

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on IFRS)

May 13, 2020

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
 Inquiries: Member, Board of Directors, Makoto Soda TEL 03-6367-1111
 Senior Managing Executive Officer
 Scheduled date of ordinary general meeting of shareholders: June 23, 2020
 Scheduled date to file Securities Report: June 23, 2020
 Scheduled date to commence dividend payments: June 24, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

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	%
Year ended March 31, 2020	36,936	3.5	10,008	(25.4)	7,331	(25.1)	7,420	(24.1)	6,345	(33.3)
Year ended March 31, 2019	35,687	39.9	13,424	60.3	9,790	54.5	9,771	52.4	9,515	49.4

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Year ended March 31, 2020	161.37	147.82	15.0	6.5	27.1
Year ended March 31, 2019	210.28	199.26	21.9	10.1	37.6

(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	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	162,296	52,795	52,033	32.1	1,130.75
As of March 31, 2019	146,890	47,345	46,609	31.7	1,014.34

(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, 2020	(12,322)	(5,473)	2,363	32,702
Year ended March 31, 2019	2,580	(2,397)	8,509	48,154

2. Cash dividends

	Annual dividends per share					Total cash dividends	Dividend payout ratio	Ratio of dividends to equity attributable to owners of parent
	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, 2019	–	0.00	–	28.00	28.00	1,287	13.3	2.9
Year ended March 31, 2020	–	0.00	–	38.00	38.00	1,749	23.5	3.5
Year ending March 31, 2021 (Forecast)	–	–	–	–	–		–	

(Note 1. Breakdown of year-end dividends for the year ended March 31, 2020 Ordinary dividend: 28.00 Yen Commemorative dividend: 10.00 Yen)

(Note 2. 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 year ended March 31, 2020

(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 March 31, 2020	47,406,800 shares	As of March 31, 2019	47,341,600 shares
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Number of treasury shares at end of period

As of March 31, 2020	1,390,316 shares	As of March 31, 2019	1,391,452 shares
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Average number of shares during period

Year ended March 31, 2020	45,982,461 shares	Year ended March 31, 2019	46,465,122 shares
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Consolidated financial statements
Consolidated statement of financial position

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	48,154	32,702
Trade and other receivables	23,254	26,657
Inventories	232	319
Operational investment securities	26,695	36,546
Other financial assets	451	1,323
Income taxes receivable	6	324
Other current assets	394	980
Total current assets	99,186	98,852
Non-current assets		
Property, plant and equipment	9,421	21,367
Goodwill	6,575	7,689
Intangible assets	2,575	3,496
Investment property	3,046	2,932
Investments accounted for using equity method	19,139	21,475
Other financial assets	6,662	6,319
Deferred tax assets	137	45
Other non-current assets	148	120
Total non-current assets	47,704	63,444
Total assets	146,890	162,296

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	2,211	4,927
Trade and other payables	45,799	41,203
Other financial liabilities	853	1,783
Income taxes payable	1,076	207
Other current liabilities	2,482	2,717
Total current liabilities	52,420	50,838
Non-current liabilities		
Bonds and borrowings	35,959	38,247
Other financial liabilities	5,430	13,553
Retirement benefit liability	565	571
Provisions	321	589
Deferred tax liabilities	4,744	5,426
Other non-current liabilities	106	278
Total non-current liabilities	47,125	58,663
Total liabilities	99,545	109,501
Equity		
Share capital	7,504	7,591
Capital surplus	4,235	4,409
Treasury shares	(5,026)	(5,012)
Other components of equity	1,303	324
Retained earnings	38,593	44,721
Total equity attributable to owners of parent	46,609	52,033
Non-controlling interests	736	762
Total equity	47,345	52,795
Total liabilities and equity	146,890	162,296

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Continuing operations		
Revenue in recurring business	22,713	26,687
Revenue in operational investment securities	6,090	4,020
Other income	1,933	2,416
Finance income	117	93
Share of profit of investments accounted for using equity method	4,835	3,720
Total	35,687	36,936
Cost of sales	10,401	12,036
Selling, general and administrative expenses	11,296	14,022
Other expenses	332	492
Finance costs	235	379
Total	22,264	26,929
Profit before tax	13,424	10,008
Income tax expense	4,088	2,677
Profit from continuing operations	9,336	7,331
Discontinued operations		
Revenue	1,261	–
Expenses	1,655	–
Profit (loss) before tax from discontinued operations	(394)	–
Income tax expense	(225)	–
Profit (loss) after tax from discontinued operations	(169)	–
Gain (loss) on sales on discontinued operations	898	–
Income tax expense from sale of discontinued operations	275	–
Profit from discontinued operations	454	–
Profit	9,790	7,331
Profit (loss) attributable to		
Owners of parent	9,771	7,420
Non-controlling interests	19	(89)
Earnings per share		
Basic earnings per share		
Continuing operations	199.93	161.37
Discontinued operations	10.35	–
Total	210.28	161.37
Diluted earnings per share		
Continuing operations	189.51	147.82
Discontinued operations	9.75	–
Total	199.26	147.82

Consolidated statements of comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	9,790	7,331
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	(439)	(817)
Remeasurements of defined benefit plans	(3)	1
Share of other comprehensive income of investments accounted for using equity method	8	(64)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	159	(104)
Share of other comprehensive income of investments accounted for using equity method	(0)	(2)
Total other comprehensive income(loss)	(275)	(986)
Comprehensive income	9,515	6,345
Comprehensive income(loss) attributable to		
Owners of parent	9,499	6,435
Non-controlling interests	16	(90)

Consolidated statement of changes in equity

(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, 2018	7,465	3,748	(26)	504	1,071	0	1,575
Profit							–
Other comprehensive income				(428)	159	(3)	(272)
Comprehensive income	–	–	–	(428)	159	(3)	(272)
Issuance of new shares	39	39					–
Changes in ownership interest in subsidiaries		(491)					–
Change in scope of consolidation							–
Dividends							–
Share-based remuneration transactions		231					–
Forfeiture of share acquisition rights		6					–
Purchase of treasury shares		(5)	(5,000)				–
Issue of convertible bonds		703					–
Transfer from other components of equity to retained earnings				(0)			(0)
Other		5					–
Total	39	487	(5,000)	(0)	–	–	(0)
Balance at March 31, 2019	7,504	4,235	(5,026)	75	1,231	(3)	1,303
Profit							–
Other comprehensive income				(880)	(106)	1	(985)
Comprehensive income	–	–	–	(880)	(106)	1	(985)
Issuance of new shares	88	88					–
Changes in ownership interest in subsidiaries		1					–
Change in scope of consolidation		(62)					–
Dividends							–
Share-based remuneration transactions		145					–
Purchase of treasury shares			(0)				–
Disposal of treasury shares		(0)	14				–
Transfer from other components of equity to retained earnings				6			6
Other		2					–
Total	88	174	14	6	–	–	6
Balance at March 31, 2020	7,591	4,409	(5,012)	(798)	1,125	(2)	324

	(Millions of yen)			
	Equity attributable to owners of parent		Non-controlling	Total
	Retained earnings	Total	interests	
Balance at April 1, 2018	29,955	42,717	483	43,199
Profit	9,771	9,771	19	9,790
Other comprehensive income		(272)	(3)	(275)
Comprehensive income	9,771	9,499	16	9,515
Issuance of new shares		77		77
Changes in ownership interest in subsidiaries		(491)	937	446
Change in scope of consolidation		–	(638)	(638)
Dividends	(1,133)	(1,133)	(61)	(1,194)
Share-based remuneration transactions		231		231
Forfeiture of share acquisition rights		6		6
Purchase of treasury shares		(5,005)		(5,005)
Issue of convertible bonds		703		703
Transfer from other components of equity to retained earnings	0	–		–
Other		5		5
Total	(1,132)	(5,607)	238	(5,369)
Balance at March 31, 2019	38,593	46,609	736	47,345
Profit	7,420	7,420	(89)	7,331
Other comprehensive income		(985)	(1)	(986)
Comprehensive income	7,420	6,435	(90)	6,345
Issuance of new shares		175		175
Changes in ownership interest in subsidiaries		1	116	116
Change in scope of consolidation		(62)		(62)
Dividends	(1,287)	(1,287)		(1,287)
Share-based remuneration transactions		145		145
Purchase of treasury shares		(0)		(0)
Disposal of treasury shares		14		14
Transfer from other components of equity to retained earnings	(6)	–		–
Other		2		2
Total	(1,293)	(1,011)	116	(895)
Balance at March 31, 2020	44,721	52,033	762	52,795

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	13,424	10,008
Depreciation and amortization	1,952	2,369
Impairment losses	36	65
Interest and dividend income	(23)	(22)
Interest expenses on borrowings and bonds	235	249
Share of loss (profit) of investments accounted for using equity method	(4,835)	(3,720)
Loss (gain) on sales of shares of subsidiaries and associates	(1,152)	(1,283)
Decrease (increase) in trade and other receivables	(3,459)	(3,195)
Decrease (increase) in investment securities for sale	(10,085)	(9,810)
Decrease (increase) in inventories	(50)	(87)
Increase (decrease) in trade and other payables	6,719	(5,715)
Other	161	(223)
Subtotal	2,923	(11,363)
Interest and dividends received	1,312	1,664
Interest paid	(150)	(91)
Income taxes refund (paid)	(1,694)	(2,532)
Net cash provided by (used in) operating activities from discontinued operations	189	–
Net cash provided by (used in) operating activities	2,580	(12,322)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,265)	(3,494)
Purchase of intangible assets	(1,213)	(1,749)
Purchase of investment securities	(2,587)	(4)
Proceeds from sale of investment securities	949	0
Payments for acquisition of subsidiaries	–	(1,043)
Proceeds from sale of subsidiaries	1,072	–
Purchase of investments accounted for using equity method	(1,388)	(500)
Proceeds from sale of investments accounted for using equity method	2,033	1,462
Payments of leasehold and guarantee deposits	(50)	(792)
Other	84	646
Net cash provided by (used in) investing activities from discontinued operations	(34)	–
Net cash provided by (used in) investing activities	(2,397)	(5,473)

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(109)	82
Proceeds from long-term borrowings	–	5,300
Repayments of long-term borrowings	(9,836)	(511)
Proceeds from issuance of bonds with share acquisition rights	25,161	–
Repayments of lease liabilities	(867)	(1,435)
Capital contribution from non-controlling interests	422	116
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	(1,073)	(1,289)
Other	(14)	101
Net cash provided by (used in) financing activities from discontinued operations	(60)	–
Net cash provided by (used in) financing activities	8,509	2,363
Effect of exchange rate changes on cash and cash equivalents	12	(20)
Net increase (decrease) in cash and cash equivalents	8,704	(15,452)
Cash and cash equivalents at beginning of period	39,450	48,154
Cash and cash equivalents at end of period	48,154	32,702