

**Translation**

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**Summary of Consolidated Financial Results  
for the Three Months Ended June 30, 2019  
(Based on IFRS)**

August 9, 2019

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: August 13, 2019  
 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, 2019 (from April 1, 2019 to June 30, 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      | %    |
| 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 |
| Three months ended June 30, 2018 | 8,548           | –     | 3,394             | –      | 3,135           | –      | 3,113                                   | –      | 3,684                | –    |

|                                  | Basic earnings per share |  | Diluted earnings per share |  |
|----------------------------------|--------------------------|--|----------------------------|--|
|                                  | Yen                      |  | Yen                        |  |
| Three months ended June 30, 2019 | 35.35                    |  | 32.47                      |  |
| Three months ended June 30, 2018 | 65.96                    |  | 65.32                      |  |

(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 June 30, 2019  | 147,253         | 50,677          | 49,948                                  | 33.9   |
| 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                        |                 |                 |                 |       |
| Year ended March 31, 2019             | –                          | 0.00            | –               | 28.00           | 28.00 |
| Year ending March 31, 2020            | –                          | –               | –               | –               | –     |
| 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 three months ended June 30, 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 June 30, 2019 | 47,361,600 shares | As of March 31, 2019 | 47,341,600 shares |
|---------------------|-------------------|----------------------|-------------------|

Number of treasury shares at end of period

|                     |                  |                      |                  |
|---------------------|------------------|----------------------|------------------|
| As of June 30, 2019 | 1,393,895 shares | As of March 31, 2019 | 1,391,452 shares |
|---------------------|------------------|----------------------|------------------|

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

|                                  |                   |                                  |                   |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Three months ended June 30, 2019 | 45,956,382 shares | Three months ended June 30, 2018 | 47,194,467 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

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

(Millions of yen)

|   | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| Assets  |                      |                     |
| Current assets                                |                      |                     |
| Cash and cash equivalents                     | 48,154               | 41,549              |
| Trade and other receivables                   | 23,254               | 22,990              |
| Inventories                                   | 232                  | 329                 |
| Operational investment securities             | 26,695               | 27,812              |
| Other financial assets                        | 451                  | 441                 |
| Income taxes receivable                       | 6                    | 6                   |
| Other current assets                          | 394                  | 435                 |
| Total current assets                          | 99,186               | 93,562              |
| Non-current assets                            |                      |                     |
| Property, plant and equipment                 | 9,421                | 9,343               |
| Goodwill                                      | 6,575                | 6,966               |
| Intangible assets                             | 2,575                | 2,759               |
| Investment property                           | 3,046                | 2,943               |
| Investments accounted for using equity method | 19,139               | 19,530              |
| Other financial assets                        | 6,662                | 11,884              |
| Deferred tax assets                           | 137                  | 131                 |
| Other non-current assets                      | 148                  | 134                 |
| Total non-current assets                      | 47,704               | 53,691              |
| Total assets                                  | 146,890              | 147,253             |

|   | (Millions of yen)    |                     |
|---|----------------------|---------------------|
|   | As of March 31, 2019 | As of June 30, 2019 |
| Liabilities and equity                        |                      |                     |
| Liabilities                                   |                      |                     |
| Current liabilities                           |                      |                     |
| Borrowings                                    | 2,211                | 5,657               |
| Trade and other payables                      | 45,799               | 38,794              |
| Other financial liabilities                   | 853                  | 828                 |
| Income taxes payable                          | 1,076                | 304                 |
| Other current liabilities                     | 2,482                | 2,175               |
| Total current liabilities                     | 52,420               | 47,758              |
| Non-current liabilities                       |                      |                     |
| Bonds and borrowings                          | 35,959               | 35,837              |
| Other financial liabilities                   | 5,430                | 5,710               |
| Retirement benefit liability                  | 565                  | 577                 |
| Provisions                                    | 321                  | 321                 |
| Deferred tax liabilities                      | 4,744                | 6,286               |
| Other non-current liabilities                 | 106                  | 88                  |
| Total non-current liabilities                 | 47,125               | 48,819              |
| Total liabilities                             | 99,545               | 96,576              |
| Equity  |                      |                     |
| Share capital                                 | 7,504                | 7,531               |
| Capital surplus                               | 4,235                | 4,237               |
| Treasury shares                               | (5,026)              | (5,026)             |
| Other components of equity                    | 1,303                | 4,275               |
| Retained earnings                             | 38,593               | 38,931              |
| Total equity attributable to owners of parent | 46,609               | 49,948              |
| Non-controlling interests                     | 736                  | 729                 |
| Total equity                                  | 47,345               | 50,677              |
| Total liabilities and equity                  | 146,890              | 147,253             |

**Condensed quarterly consolidated statements of income and condensed quarterly consolidated statements of comprehensive income**  
**Condensed quarterly consolidated statements of income**

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three months ended<br>June 30, 2018 | Three months ended<br>June 30, 2019 |
| Continuing operations  |                                     |                                     |
| Revenue in recurring business                                    | 5,323                               | 6,138                               |
| Revenue in operational investment securities                     | 1,732                               | 459                                 |
| Other income   | 664                                 | 817                                 |
| Finance income   | 104                                 | 1                                   |
| Share of profit of investments accounted for using equity method | 725                                 | 803                                 |
| <b>Total</b>   | <b>8,548</b>                        | <b>8,217</b>                        |
| Cost of sales  | 2,463                               | 2,740                               |
| Selling, general and administrative expenses                     | 2,582                               | 2,951                               |
| Other expenses   | 72                                  | 78                                  |
| Finance costs  | 37                                  | 230                                 |
| <b>Total</b>   | <b>5,154</b>                        | <b>5,999</b>                        |
| Profit before tax  | 3,394                               | 2,218                               |
| Income tax expense   | 1,078                               | 601                                 |
| Profit from continuing operations                                | 2,317                               | 1,617                               |
| Discontinued operations  |                                     |                                     |
| Revenue  | 849                                 | –                                   |
| Expenses   | 645                                 | –                                   |
| Profit before tax  | 204                                 | –                                   |
| Income tax expense   | 8                                   | –                                   |
| Profit after tax from discontinued operations                    | 196                                 | –                                   |
| Loss (gain) on sales on discontinued operations                  | 898                                 | –                                   |
| Income tax expense from sale of discontinued operations          | 275                                 | –                                   |
| Profit from discontinued operations                              | 819                                 | –                                   |
| <b>Profit</b>  | <b>3,135</b>                        | <b>1,617</b>                        |
| Profit attributable to   |                                     |                                     |
| Owners of parent   | 3,113                               | 1,624                               |
| Non-controlling interests  | 23                                  | (7)                                 |
| Earnings per share   |                                     |                                     |
| Basic earnings per share   |                                     |                                     |
| Continuing operations  | 48.45                               | 35.35                               |
| Discontinued operations  | 17.51                               | –                                   |
| <b>Total</b>   | <b>65.96</b>                        | <b>35.35</b>                        |
| Diluted earnings per share                                       |                                     |                                     |
| Continuing operations  | 47.97                               | 32.47                               |
| Discontinued operations  | 17.34                               | –                                   |
| <b>Total</b>   | <b>65.32</b>                        | <b>32.47</b>                        |

## Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

|  | Three months ended<br>June 30, 2018 | Three months ended<br>June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| Profit   | 3,135                               | 1,617                               |
| Other comprehensive income   |                                     |                                     |
| Items that will not be reclassified to profit or loss  |                                     |                                     |
| Net change in fair value of equity instruments designated<br>as measured at fair value through other comprehensive<br>income | 376                                 | 3,107                               |
| Share of other comprehensive income of investments<br>accounted for using equity method                                      | 32                                  | (25)                                |
| Items that may be reclassified to profit or loss   |                                     |                                     |
| Exchange differences on translation of foreign operations  | 141                                 | (112)                               |
| Share of other comprehensive income of investments<br>accounted for using equity method                                      | 0                                   | 1                                   |
| Other comprehensive income   | 549                                 | 2,972                               |
| Comprehensive income   | <u>3,684</u>                        | <u>4,589</u>                        |
| Comprehensive income attributable to   |                                     |                                     |
| Owners of parent   | 3,664                               | 4,596                               |
| Non-controlling interests  | 21                                  | (7)                                 |

## Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2018 (from April 1, 2018 to June 30, 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  |   |                 |                 |  |   |   | –     |
| Other comprehensive income                    |   |                 |                 | 410  | 141   | –                                       | 551   |
| Comprehensive income                          | –                                       | –               | –               | 410  | 141   | –                                       | 551   |
| Issuance of new shares                        | 14                                      | 14              |                 |  |   |   | –     |
| Changes in ownership interest in subsidiaries |   | (56)            |                 |  |   |   | –     |
| Dividends                                     |   |                 |                 |  |   |   | –     |
| Share-based remuneration transactions         |   | 27              |                 |  |   |   | –     |
| Forfeiture of share acquisition rights        |   | 3               |                 |  |   |   | –     |
| Purchase of treasury shares                   |   |                 | (0)             |  |   |   | –     |
| Other   |   | (0)             |                 |  |   |   | –     |
| Total   | 14                                      | (12)            | (0)             | –  | –   | –                                       | –     |
| Balance at June 30, 2018                      | 7,479                                   | 3,736           | (26)            | 913  | 1,213   | 0                                       | 2,126 |

(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  | 3,113                                   | 3,113   | 23                        | 3,135   |
| Other comprehensive income                    |   | 551     | (2)                       | 549     |
| Comprehensive income                          | 3,113                                   | 3,664   | 21                        | 3,684   |
| Issuance of new shares                        |   | 28      |                           | 28      |
| Changes in ownership interest in subsidiaries |   | (56)    | (46)                      | (103)   |
| Dividends                                     | (1,133)                                 | (1,133) |                           | (1,133) |
| Share-based remuneration transactions         |   | 27      |                           | 27      |
| Forfeiture of share acquisition rights        |   | 3       |                           | 3       |
| Purchase of treasury shares                   |   | (0)     |                           | (0)     |
| Other   |   | (0)     |                           | (0)     |
| Total   | (1,133)                                 | (1,131) | (46)                      | (1,177) |
| Balance at June 30, 2018                      | 31,935                                  | 45,249  | 457                       | 45,706  |

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



## Condensed quarterly consolidated statements of cash flows

(Millions of yen)

|  | Three months ended<br>June 30, 2018 | Three months ended<br>June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities   |                                     |                                     |
| Profit before tax  | 3,394                               | 2,218                               |
| Depreciation and amortization  | 465                                 | 530                                 |
| Interest and dividend income   | (19)                                | (1)                                 |
| Interest expenses on borrowings and bonds  | 37                                  | 63                                  |
| Share of loss (profit) of investments accounted for using equity method          | (725)                               | (803)                               |
| Loss (gain) on sales of shares of subsidiaries and associates                    | (488)                               | (642)                               |
| Decrease (increase) in trade and other receivables                               | (692)                               | 865                                 |
| Decrease (increase) in investment securities for sale                            | (2,685)                             | (1,148)                             |
| Decrease (increase) in inventories   | (129)                               | (97)                                |
| Increase (decrease) in trade and other payables                                  | (9,090)                             | (7,083)                             |
| Other  | 136                                 | (252)                               |
| Subtotal   | (9,796)                             | (6,350)                             |
| Interest and dividends received  | 612                                 | 783                                 |
| Interest paid  | (36)                                | (15)                                |
| Income taxes refund (paid)   | (840)                               | (957)                               |
| Net cash provided by (used in) operating activities from discontinued operations | 45                                  | -                                   |
| Net cash provided by (used in) operating activities                              | (10,016)                            | (6,540)                             |
| Cash flows from investing activities   |                                     |                                     |
| Purchase of property, plant and equipment  | (168)                               | (263)                               |
| Purchase of intangible assets  | (211)                               | (386)                               |
| Purchase of investment securities  | (1,363)                             | (1)                                 |
| Proceeds from sale of investment securities                                      | 694                                 | -                                   |
| 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              | 906                                 | -                                   |
| Payments of leasehold deposits and guarantee deposits                            | (1)                                 | (776)                               |
| Other  | 24                                  | 418                                 |
| Net cash provided by (used in) investing activities from discontinued operations | (2)                                 | -                                   |
| Net cash provided by (used in) investing activities                              | (121)                               | (1,858)                             |

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Three months ended<br>June 30, 2018 | Three months ended<br>June 30, 2019 |
| Cash flows from financing activities   |                                     |                                     |
| Net increase (decrease) in short-term borrowings                                     | 5,393                               | 3,554                               |
| Repayments of long-term borrowings   | (624)                               | (228)                               |
| Repayments of lease obligations  | (213)                               | (229)                               |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | (137)                               | –                                   |
| Dividends paid   | (1,045)                             | (1,255)                             |
| Other  | 22                                  | 15                                  |
| Net cash provided by (used in) financing activities from discontinued operations     | (8)                                 | –                                   |
| Net cash provided by (used in) financing activities                                  | 3,388                               | 1,858                               |
| Effect of exchange rate changes on cash and cash equivalents                         | 49                                  | (65)                                |
| Net increase (decrease) in cash and cash equivalents                                 | (6,700)                             | (6,605)                             |
| Cash and cash equivalents at beginning of period                                     | 39,450                              | 48,154                              |
| Cash and cash equivalents  | 32,751                              | 41,549                              |