

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

May 9, 2019

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 10, 2019
 Scheduled date to file Securities Report: June 10, 2019
 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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	20,705	12.4	124	(93.3)	277	(85.5)	378	(57.9)
Year ended March 31, 2018	18,418	26.8	1,854	258.2	1,915	263.2	899	787.4

	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, 2019	38.64	36.67	3.5	1.3	0.6
Year ended March 31, 2018	92.42	90.70	8.8	10.4	10.1

(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, 2019	24,705	13,855	45.5	1,141.46
As of March 31, 2018	19,368	11,646	54.4	1,078.61

(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, 2019	1,292	(3,285)	2,891	5,512
Year ended March 31, 2018	864	(1,865)	(100)	4,616

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, 2018	0.00	0.00	0.00	26.00	26.00	262	28.13	2.48
Year ended March 31, 2019	0.00	0.00	0.00	0.00	0.00	–	–	–

3. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2019
 (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, 2019	10,350,300 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 March 31, 2019	502,761 shares	As of March 31, 2018	526,682 shares
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Average number of shares during the period

Year ended March 31, 2019	9,806,200 shares	Year ended March 31, 2018	9,728,093 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	6,299	6,559
Notes and accounts receivable - trade	2,460	2,695
Operational investment securities	6,661	5,789
Allowance for investment loss	(490)	(93)
Inventories	17	29
Accounts receivable - other	23	220
Income taxes receivable	0	276
Other	291	452
Allowance for doubtful accounts	(28)	(3)
Total current assets	15,235	15,926
Non-current assets		
Property, plant and equipment		
Buildings and structures	164	229
Accumulated depreciation	(106)	(117)
Buildings and structures, net	58	112
Other	323	480
Accumulated depreciation	(185)	(251)
Other, net	138	229
Total property, plant and equipment	197	341
Intangible assets		
Goodwill	349	566
Software in progress	292	1,252
Other	76	221
Total intangible assets	718	2,041
Investments and other assets		
Investment securities	2,262	4,473
Long-term loans receivable	78	144
Deferred tax assets	385	1,131
Other	526	683
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	3,217	6,396
Total non-current assets	4,133	8,779
Total assets	19,368	24,705

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	–	131
Short-term loans payable	–	400
Current portion of long-term loans payable	100	289
Lease obligations	8	8
Accounts payable - other	531	599
Reserve for contract of insurance	5,560	7,019
Outstanding claims	794	963
Policy reserve	4,766	6,056
Income taxes payable	556	398
Provision for shareholder benefit program	–	18
Provision for bonuses	100	126
Provision for bonuses for directors (and other officers)	–	30
Other	390	480
Total current liabilities	7,247	9,502
Non-current liabilities		
Long-term loans payable	225	998
Lease obligations	26	20
Deferred tax liabilities	3	53
Provision for stocks payment	215	267
Other	3	7
Total non-current liabilities	474	1,347
Total liabilities	7,722	10,850
Net assets		
Shareholders' equity		
Capital stock	4,940	4,964
Capital surplus	3,801	4,411
Retained earnings	3,158	3,275
Treasury shares	(942)	(882)
Total shareholders' equity	10,958	11,768
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(308)	(422)
Foreign currency translation adjustment	(106)	(105)
Total accumulated other comprehensive income	(415)	(528)
Share acquisition rights	64	49
Non-controlling interests	1,038	2,564
Total net assets	11,646	13,855
Total liabilities and net assets	19,368	24,705

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	18,418	20,705
Cost of sales	8,866	11,401
Gross profit	9,551	9,303
Selling, general and administrative expenses	7,696	9,178
Operating profit	1,854	124
Non-operating income		
Interest income	15	18
Dividend income	27	53
Gain on sales of investment securities	20	86
Foreign exchange gains	1	4
Other	16	17
Total non-operating income	81	181
Non-operating expenses		
Interest expenses	2	5
Loss on valuation of investment securities	–	11
Loss on retirement of non-current assets	3	0
Compensation expenses	9	–
Provision of allowance for doubtful accounts	–	0
Price change reserve provision	2	3
Miscellaneous loss	1	5
Other	1	1
Total non-operating expenses	20	28
Ordinary profit	1,915	277
Extraordinary income		
Gain on reversal of share acquisition rights	–	0
Settlement received	–	170
Total extraordinary income	–	170
Extraordinary losses		
Impairment loss	–	2
Loss on retirement of non-current assets	256	–
Total extraordinary losses	256	2
Profit before income taxes	1,659	444
Income taxes - current	653	472
Income taxes - deferred	95	(712)
Total income taxes	748	(239)
Profit	910	684
Profit attributable to non-controlling interests	11	305
Profit attributable to owners of parent	899	378

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	910	684
Other comprehensive income		
Valuation difference on available-for-sale securities	(224)	(114)
Foreign currency translation adjustment	(30)	1
Total other comprehensive income	(255)	(112)
Comprehensive income	655	572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	650	266
Comprehensive income attributable to non-controlling interests	4	305

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,915	3,774	2,289	(951)	10,027
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	25	25			51
Dividends of surplus			(30)		(30)
Profit attributable to owners of parent			899		899
Purchase of treasury shares					-
Disposal of treasury shares				9	9
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					-
Total changes of items during period	25	26	869	9	930
Balance at end of current period	4,940	3,801	3,158	(942)	10,958

	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 current period	(90)	(76)	(167)	81	1,026	10,967
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						51
Dividends of surplus						(30)
Profit attributable to owners of parent						899
Purchase of treasury shares						-
Disposal of treasury shares						9
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes of items other than shareholders' equity	(218)	(30)	(248)	(16)	12	(252)
Total changes of items during period	(218)	(30)	(248)	(16)	12	678
Balance at end of current period	(308)	(106)	(415)	64	1,038	11,646

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,940	3,801	3,158	(942)	10,958
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	23	23			46
Dividends of surplus			(262)		(262)
Profit attributable to owners of parent			378		378
Purchase of treasury shares					-
Disposal of treasury shares		(31)		59	28
Change in ownership interest of parent due to transactions with non-controlling interests		619			619
Net changes of items other than shareholders' equity					-
Total changes of items during period	23	610	116	59	810
Balance at end of current 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 current period	(308)	(106)	(415)	64	1,038	11,646
Changes of items during period						
Issuance of new shares - exercise of share acquisition rights						46
Dividends of surplus						(262)
Profit attributable to owners of parent						378
Purchase of treasury shares						-
Disposal of treasury shares						28
Change in ownership interest of parent due to transactions with non-controlling interests						619
Net changes of items other than shareholders' equity	(113)	1	(112)	(15)	1,526	1,398
Total changes of items during period	(113)	1	(112)	(15)	1,526	2,209
Balance at end of current period	(422)	(105)	(528)	49	2,564	13,855

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,659	444
Depreciation	89	122
Impairment loss	–	2
Amortization of goodwill	112	138
Increase (decrease) in outstanding claims	162	168
Increase (decrease) in policy reserve and other	796	1,289
Increase (decrease) in allowance for investment loss	–	(397)
Increase (decrease) in allowance for doubtful accounts	(4)	(25)
Increase (decrease) in provision for bonuses	(74)	26
Increase (decrease) in provision for bonuses for directors (and other officers)	(16)	30
Increase (decrease) in provision for stocks payment	83	52
Increase (decrease) in provision for shareholder benefit program	–	18
Interest and dividend income	(43)	(71)
Foreign exchange losses (gains)	(2)	5
Settlement received	–	(170)
Loss (gain) on sales of investment securities	(20)	(86)
Loss (gain) on valuation of investment securities	–	11
Decrease (increase) in investment securities for sale	(1,721)	778
Decrease (increase) in notes and accounts receivable - trade	(386)	(139)
Decrease (increase) in inventories	(5)	(11)
Decrease (increase) in accounts receivable - other	20	30
Increase (decrease) in notes and accounts payable - trade	(0)	0
Increase (decrease) in accounts payable - other	200	(177)
Other, net	503	(49)
Subtotal	1,356	1,989
Interest and dividend income received	24	76
Interest expenses paid	(2)	(7)
Settlement package received	–	170
Income taxes refund	1	1
Income taxes paid	(515)	(937)
Net cash provided by (used in) operating activities	864	1,292
Cash flows from investing activities		
Payments into time deposits	(3,363)	(2,650)
Proceeds from withdrawal of time deposits	3,357	3,292
Purchase of property, plant and equipment	(76)	(227)
Purchase of intangible assets	(195)	(927)
Net decrease (increase) in investment securities	(1,473)	(2,206)
Payments for leasehold and guarantee deposits	(9)	(131)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(393)
Payments of loans receivable	(39)	(112)
Other, net	(64)	71
Net cash provided by (used in) investing activities	(1,865)	(3,285)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Proceeds from issuance of common shares	35	31
Net increase (decrease) in short-term loans payable	–	400
Proceeds from long-term loans payable	–	1,140
Repayments of long-term loans payable	(100)	(177)
Cash dividends paid	(31)	(262)
Proceeds from share issuance to non-controlling shareholders	1	1,493
Contributions from non-controlling interests in consolidated investment funds	–	275
Other, net	(6)	(8)
Net cash provided by (used in) financing activities	(100)	2,891
Effect of exchange rate change on cash and cash equivalents	(5)	(1)
Net increase (decrease) in cash and cash equivalents	(1,107)	896
Cash and cash equivalents at beginning of period	5,723	4,616
Cash and cash equivalents at end of period	4,616	5,512