

Translation

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**Summary of Consolidated Financial Results
for the Three Months Ended June 30, 2018
(Based on Japanese GAAP)**

August 10, 2018

Company name: Digital Garage, Inc.
 Stock exchange listing: Tokyo
 Stock code: 4819 URL <https://www.garage.co.jp/>
 Representative: Representative Director, Kaoru Hayashi
 President Executive Officer and Group CEO
 Member, Board of Directors, Senior
 Inquiries: Executive Officer, in charge of the Corporate Strategy Division Makoto Soda TEL 03-6367-1111
 Scheduled date to file Quarterly Securities Report: August 13, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	15,335	17.0	852	83.5	1,572	41.5	1,887	49.0
Three months ended June 30, 2017	13,103	–	464	–	1,111	–	1,267	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	40.00		39.61	
Three months ended June 30, 2017	26.90		26.75	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	111,275	40,577	35.3
As of March 31, 2018	108,596	39,017	34.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2018	–	0.00	–	24.00	24.00
Year ending March 31, 2019	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	0.00	–	28.00	28.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (IFRS) (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Revenue		Profit before tax		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,500	–	9,000	–	6,200	–	131.49

Digital Garage, Inc. plans to apply IFRS from the end of fiscal year ended March 31, 2019. The above forecast is based on IFRS. There is no year-on-year comparison given that the forecast is IFRS based.

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2018
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2018	47,323,800 shares	As of March 31, 2018	47,312,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	123,852 shares	As of March 31, 2018	123,821 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018	47,194,466 shares	Three months ended June 30, 2017	47,105,895 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	32,922	29,113
Money held in trust	5,307	4,054
Notes and accounts receivable - trade	7,741	9,295
Operational investment securities	12,364	13,622
Allowance for investment loss	(1,235)	(1,230)
Merchandise	269	319
Work in process	221	235
Raw materials and supplies	8	11
Accounts receivable - other	16,889	19,150
Other	718	680
Allowance for doubtful accounts	(32)	(46)
Total current assets	75,176	75,205
Fixed assets		
Property, plant and equipment	2,338	2,539
Intangible assets		
Software	2,019	2,077
Goodwill	7,822	7,656
Other	28	28
Total intangible assets	9,869	9,761
Investments and other assets		
Investment securities	16,552	18,812
Other	4,691	4,988
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	21,211	23,768
Total fixed assets	33,419	36,069
Total assets	108,596	111,275

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,018	6,286
Short-term loans payable	1,700	7,200
Current portion of long-term loans payable	2,437	2,530
Income taxes payable	1,008	1,023
Provision for bonuses	291	130
Deposits received	36,499	29,663
Other	2,339	2,849
Total current liabilities	49,294	49,683
Fixed liabilities		
Long-term loans payable	18,890	18,891
Net defined benefit liability	–	391
Other	1,394	1,731
Total fixed liabilities	20,284	21,014
Total liabilities	69,578	70,698
Net assets		
Shareholders' equity		
Capital stock	7,464	7,478
Capital surplus	3,104	3,106
Retained earnings	25,819	26,574
Treasury shares	(26)	(26)
Total shareholders' equity	36,363	37,133
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	971
Foreign currency translation adjustment	1,100	1,223
Total accumulated other comprehensive income	1,440	2,194
Share acquisition rights	844	842
Non-controlling interests	369	407
Total net assets	39,017	40,577
Total liabilities and net assets	108,596	111,275

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	13,103	15,335
Cost of sales	10,595	11,848
Gross profit	2,507	3,487
Selling, general and administrative expenses	2,043	2,635
Operating profit	464	852
Non-operating income		
Interest income	3	18
Share of profit of entities accounted for using equity method	615	587
Other	129	230
Total non-operating income	748	836
Non-operating expenses		
Interest expenses	20	22
Rent cost of real estate	63	65
Other	17	28
Total non-operating expenses	101	115
Ordinary profit	1,111	1,572
Extraordinary income		
Gain on change in equity	1	30
Gain on sales of investment securities	717	–
Gain on sales of shares of subsidiaries and associates	–	1,388
Other	0	84
Total extraordinary income	719	1,503
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on step acquisitions	–	35
Total extraordinary losses	–	35
Profit before income taxes	1,830	3,039
Income taxes - current	595	1,128
Income taxes - deferred	(27)	45
Total income taxes	568	1,173
Profit	1,261	1,866
Loss attributable to non-controlling interests	(5)	(21)
Profit attributable to owners of parent	1,267	1,887

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	1,261	1,866
Other comprehensive income		
Valuation difference on available-for-sale securities	(29)	594
Foreign currency translation adjustment	13	122
Share of other comprehensive income of entities accounted for using equity method	29	38
Total other comprehensive income	12	755
Comprehensive income	1,274	2,621
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,278	2,642
Comprehensive income attributable to non-controlling interests	(4)	(20)