

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Nine Months Ended December 31, 2019
(Based on IFRS)**

February 10, 2020

Company name: Digital Garage, Inc.
 Stock exchange listing: Tokyo
 Securities 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: February 12, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Revenue		Profit before tax		Profit		Profit attributable to owners of parent		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2019	28,674	7.4	10,388	(1.8)	7,459	(3.1)	7,525	(2.0)	8,637	22.2
Nine months ended December 31, 2018	26,690	–	10,580	–	7,695	–	7,682	–	7,067	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	163.67		149.34	
Nine months ended December 31, 2018	164.72		157.95	

(Note. Revenue and profit before tax represent the amount of continuing operations only.)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2019	169,191	54,971	54,266	32.1
As of March 31, 2019	146,890	47,345	46,609	31.7

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	–	0.00	–	28.00	28.00
Year ending March 31, 2020	–	0.00	–	–	–
Year ending March 31, 2020 (Forecast)	–	–	–	–	–

(Note 1. Revision to the forecast on financial results: No)

(Note 2. Fiscal year ending March 31, 2020 forecast is to be determined.)

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

In the field of investment and incubation in domestic and overseas unlisted companies in the Incubation Technology Segment, it is difficult to reasonably estimate the fair value of securities held by Digital Garage Group at the end of the fiscal year. Therefore, Digital Garage, Inc. does not disclose consolidated financial forecasts.

4. Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2019
 (changes in specified subsidiaries resulting in the change in scope of consolidation): —

(2) Changes in accounting policies and changes in accounting estimates
 Changes in accounting policies required by IFRS: —
 Changes in accounting policies due to other reasons: —
 Changes in accounting estimates: —

(3) Number of issued shares (ordinary shares)

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

As of December 31, 2019	47,395,400 shares	As of March 31, 2019	47,341,600 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at end of period

As of December 31, 2019	1,390,316 shares	As of March 31, 2019	1,391,452 shares
-------------------------	------------------	----------------------	------------------

Average number of shares during period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	45,973,228 shares	Nine months ended December 31, 2018	46,635,071 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Condensed quarterly consolidated financial statements
Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	48,154	47,664
Trade and other receivables	23,254	20,626
Inventories	232	332
Operational investment securities	26,695	35,122
Other financial assets	451	780
Income taxes receivable	6	275
Other current assets	394	585
Total current assets	99,186	105,384
Non-current assets		
Property, plant and equipment	9,421	19,469
Goodwill	6,575	7,689
Intangible assets	2,575	3,337
Investment property	3,046	2,962
Investments accounted for using equity method	19,139	20,869
Other financial assets	6,662	9,324
Deferred tax assets	137	41
Other non-current assets	148	115
Total non-current assets	47,704	63,807
Total assets	146,890	169,191

	(Millions of yen)	
	As of March 31, 2019	As of December 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,211	6,600
Trade and other payables	45,799	46,601
Other financial liabilities	853	1,817
Income taxes payable	1,076	617
Other current liabilities	2,482	2,652
Total current liabilities	52,420	58,287
Non-current liabilities		
Bonds and borrowings	35,959	34,557
Other financial liabilities	5,430	13,721
Retirement benefit liability	565	568
Provisions	321	321
Deferred tax liabilities	4,744	6,581
Other non-current liabilities	106	184
Total non-current liabilities	47,125	55,932
Total liabilities	99,545	114,220
Equity		
Share capital	7,504	7,576
Capital surplus	4,235	4,390
Treasury shares	(5,026)	(5,012)
Other components of equity	1,303	2,480
Retained earnings	38,593	44,832
Total equity attributable to owners of parent	46,609	54,266
Non-controlling interests	736	706
Total equity	47,345	54,971
Total liabilities and equity	146,890	169,191

Condensed quarterly consolidated statements of income

First nine months of fiscal year

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Continuing operations		
Revenue in recurring business	16,397	19,431
Revenue in operational investment securities	5,806	4,759
Other income	1,742	1,540
Finance income	95	45
Share of profit of investments accounted for using equity method	2,650	2,900
Total	26,690	28,674
Cost of sales	7,404	8,569
Selling, general and administrative expenses	8,326	9,210
Other expenses	219	238
Finance costs	162	270
Total	16,110	18,286
Profit before tax	10,580	10,388
Income tax expense	3,339	2,929
Profit from continuing operations	7,241	7,459
Discontinued operations		
Revenue	1,261	–
Expenses	1,655	–
Profit (loss) before tax	(394)	–
Income tax expense	(225)	–
Profit (loss) after tax from discontinued operations	(169)	–
Gain (loss) on sales on discontinued operations	898	–
Income tax expense from sale of discontinued operations	275	–
Profit from discontinued operations	454	–
Profit	7,695	7,459
Profit (loss) attributable to		
Owners of parent	7,682	7,525
Non-controlling interests	13	(66)
Earnings per share		
Basic earnings per share		
Continuing operations	154.40	163.67
Discontinued operations	10.32	–
Total	164.72	163.67
Diluted earnings per share		
Continuing operations	148.10	149.34
Discontinued operations	9.84	–
Total	157.95	149.34

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter ended December 31, 2018	3rd quarter ended December 31, 2019
Continuing operations		
Revenue in recurring business	5,352	6,576
Revenue in operational investment securities	1,398	968
Other income	872	301
Finance income	(134)	28
Share of profit of investments accounted for using equity method	978	1,205
Total	8,465	9,078
Cost of sales	2,312	2,853
Selling, general and administrative expenses	2,829	3,121
Other expenses	70	74
Finance costs	74	(32)
Total	5,286	6,016
Profit before tax	3,179	3,062
Income tax expense	933	843
Profit from continuing operations	2,247	2,218
Discontinued operations		
Revenue	195	–
Expenses	759	–
Profit (loss) before tax	(565)	–
Income tax expense	(238)	–
Profit (loss) from discontinued operations	(327)	–
Profit	1,920	2,218
Profit (loss) attributable to		
Owners of parent	1,957	2,253
Non-controlling interests	(37)	(35)
Earnings (loss) per share		
Basic earnings per share		
Continuing operations	49.53	49.00
Discontinued operations	(6.94)	–
Total	42.59	49.00
Diluted earnings per share		
Continuing operations	45.27	44.75
Discontinued operations	(6.26)	–
Total	39.01	44.75

Condensed quarterly consolidated statements of comprehensive income

First nine months of fiscal year

	(Millions of yen)	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	7,695	7,459
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(788)	1,316
Share of other comprehensive income of investments accounted for using equity method	5	(34)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	155	(104)
Share of other comprehensive income of investments accounted for using equity method	(0)	1
Other comprehensive income	(628)	1,178
Comprehensive income	7,067	8,637
Comprehensive income attributable to		
Owners of parent	7,057	8,702
Non-controlling interests	10	(64)

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter ended December 31, 2018	3rd quarter ended December 31, 2019
Profit	1,920	2,218
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(898)	(605)
Share of other comprehensive income of investments accounted for using equity method	(60)	(7)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(108)	3
Share of other comprehensive income of investments accounted for using equity method	(0)	(0)
Other comprehensive income	(1,067)	(609)
Comprehensive income	853	1,609
Comprehensive income attributable to		
Owners of parent	890	1,643
Non-controlling interests	(38)	(34)

Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	
Balance at April 1, 2018	7,465	3,748	(26)	504	1,071	0	1,575
Profit (loss)							–
Other comprehensive income				(779)	155		(624)
Comprehensive income	–	–	–	(779)	155	–	(624)
Issuance of new shares	29	29					–
Changes in ownership interest in subsidiaries		(56)					–
Dividends							–
Change in scope of consolidation							–
Share-based remuneration transactions		230					–
Forfeiture of share acquisition rights		5					–
Purchase of treasury shares		(5)	(5,000)				–
Issue of convertible bonds		703					–
Transfer from other components of equity to retained earnings				(0)			(0)
Other		5					–
Total	29	912	(5,000)	(0)	–	–	(0)
Balance at December 31, 2018	7,494	4,660	(5,026)	(276)	1,227	0	951

	(Millions of yen)			
	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance at April 1, 2018	29,955	42,717	483	43,199
Profit (loss)	7,682	7,682	13	7,695
Other comprehensive income		(624)	(3)	(628)
Comprehensive income	7,682	7,057	10	7,067
Issuance of new shares		59		59
Changes in ownership interest in subsidiaries		(56)	323	267
Dividends	(1,133)	(1,133)		(1,133)
Change in scope of consolidation		–	29	29
Share-based remuneration transactions		230		230
Forfeiture of share acquisition rights		5		5
Purchase of treasury shares		(5,005)		(5,005)
Issue of convertible bonds		703		703
Transfer from other components of equity to retained earnings	0	–		–
Other		5		5
Total	(1,132)	(5,191)	352	(4,840)
Balance at December 31, 2018	36,504	44,583	844	45,427

Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Millions of yen)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	
Balance at April 1, 2019	7,504	4,235	(5,026)	75	1,231	(3)	1,303
Profit (loss)							–
Other comprehensive income				1,280	(103)		1,177
Comprehensive income	–	–	–	1,280	(103)	–	1,177
Issuance of new shares	72	72					–
Changes in ownership interest in subsidiaries							–
Dividends							–
Change in scope of consolidation		(62)					–
Share-based remuneration transactions		146					–
Purchase of treasury shares			(0)				–
Disposal of treasury shares		(0)	14				–
Other		(1)					–
Total	72	155	14	–	–	–	–
Balance at December 31, 2019	7,576	4,390	(5,012)	1,355	1,127	(3)	2,480

	(Millions of yen)			
	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance at April 1, 2019	38,593	46,609	736	47,345
Profit (loss)	7,525	7,525	(66)	7,459
Other comprehensive income		1,177	1	1,178
Comprehensive income	7,525	8,702	(64)	8,637
Issuance of new shares		144		144
Changes in ownership interest in subsidiaries		–	34	34
Dividends	(1,287)	(1,287)		(1,287)
Change in scope of consolidation		(62)		(62)
Share-based remuneration transactions		146		146
Purchase of treasury shares		(0)		(0)
Disposal of treasury shares		14		14
Other		(1)		(1)
Total	(1,287)	(1,045)	34	(1,011)
Balance at December 31, 2019	44,832	54,266	706	54,971

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Cash flows from operating activities		
Profit before tax	10,580	10,388
Depreciation and amortization	1,396	1,586
Interest and dividend income	(20)	(18)
Interest expenses on borrowings and bonds	162	186
Share of loss (profit) of investments accounted for using equity method	(2,650)	(2,900)
Loss (gain) on sales of shares of subsidiaries and associates	(1,152)	(642)
Decrease (increase) in trade and other receivables	(3,282)	2,746
Decrease (increase) in investment securities for sale	(7,611)	(8,429)
Decrease (increase) in inventories	(95)	(100)
Increase (decrease) in trade and other payables	(737)	710
Other	16	(683)
Subtotal	(3,393)	2,845
Interest and dividends received	1,303	1,659
Interest paid	(112)	(61)
Income taxes refund (paid)	(1,650)	(1,867)
Net cash provided by (used in) operating activities from discontinued operations	189	-
Net cash provided by (used in) operating activities	(3,663)	2,576
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,125)	(1,431)
Purchase of intangible assets	(863)	(1,330)
Purchase of investment securities	(2,556)	(3)
Proceeds from sale of investment securities	941	-
Payments for acquisition of subsidiaries	-	(1,043)
Proceeds from sale of subsidiaries	816	-
Purchase of investments accounted for using equity method	(1,339)	(500)
Proceeds from sale of investments accounted for using equity method	1,238	762
Payments of leasehold deposits and guarantee deposits	(5)	(788)
Other	105	531
Net cash provided by (used in) investing activities from discontinued operations	(34)	-
Net cash provided by (used in) investing activities	(2,821)	(3,802)

	Nine months ended December 31, 2018	(Millions of yen) Nine months ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,372	3,216
Proceeds from long-term borrowings	–	100
Repayments of long-term borrowings	(9,222)	(432)
Proceeds from issuance of bonds with share acquisition rights	25,161	–
Repayments of lease obligations	(635)	(970)
Capital contribution from non-controlling interests	403	34
Payments for acquisition of interests in subsidiaries from non-controlling interests	(137)	–
Proceeds from sale of interests in subsidiaries to non-controlling interests	28	–
Purchase of treasury shares	(5,005)	(0)
Dividends paid	(1,073)	(1,287)
Other	(27)	79
Net cash provided by (used in) financing activities from discontinued operations	(60)	–
Net cash provided by (used in) financing activities	12,805	740
Effect of exchange rate changes on cash and cash equivalents	57	(5)
Net increase (decrease) in cash and cash equivalents	6,379	(491)
Cash and cash equivalents at beginning of period	39,450	48,154
Cash and cash equivalents	45,829	47,664