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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, Inc. (TSE JASDAQ: 4819; Head Office: Shibuya-ku, Tokyo; President and Group CEO: Kaoru Hayashi; Henceforth: DG) and Kodansha Ltd. (Head Office: Bunkyo-ku, Tokyo; President: Yoshinobu Noma; Henceforth: Kodansha) have agreed to form a business alliance where 1) DG will invest in Kodansha's US-based affiliate company, 2) the two companies will establish a joint venture in Japan, and 3) Kodansha acquires DG's partial shares. Through the partnership DG and Kodansha will market Japanese content globally and nurture new content businesses.

For marketing Japanese content overseas, DG will underwrite a capital increase of Kodansha Advanced Media LLC. (Head Office: San Francisco, California, US; President: Hiroaki Morita; Henceforth: KAM), Kodansha's US-based affiliate company. Through KAM, DG and Kodansha will approach their US-based readers via various media including its own website, smartphone apps, social media, and community sites in order to develop the digital comic market in the US which has a great potential for expansion. The two parties also aim to accelerate the global distribution of the content held by Kodansha by utilizing O2O (online to offline) marketing methods where digital content are used to promote purchases of paper-based media. The KAM's office will be located at DG717, an incubation center operated by DG in San Francisco.

For nurturing content businesses, DG and Kodansha will establish a joint venture in Japan (tentatively called DK Gate, Inc.; Representative Director: Yasuyuki Rokuyata) purposed to make strategic investments. Combining Kodansha's experience in content-related business and DG's expertise in discovering and incubating promising business utilizing cutting-edge Internet technologies, the joint venture aims to nurture global companies that will lead the next-generation of content business by investing in promising startups and incubating in partnership with DG and Kodansha's business in the fields of new distribution solutions and services for e-books (books/comics/magazines), DRM (digital rights management)-related technologies, self-publication services, content distribution services with magazine tie-ups, etc.

About Digital Garage

Tokyo-based Digital Garage (TSE JASDAQ: 4819) focuses mainly on 3 business domains: startup incubation, marketing and promotion, and online payment businesses. Since its inception in 1995, the company has pioneered various domains of Internet business in Japan including portals, media representation, e-Commerce, mobile communication, and blogging. Digital Garage has localized and promoted many services such as Twitter, Path, and LinkedIn in Japan through partnerships and investments.

About Kodansha Ltd.

Since its establishment in 1909, Kodansha has produced a wide variety of contents in the form of books, magazines, comics, and movies under the two core values of "Joy of Creating Books" "Joy of Delivering Books to

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Readers.” Today, Kodansha is expanding its business globally in order to deliver its rich contents to readers and fans in countries such as the US and China in addition to Japan. The company also focuses on digitization of its content and speedy digital distribution on a global scale, given the popularity of digital devices such as smartphones and tablets.

Overview of Capital and Business Alliance

