

February 20, 2008

Digital Garage, Inc.  
(JASDAQ Stock Code: 4819)

## **CORRECTION TO COMPANY INFORMATION MATERIALS FOR Business Strategy Meeting 2008 (JANUARY 23, 2008)**

The company information materials for Business Strategy Meeting 2008 released on January 23, 2008 contained the following incorrect figure.

Page 30: Performance Overview: Finance Segment Performance

The following number in the operating income graph for the Finance segment was incorrect.

	[Incorrect]	[Correct]
Operating Income for Finance Segment for the year ending June 30, 2008 (Forecast)	1,000 (million yen)	1,100 (million yen)

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JPMorgan's Japan New Spring Corporate Access Days in London

# Business Strategy Meeting 2008



**Digital Garage, Inc.**

(JASDAQ: 4819)

**January 17<sup>th</sup> - 18<sup>th</sup> 2008**

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# Mission & Business Model



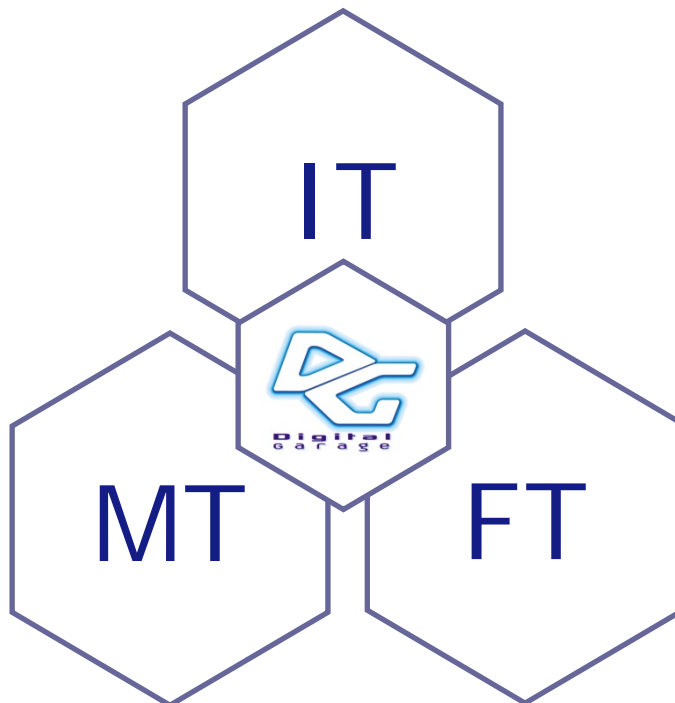


## Context Company

Digital Garage creates innovative business “contexts” for the new internet age and provides unique business solutions for Japan’s new lifestyles, society and industries by linking:

**Offline** & **Online**  
**Local** & **International**  
**Marketing** & **Technology**  
**Present** & **Future**

Produce and incubate Japan's Internet businesses  
with optimal use of our three core strengths: IT, MT and FT



★ Information Technology

★ Marketing Technology

★ Financial Technology

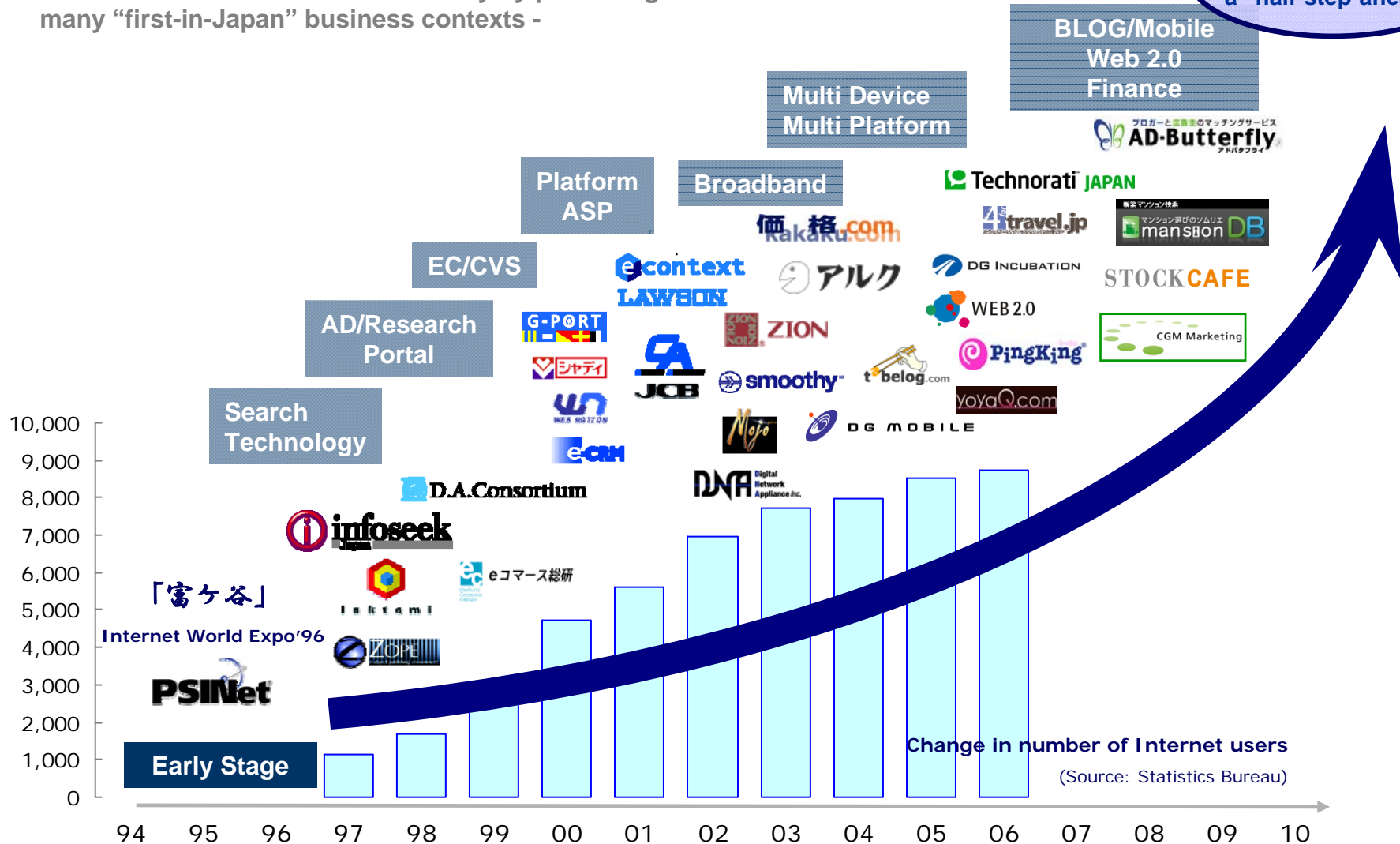
# Corporate Information



## The history of Digital Garage is the history of creating new businesses

- DG continues to contribute to society by producing many "first-in-Japan" business contexts -

Always the "first-in-Japan" a "half-step-ahead"

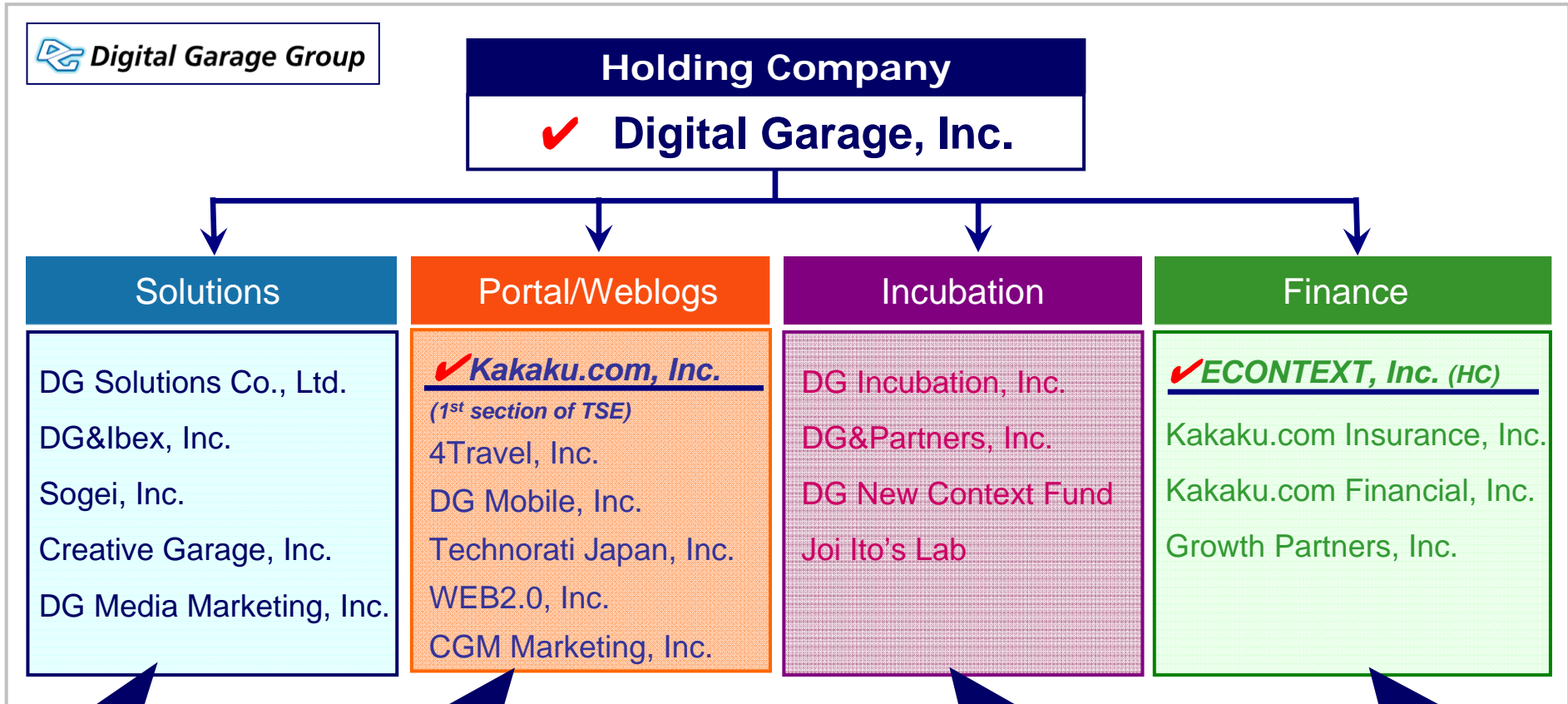




# Group Structure



Through headquarters management of subsidiaries, DG is able to optimize and cross-support human resource, finance and business functions




- Advertising, promotion
- Media consulting
- Real x Cyber

- Portal site operation
- Mobile contents
- CGM promotion development

- Domestic investment
- Overseas investment
- R&D for latest technologies

- Settlement distribution infrastructure
- Foreign exchange transactions
- Online/face-to-face insurance brokerage

■ Company Name	Digital Garage, Inc.
■ Established	August 17 <sup>th</sup> , 1995
■ Head Office	Yamazaki Bldg., 2-43-15 Tomigaya, Shibuya-ku Tokyo 151-0063, Japan
■ Stock Capitalization	27.374 billion Yen (As of December 17 <sup>th</sup> , 2007)
■ Consolidated Subsidiaries	22 (As of the end of June, 2007)
■ Number of Employees	718 (As of the end of June, 2007)
■ Net Sales	17.338 billion yen (As of the end of June, 2007)
■ Net Income	588 million yen (As of the end of June, 2007)
■ Total Assets	42.407 billion yen (As of the end of June, 2007)
■ Net Assets	11.743 billion yen (As of the end of June, 2007)
■ Stock Listing	 (4819)

# ◆ Financial Performance Forecast for FYE 2008

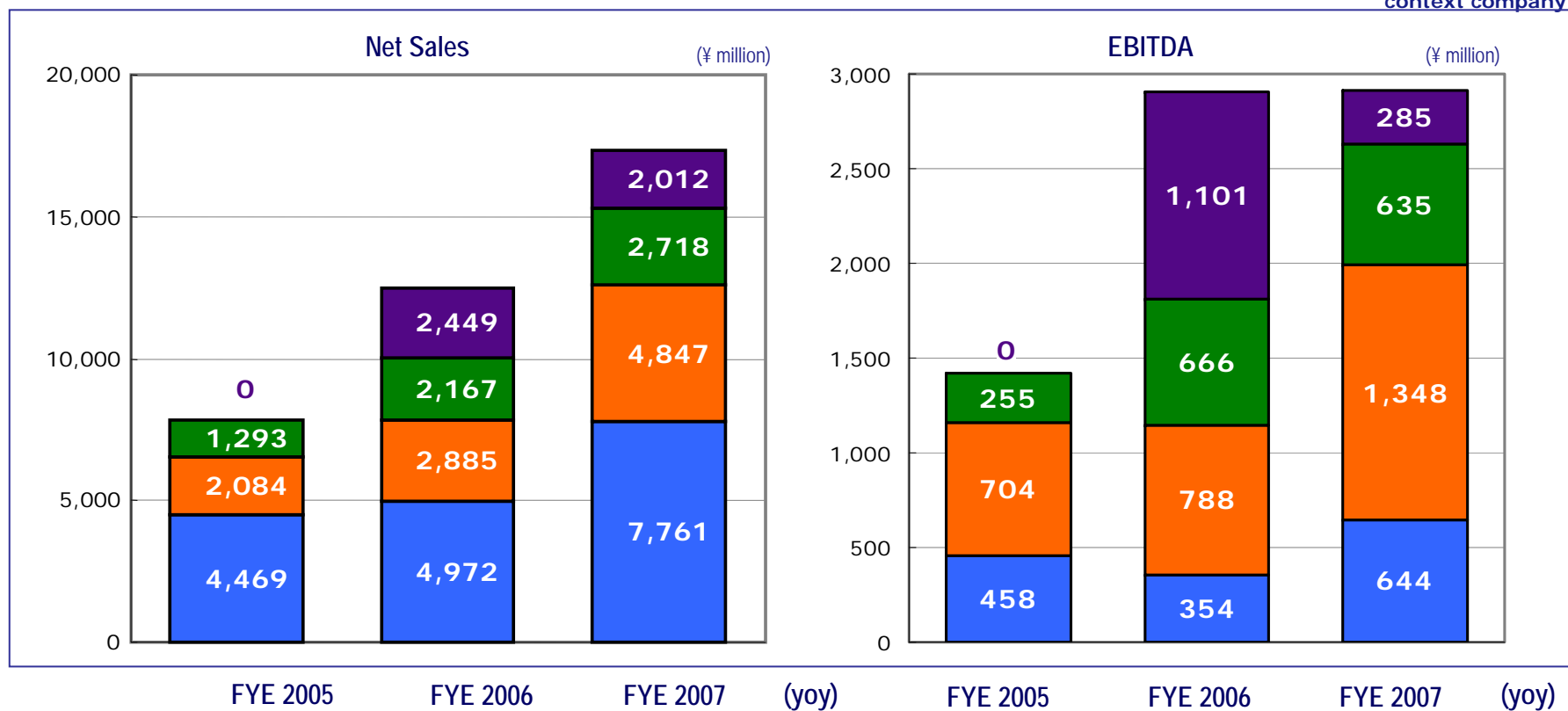


Consolidated	FYE 2006	FYE 2007	FYE 2008 (E)	(% chg)
Net Sales	12,476	17,338	43,000	+150%
Operating Income	1,703	1,613	3,000	+90%
Ordinary Income	1,505	2,475	2,700	+9%
Net Income	338	588	700	+19%

(¥ million)



# Three-year Comparison of Segment Information



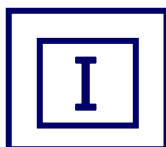
■ Incubation	-	2,449	2,012 (-18%)	—	1,101	285 (-74%)
■ Finance	1,293	2,167	2,718 (+25%)	255	666	635 (-5%)
■ Portal/Weblog	2,084	2,885	4,847 (+68%)	704	788	1,348 (+71%)
■ Solutions	4,469	4,972	7,761 (+56%)	458	354	644 (+82%)
<b>Total</b>	<b>7,846</b>	<b>12,476</b>	<b>17,338 (+39%)</b>	<b>1,416</b>	<b>2,909</b>	<b>2,911 (+0.1%)</b>

\* Based on figures prior to elimination or Group deduction



# **Business Summary**





## Solutions Segment

IT system design and development, design/plan/implement marketing activities

 **DG Solutions** ➤ DG Solutions Co., Ltd. Intermediate holding company of Solutions Business segment

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 **DG&lbex** ➤ DG&lbex, Inc. Sales promotion solution provider

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**CREATIVE GARAGE** ➤ Creative Garage, Inc. Graphics, video and other creative media production services

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 ➤ DG Media Marketing, Inc. Group media operations/total Web advertising sales

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 ➤ Sogei, Inc.  General advertising agency with a focus on real estate

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\* Consolidated since FYE 2008

# Solutions Segment Overview

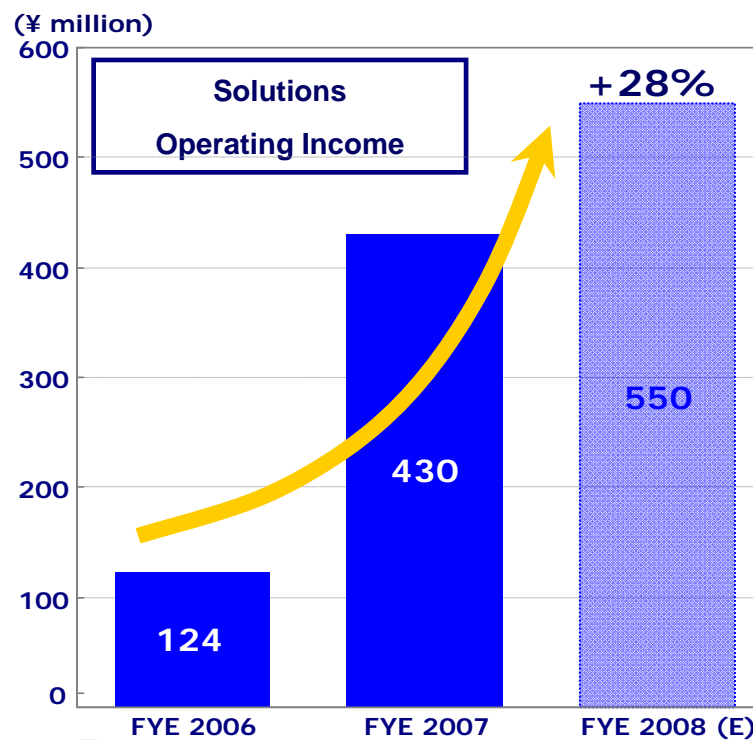
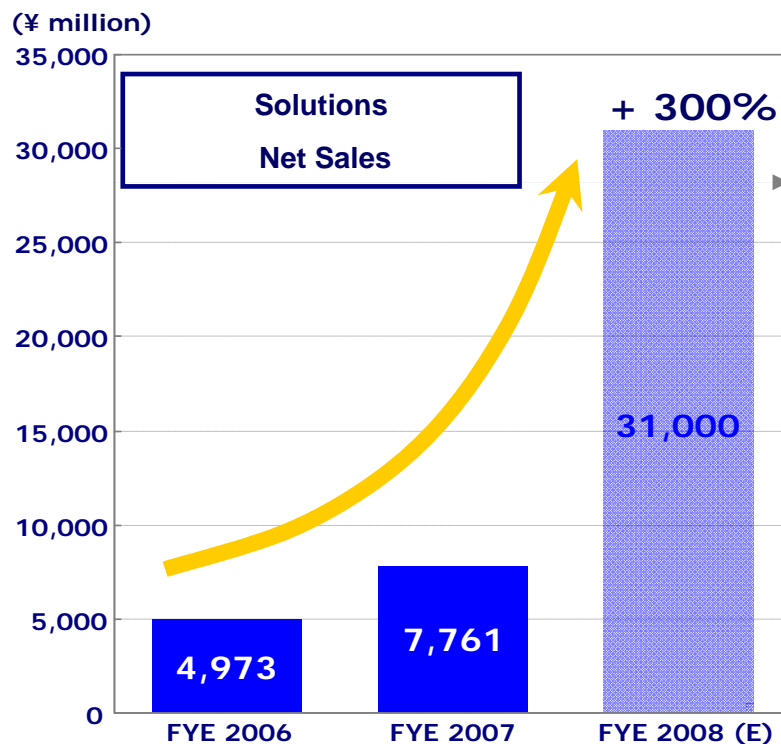


**FYE 2007**

**Net Sales 7.761 billion yen** / **Operating Income 430 million yen** / **EBITDA 644 million yen**  
 (56 % increase year-on-year) (247% increase year-on-year) (82% increase year-on-year)

## Segment Positioning/Strategy

- ◆ **Comprehensively engaged in commissioned businesses** such as IT solutions and marketing solutions as the stable revenue base of DG Group
- ◆ **Launch ROI-oriented next-generation marketing solution business** by integrating real media and web media, including advertising solicitation gateway operation for the Group's media business
- ◆ **Achieve significant increase in sales** due to consolidation of Sogei in FYE 2008. **Achieve double-digit profit increase** by absorbing MansionDB's development costs.



# ❖ Changes in Business Environment



## ▪ Background

The business environment for IT and MKT solutions drastically changed due to the widespread use of broadband and 3G mobile technology

### ▪ Change in consumer media usage

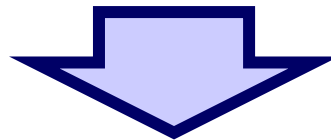
Consumers began sourcing information through customized media rather than traditional mass media

### ▪ Shift in advertising business trends

Promotion methods shifted from using four mass media formats (newspapers/magazines/radio/television) to cross-media incorporating IT media.

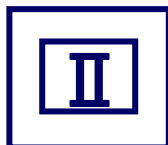
### ▪ Change in IT solutions business

More organizations adopt Web services model instead of legacy systems.



Growing needs for cross-media solutions that combine both digital and analog media





## Portal/Weblog Segment

Portal business (e.g., Kakaku.com, CGM and weblog services)



> Kakaku.com, Inc.

Price comparison site "Kakaku.com" operator



> 4travel, Inc.

Travel information exchange site "4Travel" operator



> Technorati Japan, Inc.

Blog search engine "Technorati Japan" operator



> WEB2.0, Inc.

Development and operation of Internet information sharing site "pingking"



> DG Mobile, Inc.

Mobile e-book distribution platform and contents provider



> CGM Marketing, Inc.

Blogger-and-advertiser matching service "AD-Butterfly" operator

# Portal/Weblog Segment Overview

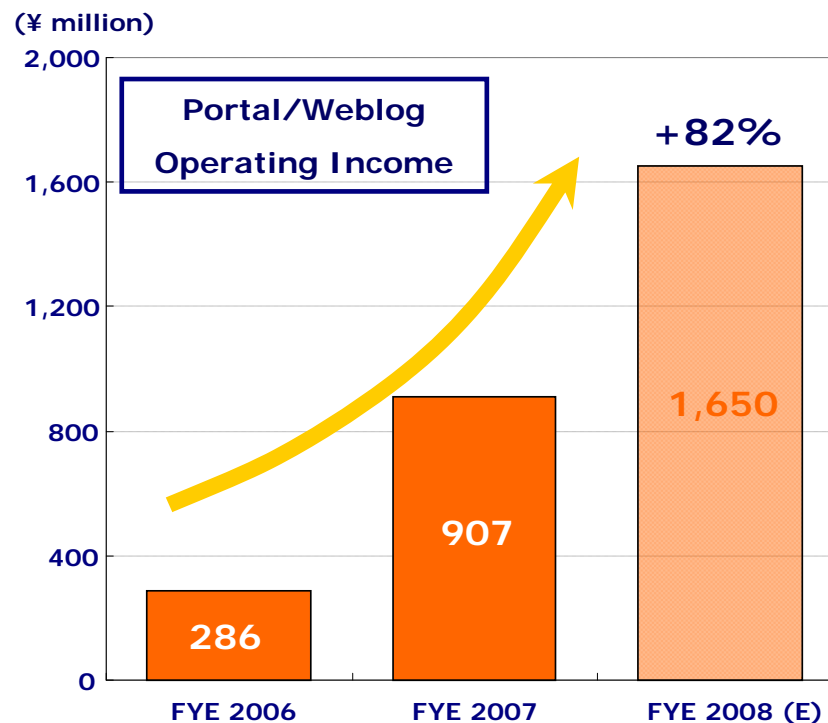
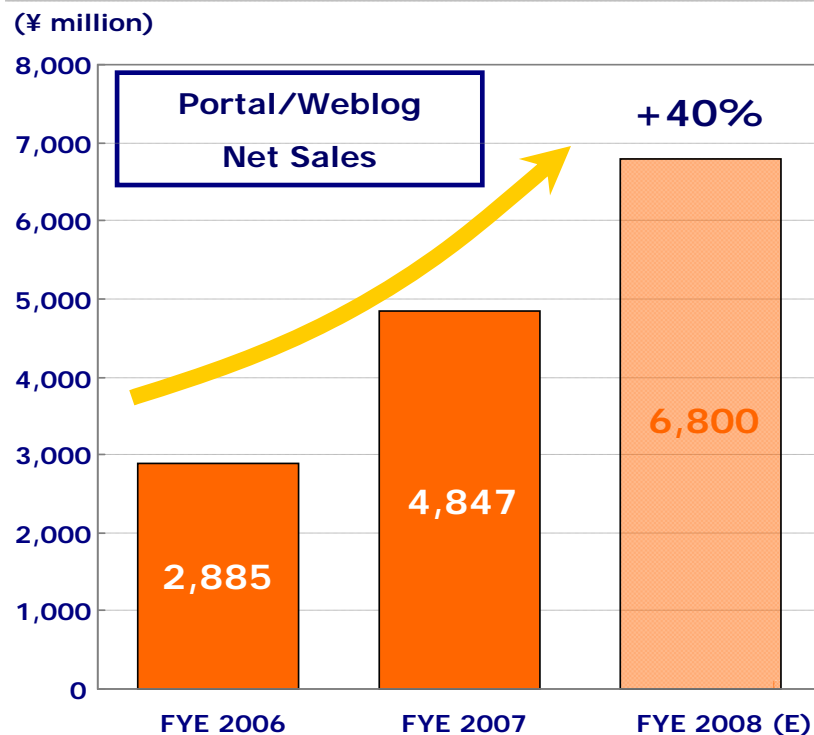


**FYE 2007**

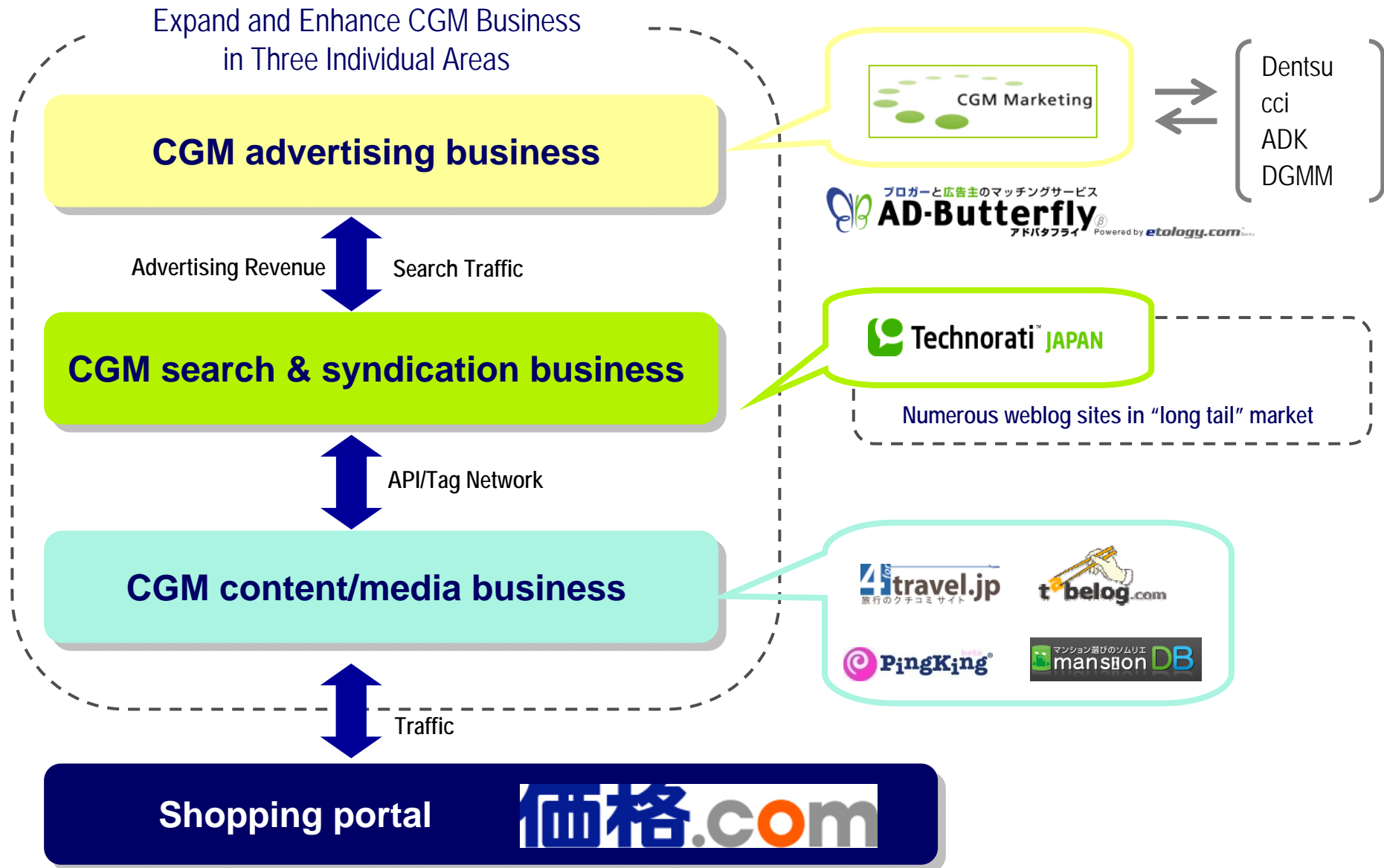
**Net Sales 4.847 billion yen** / **Operating Income 907 million yen** / **EBITDA 1.348 billion yen**  
 (68% increase year-on-year) (217% increase year-on-year) (71% increase year-on-year)

## Segment Positioning/Strategy

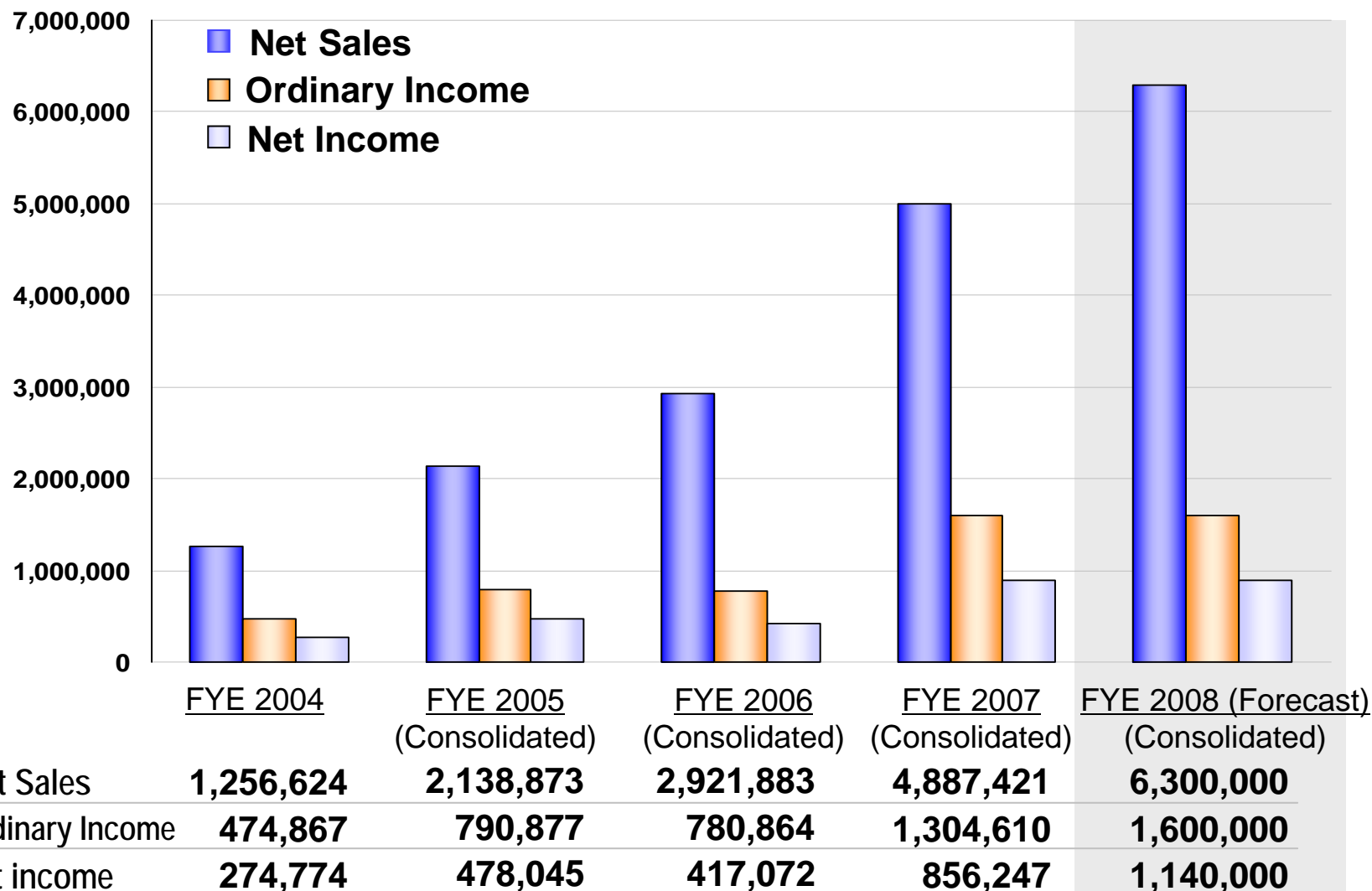
- ◆ Achieve further growth of Kakaku.com, the Group's core media business and promptly establish next-generation CGM business (Consumer Generated Media).
- ◆ Kakaku.com's performance improvement and expansion of e-book market to improve DG Mobile's results in FYE 2008.



# Portal/Weblog Segment Business Structure and DG Group's Business Activities

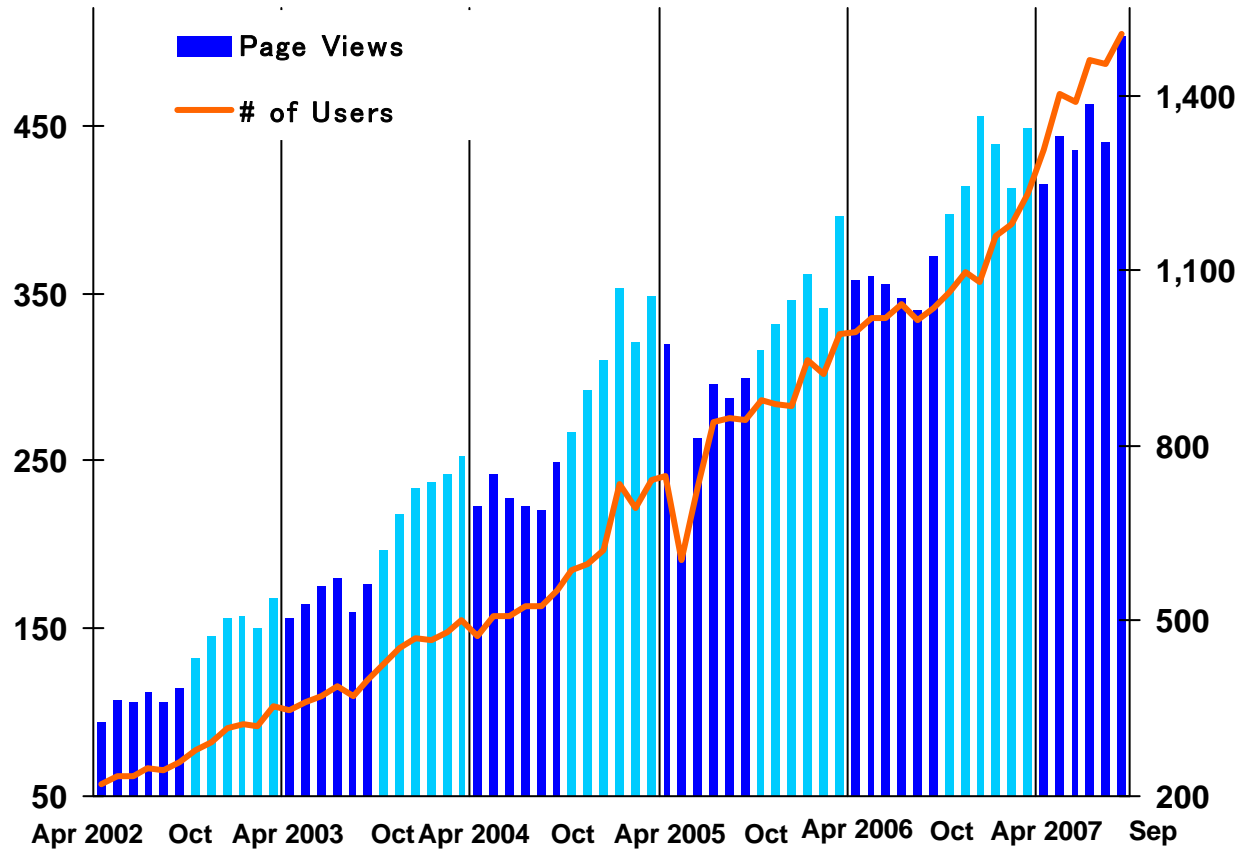


¥ thousand



Increased traffic through Group websites rapidly strengthened our media value

Page Views (¥ million) **Monthly Access** (April 2002 - September 2007) Users (¥ ten thousand)



Monthly users of Group websites

**15.04M\***

Total monthly page views of Group websites

**503.16M\***

(as of the end of September 2007)

\*The total of the monthly unique users for every site

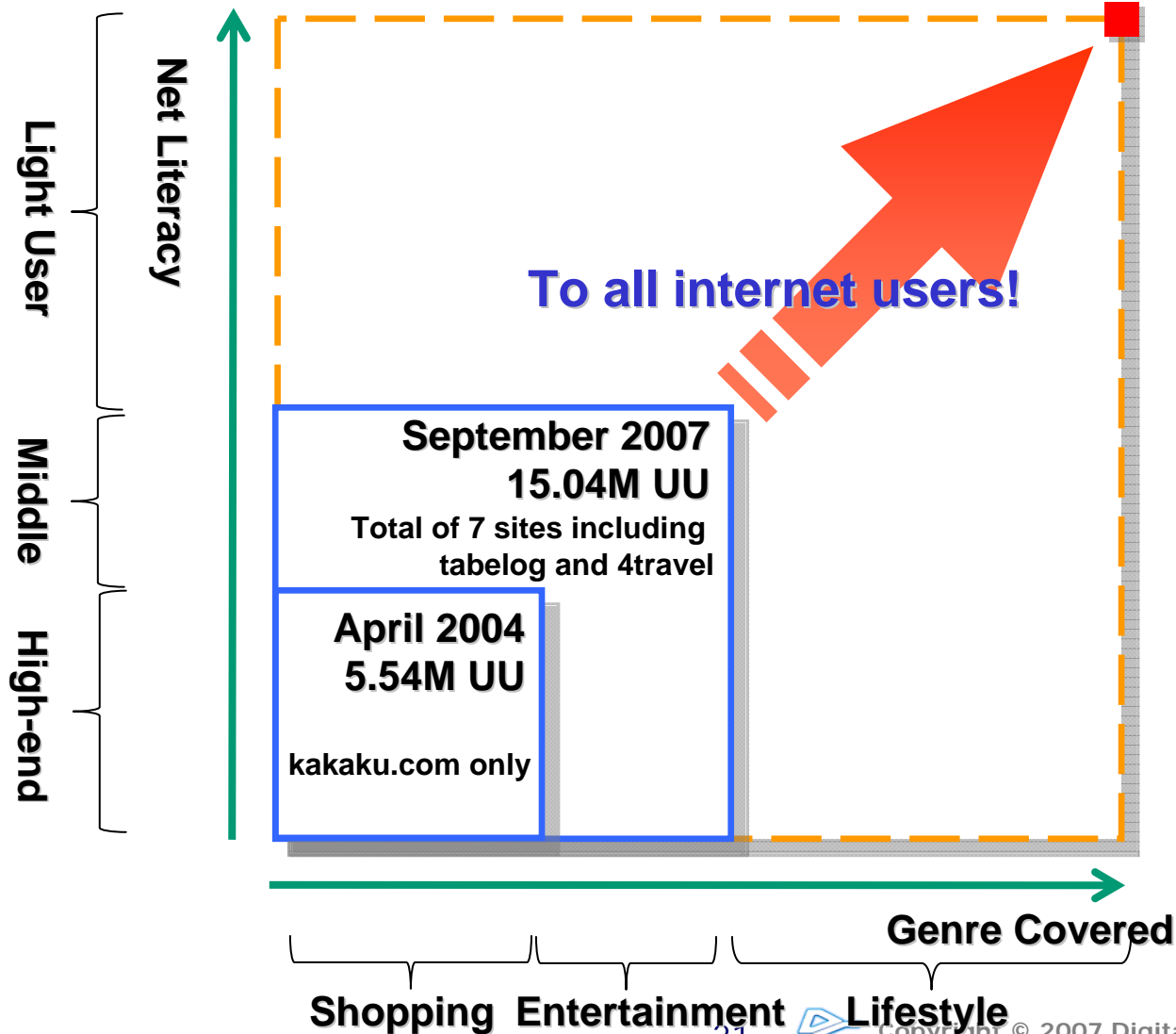
measured with the IP addresses : kakaku.com, yoyaq.com, e.yoyaq.com, fx-rashinban.com, kakakufx.com

measured by the number of browsers : tabelog.com, 4travel.jp, mansion-db.com, eiga.com, tv.eiga.com

Acquisition of yoyaQ      tabelog released  
 Acquisition of 4travel      fx-rashinban released  
 Acquisition of eiga.com mansion-DB released

Expand kakaku.com's market and scope to increase reach

Internet Population: about 80M people



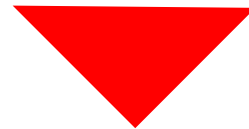
Three strategies deployed

through the kakaku.com Group sites and companies

**All-inclusiveness**

**Integrated Service**

**Information  
Platform**



**Provide support for all shopping activities of customers**



## Incubation Segment

Investment and incubation of Internet businesses



➤ DG Incubation, Inc.

**Venture business investor**



➤ DG&Partners, Inc.

**Investment fund operator**





# Incubation Segment Overview

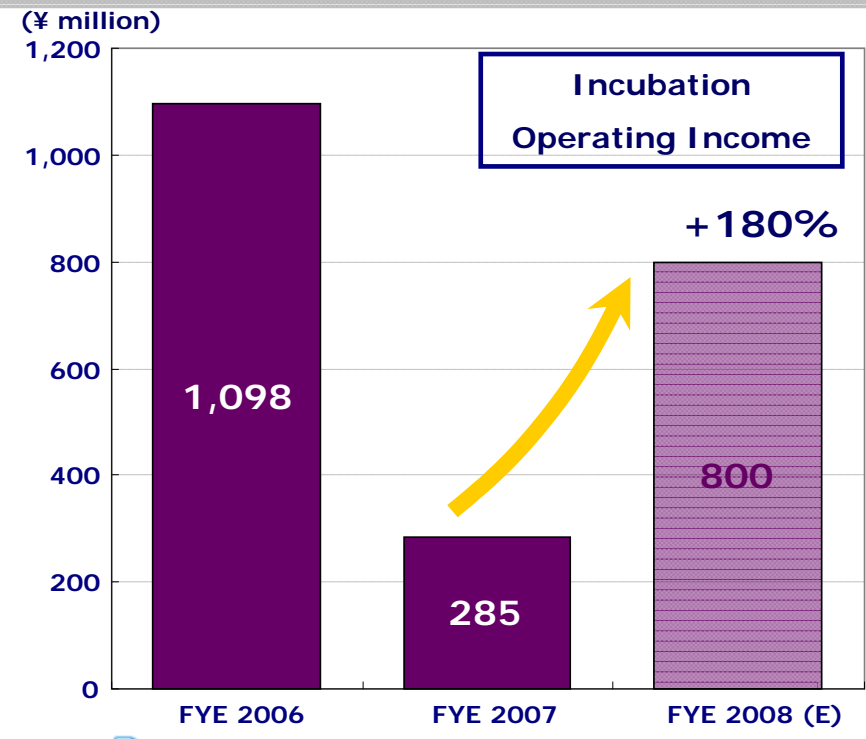
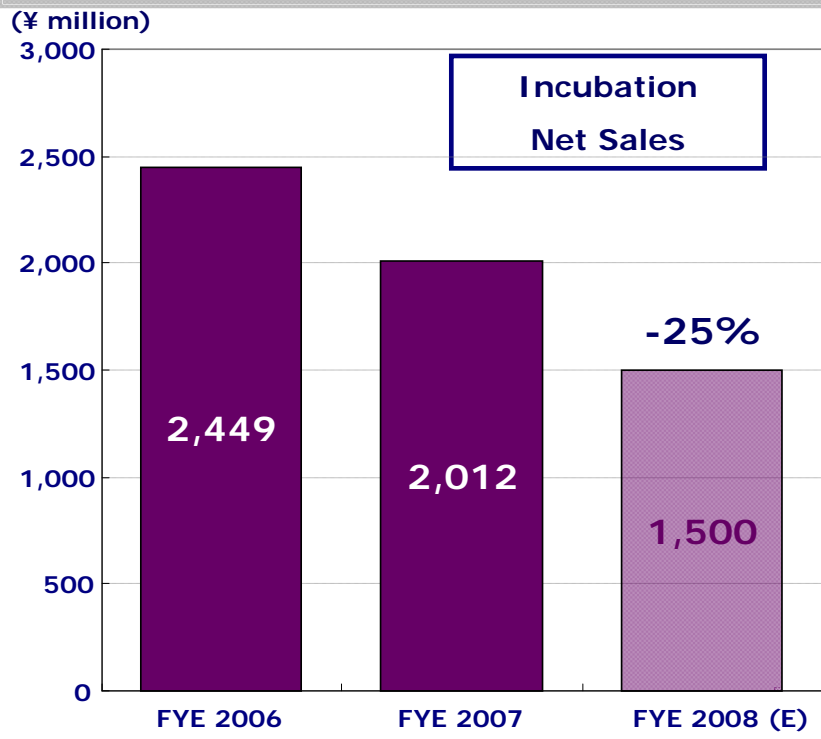


**FYE 2007**

**Net Sales 2.012 billion yen** / **Operating Income 284 million yen** / **EBITDA 285 million yen**  
 (18% decrease year-on-year) (74% decrease year-on-year) (74% decrease year-on-year)

## Segment Positioning/Strategy

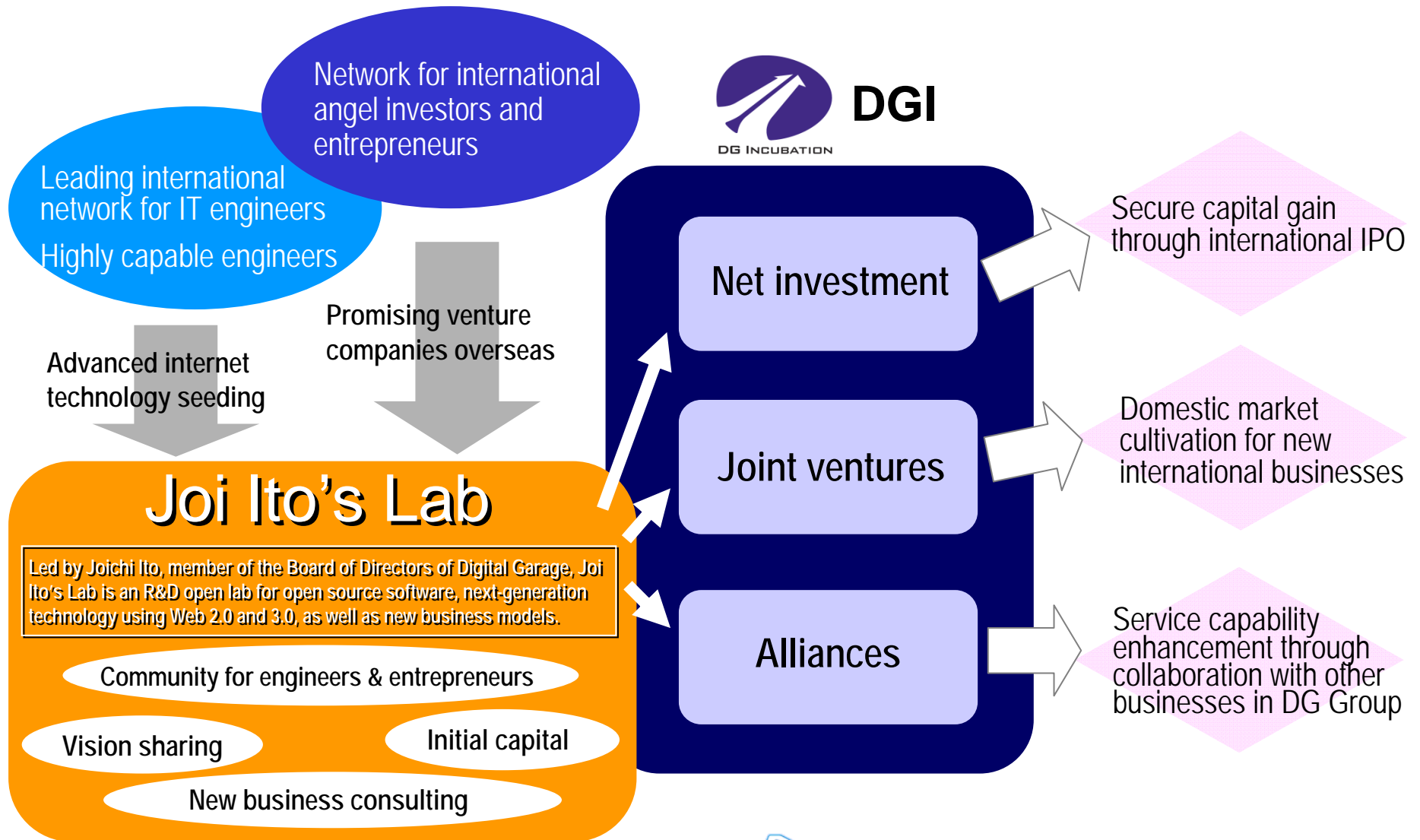
- ◆ - Play supportive role for further growth for each DG segment and achieve steady profit contribution to Group
- Increased seed and early stage investments through Joi's Lab
- ◆ Achieve profit mainly through overseas investment in FYE 2008



# ❖ Incubation Segment Overview

International collaboration on early stage businesses

- International business angel scheme -



## Overseas Portfolio



**etology.com™**

Etology, Inc.  
Provides ad market place for international web sites  
**Position:** Investment and board seat, localization



**fon**

FON Wireless Limited  
Provides WiFi services where users share bandwidth  
**Position:** Investment and localization



**RUPTURE™**

Rupture, Inc.  
Manages next-generation SNS services for on-line gamers  
**Position:** Investment and Board seat



**LinkedIn®**

LinkedIn Corporation  
Manages next-generation SNS services for business people  
**Position:** Localization and marketing support



**twitter**

Twitter, Inc.  
Provides microblogging and social networking services  
**Position:** Investment and localization



**Technorati**

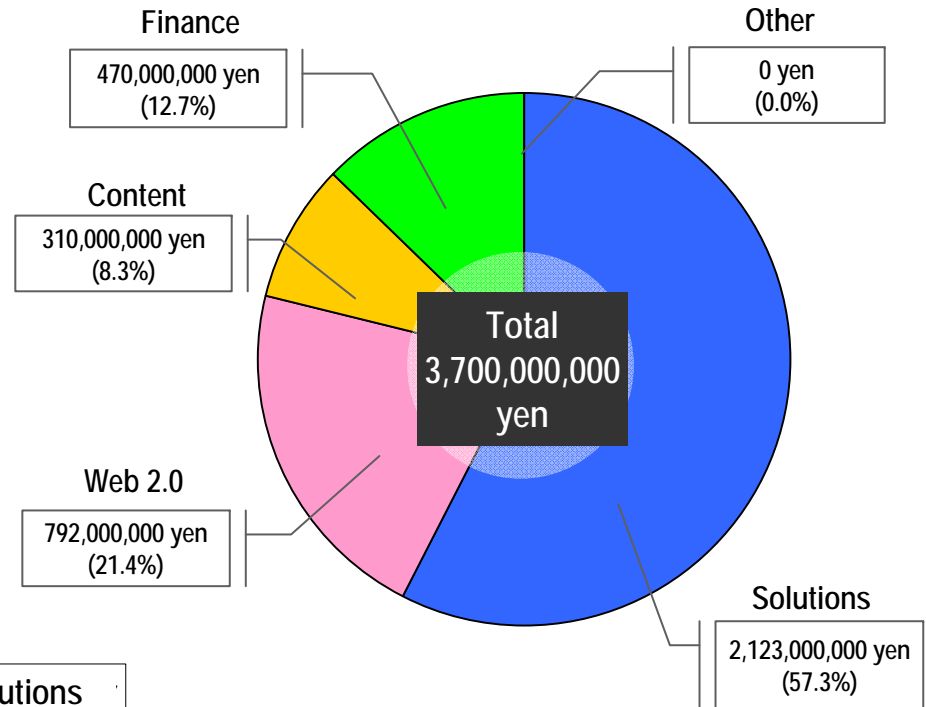
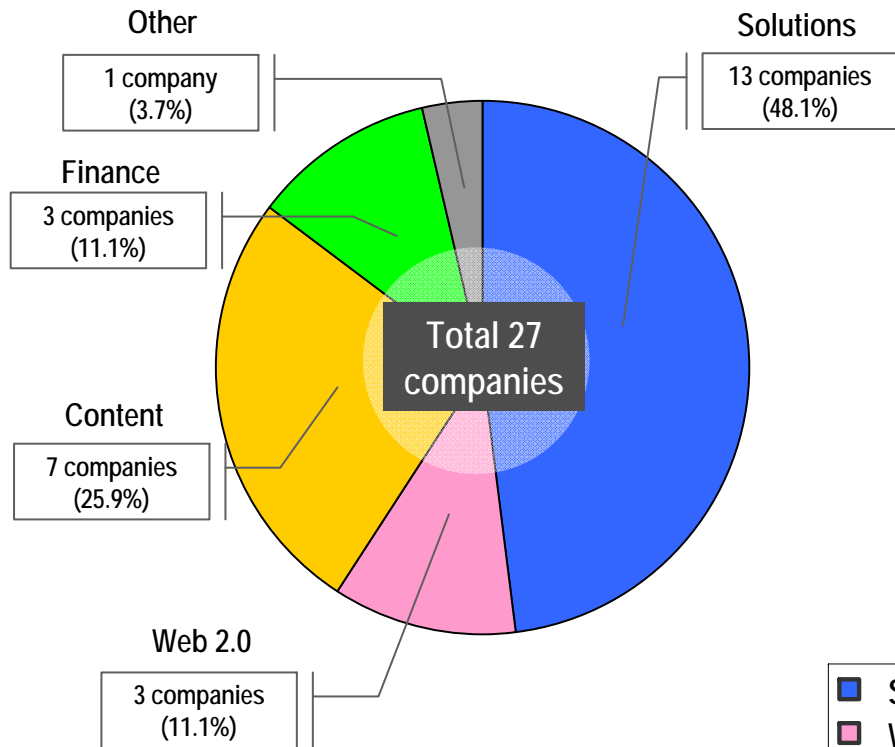
Technorati, Inc.  
Manages internet search engine dedicated to blogs  
**Position:** Investment and board seat, localization

## DGI's Investment Summary

- As of the end of June 2007 -

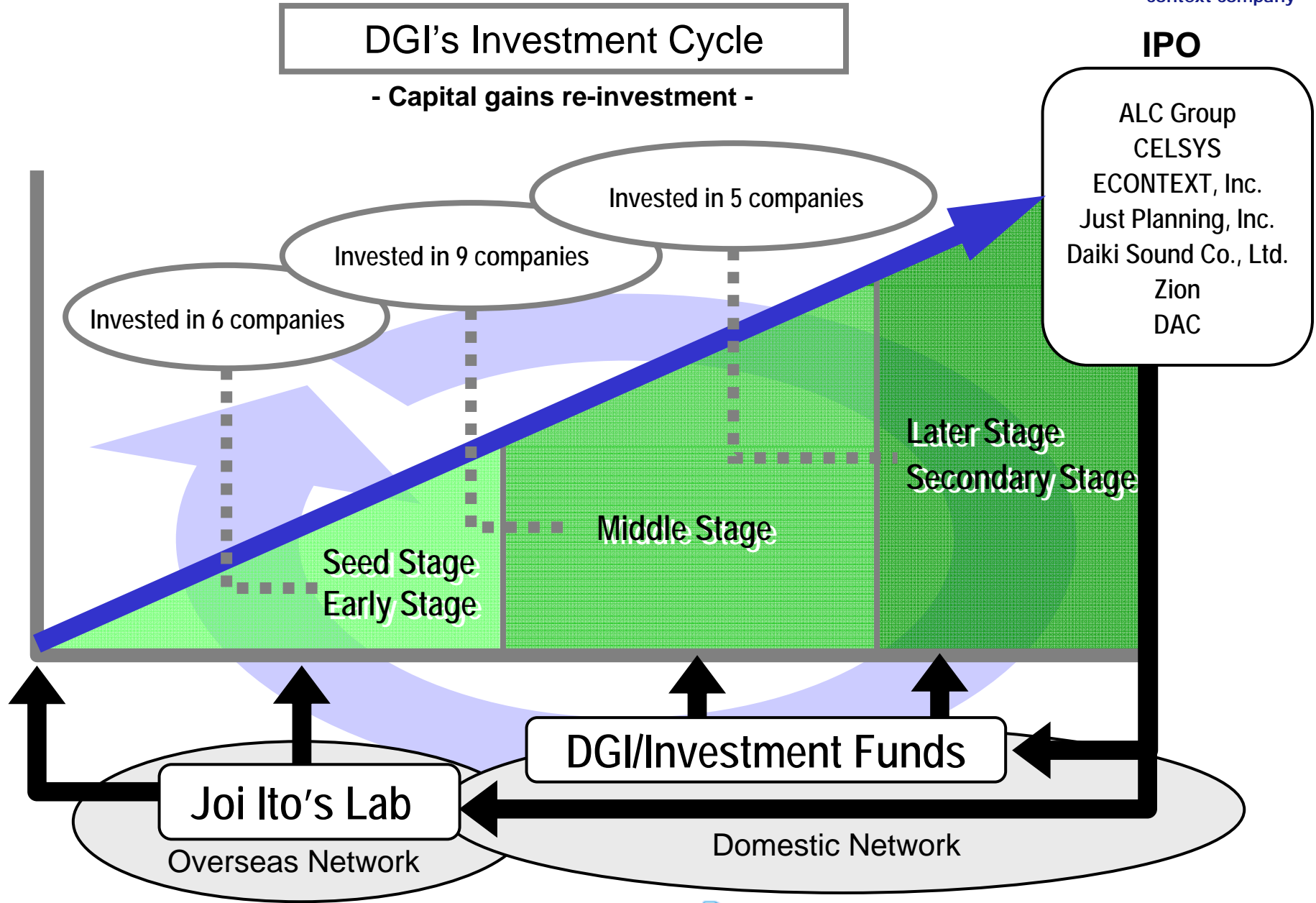
Number of Investments

Investment Balance



- Solutions
- Web 2.0
- Content
- Finance
- Other

# Incubation Segment Overview





## Finance Segment

Internet financial services for settlement, currency exchange and insurance, etc.



➤ **ECONTEXT, Inc.**

Settlement/distribution service platform for e-commerce sites



➤ **Kakaku.com Financial, Inc.**

Foreign exchange transaction business



➤ **Kakaku.com Insurance, Inc.**

Insurance brokerage



➤ **Growth Partners, Inc.**

IR portal site "STOCKCAFÉ" operation

# Finance Segment Overview

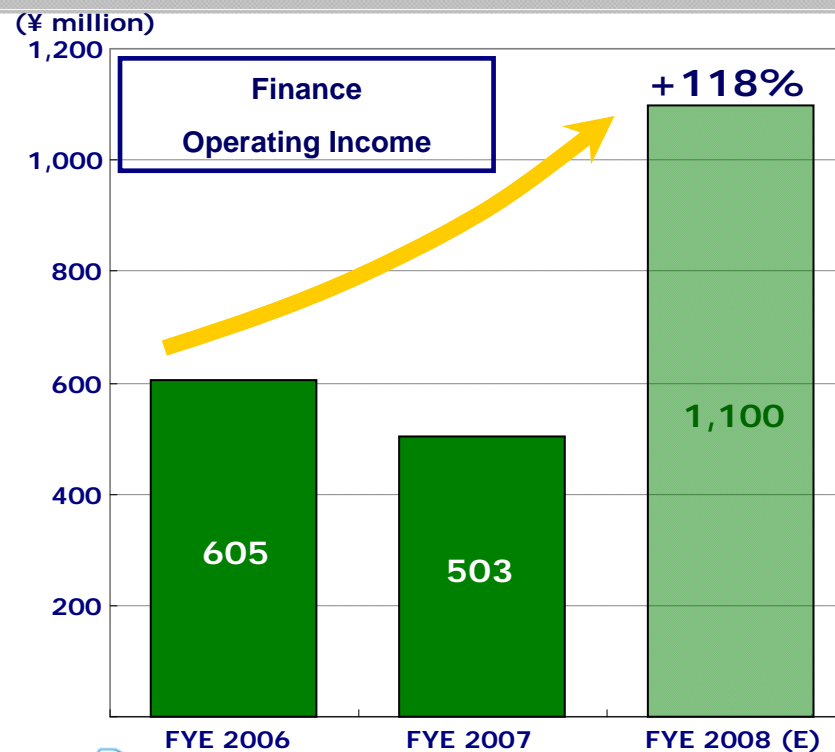
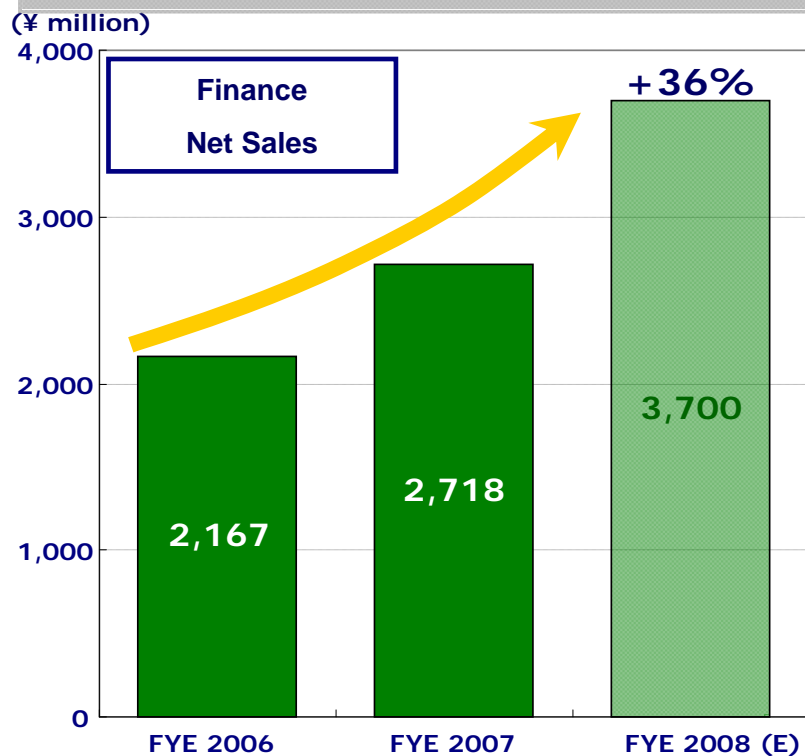


**FYE 2007**

**Net Sales 2.718 billion yen** / **Operating Income 503 million yen** / **EBITDA 635 million yen**  
 (25% increase year-on-year) (17% decrease year-on-year) (5% decrease year-on-year)

## Segment Positioning/Strategy

- ◆ With ECONTEXT's financial settlement business at the core, achieve interim growth of insurance/finance/securities businesses by utilizing Kakaku.com's traffic.
- ◆ ECONTEXT to grow in FYE 2008 as e-commerce market expands and new businesses are launched.  
 Kakaku.com Financial to achieve significant profit increase through foreign exchange transaction business (FX).





### e-context    **ECONTEXT, Inc.**

#### Settlement Business

- Provided e-money sales system to Hanbit Ubiquitous Entertainment Inc., a leading on-line game provider
- Strengthened business collaboration by utilizing newly introduced Edy settlement at Microsoft
- Provided fee settlement services for Style Walker, mobile fashion SNS.

#### EC Media Operation

- Collaborated with IT Boost Co., Ltd., a leading shopping cart business and provided first settlement services in this area
- Launched daiko.net, a comprehensive platform for settlement and transportation of used cars, for Yahoo! Auctions

#### Web 2.0 Business

- Provided first settlement service for drop shipping operator, OCHANOKO NET
- Provided first settlement service for CtoC market for shopping community, ENIGMO

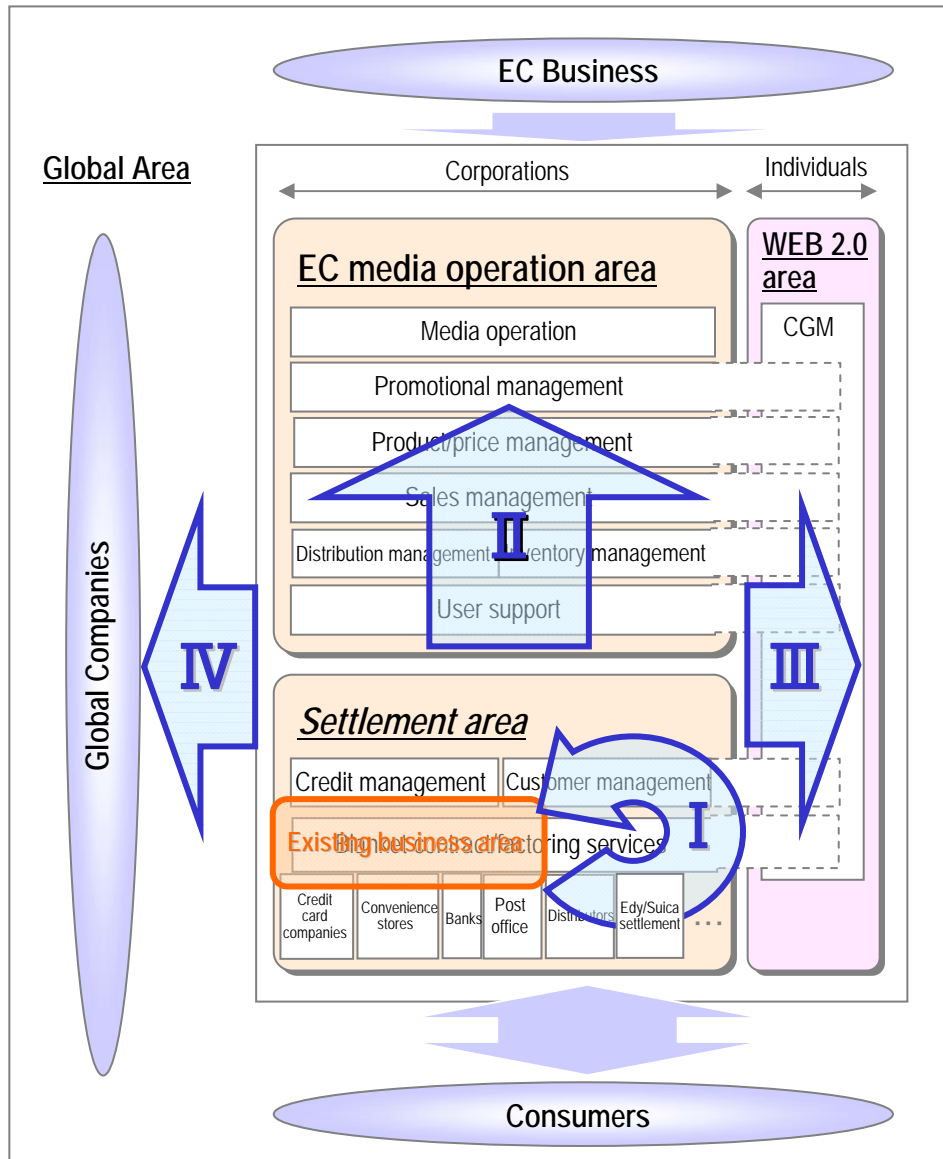
#### Global Development

- Participated in establishment of new U.S. settlement service provider, OPA, through Japan-China-Korea alliance

- Diversify profit base and expand business scope with further focus on enhanced consumer protection capability by using trust account scheme, secure payment ASP through information management, market revitalization by offering complex Web services and settlement and management services for Web communities and drop shipping businesses

For more information, please refer to disclosed information on ECONTEXT, Inc.





With focus on settlement service, expand business from existing areas (I) to new areas (II to IV) in the EC industry

**I** Develop new settlement services and provide multi-functional EC operations that broaden the EC market

**II** Develop multi-functional settlement service platform that can respond to industry challenges

**III** Adapt business to new Long Tail market in the era of WEB 2.0

**IV** Form a consortium with major Asian business organizations in order to create global synergy effect  
\* Launch one payment alliance

# Long- & Mid-term Strategies



# Group Strategy and Mid-term Business Plan



## Group Strategy

Evolve businesses that adapt to new Web trends and promptly establish next-generation internet businesses

Identify challenges and positioning for each segment and promote businesses that are beneficial to society

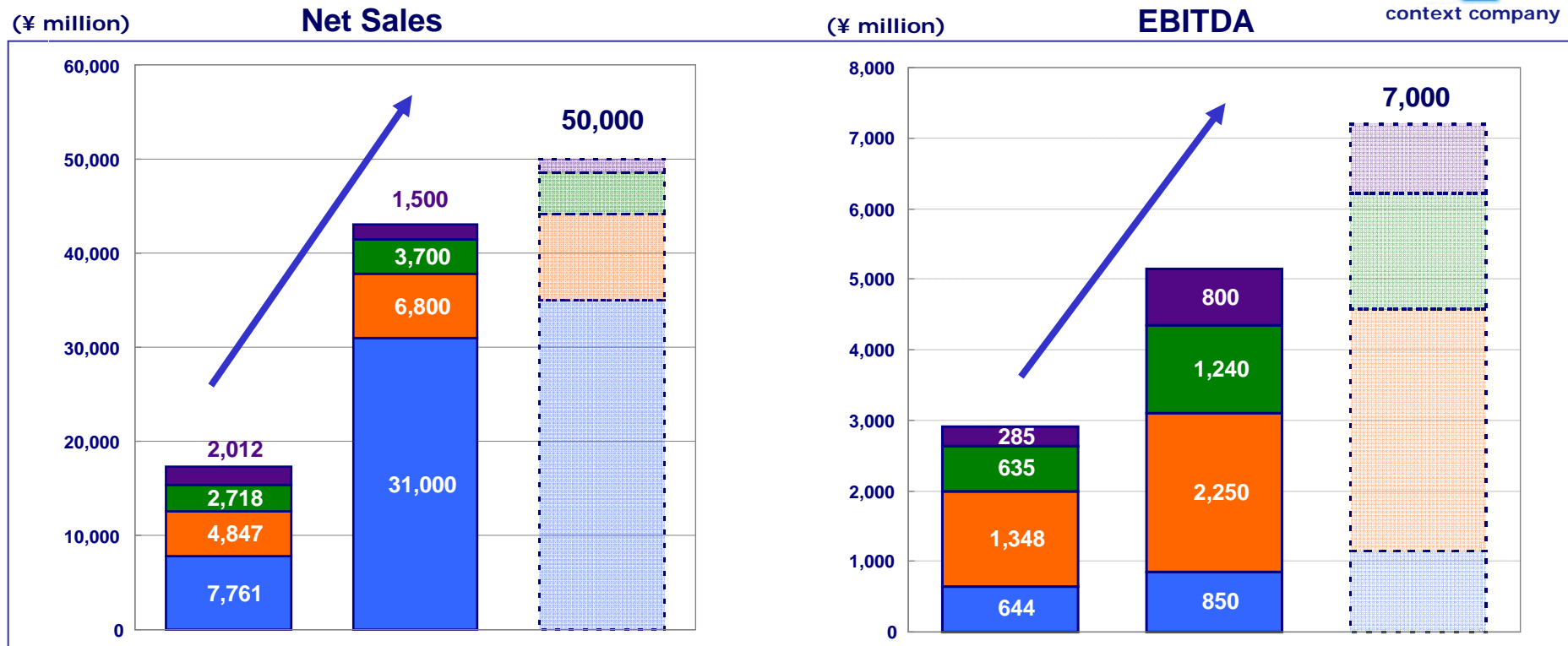
### Mid-term Target

Achieve FYE 2009 net sales of 50 billion yen and EBITDA of 5.5 billion yen

	Solutions	Portal/Weblog	Incubation	Finance
Current Term Target	Expand client base and develop new profit model (initiative led by Sogei and DG&Ibex)	Further enhance Kakaku.com and establish Group's second-generation businesses	Continue to contribute profit and indirect support to all Group businesses	Establish new business to follow ECONTEXT, Inc. as contributor of significant profit to Group
Mid-term Target	Establish as ROI-oriented total marketing partner that can bridge ever-changing media and consumer businesses	Establish CGM businesses and develop additional core business units	Yield results from international projects with Joi's Lab as gateway	Optimize business infrastructure to further improve profitability of new businesses and expand ECONTEXT business



# Medium-term Segment Forecasts



	FYE 2007 (Consolidated)	FYE 2008 (Forecast) (Consolidated)	FYE 2009 (Forecast) (Consolidated)
■ Incubation	2,012	1,500 (-25%)	
■ Finance	2,718	3,700 (+36%)	
■ Portal/Weblog	4,847	6,800 (+40%)	
■ Solutions	7,761	31,000 (+400%)	

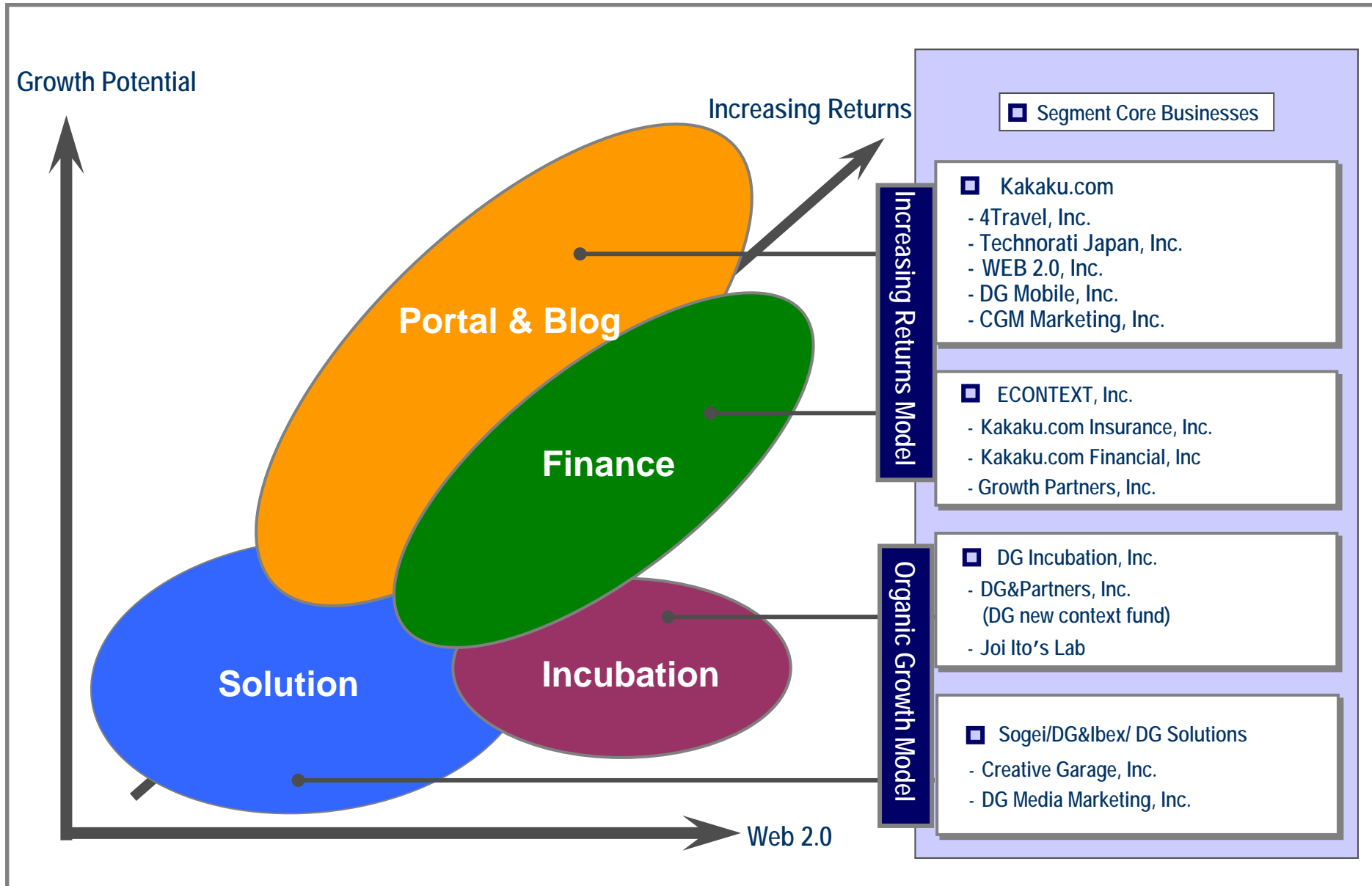
	FYE 2007 (Consolidated)	FYE 2008 (Forecast) (Consolidated)	FYE 2009 (Forecast) (Consolidated)
■ Incubation	285	800 (+280%)	
■ Finance	635	1,240 (+95%)	
■ Portal/Weblog	1,348	2,250 (+67%)	
■ Solutions	644	850 (+32%)	

Total Net Sales    17,338    43,000 (+250%)    50,000 (+16%)

Total EBITDA    2,911    5,140 (+67%)    7,000 (+44%)

After elimination or  
Group deduction  
Total EBITDA    2,406    4,113 (+58%)    5,500 (+34%)

# Segment Positioning



## Group Share Prices

(listed holdings of Digital Garage's holding companies)

	<u>Price</u> (Y)	<u>Shares Held</u>	<u>Cost basis</u> (M Yen)	<u>Mkt Cap.</u> (M Yen)	<u>Unrealized Gain</u> (M Yen)
Kakaku.com, Inc.	500,000	58,360	1,771	29,180	27,409
ECONTEXT, inc.	118,000	37,757	622	4,455	3,833
<b>Total</b>				<b>33,635</b>	<b>31,242</b>
		(Shares Out)			
Digital Garage, inc.	228,000	159,152		36,287	

As of Jan 08, 2008



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.