

Translation

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

November 13, 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: November 13, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 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	%
Six months ended September 30, 2020	19,264	(1.7)	6,037	(17.6)	3,884	(25.9)	4,003	(24.1)	5,386	(23.4)
Six months ended September 30, 2019	19,596	7.5	7,326	(1.0)	5,240	(9.3)	5,271	(7.9)	7,028	13.1

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	86.96		79.55	
Six months ended September 30, 2019	114.68		104.60	

(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 September 30, 2020	166,206	57,114	56,075	33.7
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	–	0.00	–	–	–
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 six months ended September 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 September 30, 2020	47,428,500 shares	As of March 31, 2020	47,406,800 shares
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Number of treasury shares at end of period

As of September 30, 2020	1,363,549 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)

Six months ended September 30, 2020	46,031,452 shares	Six months ended September 30, 2019	45,964,815 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 September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	32,702	39,259
Trade and other receivables	26,657	19,157
Inventories	319	295
Operational investment securities	36,546	40,585
Other financial assets	1,323	1,012
Income taxes receivable	324	-
Other current assets	980	499
Total current assets	98,852	100,806
Non-current assets		
Property, plant and equipment	21,367	20,388
Goodwill	7,689	7,689
Intangible assets	3,496	3,699
Investment property	2,932	2,822
Investments accounted for using equity method	21,475	21,736
Other financial assets	6,319	8,858
Deferred tax assets	45	64
Other non-current assets	120	144
Total non-current assets	63,444	65,401
Total assets	162,296	166,206

	(Millions of yen)	
	As of March 31, 2020	As of September 30, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	4,927	6,678
Trade and other payables	41,203	34,754
Other financial liabilities	1,783	1,807
Income taxes payable	207	491
Other current liabilities	2,717	3,557
Total current liabilities	50,838	47,287
Non-current liabilities		
Bonds and borrowings	38,247	39,570
Other financial liabilities	13,553	12,966
Retirement benefit liability	571	437
Provisions	589	562
Deferred tax liabilities	5,426	7,347
Other non-current liabilities	278	924
Total non-current liabilities	58,663	61,805
Total liabilities	109,501	109,092
Equity		
Share capital	7,591	7,619
Capital surplus	4,409	4,569
Treasury shares	(5,012)	(4,915)
Other components of equity	324	1,826
Retained earnings	44,721	46,975
Total equity attributable to owners of parent	52,033	56,075
Non-controlling interests	762	1,039
Total equity	52,795	57,114
Total liabilities and equity	162,296	166,206

Condensed quarterly consolidated statements of income

First six months of fiscal year

	(Millions of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue		
Revenue in recurring business	12,856	12,449
Revenue in operational investment securities	3,790	5,270
Other income	1,239	400
Finance income	17	1
Share of profit of investments accounted for using equity method	1,694	1,143
Total	19,596	19,264
Expenses		
Cost of sales	5,716	5,593
Selling, general and administrative expenses	6,089	7,041
Other expenses	164	178
Finance costs	301	415
Total	12,270	13,228
Profit before tax	7,326	6,037
Income tax expense	2,086	2,153
Profit	5,240	3,884
Profit (loss) attributable to		
Owners of parent	5,271	4,003
Non-controlling interests	(31)	(119)
Earnings per share		
Basic earnings per share	114.68	86.96
Diluted earnings per share	104.60	79.55

Stand-alone 2nd quarter of fiscal year

	(Millions of yen)	
	2nd quarter endedSeptember 30, 2019	2nd quarter endedSeptember 30, 2020
Revenue		
Revenue in recurring business	6,718	6,301
Revenue in operational investment securities	3,332	4,968
Other income	422	207
Finance income	16	0
Share of profit of investments accounted for using equity method	891	843
Total	11,379	12,320
Expenses		
Cost of sales	2,976	2,829
Selling, general and administrative expenses	3,138	3,588
Other expenses	86	109
Finance costs	71	163
Total	6,271	6,689
Profit before tax	5,108	5,632
Income tax expense	1,485	1,902
Profit	3,623	3,730
Profit (loss) attributable to		
Owners of parent	3,647	3,779
Non-controlling interests	(24)	(50)
Earnings per share		
Basic earnings per share	79.33	82.08
Diluted earnings per share	72.11	74.56

Condensed quarterly consolidated statements of comprehensive income

First six months of fiscal year

	Six months ended September 30, 2019	(Millions of yen) Six months ended September 30, 2020
Profit	5,240	3,884
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	1,921	1,664
Share of other comprehensive income of investments accounted for using equity method	(27)	3
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(107)	(165)
Share of other comprehensive income of investments accounted for using equity method	1	0
Other comprehensive income	1,787	1,502
Comprehensive income	7,028	5,386
Comprehensive income attributable to		
Owners of parent	7,058	5,505
Non-controlling interests	(31)	(119)

Stand-alone 2nd quarter of fiscal year

	(Millions of yen)	
	2nd quarter endedSeptember 30, 2019	2nd quarter endedSeptember 30, 2020
Profit	3,623	3,730
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	(1,186)	301
Share of other comprehensive income of investments accounted for using equity method	(3)	(3)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4	(95)
Share of other comprehensive income of investments accounted for using equity method	0	0
Other comprehensive income	(1,184)	203
Comprehensive income	2,439	3,932
Comprehensive income attributable to		
Owners of parent	2,462	3,982
Non-controlling interests	(23)	(50)

Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2019 (from April 1, 2019 to September 30, 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				1,893	(106)		1,787
Comprehensive income	–	–	–	1,893	(106)	–	1,787
Issuance of new shares	43	43					–
Changes in ownership interest in subsidiaries							–
Dividends							–
Share-based remuneration transactions		154					–
Purchase of treasury shares			(0)				–
Disposal of treasury shares		(0)	14				–
Other		(1)					–
Total	43	196	14	–	–	–	–
Balance at September 30, 2019	7,547	4,431	(5,012)	1,968	1,125	(3)	3,090

(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)	5,271	5,271	(31)	5,240
Other comprehensive income		1,787	0	1,787
Comprehensive income	5,271	7,058	(31)	7,028
Issuance of new shares		86		86
Changes in ownership interest in subsidiaries		–	34	34
Dividends	(1,287)	(1,287)		(1,287)
Share-based remuneration transactions		154		154
Purchase of treasury shares		(0)		(0)
Disposal of treasury shares		14		14
Other		(1)		(1)
Total	(1,287)	(1,033)	34	(999)
Balance at September 30, 2019	42,578	52,634	740	53,374

Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(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, 2020	7,591	4,409	(5,012)	(798)	1,125	(2)	324
Profit (loss)							–
Other comprehensive income				1,667	(165)		1,502
Comprehensive income	–	–	–	1,667	(165)	–	1,502
Issuance of new shares	28	28					–
Changes in ownership interest in subsidiaries		(3)					–
Dividends							–
Share-based remuneration transactions		137	97				–
Purchase of treasury shares			(0)				–
Other		(0)					–
Total	28	161	97	–	–	–	–
Balance at September 30, 2020	7,619	4,569	(4,915)	868	960	(2)	1,826

(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)	4,003	4,003	(119)	3,884
Other comprehensive income		1,502	1	1,502
Comprehensive income	4,003	5,505	(119)	5,386
Issuance of new shares		55		55
Changes in ownership interest in subsidiaries		(3)	396	393
Dividends	(1,749)	(1,749)		(1,749)
Share-based remuneration transactions		234		234
Purchase of treasury shares		(0)		(0)
Other		(0)		(0)
Total	(1,749)	(1,463)	396	(1,067)
Balance at September 30, 2020	46,975	56,075	1,039	57,114

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before tax	7,326	6,037
Depreciation and amortization	1,046	1,788
Interest and dividend income	(2)	(1)
Interest expenses on borrowings and bonds	125	120
Share of loss (profit) of investments accounted for using equity method	(1,694)	(1,143)
Loss (gain) on sales of shares of subsidiaries and associates	(642)	–
Decrease (increase) in trade and other receivables	1,658	7,677
Decrease (increase) in investment securities for sale	(6,597)	(4,226)
Decrease (increase) in inventories	(101)	24
Increase (decrease) in trade and other payables	(7,195)	(5,313)
Increase (decrease) in accrued consumption taxes	(64)	979
Other	(161)	1,187
Subtotal	(6,302)	7,129
Interest and dividends received	789	719
Interest paid	(51)	(38)
Income taxes refund (paid)	(960)	(49)
Net cash provided by (used in) operating activities	(6,524)	7,760
Cash flows from investing activities		
Purchase of property, plant and equipment	(638)	(1,314)
Purchase of intangible assets	(902)	(789)
Purchase of investment securities	(2)	(1)
Payments for acquisition of subsidiaries	(1,043)	–
Purchase of investments accounted for using equity method	(500)	–
Proceeds from sale of investments accounted for using equity method	762	79
Payments of leasehold and guarantee deposits	(779)	(8)
Other	527	107
Net cash provided by (used in) investing activities	(2,575)	(1,925)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(268)	1,810
Proceeds from long-term borrowings	–	3,037
Repayments of long-term borrowings	(332)	(1,816)
Repayments of lease liabilities	(482)	(949)
Capital contribution from non-controlling interests	34	396
Dividends paid	(1,285)	(1,747)
Other	38	27
Net cash provided by (used in) financing activities	(2,296)	757
Effect of exchange rate changes on cash and cash equivalents	(95)	(35)
Net increase (decrease) in cash and cash equivalents	(11,489)	6,556
Cash and cash equivalents at beginning of period	48,154	32,702
Cash and cash equivalents	36,665	39,259