

Translation

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

November 11, 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: November 12, 2019
 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, 2019 (from April 1, 2019 to September 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	%
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
Six months ended September 30, 2018	18,225	–	7,400	–	5,775	–	5,725	–	6,215	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	114.68	104.60
Six months ended September 30, 2018	121.85	119.82

(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 September 30, 2019	147,259	53,374	52,634	35.7
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 six months ended September 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 September 30, 2019	47,373,800 shares	As of March 31, 2019	47,341,600 shares
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Number of treasury shares at end of period

As of September 30, 2019	1,390,316 shares	As of March 31, 2019	1,391,452 shares
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Average number of shares during period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2019	45,964,815 shares	Six months ended September 30, 2018	46,983,761 shares
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Condensed quarterly consolidated financial statements
Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	48,154	36,665
Trade and other receivables	23,254	21,924
Inventories	232	333
Operational investment securities	26,695	33,114
Other financial assets	451	449
Income taxes receivable	6	-
Other current assets	394	505
Total current assets	99,186	92,990
Non-current assets		
Property, plant and equipment	9,421	9,532
Goodwill	6,575	7,689
Intangible assets	2,575	3,105
Investment property	3,046	2,932
Investments accounted for using equity method	19,139	20,584
Other financial assets	6,662	10,161
Deferred tax assets	137	144
Other non-current assets	148	122
Total non-current assets	47,704	54,269
Total assets	146,890	147,259

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,211	3,140
Trade and other payables	45,799	38,679
Other financial liabilities	853	895
Income taxes payable	1,076	679
Other current liabilities	2,482	2,588
Total current liabilities	52,420	45,981
Non-current liabilities		
Bonds and borrowings	35,959	34,469
Other financial liabilities	5,430	5,580
Retirement benefit liability	565	557
Provisions	321	321
Deferred tax liabilities	4,744	6,859
Other non-current liabilities	106	118
Total non-current liabilities	47,125	47,904
Total liabilities	99,545	93,885
Equity		
Share capital	7,504	7,547
Capital surplus	4,235	4,431
Treasury shares	(5,026)	(5,012)
Other components of equity	1,303	3,090
Retained earnings	38,593	42,578
Total equity attributable to owners of parent	46,609	52,634
Non-controlling interests	736	740
Total equity	47,345	53,374
Total liabilities and equity	146,890	147,259

Condensed quarterly consolidated statements of income

First six months of fiscal year

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Continuing operations		
Revenue in recurring business	11,045	12,856
Revenue in operational investment securities	4,409	3,790
Other income	870	1,239
Finance income	229	17
Share of profit of investments accounted for using equity method	1,672	1,694
Total	18,225	19,596
Cost of sales	5,092	5,716
Selling, general and administrative expenses	5,497	6,089
Other expenses	149	164
Finance costs	87	301
Total	10,825	12,270
Profit before tax	7,400	7,326
Income tax expense	2,406	2,086
Profit from continuing operations	4,994	5,240
Discontinued operations		
Revenue	1,066	–
Expenses	896	–
Profit before tax	170	–
Income tax expense	13	–
Profit after tax from discontinued operations	158	–
Loss (gain) on sales on discontinued operations	898	–
Income tax expense from sale of discontinued operations	275	–
Profit from discontinued operations	781	–
Profit	5,775	5,240
Profit (loss) attributable to		
Owners of parent	5,725	5,271
Non-controlling interests	50	(31)
Earnings per share		
Basic earnings per share		
Continuing operations	104.83	114.68
Discontinued operations	17.02	–
Total	121.85	114.68
Diluted earnings per share		
Continuing operations	103.11	104.60
Discontinued operations	16.71	–
Total	119.82	104.60

Stand-alone 2nd quarter of fiscal year

	(Millions of yen)	
	2nd quarter ended September 30, 2018	2nd quarter ended September 30, 2019
Continuing operations		
Revenue in recurring business	5,722	6,718
Revenue in operational investment securities	2,677	3,332
Other income	206	422
Finance income	125	16
Share of profit of investments accounted for using equity method	946	891
Total	9,677	11,379
Cost of sales	2,629	2,976
Selling, general and administrative expenses	2,914	3,138
Other expenses	76	86
Finance costs	51	71
Total	5,671	6,271
Profit before tax	4,006	5,108
Income tax expense	1,328	1,485
Profit from continuing operations	2,678	3,623
Discontinued operations		
Revenue	217	–
Expenses	251	–
Profit (loss) before tax	(33)	–
Income tax expense	5	–
Profit (loss) from discontinued operations	(38)	–
Profit	2,640	3,623
Profit (loss) attributable to		
Owners of parent	2,612	3,647
Non-controlling interests	28	(24)
Earnings (loss) per share		
Basic earnings per share		
Continuing operations	56.41	79.33
Discontinued operations	(0.57)	–
Total	55.84	79.33
Diluted earnings per share		
Continuing operations	55.11	72.11
Discontinued operations	(0.56)	–
Total	54.56	72.11

Condensed quarterly consolidated statements of comprehensive income

First six months of fiscal year

	Six months ended September 30, 2018	(Millions of yen) Six months ended September 30, 2019
Profit	5,775	5,240
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	110	1,921
Share of other comprehensive income of investments accounted for using equity method	65	(27)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	264	(107)
Share of other comprehensive income of investments accounted for using equity method	0	1
Other comprehensive income	439	1,787
Comprehensive income	6,215	7,028
Comprehensive income attributable to		
Owners of parent	6,167	7,058
Non-controlling interests	48	(31)

Stand-alone 2nd quarter of fiscal year

	(Millions of yen)	
	2nd quarter ended September 30, 2018	2nd quarter ended September 30, 2019
Profit	2,640	3,623
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	(265)	(1,186)
Share of other comprehensive income of investments accounted for using equity method	33	(3)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	123	4
Share of other comprehensive income of investments accounted for using equity method	(0)	0
Other comprehensive income	(109)	(1,184)
Comprehensive income	<u>2,530</u>	<u>2,439</u>
Comprehensive income attributable to		
Owners of parent	2,503	2,462
Non-controlling interests	27	(23)

Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2018 (from April 1, 2018 to September 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 (loss)							–
Other comprehensive income				178	264		442
Comprehensive income	–	–	–	178	264	–	442
Issuance of new shares	17	17					–
Changes in ownership interest in subsidiaries		(56)					–
Dividends							–
Change in scope of consolidation							–
Share-based remuneration transactions		220					–
Forfeiture of share acquisition rights		3					–
Purchase of treasury shares		(5)	(5,000)				–
Issue of convertible bonds		703					–
Other		(0)					–
Total	17	882	(5,000)	–	–	–	–
Balance at September 30, 2018	7,482	4,630	(5,026)	682	1,335	0	2,017

(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)	5,725	5,725	50	5,775
Other comprehensive income		442	(3)	439
Comprehensive income	5,725	6,167	48	6,215
Issuance of new shares		34		34
Changes in ownership interest in subsidiaries		(56)	(41)	(97)
Dividends	(1,133)	(1,133)		(1,133)
Change in scope of consolidation		–	29	29
Share-based remuneration transactions		220		220
Forfeiture of share acquisition rights		3		3
Purchase of treasury shares		(5,005)		(5,005)
Issue of convertible bonds		703		703
Other		(0)		(0)
Total	(1,133)	(5,233)	(12)	(5,245)
Balance at September 30, 2018	34,547	43,651	519	44,170

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

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before tax	7,400	7,326
Depreciation and amortization	939	1,046
Interest and dividend income	(20)	(2)
Interest expenses on borrowings and bonds	88	125
Share of loss (profit) of investments accounted for using equity method	(1,672)	(1,694)
Loss (gain) on sales of shares of subsidiaries and associates	(488)	(642)
Decrease (increase) in trade and other receivables	(1,796)	1,658
Decrease (increase) in investment securities for sale	(4,833)	(6,597)
Decrease (increase) in inventories	(113)	(101)
Increase (decrease) in trade and other payables	(6,885)	(7,195)
Other	(421)	(226)
Subtotal	(7,800)	(6,302)
Interest and dividends received	612	789
Interest paid	(79)	(51)
Income taxes refund (paid)	(803)	(960)
Net cash provided by (used in) operating activities from discontinued operations	(20)	-
Net cash provided by (used in) operating activities	(8,089)	(6,524)
Cash flows from investing activities		
Purchase of property, plant and equipment	(494)	(638)
Purchase of intangible assets	(547)	(902)
Purchase of investment securities	(1,422)	(2)
Proceeds from sale of investment securities	903	-
Payments for acquisition of subsidiaries	-	(1,043)
Proceeds from sale of subsidiaries	816	-
Purchase of investments accounted for using equity method	-	(500)
Proceeds from sale of investments accounted for using equity method	1,238	762
Payments of leasehold deposits and guarantee deposits	(4)	(779)
Other	68	527
Net cash provided by (used in) investing activities from discontinued operations	(2)	-
Net cash provided by (used in) investing activities	556	(2,575)

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,369	(268)
Repayments of long-term borrowings	(1,220)	(332)
Proceeds from issuance of bonds with share acquisition rights	25,214	–
Repayments of lease obligations	(426)	(482)
Capital contribution from non-controlling interests	39	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	(1,070)	(1,285)
Other	21	38
Net cash provided by (used in) financing activities from discontinued operations	(17)	–
Net cash provided by (used in) financing activities	21,797	(2,296)
Effect of exchange rate changes on cash and cash equivalents	157	(95)
Net increase (decrease) in cash and cash equivalents	14,421	(11,489)
Cash and cash equivalents at beginning of period	39,450	48,154
Cash and cash equivalents	53,872	36,665