

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2021
(Based on Japanese GAAP)**

May 14, 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 of ordinary general meeting of shareholders: June 16, 2021
 Scheduled date to file Securities Report: June 16, 2021
 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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	27,776	22.1	(957)	–	(971)	–	(2,105)	–
Year ended March 31, 2020	22,755	9.6	124	(23.1)	(25)	–	(198)	–

	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, 2021	(215.20)	–	(21.2)	(3.5)	(3.4)
Year ended March 31, 2020	(20.31)	–	(1.8)	(0.1)	0.1

(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, 2021	29,549	13,196	31.3	955.56
As of March 31, 2020	26,424	13,638	40.2	1,090.75

(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, 2021	(700)	(1,510)	1,816	4,220
Year ended March 31, 2020	(1,178)	(61)	401	4,627

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, 2020	0.00	0.00	0.00	0.00	0.00	–	–	–
Year ended March 31, 2021	0.00	0.00	0.00	0.00	0.00	–	–	–

3. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(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, 2021	10,421,600 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 March 31, 2021	755,076 shares	As of March 31, 2020	638,047 shares
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Average number of shares during the period

Year ended March 31, 2021	9,782,040 shares	Year ended March 31, 2020	9,768,500 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	4,745	4,327
Notes and accounts receivable - trade	2,917	3,930
Money held in trust	1,013	–
Operational investment securities	6,392	6,738
Securities	4,968	8,122
Allowance for investment loss	(150)	(357)
Inventories	34	35
Accounts receivable - other	141	38
Income taxes receivable	16	31
Other	425	675
Allowance for doubtful accounts	(7)	(15)
Total current assets	20,497	23,528
Non-current assets		
Property, plant and equipment		
Land	202	202
Buildings and structures	235	264
Accumulated depreciation	(126)	(126)
Buildings and structures, net	109	138
Other	435	603
Accumulated depreciation	(255)	(264)
Other, net	179	339
Total property, plant and equipment	491	680
Intangible assets		
Goodwill	403	817
Software	82	1,051
Software in progress	1,982	37
Other	120	95
Total intangible assets	2,588	2,001
Investments and other assets		
Investment securities	992	1,176
Long-term loans receivable	147	44
Deferred tax assets	1,372	1,753
Other	402	427
Allowance for doubtful accounts	(67)	(62)
Total investments and other assets	2,847	3,339
Total non-current assets	5,927	6,021
Total assets	26,424	29,549

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	194	384
Short-term borrowings	825	1,400
Current portion of long-term borrowings	286	238
Lease obligations	11	9
Accounts payable - other	346	427
Reserve for contract of insurance	8,869	11,287
Outstanding claims	1,290	1,801
Policy reserve	7,579	9,485
Income taxes payable	249	218
Provision for shareholder benefit program	31	28
Provision for bonuses	144	152
Other	564	673
Total current liabilities	11,521	14,819
Non-current liabilities		
Long-term borrowings	912	1,044
Lease obligations	28	41
Deferred tax liabilities	41	132
Provision for share awards	268	272
Other	14	43
Total non-current liabilities	1,265	1,533
Total liabilities	12,786	16,353
Net assets		
Shareholders' equity		
Share capital	4,978	4,998
Capital surplus	4,412	4,446
Retained earnings	3,078	976
Treasury shares	(1,073)	(1,184)
Total shareholders' equity	11,396	9,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(644)	103
Foreign currency translation adjustment	(125)	(104)
Total accumulated other comprehensive income	(769)	(0)
Share acquisition rights	40	13
Non-controlling interests	2,970	3,945
Total net assets	13,638	13,196
Total liabilities and net assets	26,424	29,549

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	22,755	27,776
Cost of sales	12,314	16,788
Gross profit	10,440	10,987
Selling, general and administrative expenses	10,316	11,944
Operating profit (loss)	124	(957)
Non-operating income		
Interest income	25	23
Dividend income	4	9
Gain on sale of investment securities	–	40
Other	14	14
Total non-operating income	44	88
Non-operating expenses		
Interest expenses	9	15
Loss on sale of investment securities	88	–
Loss on retirement of non-current assets	52	18
Foreign exchange losses	22	18
Provision of allowance for doubtful accounts	–	26
Price change reserve provision	6	9
Other	16	14
Total non-operating expenses	195	102
Ordinary loss	(25)	(971)
Extraordinary income		
Gain on reversal of share acquisition rights	–	14
Gain on liquidation of business	13	–
Total extraordinary income	13	14
Extraordinary losses		
Loss on disposal of non-current assets	–	1,369
Retirement benefits for directors (and other officers)	–	60
Total extraordinary losses	–	1,429
Loss before income taxes	(12)	(2,387)
Income taxes - current	381	336
Income taxes - deferred	(282)	(217)
Total income taxes	99	118
Loss	(111)	(2,505)
Profit (loss) attributable to non-controlling interests	86	(400)
Loss attributable to owners of parent	(198)	(2,105)

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Loss	(111)	(2,505)
Other comprehensive income		
Valuation difference on available-for-sale securities	(271)	816
Foreign currency translation adjustment	(19)	21
Total other comprehensive income	(291)	838
Comprehensive income	(403)	(1,667)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(439)	(1,336)
Comprehensive income attributable to non-controlling interests	36	(331)

Consolidated statements of changes in equity

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
Increase in retained earnings due to new inclusion of subsidiaries			-		-
Increase in retained earnings due to exclusion of subsidiaries from consolidation			1		1
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
Increase in retained earnings due to new inclusion of subsidiaries						-
Increase in retained earnings due to exclusion of subsidiaries from consolidation						1
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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,978	4,412	3,078	(1,073)	11,396
Changes during period					
Issuance of new shares - exercise of share acquisition rights	19	19			39
Increase in retained earnings due to new inclusion of subsidiaries			3		3
Increase in retained earnings due to exclusion of subsidiaries from consolidation			-		-
Loss attributable to owners of parent			(2,105)		(2,105)
Purchase of treasury shares				(189)	(189)
Disposal of treasury shares				78	78
Change in ownership interest of parent due to transactions with non-controlling interests		14			14
Net changes in items other than shareholders' equity					-
Total changes during period	19	34	(2,101)	(111)	(2,159)
Balance at end of period	4,998	4,446	976	(1,184)	9,237

	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	(644)	(125)	(769)	40	2,970	13,638
Changes during period						
Issuance of new shares - exercise of share acquisition rights						39
Increase in retained earnings due to new inclusion of subsidiaries						3
Increase in retained earnings due to exclusion of subsidiaries from consolidation						-
Loss attributable to owners of parent						(2,105)
Purchase of treasury shares						(189)
Disposal of treasury shares						78
Change in ownership interest of parent due to transactions with non-controlling interests						14
Net changes in items other than shareholders' equity	747	20	768	(26)	975	1,717
Total changes during period	747	20	768	(26)	975	(442)
Balance at end of period	103	(104)	(0)	13	3,945	13,196

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Loss before income taxes	(12)	(2,387)
Depreciation	160	198
Amortization of goodwill	163	178
Increase (decrease) in outstanding claims	326	510
Increase (decrease) in policy reserve and other	1,522	1,906
Increase (decrease) in allowance for investment loss	56	206
Increase (decrease) in allowance for doubtful accounts	4	2
Increase (decrease) in provision for bonuses	18	8
Increase (decrease) in provision for bonuses for directors (and other officers)	(30)	–
Increase (decrease) in provision for share awards	0	3
Increase (decrease) in provision for shareholder benefit program	12	(2)
Interest and dividend income	(30)	(32)
Foreign exchange losses (gains)	16	17
Gain on liquidation of business	(13)	–
Loss (gain) on disposal of non-current assets	–	1,369
Loss (gain) on sale of investment securities	88	(40)
Decrease (increase) in investment securities for sale	(757)	85
Decrease (increase) in short-term investment securities	(1,499)	(2,997)
Decrease (increase) in money held in trust	(1,013)	1,013
Decrease (increase) in trade receivables	(230)	(1,008)
Decrease (increase) in inventories	(5)	(0)
Decrease (increase) in accounts receivable - other	(98)	137
Increase (decrease) in trade payables	64	190
Increase (decrease) in accounts payable - other	(53)	121
Other, net	368	175
Subtotal	(939)	(343)
Interest and dividends received	35	34
Interest paid	(9)	(14)
Income taxes refund	272	12
Income taxes paid	(536)	(388)
Net cash provided by (used in) operating activities	(1,178)	(700)
Cash flows from investing activities		
Payments into time deposits	(105)	(290)
Proceeds from withdrawal of time deposits	1,028	305
Proceeds for long-term deposits	200	–
Purchase of property, plant and equipment	(234)	(262)
Purchase of intangible assets	(851)	(594)
Net decrease (increase) in investment securities	(142)	412
Payments of leasehold and guarantee deposits	(12)	(68)
Purchase of shares of subsidiaries and associates	–	(200)
Payments for acquisition of businesses	–	(838)
Proceeds from liquidation of businesses	24	–
Loan advances	(25)	(7)
Other, net	57	31
Net cash provided by (used in) investing activities	(61)	(1,510)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Proceeds from issuance of shares	19	27
Net increase (decrease) in short-term borrowings	425	575
Proceeds from long-term borrowings	200	370
Repayments of long-term borrowings	(289)	(286)
Proceeds from share issuance to non-controlling shareholders	40	7
Contributions from non-controlling interests in consolidated investment funds	315	1,325
Purchase of treasury shares	(299)	(190)
Other, net	(9)	(11)
Net cash provided by (used in) financing activities	401	1,816
Effect of exchange rate change on cash and cash equivalents	(23)	(13)
Net increase (decrease) in cash and cash equivalents	(862)	(407)
Cash and cash equivalents at beginning of period	5,512	4,627
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(22)	—
Cash and cash equivalents at end of period	4,627	4,220