

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2018
(Based on Japanese GAAP)**

May 11, 2018

Company name: Digital Garage, Inc.
 Stock exchange listing: Tokyo
 Stock code: 4819 URL <http://www.garage.co.jp/>
 Representative: Representative Director, President Executive Officer and Group CEO Kaoru Hayashi
 Member, Board of Directors, Senior
 Inquiries: Executive Officer, in charge of the Corporate Strategy Division Makoto Soda TEL 03-6367-1111
 Scheduled date of ordinary general meeting of shareholders: June 22, 2018
 Scheduled date to file Securities Report: June 22, 2018
 Scheduled date to commence dividend payments: June 25, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	60,168	–	2,310	–	5,017	–	5,460	–
Year ended March 31, 2017	36,451	–	723	–	3,678	–	4,289	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	115.80	114.95	15.3	5.0	3.8
Year ended March 31, 2017	91.11	90.68	13.5	4.4	2.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	108,791	39,017	34.7	801.11
As of March 31, 2017	91,686	34,371	36.6	713.08

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	14,293	1,008	(2,307)	38,248
Year ended March 31, 2017	4,148	(1,452)	4,176	25,335

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	0.00	–	20.00	20.00	942	22.0	3.0
Year ended March 31, 2018	–	0.00	–	24.00	24.00	1,132	20.7	3.2
Year ending March 31, 2019 (Forecast)	–	0.00	–	28.00	28.00		21.3	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Revenue		Profit before tax		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,500	–	9,000	–	6,200	–	131.49

Digital Garage, Inc. plans to apply IFRS from the end of fiscal year ended March 31, 2019. The above forecast is based on IFRS. There is no year-on-year comparison given that the forecast is IFRS based.

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2018	47,312,800 shares	As of March 31, 2017	47,291,800 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	123,821 shares	As of March 31, 2017	185,882 shares
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Average number of shares during the period

Year ended March 31, 2018	47,153,489 shares	Year ended March 31, 2017	47,076,299 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	23,029	32,922
Money held in trust	2,264	5,307
Notes and accounts receivable - trade	7,056	7,741
Operational investment securities	11,856	12,364
Allowance for investment loss	(1,045)	(1,235)
Merchandise	0	269
Work in process	206	221
Raw materials and supplies	1	8
Deferred tax assets	140	320
Accounts receivable - other	15,422	16,889
Other	714	718
Allowance for doubtful accounts	(23)	(32)
Total current assets	59,624	75,496
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,244	1,455
Accumulated depreciation	(323)	(438)
Buildings and structures, net	921	1,017
Machinery, equipment and vehicles	22	26
Accumulated depreciation	(3)	(11)
Machinery, equipment and vehicles, net	19	15
Tools, furniture and fixtures	1,409	1,596
Accumulated depreciation	(988)	(984)
Tools, furniture and fixtures, net	420	611
Land	712	693
Leased assets	14	–
Accumulated depreciation	(11)	–
Leased assets, net	2	–
Construction in progress	168	0
Total property, plant and equipment	2,245	2,338
Intangible assets		
Software	1,784	2,019
Goodwill	5,411	7,822
Other	27	28
Total intangible assets	7,224	9,869
Investments and other assets		
Investment securities	18,357	16,552
Long-term loans receivable	15	15
Deferred tax assets	13	82
Real estate for investment	3,830	3,617
Other	407	850
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	22,592	21,087
Total non-current assets	32,061	33,295
Total assets	91,686	108,791

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,713	5,018
Short-term loans payable	3,800	1,700
Current portion of long-term loans payable	3,137	2,437
Income taxes payable	435	1,008
Provision for bonuses	202	291
Deposits received	25,127	36,499
Deferred tax liabilities	60	246
Other	2,338	2,339
Total current liabilities	38,815	49,540
Non-current liabilities		
Long-term loans payable	17,207	18,890
Deferred tax liabilities	488	551
Other	803	792
Total non-current liabilities	18,499	20,233
Total liabilities	57,315	69,774
Net assets		
Shareholders' equity		
Capital stock	7,437	7,464
Capital surplus	2,946	3,104
Retained earnings	21,300	25,819
Treasury shares	(50)	(26)
Total shareholders' equity	31,633	36,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	644	339
Foreign currency translation adjustment	1,312	1,100
Total accumulated other comprehensive income	1,956	1,440
Share acquisition rights	648	844
Non-controlling interests	132	369
Total net assets	34,371	39,017
Total liabilities and net assets	91,686	108,791

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	36,451	60,168
Cost of sales	29,838	48,524
Gross profit	6,613	11,644
Selling, general and administrative expenses		
Directors' compensations	330	481
Salaries and allowances	1,998	3,178
Bonuses	0	8
Provision for bonuses	181	267
Legal welfare expenses	306	496
Welfare expenses	74	105
Retirement benefit expenses	49	72
Advertising expenses	127	180
Entertainment expenses	78	86
Traveling and transportation expenses	125	212
Communication expenses	36	64
Office supplies expenses	86	152
Taxes and dues	131	217
Commission fee	228	478
Business consignment expenses	258	416
maintenance expenses	19	52
Research and development expenses	114	252
Rent expenses	447	658
Depreciation	120	153
Provision of allowance for doubtful accounts	–	7
Amortization of goodwill	353	570
Other	818	1,219
Total selling, general and administrative expenses	5,889	9,333
Operating profit	723	2,310
Non-operating income		
Interest income	5	9
Dividend income	29	0
Share of profit of entities accounted for using equity method	2,528	2,768
Real estate rent	331	359
Other	352	167
Total non-operating income	3,246	3,305
Non-operating expenses		
Interest expenses	56	79
Commission fee	0	66
Foreign exchange losses	–	160
Rent cost of real estate	223	259
Other	10	31
Total non-operating expenses	292	597
Ordinary profit	3,678	5,017

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Extraordinary income		
Gain on change in equity	47	33
Gain on sales of investment securities	1,829	1,032
Gain on sales of shares of subsidiaries and associates	386	1,471
Other	2	131
Total extraordinary income	2,265	2,669
Extraordinary losses		
Loss on sales of non-current assets	3	–
Loss on retirement of non-current assets	16	31
Loss on valuation of investment securities	–	10
Impairment loss	104	25
Other	–	0
Total extraordinary losses	124	67
Profit before income taxes	5,819	7,619
Income taxes - current	1,647	2,028
Income taxes - deferred	(121)	104
Total income taxes	1,525	2,133
Profit	4,293	5,486
Profit attributable to non-controlling interests	4	25
Profit attributable to owners of parent	4,289	5,460

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	4,293	5,486
Other comprehensive income		
Valuation difference on available-for-sale securities	497	(312)
Foreign currency translation adjustment	(48)	(212)
Share of other comprehensive income of entities accounted for using equity method	7	8
Total other comprehensive income	456	(516)
Comprehensive income	4,750	4,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,746	4,944
Comprehensive income attributable to non-controlling interests	3	25

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,435	2,825	18,419	(69)	28,610
Cumulative effects of changes in accounting policies			(3)		(3)
Restated balance	7,435	2,825	18,416	(69)	28,607
Changes of items during period					
Issuance of new shares	2	2			4
Change arising from changes of surplus in entities accounted for using equity method			6		6
Dividends of surplus			(1,410)		(1,410)
Profit attributable to owners of parent			4,289		4,289
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		118		19	137
Net changes of items other than shareholders' equity					-
Total changes of items during period	2	120	2,884	19	3,026
Balance at end of current period	7,437	2,946	21,300	(50)	31,633

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	138	1,363	1,502	431	119	30,664
Cumulative effects of changes in accounting policies		(3)	(3)			(6)
Restated balance	138	1,360	1,498	431	119	30,657
Changes of items during period						
Issuance of new shares						4
Change arising from changes of surplus in entities accounted for using equity method						6
Dividends of surplus						(1,410)
Profit attributable to owners of parent						4,289
Purchase of treasury shares						(0)
Disposal of treasury shares						137
Net changes of items other than shareholders' equity	505	(48)	457	216	12	687
Total changes of items during period	505	(48)	457	216	12	3,713
Balance at end of current period	644	1,312	1,956	648	132	34,371

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,437	2,946	21,300	(50)	31,633
Cumulative effects of changes in accounting policies					–
Restated balance	7,437	2,946	21,300	(50)	31,633
Changes of items during period					
Issuance of new shares	27	27			55
Change arising from changes of surplus in entities accounted for using equity method		(72)			(72)
Dividends of surplus			(942)		(942)
Profit attributable to owners of parent			5,460		5,460
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		204		24	229
Net changes of items other than shareholders' equity					–
Total changes of items during period	27	158	4,518	24	4,729
Balance at end of current period	7,464	3,104	25,819	(26)	36,363

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	644	1,312	1,956	648	132	34,371
Cumulative effects of changes in accounting policies						–
Restated balance	644	1,312	1,956	648	132	34,371
Changes of items during period						
Issuance of new shares						55
Change arising from changes of surplus in entities accounted for using equity method						(72)
Dividends of surplus						(942)
Profit attributable to owners of parent						5,460
Purchase of treasury shares						(0)
Disposal of treasury shares						229
Net changes of items other than shareholders' equity	(304)	(212)	(516)	196	236	(83)
Total changes of items during period	(304)	(212)	(516)	196	236	4,646
Balance at end of current period	339	1,100	1,440	844	369	39,017

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	5,819	7,619
Depreciation	264	351
Amortization of software	392	612
Impairment loss	104	25
Amortization of goodwill	353	570
Interest and dividend income	(34)	(9)
Interest expenses	56	79
Foreign exchange losses (gains)	(222)	139
Share of loss (profit) of entities accounted for using equity method	(2,528)	(2,768)
Loss (gain) on change in equity	(47)	(33)
Loss (gain) on sales of investment securities	(1,829)	(1,032)
Loss (gain) on sales of shares of subsidiaries and associates	(386)	(1,471)
Decrease (increase) in notes and accounts receivable - trade	(808)	(907)
Decrease (increase) in investment securities for sale	(66)	(1,100)
Increase (decrease) in allowance for investment loss	45	189
Decrease (increase) in inventories	(110)	(27)
Decrease (increase) in accounts receivable - other	(1,025)	(411)
Increase (decrease) in notes and accounts payable - trade	950	1,126
Increase (decrease) in accounts payable - other	700	(448)
Increase (decrease) in accrued consumption taxes	49	(98)
Increase (decrease) in deposits received	3,247	11,365
Other, net	483	540
Subtotal	5,407	14,312
Interest and dividend income received	528	1,145
Interest expenses paid	(49)	(89)
Income taxes paid	(1,789)	(1,228)
Income taxes refund	51	153
Net cash provided by (used in) operating activities	4,148	14,293
Cash flows from investing activities		
Purchase of property, plant and equipment	(223)	(308)
Purchase of intangible assets	(630)	(833)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(538)
Purchase of investment securities	(223)	(1,190)
Purchase of shares of subsidiaries and associates	(2,334)	(14)
Payments for investments in capital of subsidiaries and associates	(600)	(500)
Proceeds from sales of investment securities	2,427	2,863
Proceeds from sales of shares of subsidiaries and associates	–	1,763
Payments for lease and guarantee deposits	(35)	(374)
Proceeds from collection of lease and guarantee deposits	0	2
Payments for investments in real estates	(19)	(57)
Proceeds from transfer of business	63	65
Other, net	124	131
Net cash provided by (used in) investing activities	(1,452)	1,008

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,800	(2,200)
Proceeds from long-term loans payable	4,500	5,600
Repayments of long-term loans payable	(1,713)	(4,879)
Proceeds from issuance of common shares	0	38
Cash dividends paid	(1,407)	(943)
Proceeds from share issuance to non-controlling shareholders	7	81
Other, net	(10)	(4)
Net cash provided by (used in) financing activities	4,176	(2,307)
Effect of exchange rate change on cash and cash equivalents	141	(81)
Net increase (decrease) in cash and cash equivalents	7,013	12,913
Cash and cash equivalents at beginning of period	18,321	25,335
Cash and cash equivalents at end of period	25,335	38,248