

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2020 (Based on IFRS)

February 10, 2021

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: February 12, 2021
 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, 2020 (from April 1, 2020 to December 31, 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	%
Nine months ended December 31, 2020	28,711	0.1	9,361	(9.9)	6,098	(18.2)	6,293	(16.4)	7,620	(11.8)
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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2020	136.67		124.90	
Nine months ended December 31, 2019	163.67		149.34	

(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, 2020	182,445	59,386	58,423	32.0
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 nine months ended December 31, 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 December 31, 2020	47,435,700 shares	As of March 31, 2020	47,406,800 shares
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Number of treasury shares at end of period

As of December 31, 2020	1,363,603 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)

Nine months ended December 31, 2020	46,043,559 shares	Nine months ended December 31, 2019	45,973,228 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 December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	32,702	49,065
Trade and other receivables	26,657	21,967
Inventories	319	281
Operational investment securities	36,546	43,780
Other financial assets	1,323	993
Income taxes receivable	324	13
Other current assets	980	569
Total current assets	98,852	116,667
Non-current assets		
Property, plant and equipment	21,367	19,945
Goodwill	7,689	7,689
Intangible assets	3,496	3,766
Investment property	2,932	2,747
Investments accounted for using equity method	21,475	22,227
Other financial assets	6,319	9,192
Deferred tax assets	45	69
Other non-current assets	120	144
Total non-current assets	63,444	65,778
Total assets	162,296	182,445

	(Millions of yen)	
	As of March 31, 2020	As of December 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	4,927	9,290
Trade and other payables	41,203	48,458
Other financial liabilities	1,783	1,802
Income taxes payable	207	317
Other current liabilities	2,717	3,890
Total current liabilities	50,838	63,757
Non-current liabilities		
Bonds and borrowings	38,247	36,760
Other financial liabilities	13,553	12,721
Retirement benefit liability	571	442
Provisions	589	538
Deferred tax liabilities	5,426	7,899
Other non-current liabilities	278	942
Total non-current liabilities	58,663	59,301
Total liabilities	109,501	123,059
Equity		
Share capital	7,591	7,628
Capital surplus	4,409	4,599
Treasury shares	(5,012)	(4,915)
Other components of equity	324	1,846
Retained earnings	44,721	49,265
Total equity attributable to owners of parent	52,033	58,423
Non-controlling interests	762	964
Total equity	52,795	59,386
Total liabilities and equity	162,296	182,445

Condensed quarterly consolidated statements of income

First nine months of fiscal year

	Nine months ended December 31, 2019	(Millions of yen) Nine months ended December 31, 2020
Revenue		
Revenue in recurring business	19,431	18,587
Revenue in operational investment securities	4,759	7,496
Other income	1,540	614
Finance income	45	18
Share of profit of investments accounted for using equity method	2,900	1,996
Total	<u>28,674</u>	<u>28,711</u>
Expenses		
Cost of sales	8,569	8,052
Selling, general and administrative expenses	9,210	10,441
Other expenses	238	247
Finance costs	270	610
Total	<u>18,286</u>	<u>19,351</u>
Profit before tax	10,388	9,361
Income tax expense	2,929	3,263
Profit	<u>7,459</u>	<u>6,098</u>
Profit (loss) attributable to		
Owners of parent	7,525	6,293
Non-controlling interests	(66)	(195)
Earnings per share		
Basic earnings per share	163.67	136.67
Diluted earnings per share	149.34	124.90

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter endedDecember 31, 2019	3rd quarter endedDecember 31, 2020
Revenue		
Revenue in recurring business	6,576	6,138
Revenue in operational investment securities	968	2,226
Other income	301	214
Finance income	28	17
Share of profit of investments accounted for using equity method	1,205	853
Total	9,078	9,447
Expenses		
Cost of sales	2,853	2,459
Selling, general and administrative expenses	3,121	3,400
Other expenses	74	69
Finance costs	(32)	195
Total	6,016	6,123
Profit before tax	3,062	3,324
Income tax expense	843	1,110
Profit	2,218	2,214
Profit (loss) attributable to		
Owners of parent	2,253	2,290
Non-controlling interests	(35)	(75)
Earnings per share		
Basic earnings per share	49.00	49.70
Diluted earnings per share	44.75	45.35

Condensed quarterly consolidated statements of comprehensive income

First nine months of fiscal year

	Nine months ended December 31, 2019	(Millions of yen) Nine months ended December 31, 2020
Profit	7,459	6,098
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	1,316	1,838
Share of other comprehensive income of investments accounted for using equity method	(34)	9
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(104)	(324)
Share of other comprehensive income of investments accounted for using equity method	1	0
Other comprehensive income	1,178	1,522
Comprehensive income	8,637	7,620
Comprehensive income attributable to		
Owners of parent	8,702	7,814
Non-controlling interests	(64)	(194)

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter ended December 31, 2019	3rd quarter ended December 31, 2020
Profit	2,218	2,214
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	(605)	174
Share of other comprehensive income of investments accounted for using equity method	(7)	5
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3	(160)
Share of other comprehensive income of investments accounted for using equity method	(0)	0
Other comprehensive income	(609)	20
Comprehensive income	<u>1,609</u>	<u>2,234</u>
Comprehensive income attributable to		
Owners of parent	1,643	2,309
Non-controlling interests	(34)	(75)

Condensed quarterly consolidated statement of changes in equity

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							–
Change in scope of consolidation		(62)					–
Dividends							–
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
Change in scope of consolidation		(62)		(62)
Dividends	(1,287)	(1,287)		(1,287)
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

Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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				1,846	(324)		1,522
Comprehensive income	–	–	–	1,846	(324)	–	1,522
Issuance of new shares	37	37					–
Changes in ownership interest in subsidiaries		(3)					–
Dividends							–
Share-based remuneration transactions		156	97				–
Purchase of treasury shares			(0)				–
Other		(0)					–
Total	37	190	97	–	–	–	–
Balance at December 31, 2020	7,628	4,599	(4,915)	1,048	801	(2)	1,846

(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)	6,293	6,293	(195)	6,098
Other comprehensive income		1,522	1	1,522
Comprehensive income	6,293	7,814	(194)	7,620
Issuance of new shares		74		74
Changes in ownership interest in subsidiaries		(3)	396	393
Dividends	(1,749)	(1,749)		(1,749)
Share-based remuneration transactions		253		253
Purchase of treasury shares		(0)		(0)
Other		(0)		(0)
Total	(1,749)	(1,425)	396	(1,029)
Balance at December 31, 2020	49,265	58,423	964	59,386

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Profit before tax	10,388	9,361
Depreciation and amortization	1,586	2,715
Interest and dividend income	(18)	(18)
Interest expenses on borrowings and bonds	186	179
Share of loss (profit) of investments accounted for using equity method	(2,900)	(1,996)
Loss (gain) on sales of shares of subsidiaries and associates	(642)	–
Decrease (increase) in trade and other receivables	2,746	4,848
Decrease (increase) in investment securities for sale	(8,429)	(7,565)
Decrease (increase) in inventories	(100)	38
Increase (decrease) in trade and other payables	710	8,377
Increase (decrease) in accrued consumption taxes	(18)	1,322
Other	(665)	1,339
Subtotal	2,845	18,601
Interest and dividends received	1,659	1,450
Interest paid	(61)	(55)
Income taxes refund (paid)	(1,867)	(681)
Net cash provided by (used in) operating activities	2,576	19,314
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,431)	(1,414)
Purchase of intangible assets	(1,330)	(1,161)
Purchase of investment securities	(3)	(185)
Payments for acquisition of subsidiaries	(1,043)	–
Purchase of investments accounted for using equity method	(500)	(500)
Proceeds from sale of investments accounted for using equity method	762	79
Payments of leasehold and guarantee deposits	(788)	(8)
Other	531	197
Net cash provided by (used in) investing activities	(3,802)	(2,992)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,216	1,732
Proceeds from long-term borrowings	100	3,026
Repayments of long-term borrowings	(432)	(1,939)
Repayments of lease liabilities	(970)	(1,407)
Capital contribution from non-controlling interests	34	396
Dividends paid	(1,287)	(1,748)
Other	79	39
Net cash provided by (used in) financing activities	740	100
Effect of exchange rate changes on cash and cash equivalents	(5)	(60)
Net increase (decrease) in cash and cash equivalents	(491)	16,362
Cash and cash equivalents at beginning of period	48,154	32,702
Cash and cash equivalents	47,664	49,065