

Translation

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

May 11, 2020

Company name: Dream Incubator Inc.
 Stock exchange listing: Tokyo
 Stock code: 4310 URL <https://www.dreamincubator.co.jp/>
 Representative: President and Representative Director Takayoshi Yamakawa
 Corporate Administration Group
 Inquiries: Leader Toshihiro Uemura TEL 03-5532-3200
 Scheduled date of ordinary general meeting of shareholders: June 15, 2020
 Scheduled date to file Securities Report: June 15, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors)

(Amounts less than one million yen are rounded down)

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

	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, 2020	22,595	9.1	12	(90.1)	(25)	–	(198)	–
Year ended March 31, 2019	20,705	12.4	124	(93.3)	277	(85.5)	378	(57.9)

	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, 2020	(20.31)	–	(1.8)	(0.1)	0.1
Year ended March 31, 2019	38.64	36.67	3.5	1.3	0.6

(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, 2020	26,424	13,638	40.2	1,090.75
As of March 31, 2019	24,705	13,855	45.5	1,141.46

(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	1,424	(2,664)	401	4,627
Year ended March 31, 2019	1,292	(3,285)	2,891	5,512

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, 2019	0.00	0.00	0.00	0.00	0.00	–	–	–
Year ended March 31, 2020	0.00	0.00	0.00	0.00	0.00	–	–	–

3. 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): Yes
- (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: No
- 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, 2020	10,381,400 shares	As of March 31, 2019	10,350,300 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	638,047 shares	As of March 31, 2019	502,761 shares
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Average number of shares during the period

Year ended March 31, 2020	9,768,500 shares	Year ended March 31, 2019	9,806,200 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	6,559	4,745
Notes and accounts receivable - trade	2,695	2,917
Money held in trust	–	1,013
Operational investment securities	5,789	6,392
Allowance for investment loss	(93)	(150)
Inventories	29	34
Accounts receivable - other	220	141
Income taxes receivable	276	16
Other	452	425
Allowance for doubtful accounts	(3)	(7)
Total current assets	15,926	15,528
Non-current assets		
Property, plant and equipment		
Land	–	202
Buildings and structures	229	235
Accumulated depreciation	(117)	(126)
Buildings and structures, net	112	109
Other	480	435
Accumulated depreciation	(251)	(255)
Other, net	229	179
Total property, plant and equipment	341	491
Intangible assets		
Goodwill	566	403
Software in progress	1,252	1,982
Other	221	202
Total intangible assets	2,041	2,588
Investments and other assets		
Investment securities	4,473	5,961
Long-term loans receivable	144	147
Deferred tax assets	1,131	1,372
Other	683	402
Allowance for doubtful accounts	(36)	(67)
Total investments and other assets	6,396	7,815
Total non-current assets	8,779	10,895
Total assets	24,705	26,424

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	131	194
Short-term borrowings	400	825
Current portion of long-term borrowings	289	286
Lease obligations	8	11
Accounts payable - other	599	346
Reserve for contract of insurance	7,019	8,869
Outstanding claims	963	1,290
Policy reserve	6,056	7,579
Income taxes payable	398	249
Provision for shareholder benefit program	18	31
Provision for bonuses	126	144
Provision for bonuses for directors (and other officers)	30	–
Other	480	564
Total current liabilities	9,502	11,521
Non-current liabilities		
Long-term borrowings	998	912
Lease obligations	20	28
Deferred tax liabilities	53	41
Provision for share-based remuneration	267	268
Other	7	14
Total non-current liabilities	1,347	1,265
Total liabilities	10,850	12,786
Net assets		
Shareholders' equity		
Share capital	4,964	4,978
Capital surplus	4,411	4,412
Retained earnings	3,275	3,078
Treasury shares	(882)	(1,073)
Total shareholders' equity	11,768	11,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(422)	(644)
Foreign currency translation adjustment	(105)	(125)
Total accumulated other comprehensive income	(528)	(769)
Share acquisition rights	49	40
Non-controlling interests	2,564	2,970
Total net assets	13,855	13,638
Total liabilities and net assets	24,705	26,424

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
Net sales	20,705	22,595
Cost of sales	11,401	12,266
Gross profit	9,303	10,328
Selling, general and administrative expenses	9,178	10,316
Operating profit	124	12
Non-operating income		
Interest income	18	25
Dividend income	53	116
Gain on sales of investment securities	86	–
Foreign exchange gains	4	–
Other	17	20
Total non-operating income	181	162
Non-operating expenses		
Interest expenses	5	9
Loss on sales of investment securities	–	81
Loss on valuation of investment securities	11	13
Loss on retirement of non-current assets	0	52
Foreign exchange losses	–	22
Provision of allowance for doubtful accounts	0	–
Price change reserve provision	3	6
Other	6	16
Total non-operating expenses	28	200
Ordinary profit (loss)	277	(25)
Extraordinary income		
Gain on reversal of share acquisition rights	0	–
Settlement received	170	–
Gain on liquidation of business	–	13
Total extraordinary income	170	13
Extraordinary losses		
Impairment loss	2	–
Total extraordinary losses	2	–
Profit (loss) before income taxes	444	(12)
Income taxes - current	472	381
Income taxes - deferred	(712)	(282)
Total income taxes	(239)	99
Profit (loss)	684	(111)
Profit attributable to non-controlling interests	305	86
Profit (loss) attributable to owners of parent	378	(198)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit (loss)	684	(111)
Other comprehensive income		
Valuation difference on available-for-sale securities	(114)	(271)
Foreign currency translation adjustment	1	(19)
Total other comprehensive income	(112)	(291)
Comprehensive income	572	(403)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	266	(439)
Comprehensive income attributable to non-controlling interests	305	36

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,940	3,801	3,158	(942)	10,958
Changes during period					
Issuance of new shares - exercise of share acquisition rights	23	23			46
Dividends of surplus			(262)		(262)
Increase in retained earnings due to exclusion of subsidiaries from consolidation			-		-
Profit (loss) attributable to owners of parent			378		378
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(31)		60	28
Change in ownership interest of parent due to transactions with non-controlling interests		619			619
Net changes in items other than shareholders' equity					-
Total changes during period	23	610	116	59	810
Balance at end of period	4,964	4,411	3,275	(882)	11,768

	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 period	(308)	(106)	(415)	64	1,038	11,646
Changes during period						
Issuance of new shares - exercise of share acquisition rights						46
Dividends of surplus						(262)
Increase in retained earnings due to exclusion of subsidiaries from consolidation						-
Profit (loss) attributable to owners of parent						378
Purchase of treasury shares						(0)
Disposal of treasury shares						28
Change in ownership interest of parent due to transactions with non-controlling interests						619
Net changes in items other than shareholders' equity	(113)	1	(112)	(15)	1,526	1,398
Total changes during period	(113)	1	(112)	(15)	1,526	2,209
Balance at end of period	(422)	(105)	(528)	49	2,564	13,855

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,964	4,411	3,275	(882)	11,768
Changes during period					
Issuance of new shares - exercise of share acquisition rights	14	14			28
Dividends of surplus			-		-
Increase in retained earnings due to exclusion of subsidiaries from consolidation			1		1
Profit (loss) attributable to owners of parent			(198)		(198)
Purchase of treasury shares				(299)	(299)
Disposal of treasury shares				109	109
Change in ownership interest of parent due to transactions with non-controlling interests		(13)			(13)
Net changes in items other than shareholders' equity					-
Total changes during period	14	0	(196)	(190)	(371)
Balance at end of period	4,978	4,412	3,078	(1,073)	11,396

	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 period	(422)	(105)	(528)	49	2,564	13,855
Changes during period						
Issuance of new shares - exercise of share acquisition rights						28
Dividends of surplus						-
Increase in retained earnings due to exclusion of subsidiaries from consolidation						1
Profit (loss) attributable to owners of parent						(198)
Purchase of treasury shares						(299)
Disposal of treasury shares						109
Change in ownership interest of parent due to transactions with non-controlling interests						(13)
Net changes in items other than shareholders' equity	(221)	(19)	(241)	(9)	405	154
Total changes during period	(221)	(19)	(241)	(9)	405	(216)
Balance at end of period	(644)	(125)	(769)	40	2,970	13,638

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 (loss) before income taxes	444	(12)
Depreciation	122	160
Impairment loss	2	–
Amortization of goodwill	138	163
Increase (decrease) in outstanding claims	168	326
Increase (decrease) in policy reserve and other	1,289	1,522
Increase (decrease) in allowance for investment loss	(397)	56
Increase (decrease) in allowance for doubtful accounts	(25)	4
Increase (decrease) in provision for bonuses	26	18
Increase (decrease) in provision for bonuses for directors (and other officers)	30	(30)
Increase (decrease) in provision for share-based remuneration	52	0
Increase (decrease) in provision for shareholder benefit program	18	12
Interest and dividend income	(71)	(142)
Foreign exchange losses (gains)	5	16
Settlement received	(170)	–
Gain on liquidation of business	–	(13)
Loss (gain) on sales of investment securities	(86)	81
Loss (gain) on valuation of investment securities	11	13
Decrease (increase) in investment securities for sale	778	(757)
Decrease (increase) in trade receivables	(139)	(230)
Decrease (increase) in inventories	(11)	(5)
Decrease (increase) in accounts receivable - other	30	(12)
Increase (decrease) in trade payables	0	64
Increase (decrease) in accounts payable - other	(177)	(48)
Other, net	(49)	367
Subtotal	1,989	1,557
Interest and dividends received	76	140
Interest paid	(7)	(9)
Settlement package received	170	–
Income taxes refund	1	272
Income taxes paid	(937)	(536)
Net cash provided by (used in) operating activities	1,292	1,424
Cash flows from investing activities		
Payments into time deposits	(2,650)	(105)
Proceeds from withdrawal of time deposits	3,292	1,028
Proceeds for long-term deposits	–	200
Purchase of property, plant and equipment	(227)	(234)
Purchase of intangible assets	(927)	(851)
Net decrease (increase) in investment securities	(2,206)	(1,738)
Investments in money held in trust	–	(1,007)
Payments of leasehold and guarantee deposits	(131)	(12)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(393)	–
Proceeds from liquidation of businesses	–	24
Loan advances	(112)	(25)
Other, net	71	57
Net cash provided by (used in) investing activities	(3,285)	(2,664)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Proceeds from issuance of shares	31	19
Net increase (decrease) in short-term borrowings	400	425
Proceeds from long-term borrowings	1,140	200
Repayments of long-term borrowings	(177)	(289)
Dividends paid	(262)	(0)
Proceeds from share issuance to non-controlling shareholders	1,493	40
Contributions from non-controlling interests in consolidated investment funds	275	315
Purchase of treasury shares	(0)	(299)
Other, net	(8)	(8)
Net cash provided by (used in) financing activities	2,891	401
Effect of exchange rate change on cash and cash equivalents	(1)	(23)
Net increase (decrease) in cash and cash equivalents	896	(862)
Cash and cash equivalents at beginning of period	4,616	5,512
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(22)
Cash and cash equivalents at end of period	5,512	4,627