

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on IFRS)

February 10, 2023

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
 Corporate Officer
 Inquiries: Co-Head of Corporate Division Nobuaki Doi TEL 03-6367-1111
 Scheduled date to file Quarterly Securities Report: February 13, 2023
 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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	%
Nine months ended December 31, 2022	22,333	(57.8)	(11,858)	–	(8,123)	–	(7,962)	–	(8,550)	–
Nine months ended December 31, 2021	52,888	84.2	33,679	259.8	22,640	271.3	22,801	262.3	22,210	191.5

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	(168.93)		(168.93)	
Nine months ended December 31, 2021	494.49		447.15	

(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 December 31, 2022	234,358	83,219	81,149	34.6
As of March 31, 2022	231,607	97,217	95,738	41.3

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, 2022	–	0.00	–	35.00	35.00
Year ending March 31, 2023	–	0.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	–	–

(Note 1. Revision to the dividend forecast most recently announced : No)

(Note 2. The dividend forecast for the fiscal year ending March 31, 2023 has not been determined.)

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

The Company does not disclose its consolidated financial results forecast because it is difficult to reasonably estimate the fair value of securities held by the Group at the end of the fiscal year in the field of investment and incubation in domestic and overseas unlisted companies in the Incubation Technology Segment.

4. Notes

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates
 Changes in accounting policies required by IFRS: No
 Changes in accounting policies due to other reasons: No
 Changes in accounting estimates: No

(3) Number of issued shares (ordinary shares)

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

As of December 31, 2022	47,603,900 shares	As of March 31, 2022	47,482,800 shares
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Number of treasury shares at end of period

As of December 31, 2022	1,509,426 shares	As of March 31, 2022	390,960 shares
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Average number of shares during period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	47,127,770 shares	Nine months ended December 31, 2021	46,110,155 shares
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Condensed quarterly consolidated financial statements
Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	43,415	68,906
Trade and other receivables	24,462	19,762
Inventories	347	401
Operational investment securities	77,950	72,193
Other financial assets	277	271
Income taxes receivable	88	521
Other current assets	1,103	981
Total current assets	147,642	163,035
Non-current assets		
Property, plant and equipment	18,423	17,178
Goodwill	6,804	6,801
Intangible assets	4,194	4,477
Investment property	3,171	3,393
Investments accounted for using equity method	27,808	26,098
Other financial assets	23,317	13,102
Deferred tax assets	17	16
Other non-current assets	231	257
Total non-current assets	83,965	71,323
Total assets	231,607	234,358

	(Millions of yen)	
	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	9,223	41,258
Trade and other payables	43,900	62,503
Other financial liabilities	1,666	1,673
Income taxes payable	394	598
Other current liabilities	4,059	3,486
Total current liabilities	59,242	109,517
Non-current liabilities		
Bonds and borrowings	40,710	14,654
Other financial liabilities	10,683	9,528
Retirement benefit liability	480	475
Provisions	480	476
Deferred tax liabilities	22,001	15,687
Other non-current liabilities	796	803
Total non-current liabilities	75,149	41,622
Total liabilities	134,390	151,140
Equity		
Share capital	7,692	7,825
Capital surplus	6,147	6,230
Treasury shares	(1,409)	(6,177)
Other components of equity	2,273	1,448
Retained earnings	81,035	71,823
Total equity attributable to owners of parent	95,738	81,149
Non-controlling interests	1,479	2,070
Total equity	97,217	83,219
Total liabilities and equity	231,607	234,358

Condensed quarterly consolidated statements of income

First nine months of fiscal year

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Revenue		
Revenue in recurring business	18,298	18,508
Revenue in operational investment securities	18,106	–
Other income	752	3,291
Finance income	11,914	391
Share of profit of investments accounted for using equity method	3,819	143
Total	52,888	22,333
Expenses		
Cost of sales	7,811	7,539
Loss in operational investment securities	–	6,009
Selling, general and administrative expenses	10,830	11,861
Other expenses	287	263
Finance costs	281	8,520
Total	19,209	34,191
Profit (loss) before tax	33,679	(11,858)
Income tax expense	11,038	(3,735)
Profit (loss)	22,640	(8,123)
Profit (loss) attributable to		
Owners of parent	22,801	(7,962)
Non-controlling interests	(161)	(161)
Earnings (loss) per share		
Basic earnings (loss) per share	494.49	(168.93)
Diluted earnings (loss) per share	447.15	(168.93)

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter ended December 31, 2021	3rd quarter ended December 31, 2022
Revenue		
Revenue in recurring business	6,226	6,362
Revenue in operational investment securities	4,378	(233)
Other income	202	2,955
Finance income	513	(650)
Share of profit of investments accounted for using equity method	1,461	(665)
Total	12,779	7,769
Expenses		
Cost of sales	2,662	2,421
Loss in operational investment securities	—	6,009
Selling, general and administrative expenses	3,696	3,992
Other expenses	99	96
Finance costs	69	468
Total	6,526	12,986
Profit (loss) before tax	6,253	(5,216)
Income tax expense	2,022	(1,533)
Profit (loss)	4,232	(3,684)
Profit (loss) attributable to		
Owners of parent	4,305	(3,611)
Non-controlling interests	(74)	(73)
Earnings (loss) per share		
Basic earnings (loss) per share	93.33	(76.80)
Diluted earnings (loss) per share	84.62	(76.80)

Condensed quarterly consolidated statements of comprehensive income

First nine months of fiscal year

	Nine months ended December 31, 2021	(Millions of yen) Nine months ended December 31, 2022
Profit (loss)	22,640	(8,123)
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	(564)	(885)
Share of other comprehensive income of investments accounted for using equity method	(14)	17
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	147	441
Share of other comprehensive income of investments accounted for using equity method	(0)	0
Other comprehensive income, net of tax	(431)	(427)
Comprehensive income	22,210	(8,550)
Comprehensive income attributable to		
Owners of parent	22,369	(8,389)
Non-controlling interests	(160)	(161)

Stand-alone 3rd quarter of fiscal year

	(Millions of yen)	
	3rd quarter ended December 31, 2021	3rd quarter ended December 31, 2022
Profit (loss)	4,232	(3,684)
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	(157)	(57)
Share of other comprehensive income of investments accounted for using equity method	(4)	(5)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	126	(497)
Share of other comprehensive income of investments accounted for using equity method	(0)	0
Other comprehensive income, net of tax	(35)	(559)
Comprehensive income	4,196	(4,243)
Comprehensive income attributable to		
Owners of parent	4,269	(4,164)
Non-controlling interests	(73)	(79)

Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(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, 2021	7,637	4,566	(4,915)	853	1,217	(7)	2,062
Profit (loss)							–
Other comprehensive income				(577)	146		(432)
Comprehensive income	–	–	–	(577)	146	–	(432)
Issuance of new shares	44	44					–
Changes in ownership interest in subsidiaries		170					–
Change in scope of consolidation							–
Dividends							–
Share-based payment transactions		188	84				–
Transfer from other components of equity to retained earnings				(175)			(175)
Other		(63)					–
Total	44	339	84	(175)	–	–	(175)
Balance at December 31, 2021	7,681	4,905	(4,831)	100	1,362	(7)	1,455

(Millions of yen)

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance at April 1, 2021	52,785	62,134	947	63,082
Profit (loss)	22,801	22,801	(161)	22,640
Other comprehensive income		(432)	1	(431)
Comprehensive income	22,801	22,369	(160)	22,210
Issuance of new shares		87		87
Changes in ownership interest in subsidiaries		170	569	739
Change in scope of consolidation		–	67	67
Dividends	(1,475)	(1,475)		(1,475)
Share-based payment transactions		272		272
Transfer from other components of equity to retained earnings	175	–		–
Other	25	(38)		(38)
Total	(1,274)	(983)	636	(347)
Balance at December 31, 2021	74,312	83,521	1,423	84,944

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022	7,692	6,147	(1,409)	613	1,660	0	2,273
Profit (loss)							–
Other comprehensive income				(868)	441		(428)
Comprehensive income	–	–	–	(868)	441	–	(428)
Issuance of new shares	133	133					–
Changes in ownership interest in subsidiaries		13					–
Dividends							–
Share-based payment transactions		(37)	116				–
Purchase of treasury shares		(12)	(4,884)				–
Transfer from other components of equity to retained earnings				(397)			(397)
Other		(14)					–
Total	133	83	(4,767)	(397)	–	–	(397)
Balance at December 31, 2022	7,825	6,230	(6,177)	(653)	2,101	0	1,448

(Millions of yen)

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance at April 1, 2022	81,035	95,738	1,479	97,217
Profit (loss)	(7,962)	(7,962)	(161)	(8,123)
Other comprehensive income		(428)	0	(427)
Comprehensive income	(7,962)	(8,389)	(161)	(8,550)
Issuance of new shares		265		265
Changes in ownership interest in subsidiaries		13	752	765
Dividends	(1,648)	(1,648)		(1,648)
Share-based payment transactions		79		79
Purchase of treasury shares		(4,896)		(4,896)
Transfer from other components of equity to retained earnings	397	–		–
Other		(14)		(14)
Total	(1,251)	(6,200)	752	(5,448)
Balance at December 31, 2022	71,823	81,149	2,070	83,219

Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit (loss) before tax	33,679	(11,858)
Depreciation and amortization	2,689	2,716
Interest and dividend income	(11)	(53)
Interest expenses on borrowings and bonds	179	202
Share of loss (profit) of investments accounted for using equity method	(3,819)	(143)
Loss (gain) on investment securities	(11,666)	8,308
Loss (gain) on sales of shares of subsidiaries and associates	–	(2,720)
Decrease (increase) in trade and other receivables	6,489	4,752
Decrease (increase) in investment securities for sale	(19,427)	6,119
Decrease (increase) in inventories	(4)	(54)
Increase (decrease) in trade and other payables	9,772	18,299
Increase (decrease) in accrued consumption taxes	(899)	(167)
Other	160	(395)
Subtotal	17,143	25,004
Interest and dividends received	1,453	1,501
Interest paid	(48)	(76)
Income taxes refund (paid)	(2,464)	(1,767)
Net cash provided by (used in) operating activities	16,082	24,661
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,467)	(300)
Purchase of intangible assets	(982)	(1,221)
Purchase of investment securities	(15)	(3)
Proceeds from sale of investment securities	340	846
Payments for acquisition of subsidiaries	(301)	–
Purchase of investments accounted for using equity method	(550)	(538)
Proceeds from sale of investments accounted for using equity method	–	3,337
Other	114	26
Net cash provided by (used in) investing activities	(2,861)	2,148
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,680	6,560
Proceeds from long-term borrowings	10,100	1,100
Repayments of long-term borrowings	(9,864)	(1,921)
Repayments of lease liabilities	(1,307)	(1,300)
Capital contribution from non-controlling interests	806	765
Purchase of treasury shares	–	(4,896)
Dividends paid	(1,474)	(1,647)
Other	(86)	16
Net cash provided by (used in) financing activities	856	(1,323)
Effect of exchange rate changes on cash and cash equivalents	66	4
Net increase (decrease) in cash and cash equivalents	14,144	25,490
Cash and cash equivalents at beginning of period	37,989	43,415
Cash and cash equivalents	52,132	68,906