

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

November 9, 2021

Company name: Dream Incubator Inc.
 Stock exchange listing: Tokyo
 Stock code: 4310 URL <https://www.dreamincubator.co.jp>
 Representative: Representative Director and CEO Tetsuro Harada
 Inquiries: Executive Officer, Corporate Toshihiro Uemura TEL 03-5532-3200
 Scheduled date to file Quarterly Securities Report: November 12, 2021
 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, 2021 (from April 1, 2021 to September 30, 2021)

(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, 2021	16,795	25.9	(233)	–	(29)	–	(129)	–
Six months ended September 30, 2020	13,343	24.7	(145)	–	(68)	–	(243)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	(13.41)	–
Six months ended September 30, 2020	(24.87)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	31,476	13,667	29.3
As of March 31, 2021	29,549	13,196	31.3

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, 2021	0.00	0.00	0.00	0.00	–
Year ending March 31, 2022	0.00	0.00			
Year ending March 31, 2022 (Forecast)			0.00	–	–

3. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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: Yes
- 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, 2021	10,429,500 shares	As of March 31, 2021	10,421,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2021	725,618 shares	As of March 31, 2021	755,076 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, 2021	9,681,552 shares	Six months ended September 30, 2020	9,775,653 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	4,327	10,401
Notes and accounts receivable - trade	3,930	–
Notes and accounts receivable - trade, and contract assets	–	4,524
Operational investment securities	6,738	7,663
Securities	8,122	2,773
Allowance for investment loss	(357)	(357)
Inventories	35	63
Other	745	887
Allowance for doubtful accounts	(15)	(14)
Total current assets	23,528	25,943
Non-current assets		
Property, plant and equipment	680	910
Intangible assets		
Goodwill	817	882
Other	1,184	1,082
Total intangible assets	2,001	1,965
Investments and other assets		
Investment securities	1,176	399
Deferred tax assets	1,753	1,851
Other	471	468
Allowance for doubtful accounts	(62)	(62)
Total investments and other assets	3,339	2,657
Total non-current assets	6,021	5,533
Total assets	29,549	31,476

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	384	465
Short-term borrowings	1,400	1,000
Current portion of long-term borrowings	238	190
Reserve for insurance policy liabilities	11,287	12,734
Outstanding claims	1,801	2,029
Policy reserve	9,485	10,704
Income taxes payable	218	164
Provision for shareholder benefit program	28	6
Provision for bonuses	152	181
Other	1,110	1,561
Total current liabilities	14,819	16,305
Non-current liabilities		
Long-term borrowings	1,044	980
Deferred tax liabilities	132	176
Provision for share awards	272	284
Other	85	62
Total non-current liabilities	1,533	1,503
Total liabilities	16,353	17,809
Net assets		
Shareholders' equity		
Share capital	4,998	5,001
Capital surplus	4,446	4,449
Retained earnings	976	805
Treasury shares	(1,184)	(1,134)
Total shareholders' equity	9,237	9,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103	208
Foreign currency translation adjustment	(104)	(97)
Total accumulated other comprehensive income	(0)	110
Share acquisition rights	13	11
Non-controlling interests	3,945	4,423
Total net assets	13,196	13,667
Total liabilities and net assets	29,549	31,476

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, 2020	Six months ended September 30, 2021
Net sales	13,343	16,795
Cost of sales	7,949	9,755
Gross profit	5,394	7,040
Selling, general and administrative expenses	5,540	7,273
Operating loss	(145)	(233)
Non-operating income		
Interest income	9	8
Dividend income	5	1
Gain on sale of investment securities	104	191
Other	5	18
Total non-operating income	124	219
Non-operating expenses		
Interest expenses	5	5
Foreign exchange losses	17	5
Price change reserve provision	3	1
Other	21	2
Total non-operating expenses	47	15
Ordinary loss	(68)	(29)
Extraordinary income		
Gain on reversal of share acquisition rights	14	–
Total extraordinary income	14	–
Extraordinary losses		
Retirement benefits for directors (and other officers)	60	–
Total extraordinary losses	60	–
Loss before income taxes	(113)	(29)
Income taxes - current	144	63
Income taxes - deferred	(38)	(1)
Total income taxes	106	62
Loss	(219)	(91)
Profit attributable to non-controlling interests	23	38
Loss attributable to owners of parent	(243)	(129)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Loss	(219)	(91)
Other comprehensive income		
Valuation difference on available-for-sale securities	656	88
Foreign currency translation adjustment	0	6
Total other comprehensive income	656	94
Comprehensive income	437	3
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	384	(18)
Comprehensive income attributable to non-controlling interests	52	21

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Loss before income taxes	(113)	(29)
Depreciation	63	170
Amortization of goodwill	81	80
Increase (decrease) in outstanding claims	248	228
Increase (decrease) in policy reserve	797	1,218
Increase (decrease) in allowance for investment loss	26	–
Increase (decrease) in allowance for doubtful accounts	10	(1)
Increase (decrease) in provision for bonuses	(13)	29
Increase (decrease) in provision for share awards	(30)	12
Increase (decrease) in provision for shareholder benefit program	(22)	(21)
Interest and dividend income	(14)	(9)
Foreign exchange losses (gains)	16	5
Loss (gain) on sale of investment securities	(104)	(191)
Decrease (increase) in investment securities for sale	562	(504)
Decrease (increase) in short-term investment securities	406	5,282
Decrease (increase) in money held in trust	(6)	–
Decrease (increase) in trade receivables	(29)	(592)
Decrease (increase) in inventories	4	(28)
Decrease (increase) in accounts receivable - other	127	(44)
Increase (decrease) in trade payables	(55)	81
Increase (decrease) in accounts payable - other	(27)	25
Other, net	(144)	162
Subtotal	1,780	5,874
Interest and dividends received	13	11
Interest paid	(4)	(5)
Income taxes refund	8	13
Income taxes paid	(185)	(179)
Net cash provided by (used in) operating activities	1,612	5,714
Cash flows from investing activities		
Payments into time deposits	(47)	(152)
Proceeds from withdrawal of time deposits	55	150
Purchase of property, plant and equipment	(159)	(320)
Purchase of intangible assets	(280)	(49)
Decrease (increase) in short-term investment securities	154	731
Payments of leasehold and guarantee deposits	(44)	(5)
Loan advances	(25)	(5)
Other, net	11	62
Net cash provided by (used in) investing activities	(336)	410

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from financing activities		
Proceeds from issuance of shares	15	4
Net increase (decrease) in short-term borrowings	(200)	(400)
Proceeds from long-term borrowings	100	20
Repayments of long-term borrowings	(143)	(131)
Proceeds from share issuance to non-controlling shareholders	2	4
Contributions from non-controlling interests in consolidated investment funds	665	566
Distributions to non-controlling interests in consolidated investment funds	–	(111)
Purchase of treasury shares	(7)	(0)
Other, net	(5)	(4)
Net cash provided by (used in) financing activities	427	(52)
Effect of exchange rate change on cash and cash equivalents	(16)	(3)
Net increase (decrease) in cash and cash equivalents	1,686	6,069
Cash and cash equivalents at beginning of period	4,627	4,220
Cash and cash equivalents at end of period	6,314	10,289