
NEWS RELEASE

Digital Garage announces the sale of one of its US subsidiaries to Pivotal, a Silicon Valley-based cloud software company

Tokyo, February 12, 2016 - Digital Garage, Inc. (TSE JASDAQ: 4819, DG) has sold its wholly owned subsidiary, Neo Innovation "Neo" (headquarters: San Francisco, California, CEO: Giff Constable) which provides software development and design consulting services to enterprises and governments to Pivotal Software, Inc. "Pivotal" (headquarters: San Francisco, California, CEO: Rob Mee) the company accelerating digital transformation for enterprises.

Neo, since its establishment in San Francisco in March 2012, has been engaged in software development and design consulting based on agile development methods. As the "Lean Startup" attracted attention as a better method to launch new business, Neo expanded into a global network with offices including New York and Singapore. Neo acquired numerous customer contracts including major companies such as Adobe and eBay, Time, and the government of Singapore. Neo has also carried out agile development community activities in DG's "DG717" incubation center in San Francisco.

As background to the sale of the business of Neo to Pivotal, we see a global restructuring in agile development consulting market and a need to deploy applications on a cloud native platform. Agile development techniques and the cloud native platform, have been widely adopted in companies ranging from large companies to new start-ups. To service these companies' requirements have intensified for a business requiring a wealth of know-how, human resources in a worldwide network and access to a full stack of technology to deploy modern applications. For this reason, to expand the business of Neo and rapidly expand its scale, and to give its customers access to the Pivotal Cloud Foundry® cloud platform, it was determined that it is essential to join the industry's largest provider—Pivotal.

It should also be noted that, until now, Neo has been responsible for leading the software development in the DG group. With the sale of Neo, DG will create a new research and development organization that will launch in the Spring 2016 as "DG Lab". DG Lab, will take advantage of our knowledge of agile development techniques learned from Neo, to develop our investments in areas such as "block chain", "VR / AR" (virtual reality / augmented reality), as we will continue to carry out research and development of our open innovation platform.

In addition, DG is forecasting an estimate of 700 million yen in extraordinary gains for 4th quarter in June 2016 and savings of an estimate of 400 million yen in annual cost.