

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

October 29, 2020

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  
 Corporate Administration Group  
 Inquiries: Leader Toshihiro Uemura TEL 03-5532-3200  
 Scheduled date to file Quarterly Securities Report: November 6, 2020  
 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, 2020 (from April 1, 2020 to September 30, 2020)

(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, 2020	13,343	24.7	(145)	–	(68)	–	(243)	–
Six months ended September 30, 2019	10,696	9.2	(19)	–	(147)	–	(144)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	(24.87)	–
Six months ended September 30, 2019	(14.78)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	28,123	14,809	39.5
As of March 31, 2020	26,424	13,638	40.2

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, 2020	0.00	0.00	0.00	0.00	–
Year ending March 31, 2021	0.00	0.00			
Year ending March 31, 2021 (Forecast)			0.00	–	–

3. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020  
(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, 2020	10,405,100 shares	As of March 31, 2020	10,381,400 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	602,992 shares	As of March 31, 2020	638,047 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, 2020	9,775,653 shares	Six months ended September 30, 2019	9,795,886 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	4,745	6,423
Notes and accounts receivable - trade	2,917	2,945
Money held in trust	1,013	1,020
Operational investment securities	6,392	6,057
Securities	4,968	4,626
Allowance for investment loss	(150)	(176)
Inventories	34	30
Current portion of long-term loans receivable	–	56
Other	583	595
Allowance for doubtful accounts	(7)	(16)
Total current assets	20,497	21,562
Non-current assets		
Property, plant and equipment	491	622
Intangible assets		
Goodwill	403	321
Software in progress	1,982	2,232
Other	202	189
Total intangible assets	2,588	2,744
Investments and other assets		
Investment securities	992	1,442
Long-term loans receivable	147	119
Deferred tax assets	1,372	1,271
Other	402	429
Allowance for doubtful accounts	(67)	(69)
Total investments and other assets	2,847	3,194
Total non-current assets	5,927	6,561
Total assets	26,424	28,123

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	194	138
Short-term borrowings	825	625
Current portion of long-term borrowings	286	261
Lease obligations	11	11
Accounts payable - other	346	306
Reserve for insurance policy liabilities	8,869	9,914
Outstanding claims	1,290	1,538
Policy reserve	7,579	8,376
Income taxes payable	249	191
Provision for shareholder benefit program	31	8
Provision for bonuses	144	130
Other	564	491
Total current liabilities	11,521	12,079
Non-current liabilities		
Long-term borrowings	912	894
Lease obligations	28	27
Deferred tax liabilities	41	37
Provision for share-based remuneration	268	237
Other	14	37
Total non-current liabilities	1,265	1,233
Total liabilities	12,786	13,313
Net assets		
Shareholders' equity		
Share capital	4,978	4,989
Capital surplus	4,412	4,435
Retained earnings	3,078	2,835
Treasury shares	(1,073)	(1,008)
Total shareholders' equity	11,396	11,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(644)	(16)
Foreign currency translation adjustment	(125)	(125)
Total accumulated other comprehensive income	(769)	(141)
Share acquisition rights	40	18
Non-controlling interests	2,970	3,680
Total net assets	13,638	14,809
Total liabilities and net assets	26,424	28,123

**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, 2019	Six months ended September 30, 2020
Net sales	10,696	13,343
Cost of sales	5,774	7,949
Gross profit	4,921	5,394
Selling, general and administrative expenses	4,941	5,540
Operating loss	(19)	(145)
Non-operating income		
Interest income	10	9
Dividend income	3	5
Gain on sales of investment securities	–	104
Other	6	5
Total non-operating income	21	124
Non-operating expenses		
Interest expenses	4	5
Loss on sales of investment securities	109	–
Foreign exchange losses	12	17
Price change reserve provision	3	3
Loss on amortization of restricted stock remuneration	0	10
Other	18	11
Total non-operating expenses	148	47
Ordinary loss	(147)	(68)
Extraordinary income		
Gain on reversal of share acquisition rights	–	14
Gain on liquidation of business	13	–
Total extraordinary income	13	14
Extraordinary losses		
Retirement benefits for directors (and other officers)	–	60
Total extraordinary losses	–	60
Loss before income taxes	(133)	(113)
Income taxes - current	186	144
Income taxes - deferred	(235)	(38)
Total income taxes	(49)	106
Loss	(84)	(219)
Profit attributable to non-controlling interests	59	23
Loss attributable to owners of parent	(144)	(243)

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Loss	(84)	(219)
Other comprehensive income		
Valuation difference on available-for-sale securities	(94)	656
Foreign currency translation adjustment	(3)	0
Total other comprehensive income	(97)	656
Comprehensive income	(182)	437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(245)	384
Comprehensive income attributable to non-controlling interests	62	52

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Loss before income taxes	(133)	(113)
Depreciation	78	63
Amortization of goodwill	81	81
Gain on liquidation of business	(13)	–
Increase (decrease) in outstanding claims	231	248
Increase (decrease) in policy reserve	703	797
Increase (decrease) in allowance for investment loss	56	26
Increase (decrease) in allowance for doubtful accounts	4	10
Increase (decrease) in provision for bonuses	18	(13)
Increase (decrease) in provision for bonuses for directors (and other officers)	(30)	–
Increase (decrease) in provision for share-based remuneration	(29)	(30)
Increase (decrease) in provision for shareholder benefit program	(11)	(22)
Foreign exchange losses (gains)	10	16
Gain on reversal of share acquisition rights	–	(14)
Loss (gain) on sales of investment securities	109	(104)
Decrease (increase) in investment securities for sale	(405)	562
Decrease (increase) in short-term investment securities	(1,805)	406
Decrease (increase) in money held in trust	(1,020)	(6)
Decrease (increase) in trade receivables	115	(29)
Decrease (increase) in prepaid expenses	(102)	(142)
Decrease (increase) in accounts receivable - other	(3)	127
Increase (decrease) in accounts payable - other	(50)	(27)
Other, net	22	(54)
Subtotal	(2,170)	1,780
Interest and dividends received	5	13
Interest paid	(4)	(4)
Income taxes refund	272	8
Income taxes paid	(363)	(185)
Net cash provided by (used in) operating activities	(2,260)	1,612
Cash flows from investing activities		
Payments into time deposits	(492)	(47)
Proceeds from withdrawal of time deposits	1,362	55
Purchase of property, plant and equipment	(214)	(159)
Purchase of intangible assets	(479)	(280)
Net decrease (increase) in investment securities	(111)	154
Payments of leasehold and guarantee deposits	(1)	(44)
Loan advances	(9)	(25)
Proceeds from liquidation of businesses	24	–
Other, net	45	11
Net cash provided by (used in) investing activities	121	(336)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from financing activities		
Proceeds from issuance of shares	16	15
Net increase (decrease) in short-term borrowings	400	(200)
Proceeds from long-term borrowings	–	100
Repayments of long-term borrowings	(145)	(143)
Proceeds from share issuance to non-controlling shareholders	24	2
Contributions from non-controlling interests in consolidated investment funds	155	665
Purchase of treasury shares	(299)	(7)
Other, net	(4)	(5)
Net cash provided by (used in) financing activities	145	427
Effect of exchange rate change on cash and cash equivalents	(15)	(16)
Net increase (decrease) in cash and cash equivalents	(2,008)	1,686
Cash and cash equivalents at beginning of period	5,512	4,627
Cash and cash equivalents at end of period	3,503	6,314