

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 11, 2023

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 20, 2023
 Scheduled date to file Securities Report: June 20, 2023
 Scheduled date to commence dividend payments: June 21, 2023
 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, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	30,132	(15.3)	1,190	–	1,227	–	11,553	–
Year ended March 31, 2022	35,566	28.0	(168)	–	44	–	7	–

	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, 2023	1,183.92	1,183.34	74.0	3.8	3.9
Year ended March 31, 2022	0.80	0.77	0.1	0.1	(0.5)

(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, 2023	31,310	21,917	68.5	2,195.94
As of March 31, 2022	33,574	12,454	29.1	1,003.00

(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, 2023	3,669	(5,150)	(1,388)	10,263
Year ended March 31, 2022	7,822	317	955	12,810

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, 2022	0.00	0.00	0.00	0.00	0.00	–	–	–
Year ended March 31, 2023	0.00	0.00	0.00	191.11	191.11	1,999	16.14	11.95

3. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023
 (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, 2023	10,465,100 shares	As of March 31, 2022	10,454,500 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2023	700,977 shares	As of March 31, 2022	705,419 shares
----------------------	----------------	----------------------	----------------

Average number of shares during the period

Year ended March 31, 2023	9,758,988 shares	Year ended March 31, 2022	9,701,821 shares
---------------------------	------------------	---------------------------	------------------

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,933	10,397
Notes and accounts receivable - trade, and contract assets	5,325	1,074
Operational investment securities	6,530	5,463
Securities	2,767	13,800
Allowance for investment loss	(357)	(103)
Inventories	87	–
Accounts receivable - other	171	3
Income taxes refund receivable	24	18
Other	544	169
Allowance for doubtful accounts	(26)	(24)
Total current assets	28,001	30,800
Non-current assets		
Property, plant and equipment		
Land	202	–
Buildings and structures	687	250
Accumulated depreciation	(161)	(96)
Buildings and structures, net	525	153
Other	495	155
Accumulated depreciation	(307)	(59)
Other, net	187	95
Total property, plant and equipment	916	249
Intangible assets		
Goodwill	814	–
Software	821	8
Other	161	0
Total intangible assets	1,796	8
Investments and other assets		
Investment securities	354	65
Deferred tax assets	2,015	29
Other	489	158
Total investments and other assets	2,859	252
Total non-current assets	5,572	510
Total assets	33,574	31,310

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	554	3
Short-term borrowings	1,100	–
Current portion of long-term borrowings	395	50
Accounts payable - other	546	1,285
Reserve for contract of insurance	14,594	–
Outstanding claims	2,075	–
Policy reserve	12,519	–
Income taxes payable	231	6,158
Provision for shareholder benefit program	23	19
Provision for bonuses	283	1
Provision for bonuses for directors (and other officers)	–	240
Other	1,287	571
Total current liabilities	19,017	8,328
Non-current liabilities		
Long-term borrowings	1,648	–
Deferred tax liabilities	81	124
Provision for share awards	313	939
Other	59	0
Total non-current liabilities	2,101	1,064
Total liabilities	21,119	9,393
Net assets		
Shareholders' equity		
Share capital	5,014	5,019
Capital surplus	4,458	4,548
Retained earnings	942	12,648
Treasury shares	(1,099)	(1,366)
Total shareholders' equity	9,316	20,850
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	523	630
Foreign currency translation adjustment	(61)	(39)
Total accumulated other comprehensive income	462	590
Share acquisition rights	3	–
Non-controlling interests	2,672	475
Total net assets	12,454	21,917
Total liabilities and net assets	33,574	31,310

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	35,566	30,132
Cost of sales	20,842	16,746
Gross profit	14,724	13,386
Selling, general and administrative expenses	14,892	12,196
Operating profit (loss)	(168)	1,190
Non-operating income		
Interest income	15	19
Dividend income	1	–
Foreign exchange gains	1	9
Gain on sale of investment securities	191	–
Reversal of allowance for doubtful accounts	36	–
Gain on sale of non-current assets	0	31
Other	41	14
Total non-operating income	289	74
Non-operating expenses		
Interest expenses	13	8
Loss on retirement of non-current assets	8	24
Loss on valuation of investment securities	45	–
Price change reserve provision	3	1
Other	6	3
Total non-operating expenses	77	37
Ordinary profit	44	1,227
Extraordinary income		
Compensation for forced relocation	19	–
Gain on sale of shares of subsidiaries and associates	5	18,948
Total extraordinary income	25	18,948
Extraordinary losses		
Loss on liquidation of subsidiaries and associates	9	–
Extra retirement payments of subsidiaries and associates	24	–
Loss on valuation of shares of subsidiaries and associates	–	34
Tender offer related expenses	–	487
Special bonus	–	2,007
Total extraordinary losses	34	2,529
Profit before income taxes	35	17,646
Income taxes - current	293	6,558
Income taxes - deferred	(320)	(639)
Total income taxes	(26)	5,918
Profit	61	11,727
Profit attributable to non-controlling interests	53	173
Profit attributable to owners of parent	7	11,553

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	61	11,727
Other comprehensive income		
Valuation difference on available-for-sale securities	446	80
Foreign currency translation adjustment	43	22
Total other comprehensive income	489	102
Comprehensive income	551	11,830
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	470	11,682
Comprehensive income attributable to non-controlling interests	80	147

Consolidated statements of changes in equity

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
Change in scope of consolidation			-		-
Profit 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
Change in scope of consolidation						-
Profit 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

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,014	4,458	942	(1,099)	9,316
Changes during period					
Issuance of new shares - exercise of share acquisition rights	5	5			10
Change in scope of consolidation			151		151
Profit attributable to owners of parent			11,553		11,553
Purchase of treasury shares				-	-
Disposal of treasury shares		275		(266)	8
Deferred tax adjustment due to change in equity of prior year		(203)			(203)
Change in ownership interest of parent due to transactions with non-controlling interests		13			13
Net changes in items other than shareholders' equity					-
Total changes during period	5	90	11,705	(266)	11,534
Balance at end of period	5,019	4,548	12,648	(1,366)	20,850

	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	523	(61)	462	3	2,672	12,454
Changes during period						
Issuance of new shares - exercise of share acquisition rights						10
Change in scope of consolidation						151
Profit attributable to owners of parent						11,553
Purchase of treasury shares						-
Disposal of treasury shares						8
Deferred tax adjustment due to change in equity of prior year						(203)
Change in ownership interest of parent due to transactions with non-controlling interests						13
Net changes in items other than shareholders' equity	106	21	128	(3)	(2,196)	(2,072)
Total changes during period	106	21	128	(3)	(2,196)	9,462
Balance at end of period	630	(39)	590	-	475	21,917

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	35	17,646
Depreciation	361	270
Loss on valuation of shares of subsidiaries and associates	–	34
Amortization of goodwill	148	40
Increase (decrease) in outstanding claims	274	185
Increase (decrease) in policy reserve and other	3,033	2,242
Increase (decrease) in allowance for investment loss	–	(253)
Increase (decrease) in allowance for doubtful accounts	(68)	(1)
Increase (decrease) in provision for bonuses	131	(35)
Increase (decrease) in provision for bonuses for directors (and other officers)	–	240
Increase (decrease) in provision for share awards	41	626
Increase (decrease) in provision for shareholder benefit program	(4)	(4)
Interest and dividend income	(16)	(19)
Foreign exchange losses (gains)	(2)	(10)
Loss (gain) on sale of non-current assets	(0)	(31)
Loss (gain) on disposal of non-current assets	8	24
Loss (gain) on sale of investment securities	(191)	–
Loss (gain) on valuation of investment securities	45	–
Loss (gain) on sale of shares of subsidiaries and associates	(5)	(18,948)
Decrease (increase) in operational investment securities	(288)	1,253
Decrease (increase) in short-term investment securities	5,314	(372)
Decrease (increase) in trade receivables and contract assets	(1,386)	(545)
Decrease (increase) in inventories	(52)	5
Decrease (increase) in accounts receivable - other	(138)	98
Increase (decrease) in trade payables	169	0
Increase (decrease) in accounts payable - other	152	860
Increase (decrease) in deposits received	11	224
Other, net	575	369
Subtotal	8,145	3,896
Interest and dividends received	15	25
Interest paid	(13)	(7)
Income taxes refund	13	7
Income taxes paid	(337)	(252)
Net cash provided by (used in) operating activities	7,822	3,669

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(284)	(134)
Proceeds from withdrawal of time deposits	281	130
Purchase of securities	–	(13,800)
Purchase of property, plant and equipment	(397)	(185)
Proceeds from sale of property, plant and equipment	–	157
Purchase of intangible assets	(77)	(0)
Net decrease (increase) in investment securities	731	–
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	8,348
Payments of leasehold and guarantee deposits	(98)	(28)
Proceeds from refund of leasehold and guarantee deposits	27	210
Proceeds from collection of loans receivable	147	158
Other, net	(14)	(6)
Net cash provided by (used in) investing activities	317	(5,150)
Cash flows from financing activities		
Proceeds from issuance of shares	22	7
Net increase (decrease) in short-term borrowings	(300)	(900)
Proceeds from long-term borrowings	1,020	200
Repayments of long-term borrowings	(238)	(902)
Proceeds from share issuance to non-controlling shareholders	15	65
Contributions from non-controlling interests in consolidated investment funds	566	149
Distributions to non-controlling interests in consolidated investment funds	(119)	–
Other, net	(10)	(7)
Net cash provided by (used in) financing activities	955	(1,388)
Effect of exchange rate change on cash and cash equivalents	18	19
Net increase (decrease) in cash and cash equivalents	9,113	(2,848)
Cash and cash equivalents at beginning of period	4,220	12,810
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(524)	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	302
Cash and cash equivalents at end of period	12,810	10,263