

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 9, 2018

Company name: Digital Garage, Inc.
 Stock exchange listing: Tokyo
 Stock 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, 2018
 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 less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2018	33,356	16.1	1,758	24.1	3,424	27.9	3,140	26.1
Six months ended September 30, 2017	28,719	–	1,416	–	2,678	–	2,490	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	66.83		65.55	
Six months ended September 30, 2017	52.85		52.56	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	134,128	37,148	26.6
As of March 31, 2018	108,596	39,017	34.8

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, 2018	–	0.00	–	24.00	24.00
Year ending March 31, 2019	–	0.00	–	–	–
Year ending March 31, 2019 (Forecast)	–	–	–	28.00	28.00

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	–	133.44

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 six months ended September 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2018	47,326,300 shares	As of March 31, 2018	47,312,800 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	1,385,852 shares	As of March 31, 2018	123,821 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	46,983,760 shares	Six months ended September 30, 2017	47,127,074 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	32,922	49,415
Money held in trust	5,307	4,858
Notes and accounts receivable - trade	7,741	8,707
Operational investment securities	12,364	15,052
Allowance for investment loss	(1,235)	(1,230)
Merchandise	269	283
Work in process	221	230
Raw materials and supplies	8	11
Accounts receivable - other	16,889	19,442
Other	718	659
Allowance for doubtful accounts	(32)	(43)
Total current assets	75,176	97,387
Fixed assets		
Property, plant and equipment	2,338	2,738
Intangible assets		
Software	2,019	2,290
Goodwill	7,822	7,490
Other	28	29
Total intangible assets	9,869	9,810
Investments and other assets		
Investment securities	16,552	19,106
Other	4,691	5,065
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	21,211	24,140
Total fixed assets	33,419	36,689
Deferred assets	–	52
Total assets	108,596	134,128

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,018	6,960
Short-term loans payable	1,700	6,200
Current portion of long-term loans payable	2,437	2,310
Income taxes payable	1,008	1,806
Provision for bonuses	291	262
Deposits received	36,499	31,185
Other	2,339	2,432
Total current liabilities	49,294	51,159
Fixed liabilities		
Convertible bond-type bonds with share acquisition rights	–	25,245
Long-term loans payable	18,890	18,524
Net defined benefit liability	–	393
Other	1,394	1,657
Total fixed liabilities	20,284	45,821
Total liabilities	69,578	96,980
Net assets		
Shareholders' equity		
Capital stock	7,464	7,482
Capital surplus	3,104	3,109
Retained earnings	25,819	27,826
Treasury shares	(26)	(5,026)
Total shareholders' equity	36,363	33,392
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	980
Foreign currency translation adjustment	1,100	1,316
Total accumulated other comprehensive income	1,440	2,296
Share acquisition rights	844	1,015
Non-controlling interests	369	443
Total net assets	39,017	37,148
Total liabilities and net assets	108,596	134,128

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	28,719	33,356
Cost of sales	23,141	25,684
Gross profit	5,577	7,671
Selling, general and administrative expenses	4,160	5,913
Operating profit	1,416	1,758
Non-operating income		
Interest income	7	23
Share of profit of entities accounted for using equity method	1,233	1,359
Other	258	509
Total non-operating income	1,499	1,892
Non-operating expenses		
Interest expenses	41	46
Rent cost of real estate	129	141
Other	66	38
Total non-operating expenses	237	226
Ordinary profit	2,678	3,424
Extraordinary income		
Gain on change in equity	4	34
Gain on sales of investment securities	717	–
Gain on sales of shares of subsidiaries and associates	–	1,388
Other	130	117
Total extraordinary income	852	1,541
Extraordinary losses		
Loss on retirement of fixed assets	25	1
Loss on valuation of investment securities	10	–
Loss on step acquisitions	–	35
Other	0	–
Total extraordinary losses	36	36
Profit before income taxes	3,494	4,929
Income taxes - current	945	1,886
Income taxes - deferred	49	(77)
Total income taxes	995	1,808
Profit	2,499	3,120
Profit (loss) attributable to non-controlling interests	8	(19)
Profit attributable to owners of parent	2,490	3,140

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	2,499	3,120
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	566
Foreign currency translation adjustment	(5)	215
Share of other comprehensive income of entities accounted for using equity method	36	75
Total other comprehensive income	(157)	857
Comprehensive income	2,341	3,977
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,331	3,996
Comprehensive income attributable to non-controlling interests	10	(18)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	3,494	4,929
Depreciation	169	180
Amortization of software	280	322
Amortization of goodwill	235	331
Interest and dividend income	(7)	(23)
Interest expenses	41	46
Foreign exchange losses (gains)	(3)	(161)
Share of loss (profit) of entities accounted for using equity method	(1,233)	(1,359)
Loss (gain) on change in equity	(4)	(34)
Loss (gain) on sales of investment securities	(717)	–
Loss (gain) on sales of shares of subsidiaries and associates	0	(1,388)
Decrease (increase) in notes and accounts receivable - trade	51	894
Decrease (increase) in investment securities for sale	(1,311)	(2,067)
Increase (decrease) in allowance for investment loss	167	(4)
Decrease (increase) in inventories	66	78
Decrease (increase) in accounts receivable - other	(2,380)	(3,867)
Increase (decrease) in notes and accounts payable - trade	280	(428)
Increase (decrease) in accounts payable - other	(748)	(267)
Increase (decrease) in accrued consumption taxes	(147)	11
Increase (decrease) in deposits received	868	(5,347)
Other, net	61	285
Subtotal	(837)	(7,870)
Interest and dividend income received	540	611
Interest expenses paid	(50)	(50)
Income taxes paid	(373)	(943)
Income taxes refund	148	44
Net cash provided by (used in) operating activities	(572)	(8,209)
Cash flows from investing activities		
Purchase of property, plant and equipment	(149)	(461)
Purchase of intangible assets	(360)	(546)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(538)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	1,075
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	816
Purchase of investment securities	(70)	(1,820)
Purchase of shares of subsidiaries and associates	(14)	–
Payments for investments in capital of subsidiaries and associates	(500)	–
Proceeds from sales of investment securities	2,799	903
Proceeds from sales of shares of subsidiaries and associates	452	1,237
Other, net	(307)	59
Net cash provided by (used in) investing activities	1,310	1,264

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,800	4,500
Proceeds from long-term loans payable	3,900	–
Repayments of long-term loans payable	(3,767)	(1,159)
Proceeds from issuance of common shares	4	21
Proceeds from issuance of bonds with share acquisition rights	–	25,213
Purchase of treasury shares	0	(5,005)
Cash dividends paid	(942)	(1,130)
Other, net	(1)	64
Net cash provided by (used in) financing activities	1,992	22,504
Effect of exchange rate change on cash and cash equivalents	14	57
Net increase (decrease) in cash and cash equivalents	2,743	15,617
Cash and cash equivalents at beginning of period	25,335	38,248
Cash and cash equivalents at end of period	28,079	53,865