



IMAGINE MORE

Digital Garage, Inc.

3Q of FYE June 30, 2015 Financial Report

2015.5.13

 **Digital Garage**

Record-high ordinary income of 4.3 B JPY(+75% YoY) in cumulative 3Q FY15

**~ All business segments grew Sales and Op income YoY,
New projects underway for the next 3 years ~**

I Incubation : Accelerating incubation ecosystem globally

- Investment balance grew to 10 B JPY through continued aggressive global investment. Overseas portfolio performed strong exit
- Launched support for localization of leading US internet services in collaboration with Betaworks
- Formed capital and business alliance with Kodansha to distribute content globally and incubate new business

II Marketing : Online Ads continue positive performance w/ improved profitability

- Revenue increased +10% YoY, Op income increased +31% YoY, 3Q Op income % rose to 7.9%
- ROI-focused performance ads continued to lead a significant growth
- Launched overseas promotion of apps for foreign visitors in Japan, developing cross-border system for online ads

III Payment : Scheme of arrangement to make econtext Asia Limited a wholly-owned subsidiary (henceforth SOA) was approved, payment business showed solid growth

- Planned to make econtext Asia Limited a wholly-owned subsidiary by acquiring the remaining shares from the outside shareholders
- Domestic growth led by convenience-store and credit card settlements due to growing e-commerce market
- Alliance with major service providers such as Rakuten, LINE, and Recruit to expand payment services



FY15.6 3Q (Cumulative) Consolidated P/L Summary



context company

YoY Sales grew +9.9%, Ordinary income grew +75% to 4.3 B JPY

~ All business segments grew Sales and Op income YoY ~

JPY in Millions	FY14.6 3Q	FY15.6 3Q	YoY		FY15.6 Full Year	
	Cumulative Act	Cumulative Act	%	Amount	Forecast	1Q-3Q Progress
Net sales	23,894	26,264	+9.9	+2,370	40,000	66%
Incubation	3,149	3,720	+18.1	+571	7,500	50%
Marketing	10,637	11,784	+10.8	+1,147	17,000	69%
Payment	10,107	10,758	+6.4	+651	15,500	69%
Operating Income	1,186	2,201	+85.5	+1,014	4,500	49%
Incubation	423	1,130	2.7 x	+707	3,600	31%
Marketing	644	843	+31.0	+199	1,100	77%
Payment	878	987	+12.4	+108	1,450	68%
Non-operating income	1,705	2,627	+54.1	+922		
Investment profit on equity method	1,229	1,522	+23.9	+293		
Foreign exchange gain	208	689	3.3 x	+481		
Non-operating expenses	393	435	+10.6	+41		
Ordinary Income	2,498	4,393	+75.9	+1,895	6,700	66%
Extraordinary income	500	2,369	4.7 x	+1,869		
Gain on change in equity	374	2,301	6.1 x	+1,926		
Income before income taxes	2,972	6,667	2.2 x	+3,695		
Income taxes	962	2,275	2.4 x	+1,313		
Net Income	1,873	4,079	2.2 x	+2,206	5,200	78%
EBITDA	4,134	8,016	+93.9	+3,882	11,000	73%

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

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



FY15.6 3Q Consolidated B/S Summary



context company

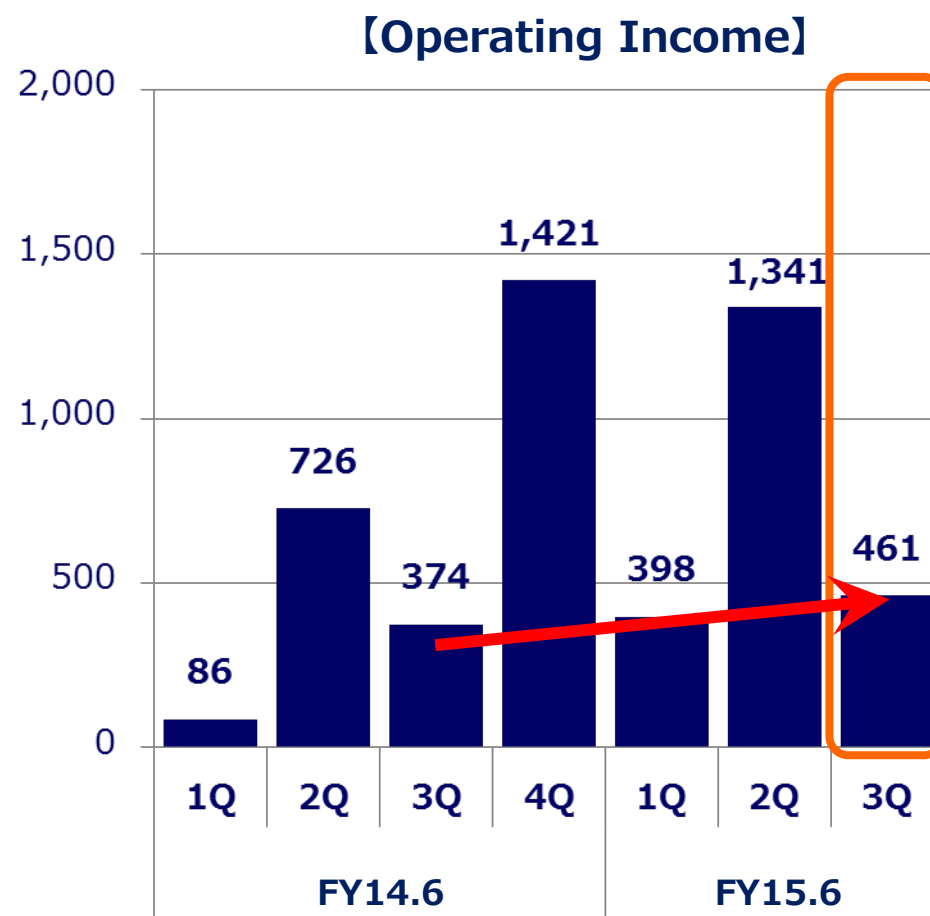
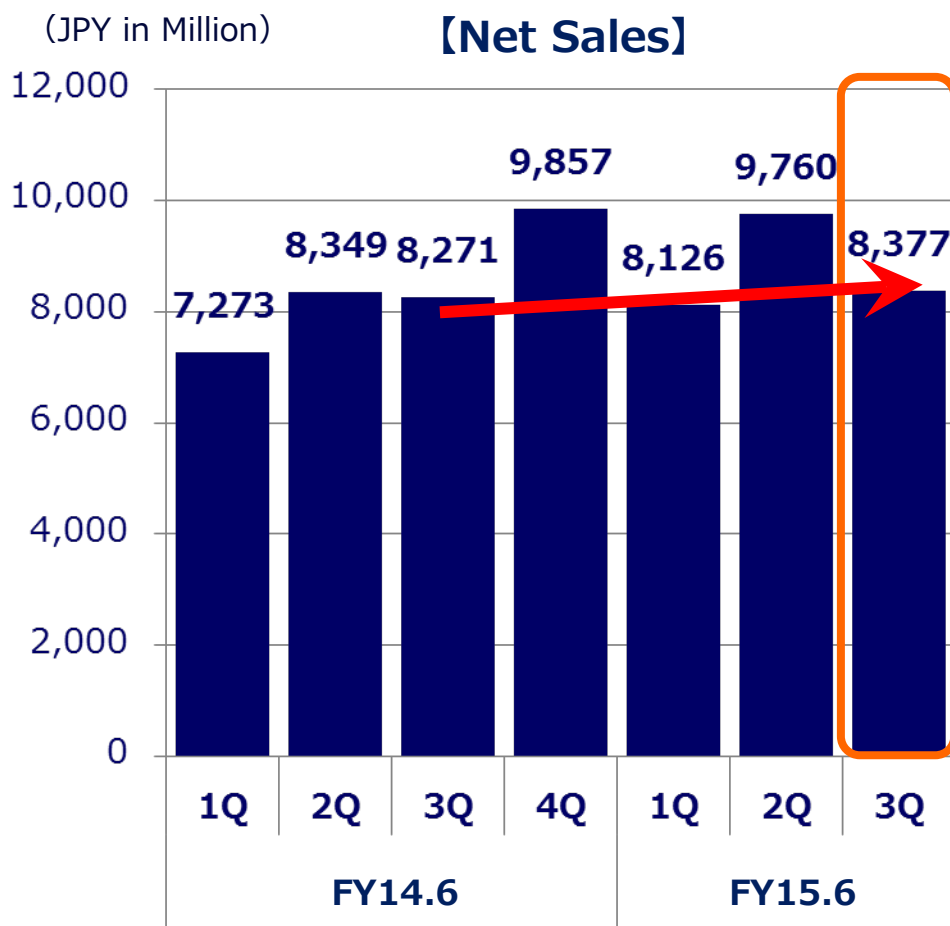
JPY in Million	FY14.6	FY15.6 3Q	Difference	Reason for change / Remarks
Current assets	45,455	58,568	+13,113	
Cash and deposits	24,294	31,317	+7,022	Sales of stocks, etc
Receivables	8,596	11,112	+2,515	Payment segment related items
Money held in trust	889	3,269	+2,380	Payment segment related items
Operational investment securities	8,063	8,734	+670	New investment, Mark-to-market for stocks related to IPOs, etc
Fixed assets	25,554	29,406	+3,852	
Investment securities	10,644	13,990	+3,346	Increased investment profit on equity method, Mark-to-market for listed stocks, etc
Investment real estate	3,619	4,231	+612	
Goodwill	7,354	6,991	-362	
Total assets	71,009	87,975	+16,965	
Current liabilities	25,461	34,884	+9,422	
Deposits	16,434	20,744	+4,310	Payment segment related items
Short-term borrowing	3,690	9,046	+5,355	Transfer from Long-term borrowing
Deferred tax liability	1,264	1,314	+50	Estimated amount of tax for Unrealized gains for securities w/ market value
Fixed liabilities	9,058	9,986	+927	
Long-term borrowing	8,841	8,901	+60	Transfer of Long-term borrowing due within one year to Current liabilities, Demand for working capital
Total liabilities	34,519	44,870	+10,350	
Net assets	36,489	43,104	+6,614	
Shareholders' equity	27,762	31,507	+3,744	
Retained earnings	9,615	13,436	+3,820	
Accumulated other comprehensive income	2,679	5,074	+2,394	
Unrealized gains on securities	2,193	3,755	+1,561	Unrealized gains after tax for securities with market value
Minority interests	5,906	6,336	+429	
Liabilities / Net assets	71,009	87,975	+16,965	



Quarterly comparison of Consolidated Sales / Op Income



Achieved Sales 8.3 B JPY, Op income grew YoY exceeding the budget
~ Hit record high Op income for cumulative 3Q ~



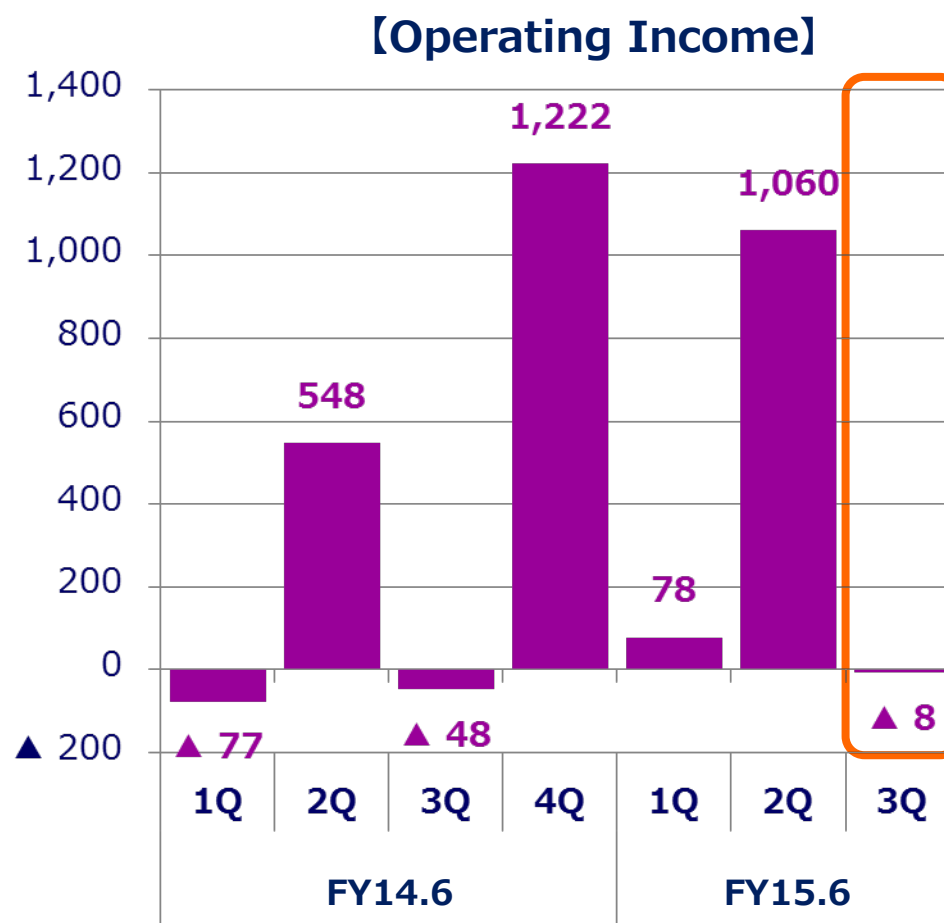
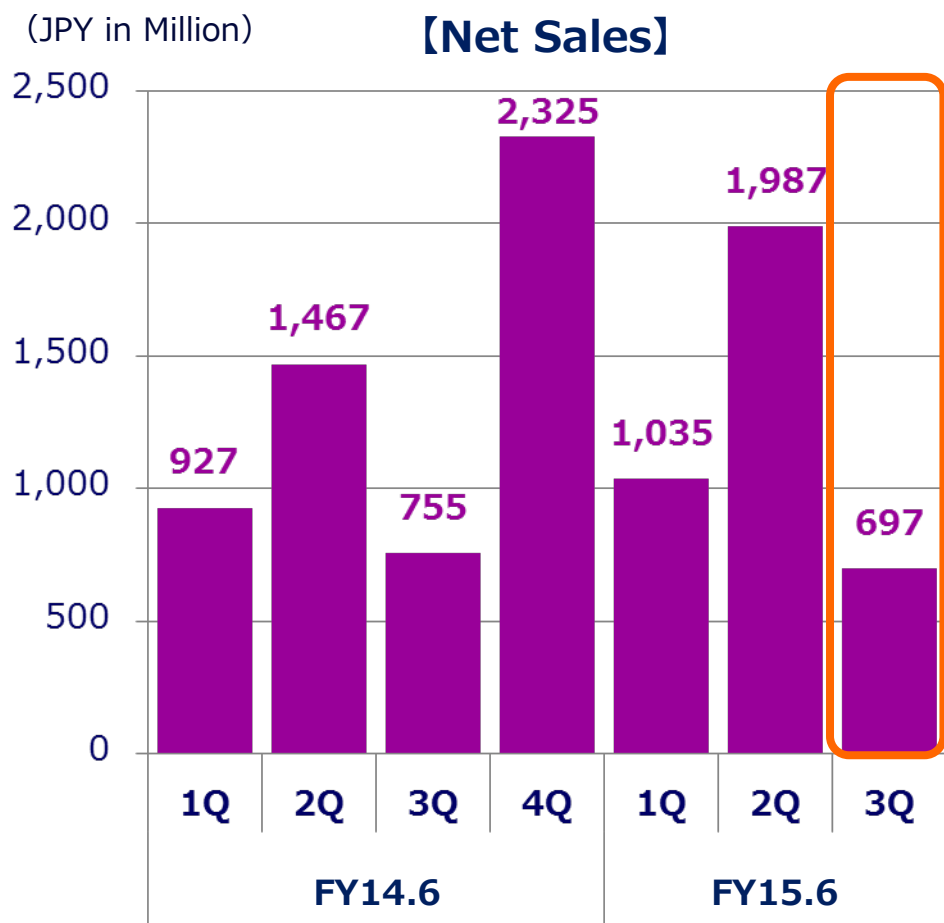


Quarterly comparison of Incubation Performance



Sales and Op income exceeded the budget. Investment balance grew to 10 B JPY

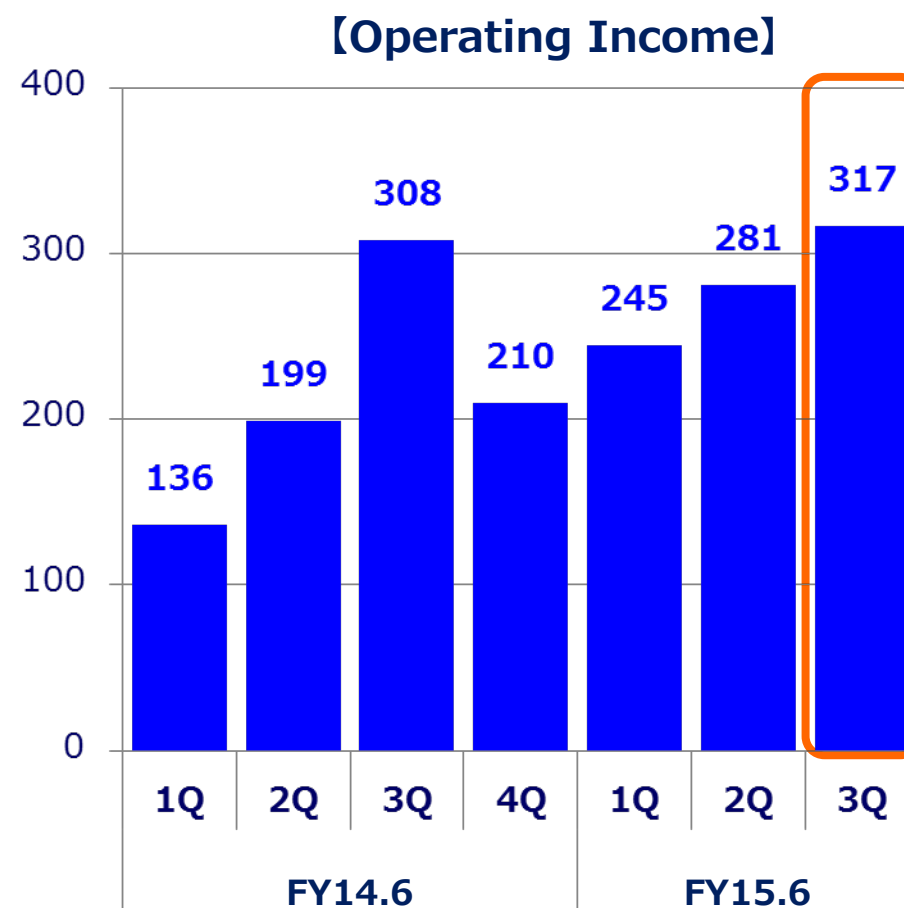
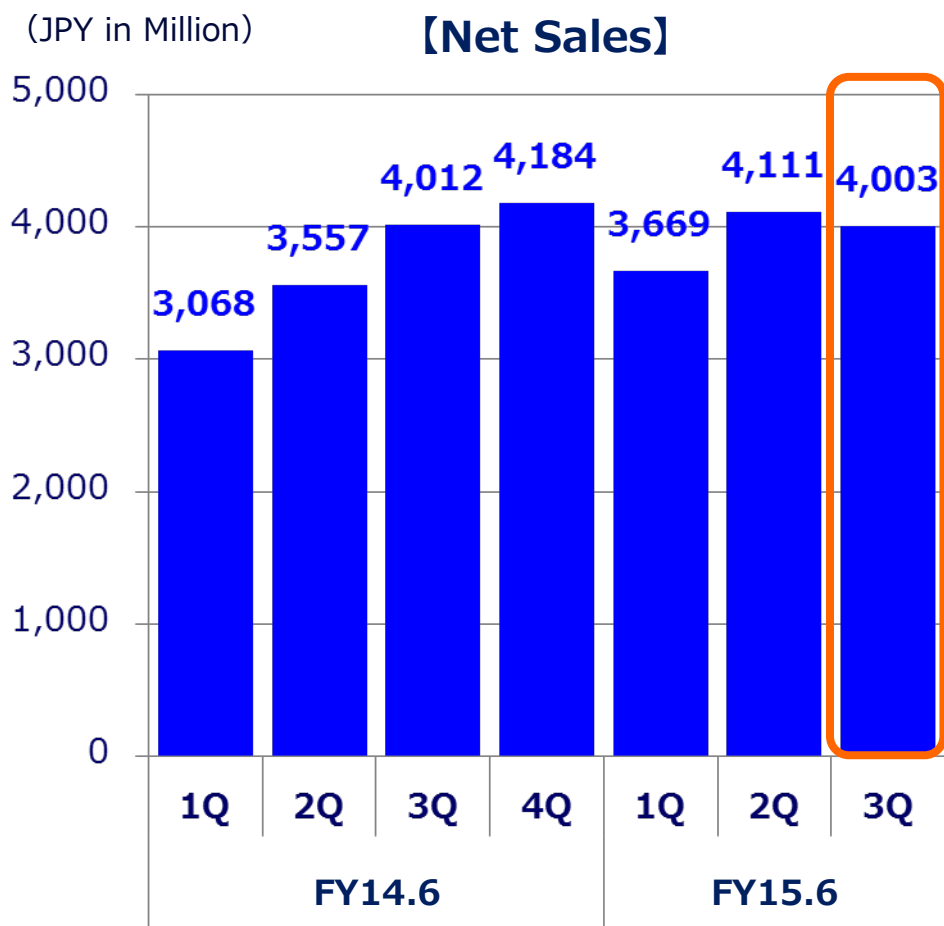
~ Launched localization of leading US internet services in Japan in collaboration with Betaworks ~





Growth gaining traction in ROI-focused performance ads

~ Profitability improved for the three consecutive quarters after bottoming out in the previous 4Q. Op income % recorded 7.9% in the current 3Q ~

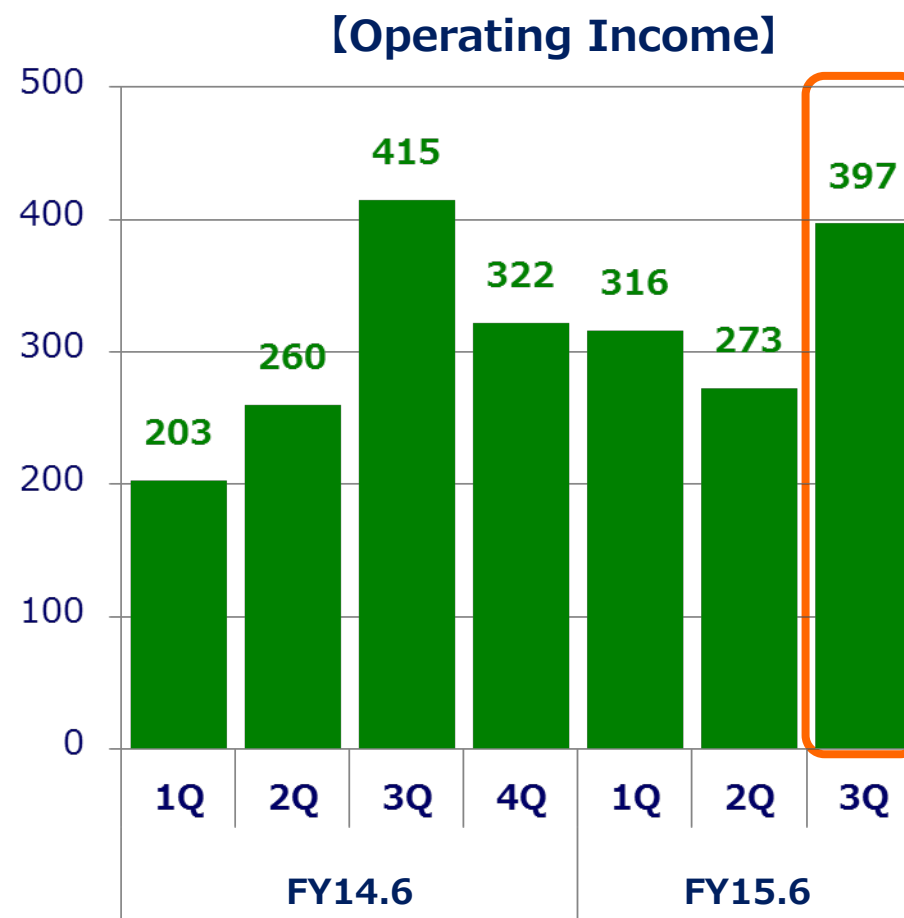
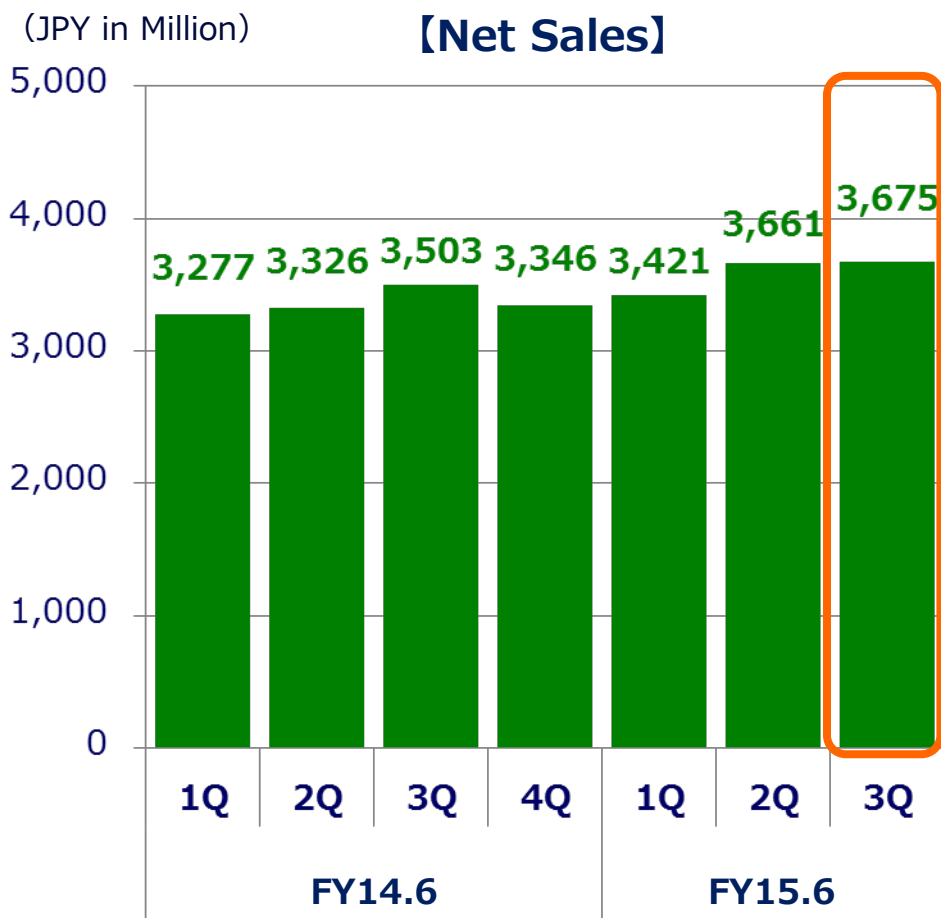




Quarterly comparison of Payment Performance

Domestic growth led by convenience-store and credit card settlements due to growing e-commerce market

~ SOA to make econtext Asia Limited a wholly-owned subsidiary was approved and the related costs were recorded ~





Background and objectives regarding stock purchase

Changes in external environment

Rapid growth in Asia's e-commerce market makes high valuations for investment / M&A targets

Yen's rapid depreciation does not represent the real business performance when reported in \$ HK

Various listing regulations in HK makes it difficult to execute promptly

Benefits of privatization

Enhance financing and investment capabilities by leveraging DG group's financial strengths

Collaboration among group companies, quick decision making

Improved consolidated ROE
Enhanced shareholder returns



- **Determined that reconstructing investment and strategy in the Asian region with quick decision making is necessary**
- **Planned to make econtext Asia Limited a wholly-owned subsidiary by acquiring the remaining shares (41.5%) from the outside shareholders**

About econtext Asia

Company name	econtext Asia Limited
Headquarters	Hong Kong
Business	Payment services and e-commerce solutions in the Asian region
Major shareholder	Digital Garage, Inc., 58.5%
Place of listing	Hong Kong Stock Exchange (HKEx 1390)

Progress and expected timeline

4/23	SOA regarding the acquisition of shares was approved at the court meeting and the general meeting of econtext Asia Limited
6/2 (expected date)	High Court hearing of the petition for the sanction of the Scheme of Arrangement
6/3 (expected date)	Effective Date
6/4 (expected date)	Withdrawal of the listing of the shares on the Hong Kong Stock Exchange becomes effective (9am Hong Kong Time)

※ Expected to become fully consolidated from 4Q in DG's consolidated earnings results for FY15



Quarterly Profit and Loss (Consolidated)



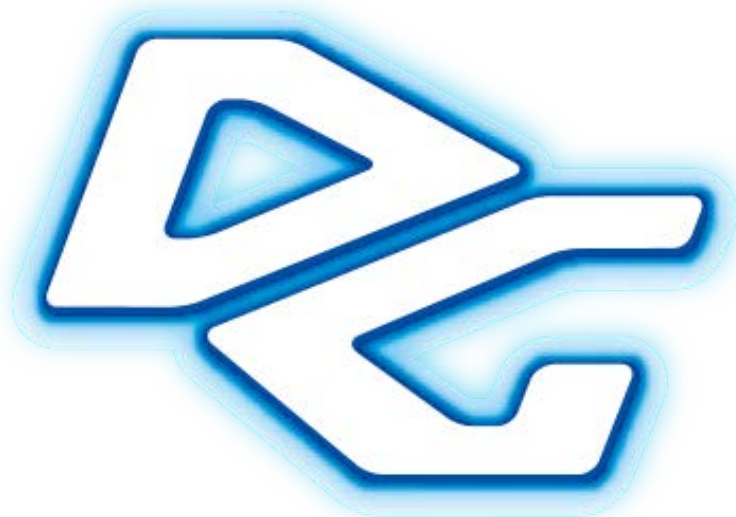
context company

JPY in Million	FY14.6				FY15.6		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	7,273	8,349	8,271	9,857	8,126	9,760	8,377
Incubation	927	1,467	755	2,325	1,035	1,987	697
Marketing	3,068	3,557	4,012	4,184	3,669	4,111	4,003
Payment	3,277	3,326	3,503	3,346	3,421	3,661	3,675
Operating income	86	726	374	1,421	398	1,341	461
Incubation	△ 77	548	△ 48	1,222	78	1,060	△ 8
Marketing	136	199	308	210	245	281	317
Payment	203	260	415	322	316	273	397
Ordinary income	473	1,214	810	1,944	1,173	2,290	929
Net income	389	1,037	446	974	780	2,726	571
EBITDA	970	1,956	1,207	2,473	1,618	4,961	1,437
Amortization	191	204	170	191	171	217	182

Note: Interest expense, depreciation, and amortization are added back to income before income taxes to calculate EBITDA.
Op income per segment is based on figures prior to elimination or group deduction.



Date		Title
2015.5.7	 DG INCUBATION	Digital Garage Invests in Website Analytics Tool Provider Chartbeat, Inc. to Support Japanese Expansion Through Media Site Sales Boost
2015.5.1	 DG INCUBATION	Digital Garage Invests in US-Based FinTech Innovator MX Technologies - To Support Future Japan Expansion
2015.4.22	 DG INCUBATION	Digital Garage To Lead Capital Investment in and Support Global Expansion of Mobile App Analytics Tool Repro
2015.4.2	 Open Network Lab	Open Network Lab to Enhance Its Seed Accelerator Program by Increasing Maximum Funding Size and Strengthening Support
2015.2.19	 Digital Garage	Digital Garage and Kodansha to establish a joint venture on digital content business for global expansion of Japanese contents and new business incubations



Digital Garage

Please note that the business forecasts and strategies covered in today's presentation are based on our current evaluation and future results may vary significantly depending on unforeseeable events or circumstances. This announcement is solely for the purpose of the investors relationship and is not for making any solicitation for investment in any securities. This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Any securities of our consolidated subsidiaries have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements.