

Translation

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

October 30, 2018

Company name: Dream Incubator Inc.
 Stock exchange listing: Tokyo
 Stock code: 4310 URL <http://www.dreamincubator.co.jp>
 Representative: President and Representative Director Takayoshi Yamakawa
 Corporate Administration Group
 Inquiries: Leader Toshihiro Uemura TEL 03-5532-3200
 Scheduled date to file Quarterly Securities Report: November 8, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(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	9,774	32.0	62	(83.4)	223	(46.1)	411	324.6
Six months ended September 30, 2017	7,404	8.0	374	(45.6)	414	(41.1)	96	(78.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	42.04	40.17
Six months ended September 30, 2017	9.98	9.79

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	23,089	13,707	49.1
As of March 31, 2018	19,368	11,646	54.4

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	0.00	0.00	26.00	26.00
Year ending March 31, 2019	0.00	0.00			
Year ending March 31, 2019 (Forecast)			0.00	–	–

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	10,305,300 shares	As of March 31, 2018	10,300,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	506,615 shares	As of March 31, 2018	526,682 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	9,790,242 shares	Six months ended September 30, 2017	9,716,434 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	6,299	7,752
Notes and accounts receivable - trade	2,460	2,168
Operational investment securities	6,661	5,390
Allowance for investment loss	(490)	(1)
Inventories	17	20
Accounts receivable - other	23	239
Other	291	448
Allowance for doubtful accounts	(28)	(2)
Total current assets	15,235	16,016
Non-current assets		
Property, plant and equipment	197	251
Intangible assets		
Goodwill	349	648
Other	368	893
Total intangible assets	718	1,541
Investments and other assets		
Investment securities	2,262	3,753
Long-term loans receivable	78	47
Deferred tax assets	385	945
Other	526	569
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	3,217	5,279
Total non-current assets	4,133	7,073
Total assets	19,368	23,089

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Current portion of long-term loans payable	100	254
Lease obligations	8	8
Accounts payable - other	531	671
Reserve for insurance policy liabilities	5,560	6,222
Outstanding claims	794	904
Policy reserve	4,766	5,318
Income taxes payable	556	186
Provision for bonuses	100	114
Provision for directors' bonuses	–	15
Other	390	522
Total current liabilities	7,247	7,994
Non-current liabilities		
Long-term loans payable	225	1,061
Lease obligations	26	25
Deferred tax liabilities	3	63
Provision for stocks payment	215	232
Other	3	5
Total non-current liabilities	474	1,387
Total liabilities	7,722	9,382
Net assets		
Shareholders' equity		
Capital stock	4,940	4,943
Capital surplus	3,801	4,378
Retained earnings	3,158	3,308
Treasury shares	(942)	(889)
Total shareholders' equity	10,958	11,741
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(308)	(302)
Foreign currency translation adjustment	(106)	(93)
Total accumulated other comprehensive income	(415)	(396)
Share acquisition rights	64	63
Non-controlling interests	1,038	2,298
Total net assets	11,646	13,707
Total liabilities and net assets	19,368	23,089

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	7,404	9,774
Cost of sales	3,417	5,306
Gross profit	3,986	4,467
Selling, general and administrative expenses	3,612	4,405
Operating profit	374	62
Non-operating income		
Interest income	9	7
Dividend income	13	25
Gain on sales of investment securities	20	100
Foreign exchange gains	1	2
Reversal of allowance for doubtful accounts	5	–
Other	6	30
Total non-operating income	55	167
Non-operating expenses		
Interest expenses	1	1
Compensation expenses	9	1
Price change reserve provision	0	1
Other	3	1
Total non-operating expenses	15	5
Ordinary profit	414	223
Extraordinary income		
Gain on reversal of share acquisition rights	–	0
Total extraordinary income	–	0
Extraordinary losses		
Loss on retirement of non-current assets	256	–
Total extraordinary losses	256	–
Profit before income taxes	158	223
Income taxes - current	125	136
Income taxes - deferred	(17)	(543)
Total income taxes	108	(406)
Profit	50	630
Profit (loss) attributable to non-controlling interests	(46)	218
Profit attributable to owners of parent	96	411

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	50	630
Other comprehensive income		
Valuation difference on available-for-sale securities	(81)	3
Foreign currency translation adjustment	(1)	14
Total other comprehensive income	(82)	17
Comprehensive income	(32)	648
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18	431
Comprehensive income attributable to non-controlling interests	(51)	216

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	158	223
Depreciation	39	44
Amortization of goodwill	56	56
Increase (decrease) in outstanding claims	197	109
Increase (decrease) in policy reserve	362	552
Increase (decrease) in allowance for investment loss	–	(489)
Increase (decrease) in allowance for doubtful accounts	(5)	(26)
Increase (decrease) in provision for bonuses	0	14
Increase (decrease) in provision for directors' bonuses	(4)	15
Increase (decrease) in provision for stocks payment	50	17
Foreign exchange losses (gains)	(1)	(3)
Loss (gain) on sales of investment securities	(20)	(100)
Decrease (increase) in investment securities for sale	(550)	1,255
Decrease (increase) in notes and accounts receivable - trade	(184)	387
Decrease (increase) in accounts receivable - other	(6)	37
Increase (decrease) in accounts payable - other	(36)	(234)
Other, net	209	(190)
Subtotal	266	1,668
Interest and dividend income received	17	31
Interest expenses paid	(1)	(3)
Income taxes paid	(358)	(502)
Net cash provided by (used in) operating activities	(75)	1,195
Cash flows from investing activities		
Payments into time deposits	(1,690)	(1,114)
Proceeds from withdrawal of time deposits	1,687	1,491
Purchase of property, plant and equipment	(48)	(35)
Purchase of intangible assets	(107)	(301)
Net decrease (increase) in investment securities	(672)	(1,404)
Payments for lease and guarantee deposits	(3)	(53)
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	(353)
Payments of loans receivable	(23)	(9)
Other, net	22	60
Net cash provided by (used in) investing activities	(836)	(1,719)
Cash flows from financing activities		
Proceeds from issuance of common shares	4	3
Proceeds from long-term loans payable	–	1,040
Repayments of long-term loans payable	(50)	(50)
Cash dividends paid	(31)	(262)
Proceeds from share issuance to non-controlling shareholders	–	1,485
Contributions from non-controlling interests in consolidated investment funds	–	125
Other, net	(1)	(4)
Net cash provided by (used in) financing activities	(78)	2,337
Effect of exchange rate change on cash and cash equivalents	7	9
Net increase (decrease) in cash and cash equivalents	(982)	1,822
Cash and cash equivalents at beginning of period	5,723	4,616
Cash and cash equivalents at end of period	4,741	6,438