partnership (DG Lab Fund) to invest in promising startups in DG Lab's priority fields. Through collaboration with DG Lab, we have

already begun to invest in strategic areas both in Japan and overseas. With the addition of the DG Lab Fund to our existing investment business, we aim to expand both the investment scale and investment fields of DG Group investment business.

As an open innovation initiative, DG and Open Network Lab, one of Japan's premiere seed accelerators, partnered with Toyota Motor Corporation to begin supporting the operations of "Toyota Next" to create the future mobility society. By providing the abundant knowhow it has built on the investment and cultivation of Japanese and overseas startups, DG Group will support the entire Toyota Next process from the selection of participating companies through service creation.

Growth Strategy

Through a positive cycle of high ROI and reinvestment, realize sustained incubation results

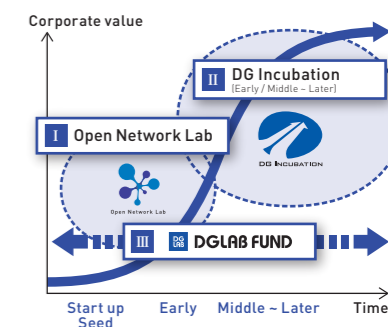
With the formulation of the new Mid-term Business Plan, we have established new investment criteria for the investment business and further clarified the investment standards to create a platform that produces more stable returns. We have set a 2.5x target for ROI in the new DG Business Plan.

In line with this strategy, we have overhauled the structure of our investment business. We have changed the structure to an Investment Steering Committee that makes investment decisions. The committee is led by Group CEO Hayashi who serves concurrently as Representative Director and President of DG Incubation, which is a core investment subsidiary. The committee also includes the executives in charge of the individual segments. Going forward, we will continue to utilize our global network to pursue investment in next-generation internet sectors where new growth is anticipated. We have expanded our investment balance to 12.0 billion JPY, and while maintaining our policy of aggressive new investments, we will rotate our portfolio, maintain our investment balance, and establish an investment cycle that realizes stable annual investment returns. Moreover, by utilizing the DG Lab Fund, we will accelerate strategic investment in DG Lab's five priority fields and deepen collaboration with DG Lab to promote increases in the corporate value of the companies in which we invest. Through these endeavors, the segment will seek to establish a cycle of high ROI and reinvestment and realize sustained incubation results.



Tomoya Sasaki (left), a Senior Corporate Officer of Digital Garage, Inc., Shuichi Murakami (center), a Managing Officer of TOYOTA MOTOR CORPORATION, and Rei Inamoto (right), a founding partner of Inamoto & Co., attending the TOYOTA NEXT press conference in December 2016.

Expanding both the scale of contribution and areas of investment by adding DG Lab Fund to DGI/ONL



MT

MARKETING TECHNOLOGY SEGMENT



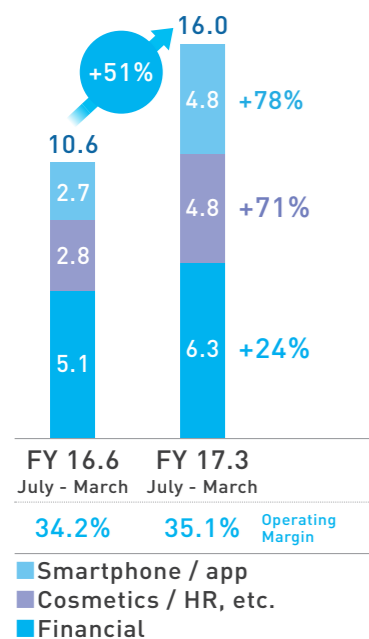
Performance-based ads continue to drive results. More aggressive upfront investment in new businesses, further enhancing competitiveness

By focusing on the expanding internet advertising market centered on actively managed ads and on growth fields, strong growth has continued, and net sales rose 38% from the prior year. To continue responding to needs that change with dizzying speed, the segment will apply the most advanced technologies in initiatives aimed at diversifying advertising approaches and developing new services.

KEY FIGURES FY2017

Segment net sales	Segment income before income taxes	Performance-based ads sales
20.4 billion JPY	1.07 billion JPY	16.0 billion JPY

Sales by Clients (JPY in Billions)



Market Environment and Business Overview

Actively managed ads drove a large increase in net sales of 38% YoY. Profitability also increased

The Marketing Technology Segment posted FY 2017 net sales of 20.4 billion JPY (+37.7% YoY) and income before income taxes of 1.0 billion JPY (+13.5% YoY). Operating margin, an indicator of profitability, rose 0.9 percentage points YoY, to 35.1%, realizing growth balancing further growth potential and increased profitability.

The Marketing Technology Company, which engages in internet advertising and promotions, continued to enjoy strong growth in performance-based ads (actively managed ads). The penetration of performance-based ads in all sectors, from the core financial industry to sectors including smartphones and apps, was a factor in recording strong growth.

In terms of the market environment, internet advertising expenditures in Japan grew by 13.0% to 1.31 trillion JPY in calendar year 2016, and internet advertising's share of total advertising expenditures continued its strong expansion, rising 2 percentage points YoY, to 20.8% (Source: Dentsu Inc., 2016 Advertising Expenditures in Japan). Actively managed ads drove the market, and factors behind this growth include the expansion of actively managed ads in social media and video portals, starting with the mobile field.

FY 2017 Key Initiatives

More aggressive upfront investment in data marketing, a future growth field. Early response to the growing field of cross-border e-commerce

As a new pillar supporting future growth in the segment, we are focusing on the data marketing business utilizing big data. As one of our major initiatives, we launched a collaboration between the "BIG MINING" provided by our subsidiary BI.Garage, Inc. and Twitter's "Targeting API." BIG MINING includes around 300 mil-

lion pieces of audience data, including proprietary audience data being developed by DG Group such as the viewing logs for products listed in the media. Through the collaboration with Twitter, more precise targeted advertisements can be posted on Twitter utilizing DG Group data.

Amid growth in both inbound consumption due to the sharp increase in foreign tourists as well as cross-border EC, we are engaged in a range of marketing initiatives to attract more customers and promote sales both in Japan and in our overseas development. We have jointly developed and launched service for a bonus-point-type cross-border e-commerce mall that allots points for purchases at Japanese e-commerce shops in partnership with DDIM, which operates Taiwan's largest universal reward points service, "HAPPY GO."

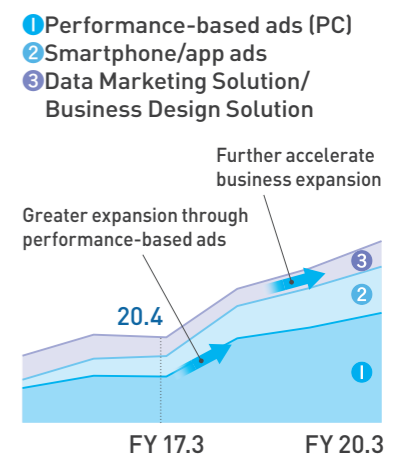
Growth Strategy

Collaborating with DG Lab to accelerate the data marketing shift. Maintaining our goal of sustainable growth

In performance-based ads, further expansion will be sought by developing clients in not only the financial, cosmetics, human resources, and smartphone/app-related ads fields, but also others, as well, and moving forward with the diversification of advertising approaches. In the data marketing business, we will utilize the data owned by DG Group (including Kakaku.com, Inc.) and strategic partners (Dentsu Inc., Credit Saison Co., Ltd. and other companies) to further accelerate business development by promoting the development of high-value-added advertisements. Another key strategy is business expansion that is not limited to Japan but includes a global response centered on Asia. Future growth opportunities include our response to the expected growth in cross-border e-commerce and inbound tourist demand as well as support for our Japanese clients' overseas development.

In the medium-to-long-term, we will enhance the creation of synergies through collaboration with DG Lab. In addition to data owned by DG Group, with the combination of the data of partner companies participating in DG Lab, we will be able to provide new marketing solutions. While constantly incorporating the evolution of new technologies, by developing proprietary services, we will aim to provide competitive solutions.

Image of Sales (JPY in Billions)



Strategy Going Forward

- ③ Data Marketing Solution/ Business Design Solution
 - Accelerate growth with next gen solution utilizing big data
 - Enhance the creation of synergies through collaboration with DG Lab
- ② Smartphone/app ads
 - Drive business globally by leveraging expertise in Japan
- ① Performance-based ads (PC)
 - Vertical development beyond Finance, Cosmetics, HR
 - Diversify advertising methods with social media ads as a core



Intensifying initiatives in new growth fields as a leading FinTech company

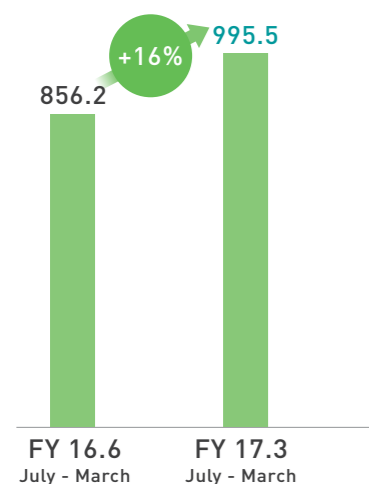
In addition to payments in the existing e-commerce market, development into the markets for person-to-person payments, inbound payments to foreigners visiting Japan, and face-to-face payments is expanding, and we are realizing growth exceeding the market. As one of the initiatives of DG Lab, our R&D platform, we are developing next-generation payment services utilizing Blockchain technology in partnership with Blockstream, Inc.



KEY FIGURES FY2017

Segment net sales	Segment income before income taxes	Amount of annual transactions (9 month period)
14.1 billion JPY	1.47 billion JPY	995.5 billion JPY

Amount of transactions (JPY in Billions)



Market Environment and Business Overview

Growth continues to top the e-commerce market, payments handled grew 16% YoY to nearly 1 trillion JPY (for nine months)

In FY 2017, the Financial Technology Segment reported net sales of 14.1 billion JPY (+16.2% YoY) and income before income taxes of 1.4 billion JPY (+13.1% YoY) (all figures for nine months).

In calendar year 2016, Japan's BtoC e-commerce market grew by a solid 9.9%, to 15.1 trillion JPY, according to the "e-commerce market survey results" of the Ministry of Economy, Trade and Industry (METI). By sector, product sales, services, and digital all grew, with the smartphone-based share of the total product sales market growing 28.7% to reach 2.55 trillion JPY. The cross-border e-commerce market also grew, with cross-border e-commerce to China growing 30% to 1.03 trillion JPY and breaking 1 trillion JPY for the first time.

Riding these tides of growth, VeriTrans Inc. and econtext Inc., both of which provide payment services, recorded an overall total of 0.99 trillion JPY (for nine months) in payments handled, a 16% increase YoY. Following the previous fiscal year, this leap in business performance resulted from overall market growth and from market-beating growth rates in new customers and business with existing customers.

FY 2017 Key Initiatives

Accelerating service development in the non-e-commerce market, a new growth driver. Joint venture established with the ANA Group

Development in the non-e-commerce market, including face-to-face payments, has been one of our basic strategies in recent years. As one of our major initiatives in FY 2017, we focused on the development of face-to-face payments including inbound payments and person-to-person payments.

Specifically, with the expansion in inbound consumption among foreigners visiting Japan, we grew payments handled through "Alipay," the payment platform provided by our Chinese partner Alibaba Group. Rapid penetration is projected for the face-to-face payment platforms using QR code technology represented by Alipay. We have also partnered with overseas payment companies to expand convenience store payments as a payment method for foreign e-commerce companies expanding in Japan. As a

new field of development, we also began handling payments of public funds. VeriTrans Inc., a DG subsidiary offering payment services, joined with ALL NIPPON AIRWAYS TRADING CO., LTD. to establish ANA Digital Gate, Inc. to offer payment solutions to corporations. Utilizing the strengths of both firms, we will work to attract customers and expand payments among inbound tourists through the development and offering of new payment solutions utilizing FinTech and to promote local economic invigoration.

With the amendment of Japan's Installment Sales Act, we immediately addressed our security response and began to provide comprehensive payment solutions including measures to prevent both leaked credit card information and fraudulent use. We will continue to expand both safe and secure environment and solutions required by both e-commerce businesses and consumers.

Growth Strategy

Develop new growth fields as the payment platformer for the FinTech industry. Aim for expanded transaction volume and increased profitability

As a platformer providing payment services, DG sees providing a range of payment methods to customers in diverse sectors as a pillar of our growth strategy. Economies of scale from increased transaction volume will also connect to increased profitability. With this in mind, we are focusing on the following initiatives.

Firstly, while of course expanding payments in our core e-commerce sector, we will also pursue further development in the non-e-commerce market, which has ample room for medium growth amid the evolution of a cashless society. In addition to initiatives targeting special markets such as restaurants, real estate, funeral services, and instructional services, we will enhance our efforts aimed at cross-border e-commerce and inbound tourists, working to expand international payments. Our alliance strategy with financial institutions is another key point, and we will look to create synergies through partnerships in new businesses in the FinTech sector and to expand our business.

Through collaboration with DG Lab, we will work to build and provide next-generation payment platforms utilizing blockchain technology. We expect new payment services to develop in a range of fields, such as loyalty points, electronic money, exchange systems for virtual currencies, and regional currencies, with using blockchain technology. By implementing these strategies, we will accelerate growth in the FT Segment.

Growth Opportunities

- 1 Non-EC payment (new market) / Face-to-face payments
- 2 Alliance with major partners including financial institutions
- 3 Next gen payment

EC payment 10 - 15% growth (Organic growth in existing business)

FY 16.6	FY 17.3	FY 20.3 Plan
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- 3 Next gen payment
 - Solution utilizing blockchain
 - Verification testing in sync with DG Lab (local currencies, point exchanges, and smart contracts)

2 Alliance with major partners including financial institutions

- Business expansion through new business and collaborations in the FinTech domain
- Collaborate with business partners in payment with large customer base

1 Non-EC payment (new market) / Face-to-face payments

- Current service lines and market size (T Yen)



MI/LTI

MEDIA INCUBATION SEGMENT / LONG-TERM INCUBATION SEGMENT

New segment
launched to
create long-term,
continuous cash
inflow

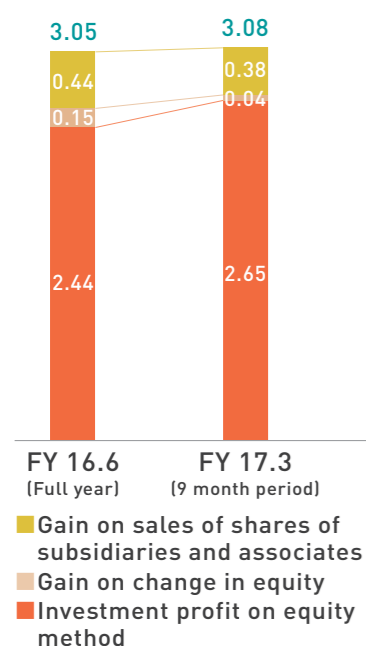
In FY 2018, the segment name was changed to the Long-term Incubation (LTI) segment. In addition to Kakaku.com, by making companies receiving DG investment group companies, we are promoting a style which continuously realizes incubation results. Going forward, in addition to the establishment of joint ventures with other alliance partners, we will aim to create long-term, continuous cash inflow.

KEY FIGURES FY2017

Segment income
before income taxes

3.08 billion
JPY

Changes in income before income taxes (JPY in Billions)



Market Environment and Business Overview

Kakaku.com's investment profit on equity method remains strong, income before income taxes of 3.0 billion JPY

For FY 2017, the Long-term Incubation Segment achieved income before income taxes of 3.0 billion JPY (+64.4% YoY). This is the result of having changed the fiscal year end this fiscal year (nine months) and including twelve months of results from Kakaku.com, whose fiscal year ends in March, in investment profit on equity method. When compared with the twelve-month figures from the previous fiscal year, results were nearly flat, rising 1% YoY. While Kakaku.com expanded its results and maintained strong investment profit on equity method, the reduction in gains on sales recorded as extraordinary gains in the previous fiscal year was the main factor behind flat results.

FY 2017 Key Initiatives

Launched content and life design businesses

In FY 2017, we launched initiatives to realize continuous incubation results by newly establishing one company and making another a DG Group company.

To develop and run new women's media content, we established DK Media, Inc. as a joint venture with our capital and business alliance partner Kodansha Ltd. in August 2016. Since forming our capital and business alliance with Kodansha in 2015, we have globally promoted content from Japan and jointly pursued an investment strategy in next-generation content fields. The establishment of this joint venture marks our third alliance. We focused on developing media content combining superior magazine content and AI technology, and in June 2017, established "HOLICS," a form of compilation media that distributes content based on women's magazine articles.

Centered on HAMOLO Inc. (name changed to DG Life Design in June 2017), a company receiving investment from DG's investment subsidiary, we reorganized our life care, sports marketing, and wine school businesses. Based on this reorganization, we will be providing strategic investment to DG Life Design and have made it an equity-method affiliate. Affluent customers are the initial target market of DG Life Design, and we will make broad "Valuable Life" proposals to customers by offering new life designs through collaboration inside and outside the Group in fields such as life care and sports marketing.

Growth Strategy

Newly launched LTI Segment for the creation of long-term, continuous cash inflow

In formulating our new Mid-term Business Plan, we changed the MI Segment, mainly active Kakaku.com's investment profit on equity method and media development businesses, to the LTI (Long-term Incubation) segment starting in FY 2018.

DG is known as an internet incubator, and to realize one of its missions of creating new businesses, in addition to short-term incubation results (gains on sales of shares), we believe it is important to create long-term, continuous cash inflow as we did in the past with our investment and business development at Kakaku.com.

DG Life Design, a lifestyle support business, and DK Media, an internet media business utilizing Kodansha's women's magazines, will be added to the LTI Segment.

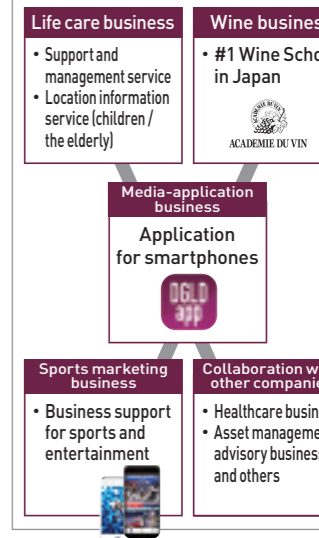
Through these businesses, we will pursue continuous cash inflow including investing in and nurturing new businesses and business alliances.

HOLICS

すべての女性のための
偏愛ミュージアム



DG Life Design

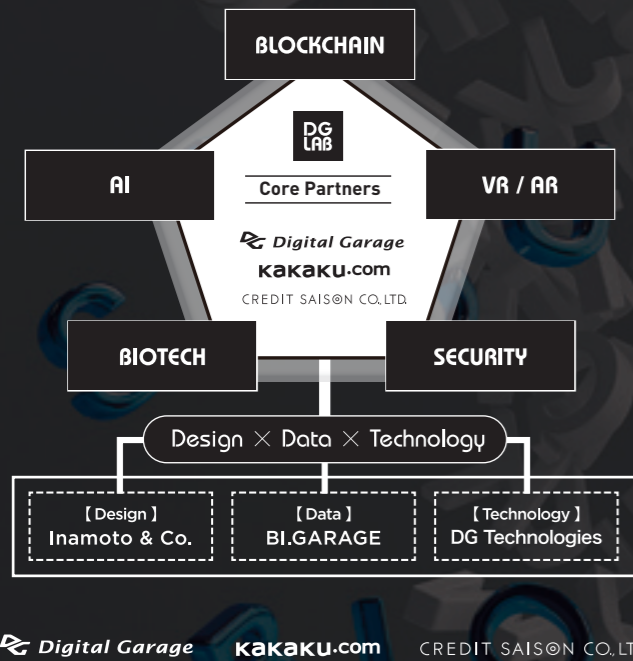




OPEN INNOVATION

Developing New Business Fields through Open Innovation with a View to the Next Generation

DG, in collaboration with Kakaku.com and Credit Saison, has established DG Lab, an R&D platform that aims to give rise to new businesses. Designating five areas of research as top priorities, DG Lab will work with Japan and overseas investees, all of which have advanced technologies in these areas, to uncover the technological seeds of what promise to become new core businesses. DG will promote the organic combination of big data and design concepts to shape the technologies of these companies into practical applications and bring them to society as quickly as possible.



Initiatives involving DG Lab

Investment Funds



Established DG Daiwa Ventures in July 2016

Together with Daiwa Securities Group Inc., DG formed investment funds to invest in startup companies that have next-generation technologies relevant to DG Lab's five priority research areas, and to work with DG Lab to promote increases in the corporate value of investee companies.

Technology



Established DG Technologies in September 2016

Together with TIS Inc., DG established an independent R&D platform to engage in rapid development in each of DG Lab's priority research areas.

Media



Launched the HAUS website in September 2016

The HAUS website provides information regarding innovation happening around the world through introductions to various events related to DG Lab's five priority research areas, interviews with famous individuals, and more. <http://media.dglab.com>

Overview of some of DG Lab's projects

BLOCKCHAIN

- **Development of a point/value exchange platform**
With various services through which people collect points, it is essential that there is a structure that makes it easier to use these points. DG is developing a platform using Blockchain technology that will make it possible to instantly exchange these points for other forms of value, etc., and allow for mutual use.
- **Development of a platform for local currencies**
Demand is increasing for original electronic money, pre-paid money, and local currencies for specific stores and in specific regions. DG is developing a secure and original money system using Blockchain technology to make exchanges with virtual currency a reality, while reducing installation costs, etc.
- **Trial operations of "smart contracts" that automate financial and real-estate contracts**
DG is aiming to make "smart contracts" a reality. These "smart contracts" will bring cloud computing and Blockchain technology to processes including bank loan contracts and real estate transactions. Research and development is underway for coupling digital signatures with payments.

AI

- **Development of a commerce platform that uses an agent AI, and of interactive EC**
DG is aiming to create a chat tool, similar to a concierge, that converses with the customer to provide personally customized information and lifestyle support. DG will create a tool that makes various recommendations after learning a user's tendencies from big data that includes their behavior and purchase history.
- **Customer support that uses a combination of identification technology and agent AI, and its application in call centers**
DG will pursue improved working efficiency and customer satisfaction with operational support for call centers using AI. Development is progressing with complete automation expected in the future. With natural language analysis technology and voice recognition technology as core technologies, DG is aiming to develop next-generation elemental technologies in collaboration with various technology companies and universities.

SMART CITY PROJECT

DG Lab's Vision:

To expand projects to boost local business by establishing various areas across Japan as strategic development hubs that are test-beds for technology from DG Lab's five priority research areas (Blockchain, AI, VR/AR, security, and biotechnology) and for technology from companies the DG Lab Fund invested in.

BLOCKCHAIN

Local currencies that utilize Blockchain technology

DG will make convenient and beneficial local currencies for daily life a reality in various municipalities by utilizing blockchain technology. "Smart" payments with bar codes, NFC, facial recognition, etc. will be introduced. Points collected can be used at stores and can immediately be exchanged into various other forms of points for shopping and dining. A portion of member store fees or points can be donated to various municipal environmental preservation activities, allowing more people to participate in resolving environmental issues.

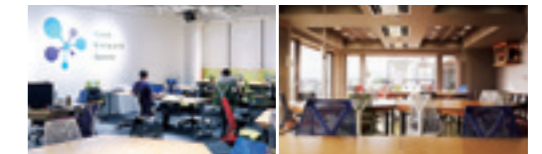


AI VR / AR SECURITY BIOTECH

Incubation centers that are equipped with cutting-edge technology

Using the DG Group's know-how regarding establishing incubation centers, DG developed incubation centers and coworking spaces across Japan that are specially designed for DG Lab's five research areas. Create next-generation coworking spaces that showcase Creative×Data×Tech.

*Implementation of 5G, a next-generation communication technology, implementation of biometric authentication security, VR/AR bar, and AI agents, establishment of bio-incubation centers, etc.



AI VR / AR

Restaurant search with simultaneous multi-lingual translation

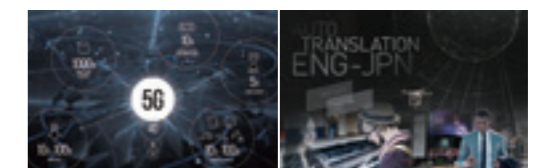
AR walking directions for people who are looking for a restaurant in a city are made possible by using AR technologies. This system for searching for restaurants utilizes AI and is able to propose restaurants that match each individual's preferences. The directions to the restaurant utilize AR and provide multi-lingual translations for foreign visitors to Japan.



AI VR / AR

New forms of marketing that utilize next-generation communication technologies

Taking advantage of the implementation of 5G, the next generation of communication infrastructure, DG aims to create a "transparent network city" in which all networks are operated in combination. DG is engaged in the development of new O2O marketing policies that use AI and sensor technology, and in new shopping experiences that mainly use AR.



Directors



Kaoru Hayashi

Representative Director
KAORU HAYASHI

Apr 1983 Representative Director, From Garage, Inc.
 Aug 1995 Founded Digital Garage, Inc. Representative Director, Digital Garage, Inc.
 Jun 2003 Representative Director and Chairman, Kakaku.com, Inc. (current)
 Nov 2004 Representative Director, President and Group CEO, Digital Garage, Inc.
 Jun 2009 Representative Director and Chairman, DG Incubation, Inc. (current)
 Jun 2016 Director, Credit Saison Co., Ltd. (current)
 Jul 2016 Director Chairman and CEO, Digital Garage US, Inc. (current)
 Sep 2016 Representative Director, President Executive Officer and Group CEO, Digital Garage, Inc. (current)
 May 2017 Representative Director, Chairman and President, DG Incubation, Inc. (current)



Joi Ito

Member, Board of Directors and Co-Founder
JOICHI ITO

Aug 1995 Founded Digital Garage, Inc. Representative Director, Digital Garage, Inc.
 Sep 2006 Director, Digital Garage, Inc. (current)
 Apr 2011 Director, MIT Media Lab (current)
 Jun 2012 Director, The New York Times Company (current)
 Jun 2017 Strategic Adviser, Sony Corporation (current)



Yasuyuki Rokuyata

Member, Board of Directors
YASUYUKI ROKUYATA

Dec 1995 Director, Digital Garage, Inc.
 Mar 2011 Representative Director and President, DG Incubation, Inc.
 Jul 2011 Director and COO, Digital Garage, Inc.
 Sep 2012 Director and Vice President, in charge of the Incubation Segment (now the Incubation Technology Segment), Digital Garage, Inc.
 Jul 2013 Director, Digital Garage US, Inc. (current)
 Sep 2016 Member, Board of Directors, Vice President Executive Officer, in charge of the Incubation Technology Segment
 Apr 2017 Member, Board of Directors, Vice President Executive Officer (current)



Makoto Soda

Member, Board of Directors
MAKOTO SODA

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. Executive Officer in charge of the Corporate Strategy Division
 Sep 2009 Director, Head of the Group CEO Office, Digital Garage, Inc.
 Jan 2012 Director, in charge of the Corporate Strategy Division, Digital Garage, Inc.
 Sep 2016 Member, Board of Directors, Senior Executive Officer, in charge of the Corporate Strategy Division and the Media Incubation Technology Segment
 Apr 2017 Member, Board of Directors, Senior Executive Officer, in charge of the Corporate Strategy Division (current)



Emi Omura

Outside Director
EMI OMURA

Oct 2002 Admitted to practice law in Japan (Tokyo Bar Association)
 Jul 2008 Partner, Athena Law Office (current)
 Sep 2010 Associate Expert, International Labour Office in Geneva, the International Labour Organization (ILO)
 Jan 2014 Director, the Office of International Affairs, Japan Federation of Bar Associations
 Sep 2014 Director, Digital Garage, Inc. (current)



Hitoshi Ushiku

Director, Audit and Supervisory Committee Member
HITOSHI USHIKU

Apr 1980 Joined Suntory Holdings Limited
 Dec 1990 Joined Mitsubishi Corporation
 Aug 2000 Director, former Econtext, Inc.
 Sep 2007 Director, Head of the Group CEO Office, Digital Garage, Inc.
 Aug 2008 Representative Director, former Econtext, Inc.
 Sep 2010 Standing Corporate Auditor, Digital Garage, Inc.
 Sep 2016 Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)



Makoto Sakai

Outside Director, Audit and Supervisory Committee Member
MAKOTO SAKAI

Apr 1986 Admitted to practice law in Japan (Nagoya Bar Association)
 Apr 1988 Registered to the Tokyo Bar Association
 Aug 2000 Established the Sakai Makoto Law Office
 Mar 2005 Established the Sirius Law Office (current)
 Sep 2010 Auditor, Digital Garage, Inc.
 Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)



Junji Inoue

Outside Director, Audit and Supervisory Committee Member
JUNJI INOUE

Apr 1974 Joined Mitsubishi Corporation
 Apr 2003 Executive Officer, Mitsubishi Corporation
 Jun 2003 Director, Executive Officer & President, IT Frontier Corp.
 Jun 2007 Director, e-Access Ltd.
 Sep 2012 Auditor, Digital Garage, Inc.
 Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)



Keizo Odori

Member, Board of Directors
KEIZO ODORI

Apr 2000 Joined Faith, Inc.
 Jun 2005 Director, Faith, Inc.
 Sep 2010 Director, Digital Garage, Inc.
 Sep 2012 Director, Digital Garage, Inc., in charge of the Payment Segment (now the Financial Technology Segment)
 Oct 2013 Representative Director and President, Econtext, Inc. (current)
 Aug 2016 Representative Director and President, DK Media, Inc. (current)
 Sep 2016 Member, Board of Directors, Senior Executive Officer, in charge of the Financial Technology Segment (current)
 Jun 2017 Representative Director and President, DK Gate, Inc. (current)



Masashi Tanaka

Member, Board of Directors
MASASHI TANAKA

Aug 2001 Joined Digital Garage, Inc. Director, DG&Ibex Company (now Marketing Technology Company)
 Jul 2006 Senior Operating Officer, Digital Garage, Inc. Executive Vice President, DG&Ibex Company (now Marketing Technology Company)
 Sep 2012 Director, Digital Garage, Inc. Head of Corporate Strategy Division Executive Vice President of DG&Ibex Company (now Marketing Technology Company)
 Jul 2016 Director and President, Digital Garage US, Inc. (current)
 Sep 2016 Representative Director, DG Technologies, Inc. (current)
 May 2017 Director, Vice President and COO, DG Incubation, Inc. (current)
 Jun 2017 Member, Board of Directors, Senior Executive Officer, in charge of DG Lab and Incubation Technology Segment (current)



Hideo Edasawa

Member, Board of Directors
HIDEO EDASAWA

Apr 1984 Joined Recruit Co., Ltd. (now Recruit Holdings Co., Ltd.)
 Oct 1999 Joined Digital Garage, Inc.
 Sep 2002 Director, Digital Garage, Inc.
 Nov 2008 Vice President, DG Communications Co., Ltd.
 Jun 2009 President, DG Communications Co., Ltd. (current)
 May 2017 Joined Digital Garage, Inc.
 Jun 2017 Director, Senior Executive Officer, in charge of the Marketing Technology Segment (current)



Kenji Fujiwara

Outside Director
KENJI FUJIWARA

Apr 1969 Joined Shufu-no-mise Daiei, Inc. (now The Daiei, Inc.)
 Jun 1994 Representative Director & President, Daiei Convenience Systems, Co. Ltd. (now Lawson, Inc.)
 Jun 2003 President, Representative Director, FANCL CORPORATION
 Sep 2008 Director, Digital Garage, Inc. (current)
 Jun 2009 Director, Kakaku.com, Inc. (current)



Koji Makino

Outside Director, Audit and Supervisory Committee Member
KOJI MAKINO

Oct 1988 Joined KPMG Minato Audit Firm (now KPMG AZSA LLC) Tokyo Office
 Aug 1992 Became a Certified Public Accountant
 Jan 2006 Established and Representative, Makino Koji Certified Public Accountant Office (current)
 Feb 2009 Director, BE1 Accounting Office (current)
 Sep 2012 Auditor, Digital Garage, Inc.
 Sep 2016 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)



Minoru Ohno

Outside Director, Audit and Supervisory Committee Member
MINORU OHNO

Jan 1977 Established Labor Consultants Ohno Office
 Apr 2003 Representative Member, Labor Consultants Ohno Office (current)
 Sep 2003 Auditor, Digital Garage, Inc.
 Jun 2015 Advisor, Japan Federation of Labor and Social Security Attorney's Associations (current)
 Jun 2017 Outside Director, Audit and Supervisory Committee Member, Digital Garage, Inc. (current)

Corporate Governance

Basic Concepts

Consistent with our philosophy and credo, as described below, Digital Garage, Inc. (DG) is committed to living up to the faith of our shareholders and all other stakeholders, and to achieving ongoing

growth and medium- to long-term increases in corporate value, by enhancing and strengthening corporate governance that emphasizes transparency, fairness, and speedy, resolute decision-making.

<Philosophy>

We contribute new value to society by using the internet and other resources to link developments across different fields and create contexts that are useful for the world.

<Credo>

TENACITY
OPENNESS
INTEGRITY
AGILITY
COURAGE



Corporate Governance

DG has always viewed corporate governance as a critical management concern and striven to take the steps necessary to ensure strong governance. However, given the adoption of Japan's Corporate Governance Code, we decided that the "growth-oriented governance" called for by the code would be best achieved by switching to the "company with audit and

supervisory committee" form of organization. This organizational change was formalized following the approval of a resolution to that effect at the 21st Shareholders' General Meeting, convened on September 29, 2016. Under the "company with audit and supervisory committee" form of organization, directors who are Audit and Supervisory Committee members perform

oversight for management decision making and the performance of duties by directors in meetings of the Board of Directors. The Audit and Supervisory Committee, meanwhile, oversees the performance of duties by directors more broadly. While realizing a greater strengthening of corporate governance through ensuring no less than a 1-to-3 ratio of outside directors in the Board of Directors, DG has introduced an executive officer system to clearly separate the business execution function from the decision making and supervisory functions with the aim of bringing greater speed and efficiency to the execution of business.

Board of Directors

The Board of Directors of Digital Garage, Inc. consists of 14 members. Five of the 14 members are also Audit and Supervisory Committee members, and four of these five members are outside directors. Of the nine members who are not Audit and Supervisory Committee members, two are outside directors. In addition to its regular monthly meetings, the Board of Directors meets at other times, as necessary. In FY 2017, meetings of the Board of Directors were held a total of 12 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.

To further enhance the corporate governance sys-

tem, DG increased the number of outside directors (Audit and Supervisory Committee members) by one at the ordinary shareholders' general meeting held in June 2017, and reported 6 directors of a total of 14 directors, [outside director ratio of 42.9%] to the Tokyo Stock Exchange as being independent directors as defined by the exchange.

Audit and Supervisory Committee

DG's Audit and Supervisory Committee consists of five members - one director and four outside directors. Audit and Supervisory Committee members attend Audit and Supervisory Committee meetings held after regular monthly meetings of the Board of Directors. They attend other important meetings, including those of the Board of Directors, as well, and are free to express their opinions and contribute in other ways to enhance the effectiveness of corporate governance.

Internal Control System

To provide an environment that supports appropriate risk taking by directors and others, the Board of Directors has acted to build and maintain proper internal control and risk management systems. The Board of Directors supervises these systems to ensure their effective operation. It has also approved resolutions for the formulation of the Basic Policies on the Construction of an Internal Control System, in accordance with Japan's Companies Act, Ordinance for Enforcement of the Companies Act, and Financial Instruments and Exchange Act.

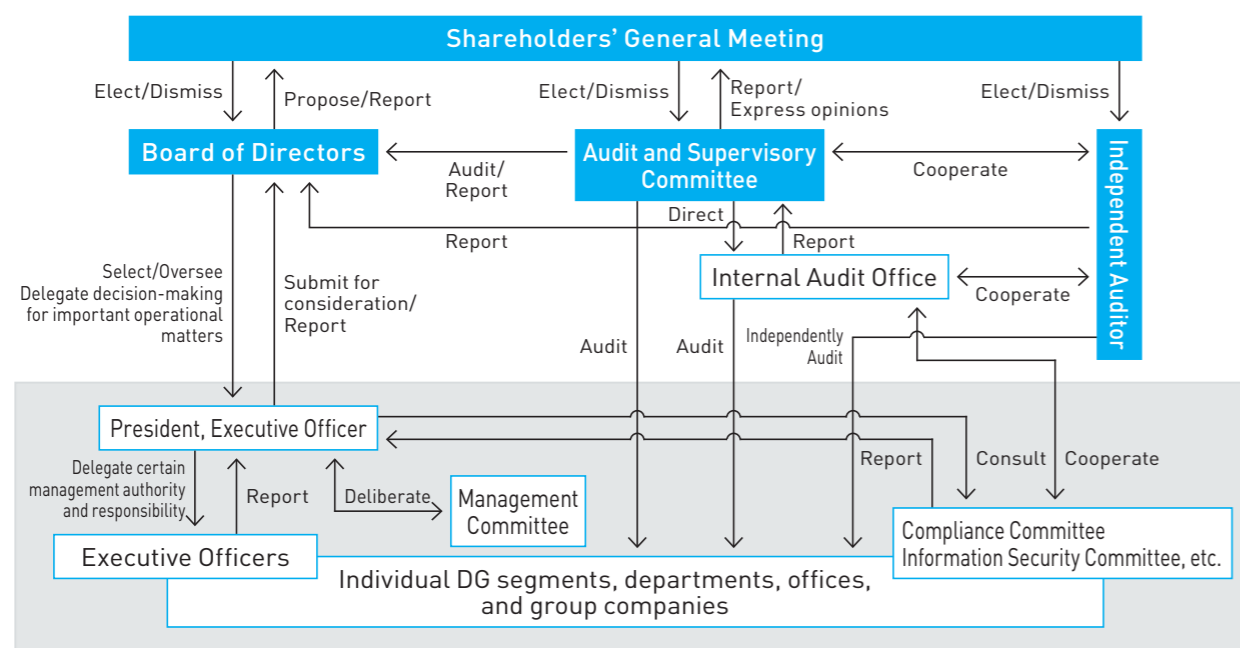
Stronger Governance from Compliance with the Corporate Governance Code

Following the June 2015 implementation of the Tokyo Stock Exchange's Corporate Governance Code, DG, in respect for the intent and spirit of the code, established a project team and embarked on discussions of how to strengthen our governance.

During the fiscal year ended March 2017, we addressed the following points by taking steps to strengthen our governance in accordance with the fundamental principles of the Corporate Governance Code.

Corporate Governance Code Fundamental Principle	Details of Actions
Exercise Shareholder Rights at General Shareholder Meetings (Supplementary principle 1-2(2))	To provide shareholders enough time to consider the general meeting agenda, the following decisions were made. <ul style="list-style-type: none"> • Convening notices will be sent by postal mail two and a half weeks prior to the general meeting date. • Convening notices will be posted on the web three weeks prior to the general meeting date.
Anti-Takeover Measures (Principle 1-5)	After considering such factors as the business environment encompassing DG and changes to the environment relating to anti-takeover measures, DG judged the importance of continuing anti-takeover measures had relatively diminished and resolved to discontinue the anti-takeover measures at the Board of Directors meeting held on May 23, 2017.
Director Remuneration (Supplementary principle 4-10(1))	To enhance the transparency of the remuneration determination process, the following actions were taken. <ul style="list-style-type: none"> • Adoption of a director grading system for evaluating directors on the performance of their duties and contributions to the company. • Implementation of reporting by an advisory committee consisting of the representative director(s) and at least one outside director on proposed remuneration for the representative director(s).
Evaluation, Analysis, and Disclosure of Board Effectiveness (Supplementary principle 4-11(3))	Implemented the evaluation and analysis of overall board effectiveness. Evaluations and analyses are based on self-evaluations by individual directors and cover matters such as the composition of the board, operation of the board, matters concerning board deliberations, and the role and duties of the board. The evaluation and analysis confirmed that the effectiveness of the board is functioning and that it is improving compared with FY 2016. In particular, the evaluation and analysis recognized that DG had secured diversity of directors and that the number of outside directors had improved. Improvement was also recognized regarding enhancement of the provision of information to outside directors including measures to shorten the time taken to distribute information materials to the board, which had been raised as an issue during the evaluation and analysis of FY 2016.

Corporate Governance Organization Chart (as of March 31, 2017)



Compliance and Risk Management

Compliance Statement

The corporate philosophy of Digital Garage is to create new business opportunities and contribute to the betterment of society through providing digital contexts that connect multiple elements from various domains via internet business.

In order to achieve this and ensure our sustainable growth, each and every employee is called upon to understand changes in society and ensure that our actions resonate with our environment, in the spirit of the “first penguin.” We recognize the irreplaceable roles that our employees play in our efforts and the importance of providing them with a rewarding working environment that they are

proud to be a part of. In addition, individuals must also commit to regulatory compliance.

DG has established a compliance program outlining standards for individual business conduct with integrity and efficiency based on our shared ethical values.

In order to exercise the aforementioned corporate philosophy, every staff member at DG is committed to adhering to the compliance program guidelines as detailed in the following seven articles in our code of conduct.

<Code of Conduct>

1. Hold high ethical standards and conduct business in compliance with laws
2. Respect fundamental individual rights and diversity and maintain a healthy work environment free from discrimination and harassment
3. Promote harmonious co-existence with society and conduct environmentally-responsible business activities
4. Foster transparency of business and fair and free competition
5. Maintain fair and healthy relationships with government and other public offices
6. Disclose necessary corporate information to stakeholders fairly and openly
7. Manage and utilize corporate assets and information appropriately and effectively

DG's Compliance Statement can be viewed on the following webpage.
<http://www.garage.co.jp/en/compliance/>

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.

For information on the Personal Information Protection Policy, please refer to the webpage below.
<http://www.garage.co.jp/en/policy/>

Basic Information Security Policy

DG believes that achieving sustained growth of DG requires that each employee contributes to the betterment of society by creating new business opportunities. We recognize the role our informa-

tion systems (e.g., 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 the Basic Information Security Policy to properly secure our information

assets against various threats. We have also established an information security system and will work to further enhance its management and operation as necessary going forward.

DG employees strictly adhere to all information security provisions and practice stringent compliance management in accordance with the protocols of applicable regulations, industry business norms and our code of conduct, as well as contractual security obligations.

For information on the Basic Information Security Policy, please refer to the webpage below.
<http://www.garage.co.jp/en/compliance/security/>

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.

For information on the Disclosure Policy, please refer to the webpage below.
<http://www.garage.co.jp/en/ir/disclosurepolicy/>

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 has established 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 external expert 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.

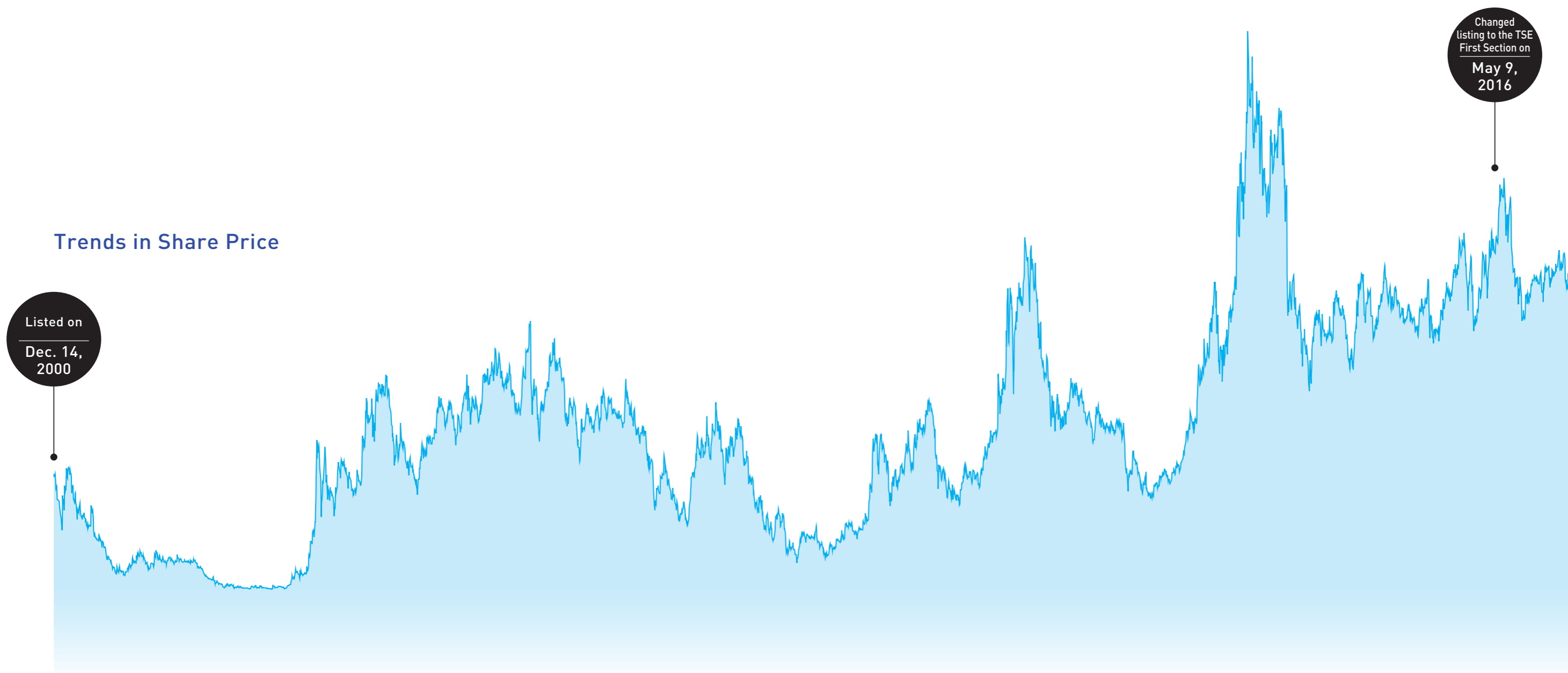
DG's General Policy on Addressing Antisocial Forces can be viewed on the following webpage.
<http://www.garage.co.jp/en/compliance/antisocialforces/>

15-Year Summary of Consolidated Business Performance Indicators

Key Performance Indicators

(JPY in Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17 (9 months)
Net sales	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	43,763	36,451
Operating income	-285	-319	442	1,703	1,613	-172	981	-960	135	1,621	1,322	2,608	4,810	4,201	723
Income before income taxes	-125	929	1,426	1,451	2,606	-336	12,259	-2,183	958	2,535	4,215	5,035	9,248	7,574	5,829
Net income attributable to owners of parent	-217	380	633	338	588	-2,430	5,450	-2,207	901	2,106	2,715	2,847	5,081	5,165	4,299
Total assets	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	77,335	91,695
Net assets	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	30,664	34,379
Cash flows from operating activities	558	-1,647	2,295	1,898	779	-1,049	1,963	-5,163	131	2,542	3,211	-34	5,040	-2,618	4,148
Cash flows from investing activities	-776	-3,795	-165	-3,305	3,355	486	7,346	1,233	-165	-9,411	1,514	-5,155	508	-1,071	-1,452
Cash flows from financial activities	1,065	6,850	573	2,806	-203	1	-5,152	-3,294	-568	15,273	-1,816	11,260	1,390	-11,637	4,176
Cash and cash equivalents at end of year	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	18,321	25,335

Trends in Share Price



Consolidated Balance Sheet

(JPY in Thousands)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17 (9 months)
Current assets	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	48,324,086	59,624,676
Cash and deposits	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	15,703,552	23,029,953
Notes and accounts receivable	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	5,441,873	7,056,441
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	2,592,659	2,264,634
Operational investment securities	-	-	-	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	11,164,418	11,856,680
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	13,946,329	15,422,645
Other	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	-524,749	-5,680
Fixed assets	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	29,011,602	32,070,533
Tangible fixed assets	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	2,279,367	2,245,088
Intangible assets	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	7,455,592	7,224,111
Software	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	1,664,580	1,784,339
Goodwill	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	5,765,576	5,411,845
Other	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	25,435	27,926
Investments and other assets	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	19,276,642	22,601,333
Investment securities	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	14,844,428	18,366,346
Other	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	4,432,212	4,234,987
Total assets	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	77,335,689	91,695,210
Current liabilities	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	30,187,014	38,815,485
Notes and accounts payable	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	2,728,973	3,713,743
Short-term borrowing	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	23,533,860	3,200,480	6,937,490
Income taxes payable	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	720,498	435,344
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	21,876,323	25,127,443
Other	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	1,660,739	2,601,463
Fixed liabilities	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	16,484,399	18,499,746
Bonds payable	300,000	3,956,000	220,000	420,000	816,000	440,000	-	-	-	-	-	-	-	-	-
Long-term borrowing	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	15,370,630	17,207,449
Deferred tax liabilities	35,610	-	748	-	146,169	69,739	41,139	5,980	30,991	-	20,956	43,066	938,197	596,334	488,329
Other	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	517,434	803,967
Total liabilities	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	46,671,414	57,315,232
Shareholders' equity	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	28,610,585	31,642,017
Common stock	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	7,435,347	7,437,369
Capital surplus	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	2,825,465	2,946,042
Retained earnings	-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	18,419,613	21,309,282
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	-69,840	-50,677
Accumulated other comprehensive income	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	1,502,053	1,956,872
Valuation difference on available-for-sale securities	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	138,163	641,155
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	191,575	394,662	485,678	1,416,702	1,363,890	1,315,717
Minority interests	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	119,786	132,560
Subscription rights to shares	-	-	-	-	3,198	4,071	-	-	-	31,589	84,520	141,121	295,632	431,849	648,528
Total net assets	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	30,664,275	34,379,978
Total liabilities/net assets	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	77,335,689	91,695,210

Consolidated statement of Profit or Loss

(JPY in Thousands)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17 (9 months)
Net sales	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	43,763,410	36,451,862
Cost of sales	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	32,273,214	29,838,591
Gross profit	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	11,490,195	6,613,271
Selling, general and administrative expenses	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	7,288,563	5,889,366
Directors' compensation	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	466,792	330,535
Salaries	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	2,599,840	1,998,751
Bonuses	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	171,032	181,931
Legal welfare expenses	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	381,353	306,993
Welfare expenses	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	99,630	74,797
Retirement benefit expenses	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	66,150	49,199
Advertising expenses	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	194,124	127,495
Travel and transportation expenses	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	167,027	125,867
Taxes and dues	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	143,480	131,794
Commission fees	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	317,094	228,282
Business consignment expenses	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	306,941	258,654
Research and development expenses	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	56,645	114,721
Rent expenses	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	644,125	447,117
Depreciation	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	140,576	120,159
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	471,641	353,731
Other	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	1,062,103	1,039,329
Operating income	-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	4,201,631	723,904
Operating margin	-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%	9.6%	2.0%
Non-operating income	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	3,031,911	3,257,206
Interest income	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	18,260	5,034
Dividends income	260	436	11,229	128	6	18,781	20,998	11,115	11,116	42,337	43,655	30,306	6	206	29,342
Investment profit on equity method	-	-	-	-	-	-	-	547,614	866,346	1,004,205	1,361,142	1,741,139	2,080,806	2,406,206	2,539,110
Foreign exchange gains	-	-	-	-	-	-	-	-	-	112,852	499,344	143,730	1,090,982	-	-
Rent expenses on real estates	-	-	-	-	-	-	-	-	-	32,328	222,372	278,675	337,782	371,212	331,681
Other	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	236,025	352,038
Non-operating expenses	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	1,040,473	292,224
Interest expenses	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	85,953	56,904
Commission fees	-	-	-	-	-	72,145	41,571	6,588	6,167	1,989	50,000	195	554,852	-	-
Foreign exchange losses	-	-	-	-	-	-	-	-	30,274	-	-	-	-	689,160	-
Rent cost of real estate	-	-	-	-	-	-	-	-	-	13,342	127,296	189,431	275,071	248,510	223,429
Listed expenses	-	-	-	-	-	-	-	-	-	-	94,689	191,602	-	-	-
Investment loss on equity method	82,716	124,567	320,189	144,579	-	-	-	-	-	-	-	-	-	-	-
Other	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	16,849	11,889
Ordinary income	-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	6,193,069	3,688,887
Ordinary income rate	-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%	14.2%	10.1%
Extraordinary income	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	1,392,393	2,265,108
Gain on change in equity	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	157,419	47,013
Gain on sales of investment securities	-	-	-	5,012	-	-	-	-	206	42,920	153,417	220,955	-	-	1,829,684
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	-	-	521,202	386,333
Other	55,000	4,338	104,676	2,928	33	41,174	8,986	3,547	0	180	1,319	35,474	99,487	713,772	2,077
Extraordinary loss	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	10,707	124,392
Loss on retirement of non-current assets	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	8,750	16,266
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	-	104,620
Loss on valuation of investment securities	-	-	9,305	-	37,325	170,135	787,046	332,607	-	8,366	33,843	-	-	-	-
Other	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	1,956	3,504
Income before income taxes	-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	7,574,755	5,829,604
Income before income taxes and net profit rate	-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%	17.3%	16.0%
Income taxes-current	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	2,241,857	1,647,119
Income taxes-deferred	-20,507	-19,485	152,432	-290,586	256,359	-114,718	575	-	-	-	-9,850	-32,641	155,721	143,580	-121,526
Minority interests in net income	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	24,008	4,765
Net income attributable to owners of parent	-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	5,165,308	4,299,246
Net income margin	-6.1%	6.1%	8.1%	2.7%	3.4%	-6.1%	15.8%	-26.5%	8.1%	14.1%	9.7%	8.4%	13.3%	11.8%	11.8%

Consolidated Statement of Cash Flows

(JPY in Thousands)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17 (9 months)
Cash flows from operating activities	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	-2,618,597	4,148,728
Income before income taxes and minority interests	-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	7,574,755	5,829,604
Depreciation	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	307,631	264,114
Amortization of software	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	453,315	392,504
Impairment loss	-	-	-	-	-	-	1,759,936	1,435,962	22,157	222,529	88,430	376	657,611	-	104,620
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	471,641	353,731
Amortization of goodwill (-2003)	18,453	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest or dividends income	-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	-18,466	-34,377
Interest expenses	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	85,953	56,904
Foreign exchange gains (losses)	88	75	-710	-272	-1,279	2,550	20,043	1,243	2,513	-36,609	-468,880	-153,280	-1,102,679	699,384	-222,444
Investment profit (loss) on equity method	82,716	194,416	320,189	144,579	-	-	-	-547,614	-866,346	-1,004,205	-1,361,142	-1,741,139	-2,080,806	-2,406,206	-2,539,110
Loss (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	-157,419	-47,013
Loss (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	-521,202	-386,333
Loss (gain) on sales of investment securities	-208,516	-455,554	-126,225	-5,012	-	-	157,433	-	19,682	-42,920	-153,417	-220,955	-68,480	-	-1,829,684
Loss (gain) on valuation of investment securities	-	-	-	-	-	170,135	787,046	332,607	0	8,366	33,843	707	55,629	-	-
Increase (decrease) in accounts receivable-trade	-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	-1,526,848	-808,474
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	-4,239,786	-66,989
Increase (decrease) in allowance for investment loss	-	-	-	-	-282,587	265,083	-491,441	0	9,200	84,138	156,576	267,974	-49,538	531,721	45,255
Increase (decrease) in receivables-other	-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	-2,338,612	-1,025,164
Increase (decrease) in notes and accounts payable-trade	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	710,324	950,861
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	975,382	3,247,034
Other	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	-495,779	1,122,711
Subtotal	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	105,789	5,407,751
Interest and dividends income received	765	9,749	34,547	11,354	-	19,419	219,363	168,882	234,130	313,717	420,293	517,646	629,567	824,979	528,438
Interest expenses paid	-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	-83,835	-49,001
Income taxes paid	-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	-3,465,533	-1,789,808
Income taxes refund	-	121,990	-	2,038	7,494	151,390	48,787	34	10,577	16,513	4	57,431	7,561	1	51,348
Cash flows from investing activities	-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	-1,071,606	-1,452,855
Payments into time deposits	-	-1,150,000	-640,101	-16,032	-300,019	-60,000	-	-	-	-	-	-	-	-	-
Proceeds from withdrawal of time deposits	-	-	1,243,333	656,981	360,057	855,185	169,000	-	-	-	-	-	-	-	-
Payments for acquisition of tangible fixed assets	-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	-315,928	-223,849
Payments for acquisition of intangible assets	-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	-721,955	-630,145
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	-	-	-	-	-	-	-	-	-	-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	-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	-1,195,346	-223,951
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	-204,329	-2,334,901
Proceeds from sales of investment securities	213,684	460,376	352,222	22,897	3,911	252	141,764	8,842	6,942	66,913	211,882	893,354	346	-	2,427,153
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	549,791	-
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	-19,804	-19,249
Other	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	835,964	-447,912
Cash flows from financing activities	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	-11,637,551	4,176,052
Net increase (decrease) in short-term borrowing	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	-14,545,000	2,800,000
Net increase (decrease) in long-term borrowing	-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	4,163,051	2,786,010
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	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	17,403	370
Cash dividends paid	-	-	-	-	-	-	-908,511	-923,440	-6,693	-711	-216,607	-233,735	-233,941	-1,174,830	-1,407,579
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	-	7,717
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	-85,171	-
Other	-	-1,304	-5,146	-22,988	13	-374,788	-205,835	-17,774	-25,011	-23,609	-157,762	-265,621	-172,954	-13,002	-10,465
Effect of exchange rate changes on cash and cash equivalents	129	-1,276	-881	573	853	2,882	-2,471	-429	-2,513	82,718	422,300	21,707	1,954,918	-427,841	141,714
Net increase (decrease) in cash and cash equivalents	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	-15,755,597	7,013,640
Cash and cash equivalents at beginning of year	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	34,077,359	18,321,762
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	1,963,860	3,369,626	6,072,088	7,471,888	11,509,880	10,951,418	1								

COMPANY INFORMATION

Basic Information

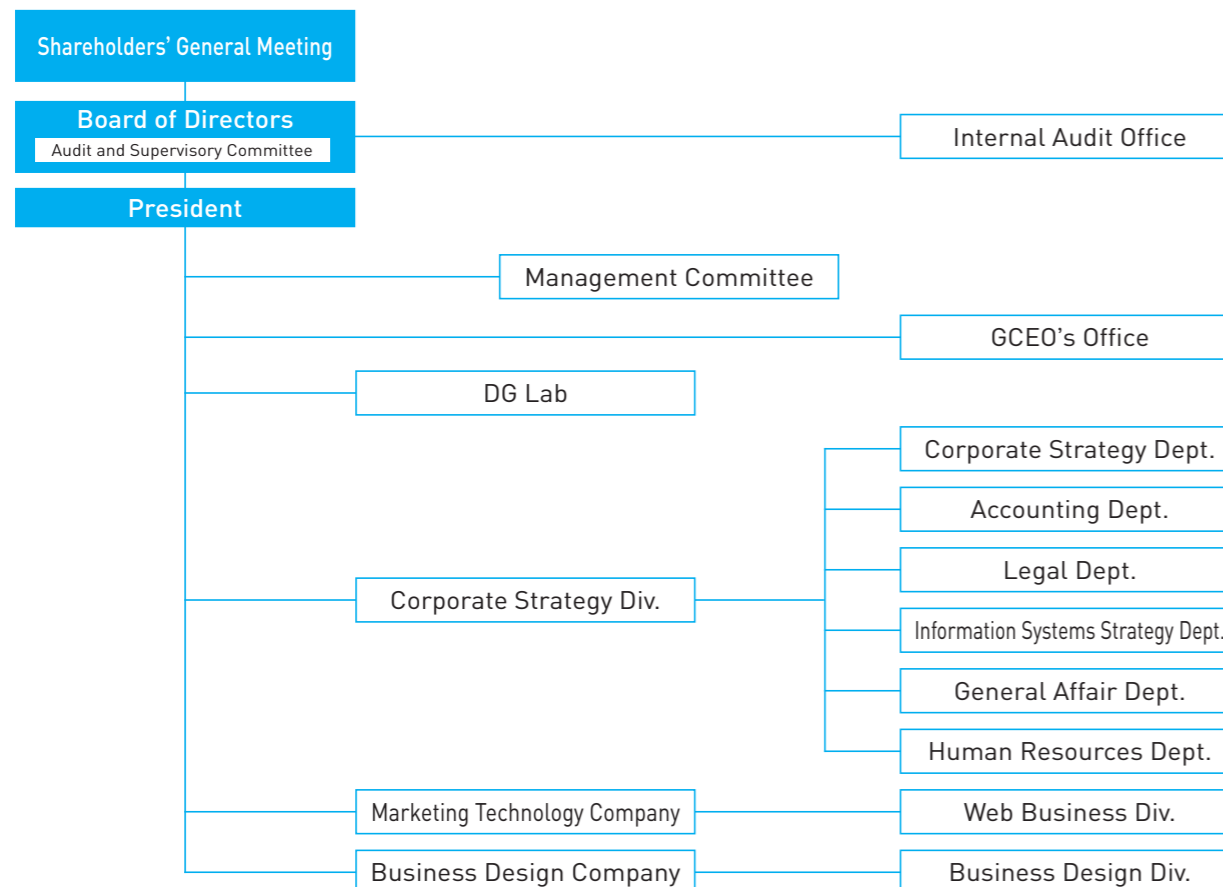
(as of March 31, 2017)

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	Tokyo Stock Exchange 1st section (4819)
Fiscal year end	March 31
Stock Capitalization	7,437 million yen
Total number of shares issued	47,291,800
Number of employees	577 [consolidated] / 354 [non-consolidated]

DIGITAL GARAGE GROUP CHART

Organization Chart

(as of March 31, 2017)



STOCK INFORMATION

Stock Information

(as of March 31, 2017)

Authorized shares	120,000,000
Issued shares	47,291,800
Voting rights	471,022
Shareholders	8,595

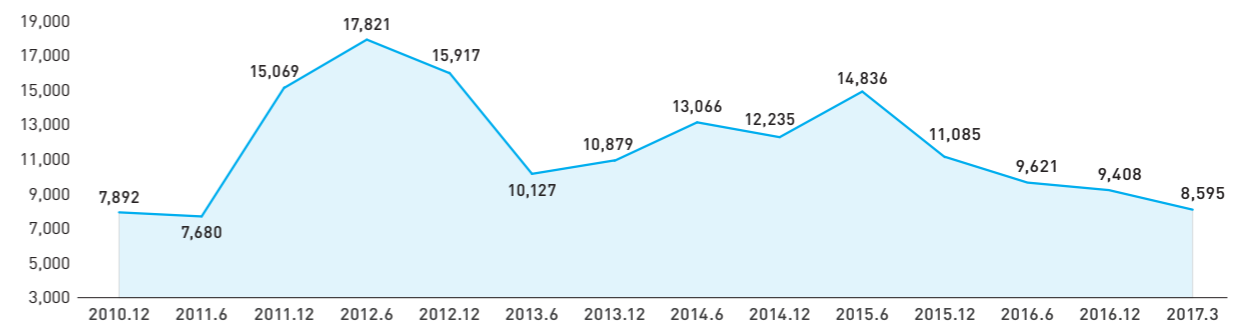
Major Shareholders

(as of March 31, 2017)

Name	Shareholder's investment in DG	
	Shares Owned	Ownership Percentage
Kaoru Hayashi	6,794,300	14.42%
Dentsu Inc.	3,300,000	7.01%
TIS Inc.	2,364,500	5.02%
Japan Trustee Services Bank, Ltd. (Trust accounts)	2,073,400	4.40%
The Master Trust Bank of Japan, Ltd. (Trust accounts)	1,820,300	3.86%
The Bank of New York 133524	1,749,500	3.71%
JPMorgan Chase Bank 380621	1,736,000	3.69%
JPMorgan Chase Bank Luxembourg SA 380578	1,378,100	2.93%
Japan Trustee Services Bank, Ltd. (Trust accounts 9)	1,317,600	2.80%
JPMorgan Chase Bank 385166	1,177,600	2.50%

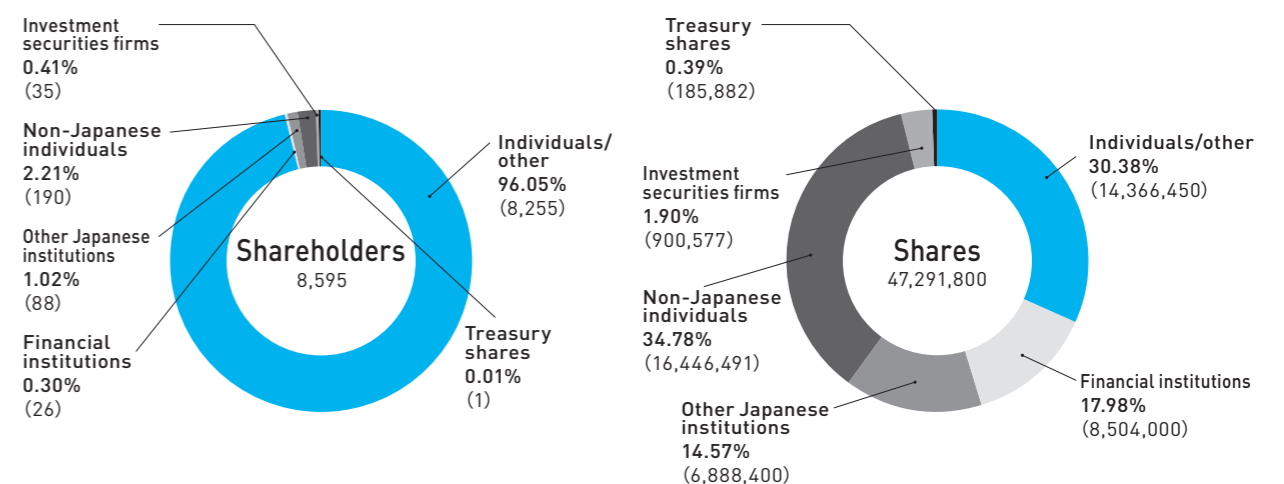
* Share ownership percentages were calculated based on issued shares net of treasury shares (185,882 shares).

Number of Shareholders








Share Ownership Distribution

(as of March 31, 2017)







GROUP BUSINESS ACTIVITIES







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.
	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.
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.
	DG Technologies, Inc. Consolidated subsidiary	As a strategic company that supports the technological aspects of DG Lab, DG Technologies engages in research and development with an eye toward business application and promotes the development of cutting-edge technology by combining the technological capabilities, etc. of Digital Garage and TIS.
	DG Daiwa Ventures Affiliate	DG Daiwa Ventures operates DG Lab First Investment Limited Partnership (DG Lab Fund), which was established with the merger between Digital Garage, Inc. and Daiwa Securities Group Inc. The purpose of this fund is to promote investment in promising Japanese and overseas startups with advanced technologies in the research areas DG Lab has designated as high priorities.

FINANCIAL TECHNOLOGY SEGMENT

	econtext Asia Limited Consolidated subsidiary	econtext Asia is a holding company for payment businesses for the global use of EC platforms of all types.
	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.
	VeriTrans Inc. Consolidated subsidiary	Since its establishment in 1997, VeriTrans Inc. 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 Inc. will focus on developing, and introducing credit card payment systems, in major markets where electronic payment has yet to be adopted.
	ANA Digital Gate, Inc. Affiliate	ANA Digital Gate is a joint venture between VeriTrans Inc. and the ANA Group's ALL NIPPON AIRWAYS TRADING CO., LTD., that is developing a corporation-oriented payment solution business that uses FinTech.

MARKETING TECHNOLOGY SEGMENT

	Digital Garage Marketing Technology Company Company	The Marketing Technology Company supports client businesses with On-line-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.
	Digital Garage Business Design Company Company	The Business Design Company establishes one-stop services with optimal personnel and methods from planning overall promotion to execution and provides support for issue resolution as a long-term partner to the client. The Business Design Company provides communication design and promotion using creative designs, data science and digital technology.
	Bl.Garage, Inc. Consolidated subsidiary	Bl.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, Inc., 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.
	Inamoto & Co. Capital alliance	Inamoto & Co. was established by internationally renowned digital creator Rei Inamoto. Inamoto & Co. creates hybrid businesses for global incubation by combining its world-class creative ability with the data science business, etc. that Digital Garage operates.

LONG-TERM INCUBATION SEGMENT

	Kakaku.com, Inc. Affiliate	Kakaku.com operates a price comparison site (kakaku.com) and a restaurant review and advertising site (tabelog.com).
DENTSU SCIENCEJAM	Dentsu ScienceJam Inc. Affiliate	Dentsu ScienceJam commercializes scientific research results.
	DK Media, Inc. Affiliate	DK Media operates an internet media business using women's fashion magazine content by Kodansha.
	DG Life Design, Inc. Affiliate	With its mission of providing "Valuable Life," DG Life Design creates new businesses that go beyond business integration synergies while expanding the existing life care business, sports marketing business and wine school business.

(as of June 30, 2017)