

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on IFRS)

August 14, 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: Managing Executive Officer, in charge of the Makoto Soda TEL 03-6367-1111
 Corporate Strategy Division
 Scheduled date to file Quarterly Securities Report: August 14, 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 three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(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	%
Three months ended June 30, 2020	6,944	(15.5)	405	(81.7)	154	(90.5)	224	(86.2)	1,454	(68.3)
Three months ended June 30, 2019	8,217	(3.9)	2,218	(34.6)	1,617	(48.4)	1,624	(47.8)	4,589	24.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	4.86		4.81	
Three months ended June 30, 2019	35.35		32.47	

(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 June 30, 2020	159,853	52,882	51,824	32.4
As of March 31, 2020	162,296	52,795	52,033	32.1

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, 2020	–	0.00	–	38.00	38.00
Year ending March 31, 2021	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	–	–	–	–

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

(Note 2. Breakdown of year-end dividends for the year ended March 31, 2020 Ordinary dividend: 28.00 Yen Commemorative dividend: 10.00 Yen)

(Note 3. Fiscal year ending March 31, 2021 forecast is to be determined.)

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

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 three months ended June 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates
 Changes in accounting policies required by IFRS: No
 Changes in accounting policies due to other reasons: No
 Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

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

As of June 30, 2020	47,411,200 shares	As of March 31, 2020	47,406,800 shares
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Number of treasury shares at end of period

As of June 30, 2020	1,390,449 shares	As of March 31, 2020	1,390,316 shares
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Average number of shares during period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	46,018,284 shares	Three months ended June 30, 2019	45,956,382 shares
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Condensed quarterly consolidated financial statements
Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	32,702	37,111
Trade and other receivables	26,657	19,210
Inventories	319	314
Operational investment securities	36,546	36,303
Other financial assets	1,323	1,339
Income taxes receivable	324	351
Other current assets	980	535
Total current assets	98,852	95,163
Non-current assets		
Property, plant and equipment	21,367	20,955
Goodwill	7,689	7,689
Intangible assets	3,496	3,639
Investment property	2,932	2,888
Investments accounted for using equity method	21,475	20,890
Other financial assets	6,319	8,452
Deferred tax assets	45	55
Other non-current assets	120	123
Total non-current assets	63,444	64,690
Total assets	162,296	159,853

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	4,927	6,909
Trade and other payables	41,203	34,763
Other financial liabilities	1,783	1,832
Income taxes payable	207	2
Other current liabilities	2,717	3,034
Total current liabilities	50,838	46,539
Non-current liabilities		
Bonds and borrowings	38,247	39,394
Other financial liabilities	13,553	13,329
Retirement benefit liability	571	569
Provisions	589	581
Deferred tax liabilities	5,426	5,753
Other non-current liabilities	278	806
Total non-current liabilities	58,663	60,433
Total liabilities	109,501	106,972
Equity		
Share capital	7,591	7,596
Capital surplus	4,409	4,420
Treasury shares	(5,012)	(5,012)
Other components of equity	324	1,624
Retained earnings	44,721	43,196
Total equity attributable to owners of parent	52,033	51,824
Non-controlling interests	762	1,058
Total equity	52,795	52,882
Total liabilities and equity	162,296	159,853

Condensed quarterly consolidated statements of income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue		
Revenue in recurring business	6,138	6,148
Revenue in operational investment securities	459	302
Other income	817	193
Finance income	1	1
Share of profit of investments accounted for using equity method	803	300
Total	8,217	6,944
Expenses		
Cost of sales	2,740	2,764
Selling, general and administrative expenses	2,951	3,453
Other expenses	78	69
Finance costs	230	252
Total	5,999	6,539
Profit before tax	2,218	405
Income tax expense	601	251
Profit	1,617	154
Profit (loss) attributable to		
Owners of parent	1,624	224
Non-controlling interests	(7)	(70)
Earnings per share		
Basic earnings per share	35.35	4.86
Diluted earnings per share	32.47	4.81

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,617	154
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	3,107	1,363
Share of other comprehensive income of investments accounted for using equity method	(25)	6
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(112)	(69)
Share of other comprehensive income of investments accounted for using equity method	1	0
Other comprehensive income	2,972	1,300
Comprehensive income	4,589	1,454
Comprehensive income attributable to		
Owners of parent	4,596	1,523
Non-controlling interests	(7)	(69)

Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent						Total
	Share capital	Capital surplus	Treasury shares	Other components of equity			
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				3,082	(111)		2,971
Comprehensive income	–	–	–	3,082	(111)	–	2,971
Issuance of new shares	27	27					–
Dividends							–
Share-based remuneration transactions		(24)					–
Purchase of treasury shares			(0)				–
Other		(1)					–
Total	27	2	(0)	–	–	–	–
Balance at June 30, 2019	7,531	4,237	(5,026)	3,157	1,120	(3)	4,275

(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)	1,624	1,624	(7)	1,617
Other comprehensive income		2,971	0	2,972
Comprehensive income	1,624	4,596	(7)	4,589
Issuance of new shares		54		54
Dividends	(1,287)	(1,287)		(1,287)
Share-based remuneration transactions		(24)		(24)
Purchase of treasury shares		(0)		(0)
Other		(1)		(1)
Total	(1,287)	(1,258)	–	(1,258)
Balance at June 30, 2019	38,931	49,948	729	50,677

Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Equity attributable to owners of parent						Total
	Share capital	Capital surplus	Treasury shares	Other components of equity			
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, 2020	7,591	4,409	(5,012)	(798)	1,125	(2)	324
Profit (loss)							–
Other comprehensive income				1,369	(69)		1,299
Comprehensive income	–	–	–	1,369	(69)	–	1,299
Issuance of new shares	5	5					–
Changes in ownership interest in subsidiaries		(3)					–
Dividends							–
Share-based remuneration transactions		10					–
Purchase of treasury shares			(0)				–
Other		(1)					–
Total	5	12	(0)	–	–	–	–
Balance at June 30, 2020	7,596	4,420	(5,012)	570	1,056	(2)	1,624

(Millions of yen)

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance at April 1, 2020	44,721	52,033	762	52,795
Profit (loss)	224	224	(70)	154
Other comprehensive income		1,299	1	1,300
Comprehensive income	224	1,523	(69)	1,454
Issuance of new shares		10		10
Changes in ownership interest in subsidiaries		(3)	365	362
Dividends	(1,749)	(1,749)		(1,749)
Share-based remuneration transactions		10		10
Purchase of treasury shares		(0)		(0)
Other		(1)		(1)
Total	(1,749)	(1,732)	365	(1,367)
Balance at June 30, 2020	43,196	51,824	1,058	52,882

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit before tax	2,218	405
Depreciation and amortization	530	874
Interest and dividend income	(1)	(1)
Interest expenses on borrowings and bonds	63	62
Share of loss (profit) of investments accounted for using equity method	(803)	(300)
Loss (gain) on sales of shares of subsidiaries and associates	(642)	–
Decrease (increase) in trade and other receivables	865	7,367
Decrease (increase) in investment securities for sale	(1,148)	175
Decrease (increase) in inventories	(97)	5
Increase (decrease) in trade and other payables	(7,083)	(5,354)
Increase (decrease) in accrued consumption taxes	66	884
Other	(317)	439
Subtotal	(6,350)	4,556
Interest and dividends received	783	719
Interest paid	(15)	(21)
Income taxes refund (paid)	(957)	(458)
Net cash provided by (used in) operating activities	(6,540)	4,796
Cash flows from investing activities		
Purchase of property, plant and equipment	(263)	(1,182)
Purchase of intangible assets	(386)	(487)
Purchase of investment securities	(1)	(1)
Payments for acquisition of subsidiaries	(350)	–
Purchase of investments accounted for using equity method	(500)	–
Proceeds from sale of investments accounted for using equity method	–	79
Payments of leasehold and guarantee deposits	(776)	(0)
Other	418	(63)
Net cash provided by (used in) investing activities	(1,858)	(1,653)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,554	1,813
Proceeds from long-term borrowings	–	1,500
Repayments of long-term borrowings	(228)	(211)
Repayments of lease liabilities	(229)	(472)
Capital contribution from non-controlling interests	–	365
Dividends paid	(1,255)	(1,715)
Other	15	3
Net cash provided by (used in) financing activities	1,858	1,284
Effect of exchange rate changes on cash and cash equivalents	(65)	(18)
Net increase (decrease) in cash and cash equivalents	(6,605)	4,408
Cash and cash equivalents at beginning of period	48,154	32,702
Cash and cash equivalents	41,549	37,111