

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 1, 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 to file Quarterly Securities Report: November 8, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	10,614	8.6	(99)	–	(147)	–	(144)	–
Six months ended September 30, 2018	9,774	32.0	62	(83.4)	223	(46.1)	411	324.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	(14.78)	–
Six months ended September 30, 2018	42.04	40.17

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	25,148	13,675	43.0
As of March 31, 2019	24,705	13,855	45.5

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, 2019	0.00	0.00	0.00	0.00	–
Year ending March 31, 2020	0.00	0.00			
Year ending March 31, 2020 (Forecast)			0.00	–	–

3. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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: 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, 2019	10,377,000 shares	As of March 31, 2019	10,350,300 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	640,900 shares	As of March 31, 2019	502,761 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, 2019	9,795,886 shares	Six months ended September 30, 2018	9,790,242 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	6,559	3,676
Notes and accounts receivable - trade	2,695	2,579
Money held in trust	–	1,020
Operational investment securities	5,789	6,055
Allowance for investment loss	(93)	(150)
Inventories	29	45
Accounts receivable - other	220	54
Income taxes receivable	276	1
Other	452	552
Allowance for doubtful accounts	(3)	(8)
Total current assets	15,926	13,827
Non-current assets		
Property, plant and equipment	341	512
Intangible assets		
Goodwill	566	485
Software in progress	1,252	1,680
Other	221	214
Total intangible assets	2,041	2,380
Investments and other assets		
Investment securities	4,473	6,348
Long-term loans receivable	144	143
Deferred tax assets	1,131	1,342
Other	683	630
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	6,396	8,428
Total non-current assets	8,779	11,321
Total assets	24,705	25,148

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	131	112
Short-term borrowings	400	800
Current portion of long-term borrowings	289	286
Lease obligations	8	8
Accounts payable - other	599	367
Reserve for insurance policy liabilities	7,019	7,954
Outstanding claims	963	1,194
Policy reserve	6,056	6,760
Income taxes payable	398	238
Provision for shareholder benefit program	18	7
Provision for bonuses	126	144
Provision for bonuses for directors (and other officers)	30	–
Other	480	385
Total current liabilities	9,502	10,306
Non-current liabilities		
Long-term borrowings	998	855
Lease obligations	20	16
Deferred tax liabilities	53	45
Provision for share-based remuneration	267	237
Other	7	11
Total non-current liabilities	1,347	1,166
Total liabilities	10,850	11,473
Net assets		
Shareholders' equity		
Share capital	4,964	4,976
Capital surplus	4,411	4,416
Retained earnings	3,275	3,132
Treasury shares	(882)	(1,078)
Total shareholders' equity	11,768	11,447
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(422)	(519)
Foreign currency translation adjustment	(105)	(109)
Total accumulated other comprehensive income	(528)	(628)
Share acquisition rights	49	41
Non-controlling interests	2,564	2,814
Total net assets	13,855	13,675
Total liabilities and net assets	24,705	25,148

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, 2018	Six months ended September 30, 2019
Net sales	9,774	10,614
Cost of sales	5,306	5,774
Gross profit	4,467	4,839
Selling, general and administrative expenses	4,405	4,939
Operating profit (loss)	62	(99)
Non-operating income		
Interest income	7	10
Dividend income	25	57
Gain on investments in money held in trust	–	20
Gain on sales of investment securities	100	–
Foreign exchange gains	2	–
Other	30	7
Total non-operating income	167	95
Non-operating expenses		
Interest expenses	1	4
Compensation expenses	1	–
Loss on sales of investment securities	–	102
Foreign exchange losses	–	12
Price change reserve provision	1	3
Other	1	21
Total non-operating expenses	5	144
Ordinary profit (loss)	223	(147)
Extraordinary income		
Gain on reversal of share acquisition rights	0	–
Gain on liquidation of business	–	13
Total extraordinary income	0	13
Profit (loss) before income taxes	223	(133)
Income taxes - current	136	186
Income taxes - deferred	(543)	(235)
Total income taxes	(406)	(49)
Profit (loss)	630	(84)
Profit attributable to non-controlling interests	218	59
Profit (loss) attributable to owners of parent	411	(144)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit (loss)	630	(84)
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(94)
Foreign currency translation adjustment	14	(3)
Total other comprehensive income	17	(97)
Comprehensive income	648	(182)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	431	(245)
Comprehensive income attributable to non-controlling interests	216	62

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	223	(133)
Depreciation	44	78
Amortization of goodwill	56	81
Gain on liquidation of business	–	(13)
Increase (decrease) in outstanding claims	109	231
Increase (decrease) in policy reserve	552	703
Increase (decrease) in allowance for investment loss	(489)	56
Increase (decrease) in allowance for doubtful accounts	(26)	4
Increase (decrease) in provision for bonuses	14	18
Increase (decrease) in provision for bonuses for directors (and other officers)	15	(30)
Increase (decrease) in provision for share-based remuneration	17	(29)
Increase (decrease) in provision for shareholder benefit program	–	(11)
Foreign exchange losses (gains)	(3)	10
Loss (gain) on sales of investment securities	(100)	102
Decrease (increase) in investment securities for sale	1,255	(405)
Decrease (increase) in trade receivables	387	115
Decrease (increase) in accounts receivable - other	37	(7)
Increase (decrease) in accounts payable - other	(234)	(45)
Other, net	(190)	(154)
Subtotal	1,668	574
Interest and dividends received	31	56
Interest paid	(3)	(4)
Income taxes refund	1	272
Income taxes paid	(503)	(363)
Net cash provided by (used in) operating activities	1,195	534
Cash flows from investing activities		
Payments into time deposits	(1,114)	(492)
Proceeds from withdrawal of time deposits	1,491	1,362
Purchase of property, plant and equipment	(35)	(214)
Purchase of intangible assets	(301)	(479)
Net decrease (increase) in investment securities	(1,404)	(1,906)
Investments in money held in trust	–	(1,000)
Payments of leasehold and guarantee deposits	(53)	(1)
Loan advances	(9)	(9)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(353)	–
Proceeds from liquidation of businesses	–	24
Other, net	60	45
Net cash provided by (used in) investing activities	(1,719)	(2,673)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Proceeds from issuance of shares	3	16
Net increase (decrease) in short-term borrowings	–	400
Proceeds from long-term borrowings	1,040	–
Repayments of long-term borrowings	(50)	(145)
Dividends paid	(262)	(0)
Proceeds from share issuance to non-controlling shareholders	1,485	24
Contributions from non-controlling interests in consolidated investment funds	125	155
Purchase of treasury shares	–	(299)
Other, net	(4)	(4)
Net cash provided by (used in) financing activities	2,337	145
Effect of exchange rate change on cash and cash equivalents	9	(15)
Net increase (decrease) in cash and cash equivalents	1,822	(2,008)
Cash and cash equivalents at beginning of period	4,616	5,512
Cash and cash equivalents at end of period	6,438	3,503