

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

May 13, 2022

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 17, 2022
 Scheduled date to file Securities Report: June 17, 2022
 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, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2022 | 35,566 | 28.0 | (168) | – | 44 | – | 7 | – |
| Year ended March 31, 2021 | 27,776 | 22.1 | (957) | – | (971) | – | (2,105) | – |

| | 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, 2022 | 0.80 | 0.77 | 0.1 | 0.1 | (0.5) |
| Year ended March 31, 2021 | (215.20) | – | (21.2) | (3.5) | (3.4) |

(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, 2022 | 33,574 | 12,454 | 29.1 | 1,003.00 |
| As of March 31, 2021 | 29,549 | 13,196 | 31.3 | 955.56 |

(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, 2022 | 7,822 | 317 | 955 | 12,810 |
| Year ended March 31, 2021 | (700) | (1,510) | 1,816 | 4,220 |

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, 2021 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | – | – | – |
| Year ended March 31, 2022 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | – | – | – |

3. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2022
 (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: Yes
- 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, 2022 | 10,454,500 shares | As of March 31, 2021 | 10,421,600 shares |
|----------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|----------------------|----------------|----------------------|----------------|
| As of March 31, 2022 | 705,419 shares | As of March 31, 2021 | 755,076 shares |
|----------------------|----------------|----------------------|----------------|

Average number of shares during the period

| | | | |
|---------------------------|------------------|---------------------------|------------------|
| Year ended March 31, 2022 | 9,701,821 shares | Year ended March 31, 2021 | 9,782,040 shares |
|---------------------------|------------------|---------------------------|------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,327 | 12,933 |
| Notes and accounts receivable - trade | 3,930 | – |
| Notes and accounts receivable - trade, and contract assets | – | 5,325 |
| Operational investment securities | 6,738 | 6,530 |
| Securities | 8,122 | 2,767 |
| Allowance for investment loss | (357) | (357) |
| Inventories | 35 | 87 |
| Accounts receivable - other | 38 | 171 |
| Income taxes refund receivable | 31 | 24 |
| Other | 675 | 544 |
| Allowance for doubtful accounts | (15) | (26) |
| Total current assets | 23,528 | 28,001 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Land | 202 | 202 |
| Buildings and structures | 264 | 687 |
| Accumulated depreciation | (126) | (161) |
| Buildings and structures, net | 138 | 525 |
| Other | 603 | 495 |
| Accumulated depreciation | (264) | (307) |
| Other, net | 339 | 187 |
| Total property, plant and equipment | 680 | 916 |
| Intangible assets | | |
| Goodwill | 817 | 814 |
| Software | 1,051 | 821 |
| Other | 132 | 161 |
| Total intangible assets | 2,001 | 1,796 |
| Investments and other assets | | |
| Investment securities | 1,176 | 354 |
| Deferred tax assets | 1,753 | 2,015 |
| Other | 471 | 489 |
| Allowance for doubtful accounts | (62) | – |
| Total investments and other assets | 3,339 | 2,859 |
| Total non-current assets | 6,021 | 5,572 |
| Total assets | 29,549 | 33,574 |

(Millions of yen)

| | As of March 31, 2021 | As of March 31, 2022 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 384 | 554 |
| Short-term borrowings | 1,400 | 1,100 |
| Current portion of long-term borrowings | 238 | 395 |
| Accounts payable - other | 427 | 546 |
| Reserve for contract of insurance | 11,287 | 14,594 |
| Outstanding claims | 1,801 | 2,075 |
| Policy reserve | 9,485 | 12,519 |
| Income taxes payable | 218 | 231 |
| Provision for shareholder benefit program | 28 | 23 |
| Provision for bonuses | 152 | 283 |
| Other | 683 | 1,287 |
| Total current liabilities | 14,819 | 19,017 |
| Non-current liabilities | | |
| Long-term borrowings | 1,044 | 1,648 |
| Deferred tax liabilities | 132 | 81 |
| Provision for share awards | 272 | 313 |
| Other | 85 | 59 |
| Total non-current liabilities | 1,533 | 2,101 |
| Total liabilities | 16,353 | 21,119 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,998 | 5,014 |
| Capital surplus | 4,446 | 4,458 |
| Retained earnings | 976 | 942 |
| Treasury shares | (1,184) | (1,099) |
| Total shareholders' equity | 9,237 | 9,316 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 103 | 523 |
| Foreign currency translation adjustment | (104) | (61) |
| Total accumulated other comprehensive income | (0) | 462 |
| Share acquisition rights | 13 | 3 |
| Non-controlling interests | 3,945 | 2,672 |
| Total net assets | 13,196 | 12,454 |
| Total liabilities and net assets | 29,549 | 33,574 |

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

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 27,776 | 35,566 |
| Cost of sales | 16,788 | 20,842 |
| Gross profit | 10,987 | 14,724 |
| Selling, general and administrative expenses | 11,944 | 14,892 |
| Operating loss | (957) | (168) |
| Non-operating income | | |
| Interest income | 23 | 15 |
| Dividend income | 9 | 1 |
| Foreign exchange gains | – | 1 |
| Gain on sale of investment securities | 40 | 191 |
| Other | 14 | 78 |
| Total non-operating income | 88 | 289 |
| Non-operating expenses | | |
| Interest expenses | 15 | 13 |
| Foreign exchange losses | 18 | – |
| Loss on valuation of investment securities | – | 45 |
| Provision of allowance for doubtful accounts | 26 | – |
| Price change reserve provision | 9 | 3 |
| Other | 33 | 14 |
| Total non-operating expenses | 102 | 77 |
| Ordinary profit (loss) | (971) | 44 |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 14 | – |
| Compensation for forced relocation | – | 19 |
| Gain on sale of shares of subsidiaries and associates | – | 5 |
| Total extraordinary income | 14 | 25 |
| Extraordinary losses | | |
| Loss on liquidation of subsidiaries and associates | – | 9 |
| Extra retirement payments of subsidiaries and associates | – | 24 |
| Loss on disposal of non-current assets | 1,369 | – |
| Retirement benefits for directors (and other officers) | 60 | – |
| Total extraordinary losses | 1,429 | 34 |
| Profit (loss) before income taxes | (2,387) | 35 |
| Income taxes - current | 336 | 293 |
| Income taxes - deferred | (217) | (320) |
| Total income taxes | 118 | (26) |
| Profit (loss) | (2,505) | 61 |
| Profit (loss) attributable to non-controlling interests | (400) | 53 |
| Profit (loss) attributable to owners of parent | (2,105) | 7 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Profit (loss) | (2,505) | 61 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 816 | 446 |
| Foreign currency translation adjustment | 21 | 43 |
| Total other comprehensive income | 838 | 489 |
| Comprehensive income | (1,667) | 551 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (1,336) | 470 |
| Comprehensive income attributable to non-controlling interests | (331) | 80 |

Consolidated statements of changes in equity

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 |
| Cumulative effects of changes in accounting policies | | | | | - |
| Restated balance | 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 |
| Decrease in retained earnings due to new inclusion of subsidiaries | | | 3 | | 3 |
| Profit (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 |
| Cumulative effects of changes in accounting policies | | | | | | - |
| Restated balance | (644) | (125) | (769) | 40 | 2,970 | 13,638 |
| Changes during period | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | | | 39 |
| Decrease in retained earnings due to new inclusion of subsidiaries | | | | | | 3 |
| Profit (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 |

Fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 4,998 | 4,446 | 976 | (1,184) | 9,237 |
| Cumulative effects of changes in accounting policies | | | (41) | | (41) |
| Restated balance | 4,998 | 4,446 | 935 | (1,184) | 9,195 |
| Changes during period | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 16 | 16 | | | 32 |
| Decrease in retained earnings due to new inclusion of subsidiaries | | | - | | - |
| Profit (loss) attributable to owners of parent | | | 7 | | 7 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | | | 84 | 84 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (4) | | | (4) |
| Net changes in items other than shareholders' equity | | | | | - |
| Total changes during period | 16 | 11 | 7 | 84 | 120 |
| Balance at end of period | 5,014 | 4,458 | 942 | (1,099) | 9,316 |

| | 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 | 103 | (104) | (0) | 13 | 3,945 | 13,196 |
| Cumulative effects of changes in accounting policies | | | | | | (41) |
| Restated balance | 103 | (104) | (0) | 13 | 3,945 | 13,154 |
| Changes during period | | | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | | | 32 |
| Decrease in retained earnings due to new inclusion of subsidiaries | | | | | | - |
| Profit (loss) attributable to owners of parent | | | | | | 7 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 84 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (4) |
| Net changes in items other than shareholders' equity | 420 | 42 | 463 | (10) | (1,272) | (820) |
| Total changes during period | 420 | 42 | 463 | (10) | (1,272) | (699) |
| Balance at end of period | 523 | (61) | 462 | 3 | 2,672 | 12,454 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (2,387) | 35 |
| Depreciation | 198 | 361 |
| Amortization of goodwill | 178 | 148 |
| Increase (decrease) in outstanding claims | 510 | 274 |
| Increase (decrease) in policy reserve and other | 1,906 | 3,033 |
| Increase (decrease) in allowance for investment loss | 206 | – |
| Increase (decrease) in allowance for doubtful accounts | 2 | (68) |
| Increase (decrease) in provision for bonuses | 8 | 131 |
| Increase (decrease) in provision for share awards | 3 | 41 |
| Increase (decrease) in provision for shareholder benefit program | (2) | (4) |
| Interest and dividend income | (32) | (16) |
| Foreign exchange losses (gains) | 17 | (2) |
| Loss (gain) on disposal of non-current assets | 1,369 | 8 |
| Loss (gain) on sale of investment securities | (40) | (191) |
| Loss (gain) on valuation of investment securities | – | 45 |
| Decrease (increase) in investment securities for sale | 85 | (288) |
| Decrease (increase) in short-term investment securities | (2,997) | 5,314 |
| Decrease (increase) in money held in trust | 1,013 | – |
| Decrease (increase) in trade receivables | (1,008) | (1,386) |
| Decrease (increase) in inventories | (0) | (52) |
| Decrease (increase) in accounts receivable - other | 137 | (138) |
| Increase (decrease) in trade payables | 190 | 169 |
| Increase (decrease) in accounts payable - other | 121 | 152 |
| Other, net | 175 | 580 |
| Subtotal | (343) | 8,145 |
| Interest and dividends received | 34 | 15 |
| Interest paid | (14) | (13) |
| Income taxes refund | 12 | 13 |
| Income taxes paid | (388) | (337) |
| Net cash provided by (used in) operating activities | (700) | 7,822 |
| Cash flows from investing activities | | |
| Payments into time deposits | (290) | (284) |
| Proceeds from withdrawal of time deposits | 305 | 281 |
| Purchase of property, plant and equipment | (262) | (397) |
| Purchase of intangible assets | (594) | (77) |
| Net decrease (increase) in investment securities | 412 | 731 |
| Payments of leasehold and guarantee deposits | (68) | (98) |
| Purchase of shares of subsidiaries and associates | (200) | – |
| Payments for acquisition of businesses | (838) | – |
| Proceeds from collection of loans receivable | 17 | 147 |
| Other, net | 6 | 13 |
| Net cash provided by (used in) investing activities | (1,510) | 317 |

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from financing activities | | |
| Proceeds from issuance of shares | 27 | 22 |
| Net increase (decrease) in short-term borrowings | 575 | (300) |
| Proceeds from long-term borrowings | 370 | 1,020 |
| Repayments of long-term borrowings | (286) | (238) |
| Proceeds from share issuance to non-controlling shareholders | 7 | 15 |
| Contributions from non-controlling interests in consolidated investment funds | 1,325 | 566 |
| Distributions to non-controlling interests in consolidated investment funds | – | (119) |
| Purchase of treasury shares | (190) | (0) |
| Other, net | (11) | (9) |
| Net cash provided by (used in) financing activities | 1,816 | 955 |
| Effect of exchange rate change on cash and cash equivalents | (13) | 18 |
| Net increase (decrease) in cash and cash equivalents | (407) | 9,113 |
| Cash and cash equivalents at beginning of period | 4,627 | 4,220 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | – | (524) |
| Cash and cash equivalents at end of period | 4,220 | 12,810 |