

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2019 (Based on Japanese GAAP)

January 31, 2020

Company name: Dream Incubator Inc.
 Stock exchange listing: Tokyo
 Stock code: 4310 URL <http://www.dreamincubator.co.jp/>
 Representative: President and Representative Director Takayoshi Yamakawa
 Inquiries: Corporate Administration Group Leader Toshihiro Uemura TEL 03-5532-3200
 Scheduled date to file Quarterly Securities Report: February 7, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	16,594	13.2	200	–	178	103.6	19	(86.8)
Nine months ended December 31, 2018	14,665	14.4	11	(99.3)	87	(94.6)	150	(82.7)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	2.03		1.77	
Nine months ended December 31, 2018	15.34		13.69	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	26,681	14,401	42.6
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	0.00		
Year ending March 31, 2020 (Forecast)				–	–

3. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2019	10,381,400 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 December 31, 2019	639,018 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)

Nine months ended December 31, 2019	9,776,865 shares	Nine months ended December 31, 2018	9,797,142 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	6,559	3,943
Notes and accounts receivable - trade	2,695	2,912
Money held in trust	–	1,005
Operational investment securities	5,789	6,976
Allowance for investment loss	(93)	(150)
Inventories	29	28
Accounts receivable - other	220	77
Income taxes receivable	276	6
Other	452	462
Allowance for doubtful accounts	(3)	(8)
Total current assets	15,926	15,254
Non-current assets		
Property, plant and equipment	341	496
Intangible assets		
Goodwill	566	444
Software in progress	1,252	1,818
Other	221	218
Total intangible assets	2,041	2,481
Investments and other assets		
Investment securities	4,473	6,564
Long-term loans receivable	144	145
Deferred tax assets	1,131	1,154
Other	683	621
Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	6,396	8,448
Total non-current assets	8,779	11,426
Total assets	24,705	26,681

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	131	144
Short-term borrowings	400	1,000
Current portion of long-term borrowings	289	286
Lease obligations	8	8
Accounts payable - other	599	369
Reserve for insurance policy liabilities	7,019	8,382
Outstanding claims	963	1,225
Policy reserve	6,056	7,157
Income taxes payable	398	101
Provision for shareholder benefit program	18	2
Provision for bonuses	126	143
Provision for bonuses for directors (and other officers)	30	–
Other	480	491
Total current liabilities	9,502	10,931
Non-current liabilities		
Long-term borrowings	998	1,025
Lease obligations	20	13
Deferred tax liabilities	53	44
Provision for share-based remuneration	267	252
Other	7	12
Total non-current liabilities	1,347	1,348
Total liabilities	10,850	12,279
Net assets		
Shareholders' equity		
Share capital	4,964	4,978
Capital surplus	4,411	4,417
Retained earnings	3,275	3,295
Treasury shares	(882)	(1,074)
Total shareholders' equity	11,768	11,616
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(422)	(135)
Foreign currency translation adjustment	(105)	(115)
Total accumulated other comprehensive income	(528)	(251)
Share acquisition rights	49	40
Non-controlling interests	2,564	2,995
Total net assets	13,855	14,401
Total liabilities and net assets	24,705	26,681

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	14,665	16,594
Cost of sales	7,863	8,864
Gross profit	6,801	7,729
Selling, general and administrative expenses	6,790	7,529
Operating profit	11	200
Non-operating income		
Interest income	12	16
Dividend income	35	74
Gain on sales of investment securities	40	–
Foreign exchange gains	2	–
Other	10	20
Total non-operating income	101	112
Non-operating expenses		
Interest expenses	3	7
Loss on sales of investment securities	–	52
Loss on valuation of investment securities	14	–
Foreign exchange losses	–	11
Loss on retirement of non-current assets	–	40
Other	6	24
Total non-operating expenses	24	135
Ordinary profit	87	178
Extraordinary income		
Gain on reversal of share acquisition rights	0	–
Gain on liquidation of business	–	11
Total extraordinary income	0	11
Profit before income taxes	87	189
Income taxes - current	257	281
Income taxes - deferred	(608)	(188)
Total income taxes	(351)	93
Profit	439	96
Profit attributable to non-controlling interests	289	76
Profit attributable to owners of parent	150	19

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	439	96
Other comprehensive income		
Valuation difference on available-for-sale securities	(209)	291
Foreign currency translation adjustment	(3)	(10)
Total other comprehensive income	(213)	281
Comprehensive income	226	378
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(33)	296
Comprehensive income attributable to non-controlling interests	260	81