

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 7, 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 to file Quarterly Securities Report: November 11, 2022
 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, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	18,876	12.4	794	–	878	–	1,017	–
Six months ended September 30, 2021	16,795	25.9	(233)	–	(29)	–	(129)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	104.25		104.10	
Six months ended September 30, 2021	(13.41)		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2022	35,390		14,009		31.4	
As of March 31, 2022	33,574		12,454		29.1	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2022	0.00	0.00	0.00	0.00	–
Year ending March 31, 2023	0.00	0.00			
Year ending March 31, 2023 (Forecast)			0.00	–	–

3. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (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: Yes
- 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, 2022	10,465,100 shares	As of March 31, 2022	10,454,500 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	705,419 shares	As of March 31, 2022	705,419 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, 2022	9,756,807 shares	Six months ended September 30, 2021	9,681,552 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	12,933	15,475
Notes and accounts receivable - trade, and contract assets	5,325	4,399
Operational investment securities	6,530	6,562
Securities	2,767	3,491
Allowance for investment loss	(357)	(357)
Inventories	87	26
Other	740	782
Allowance for doubtful accounts	(26)	(26)
Total current assets	28,001	30,353
Non-current assets		
Property, plant and equipment	916	869
Intangible assets		
Goodwill	814	428
Other	982	702
Total intangible assets	1,796	1,131
Investments and other assets		
Investment securities	354	353
Deferred tax assets	2,015	2,366
Other	489	315
Total investments and other assets	2,859	3,035
Total non-current assets	5,572	5,036
Total assets	33,574	35,390

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	554	3
Short-term borrowings	1,100	–
Current portion of long-term borrowings	395	472
Reserve for insurance policy liabilities	14,594	16,395
Outstanding claims	2,075	2,243
Policy reserve	12,519	14,151
Income taxes payable	231	761
Provision for shareholder benefit program	23	6
Provision for bonuses	283	291
Other	1,833	1,522
Total current liabilities	19,017	19,454
Non-current liabilities		
Long-term borrowings	1,648	1,023
Deferred tax liabilities	81	464
Provision for share awards	313	381
Other	59	55
Total non-current liabilities	2,101	1,925
Total liabilities	21,119	21,380
Net assets		
Shareholders' equity		
Share capital	5,014	5,019
Capital surplus	4,458	4,281
Retained earnings	942	1,959
Treasury shares	(1,099)	(1,099)
Total shareholders' equity	9,316	10,161
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	523	955
Foreign currency translation adjustment	(61)	(5)
Total accumulated other comprehensive income	462	950
Share acquisition rights	3	–
Non-controlling interests	2,672	2,897
Total net assets	12,454	14,009
Total liabilities and net assets	33,574	35,390

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, 2021	Six months ended September 30, 2022
Net sales	16,795	18,876
Cost of sales	9,755	10,755
Gross profit	7,040	8,121
Selling, general and administrative expenses	7,273	7,327
Operating profit (loss)	(233)	794
Non-operating income		
Interest income	8	11
Dividend income	1	–
Gain on sale of investment securities	191	–
Gain on sale of non-current assets	–	30
Foreign exchange gains	–	47
Other	18	7
Total non-operating income	219	97
Non-operating expenses		
Interest expenses	5	5
Foreign exchange losses	5	–
Loss on retirement of non-current assets	0	4
Price change reserve provision	1	1
Other	1	1
Total non-operating expenses	15	13
Ordinary profit (loss)	(29)	878
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	–	546
Total extraordinary income	–	546
Profit (loss) before income taxes	(29)	1,425
Income taxes - current	63	636
Income taxes - deferred	(1)	(275)
Total income taxes	62	361
Profit (loss)	(91)	1,063
Profit attributable to non-controlling interests	38	46
Profit (loss) attributable to owners of parent	(129)	1,017

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit (loss)	(91)	1,063
Other comprehensive income		
Valuation difference on available-for-sale securities	88	454
Foreign currency translation adjustment	6	56
Total other comprehensive income	94	511
Comprehensive income	3	1,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(18)	1,505
Comprehensive income attributable to non-controlling interests	21	69

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(29)	1,425
Depreciation	170	165
Amortization of goodwill	80	26
Increase (decrease) in outstanding claims	228	168
Increase (decrease) in policy reserve	1,218	1,632
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in provision for bonuses	29	8
Increase (decrease) in provision for share awards	12	67
Increase (decrease) in provision for shareholder benefit program	(21)	(16)
Interest and dividend income	(9)	(11)
Foreign exchange losses (gains)	5	(48)
Loss (gain) on sale of non-current assets	–	(30)
Loss (gain) on sale of investment securities	(191)	–
Loss (gain) on sale of shares of subsidiaries and associates	–	(546)
Decrease (increase) in investment securities for sale	(504)	578
Decrease (increase) in short-term investment securities	5,282	(793)
Decrease (Increase) in trade receivables and contract assets	(592)	23
Decrease (increase) in inventories	(28)	5
Decrease (increase) in accounts receivable - other	(44)	100
Increase (decrease) in trade payables	81	0
Increase (decrease) in accounts payable - other	25	(44)
Other, net	162	(154)
Subtotal	5,874	2,556
Interest and dividends received	11	12
Interest paid	(5)	(5)
Income taxes refund	13	7
Income taxes paid	(179)	(106)
Net cash provided by (used in) operating activities	5,714	2,464
Cash flows from investing activities		
Payments into time deposits	(152)	(86)
Proceeds from withdrawal of time deposits	150	140
Purchase of property, plant and equipment	(320)	(159)
Proceeds from sale of property, plant and equipment	–	157
Purchase of intangible assets	(49)	(0)
Decrease (increase) in short-term investment securities	731	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	793
Payments of leasehold and guarantee deposits	(5)	(0)
Proceeds from refund of leasehold and guarantee deposits	2	208
Loan advances	(5)	(3)
Proceeds from collection of loans receivable	54	156
Other, net	5	–
Net cash provided by (used in) investing activities	410	1,204

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from issuance of shares	4	7
Net increase (decrease) in short-term borrowings	(400)	(900)
Proceeds from long-term borrowings	20	200
Repayments of long-term borrowings	(131)	(647)
Proceeds from share issuance to non-controlling shareholders	4	33
Contributions from non-controlling interests in consolidated investment funds	566	149
Distributions to non-controlling interests in consolidated investment funds	(111)	–
Purchase of treasury shares	(0)	–
Other, net	(4)	(5)
Net cash provided by (used in) financing activities	(52)	(1,161)
Effect of exchange rate change on cash and cash equivalents	(3)	71
Net increase (decrease) in cash and cash equivalents	6,069	2,579
Cash and cash equivalents at beginning of period	4,220	12,810
Cash and cash equivalents at end of period	10,289	15,389