

FY03/2017

**Financial Results Briefing
Presentation**

May 11, 2017

Dream Incubator Inc.

(Stock Code: 4310)

The logo consists of the letters 'DI' in a white, serif font, centered within a dark blue square.

DI

FY03/2017 Financial Results Summary

Current Situation of Each Business

Initiatives Going Forward

Business Composition and Segments

Strategic Consulting Services

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Incubation Services

Strategic Consulting Segment

Venture Capital Segment

Insurance Segment

Others Segment

FY03/2017 Financial Results Summary

Financial Results Overview

- **Consolidated Sales** **JPY14.5bn (+14.5% YoY)**
- **Recurring Profit** **JPY520mn (+0.3%)**
- **Net Income** **JPY100mn (-75.9%)**

Key Points

- **Strategic Consulting Services: Record high (3 straight years)**
- **Incubation Services: Two IPOs, impairment at one company**
- **Taxes: Increased as effects from reduced taxable income have come to an end***

Outlook for FY03/2018

- **Strategic Consulting Services: Keep growing**
- **Incubation Services: Anticipate several IPOs**

FY03/2017 Consolidated P&L

(JPYmn)	end-FY03/16	end-FY03/17	Change
Strategic Consulting Services (Segment)	2,667	3,202	20.1%
Incubation Services	10,024	11,324	13.0%
Venture Capital Segment	703	1,179	67.6%
Insurance Segment	8,126	10,067	23.9%
Others Segment*	1,193	78	-93.5%
Total Sales	12,691	14,526	14.5%
Strategic Consulting Services (Segment)	1,439	1,861	29.4%
Incubation Services	208	- 232	-
Venture Capital Segment	-148	- 344	-
Insurance Segment	157	177	13.1%
Others Segment*	199	- 65	-
Total Segment Profit	1,647	1,629	-1.1%
Head Office Expense	1,109	1,111	0.2%
Operating Profit	538	517	-3.9%
Recurring Profit	525	527	0.3%
Net Income Attributable to Parent Company Shareholders	420	101	-75.9%

* In FY03/16, includes the since sold Asset Liquidation and Intellectual Rights Investment segments

FY03/2017 Segment Profits YoY

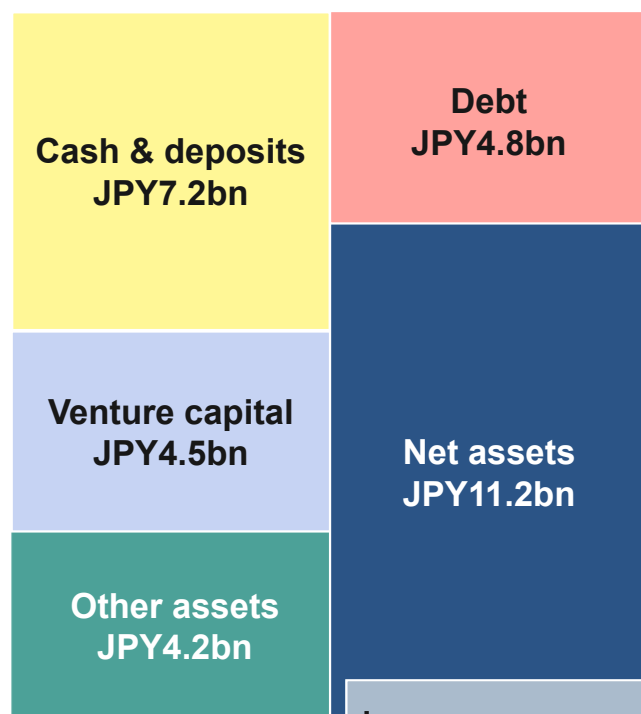
(Unit: JPY hundred mn)

	FY03/2016		FY03/2017	Reason for change
Consulting	14.3	→ +4.2	18.6	Earnings improved due to a 20% rise in sales
Venture Capital	-1.4	→ -1.9	-3.4	There was a gain on sale due to IPOs but it was not large enough to offset an impairment from a drop in value of one portfolio company
Insurance	1.5	→ +0.2	1.7	Solid growth
Others	1.9	→ -2.6	-0.6	Intellectual Rights Investment: JPY380mn ⇒ - Asset Liquidation: -JPY80mn ⇒ - Marketing, others: -JPY90mn ⇒ -JPY60mn
Total	16.4	→ -0.1	16.2	

FY03/2017 Consolidated Balance Sheet

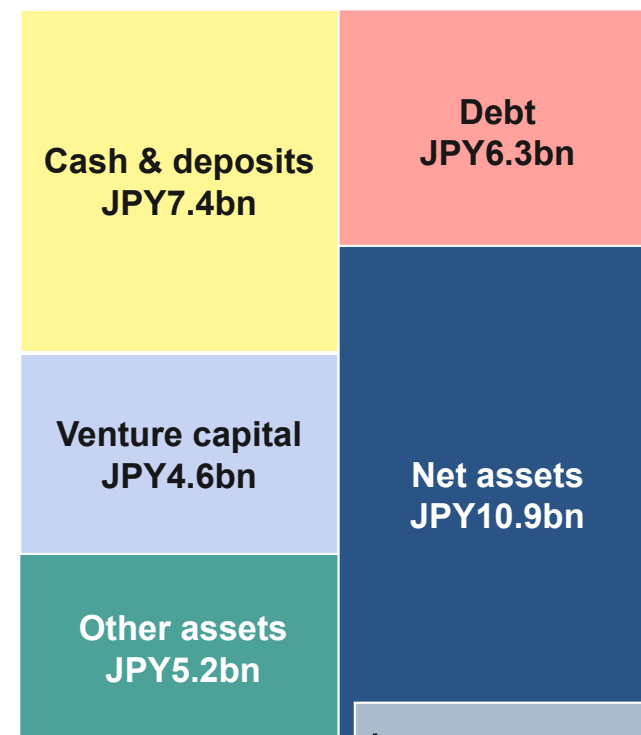
end-FY03/2016
(Total assets: JPY16.1bn)

end-FY03/2017
(Total assets: JPY17.3bn)



Breakdown of change in net assets

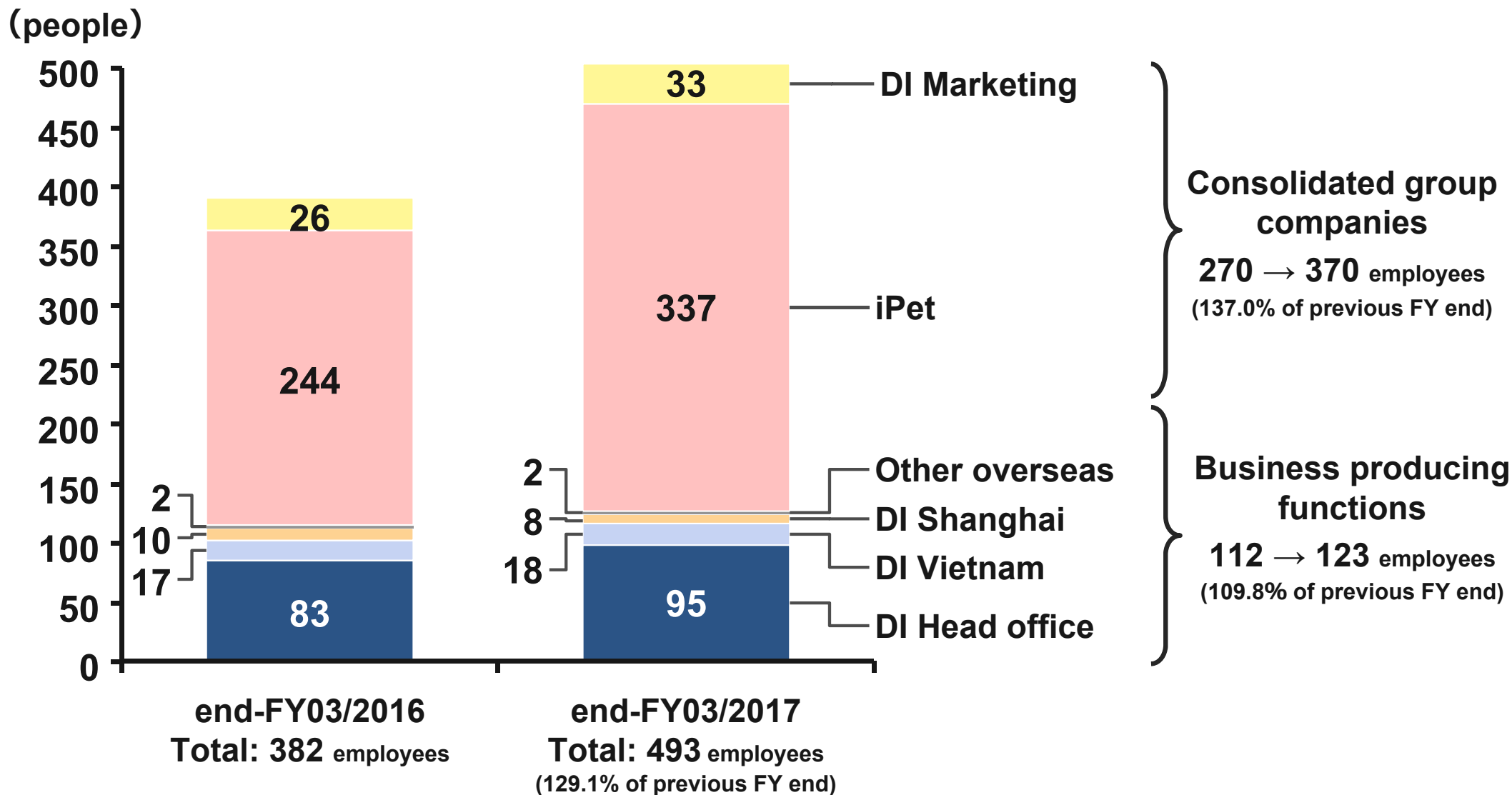
● Net income	+JPY100mn
● Non-controlling interests	+JPY70mn
● Other comprehensive income	+JPY70mn
● Exercise of stock options	+JPY60mn
● Dividends paid	-JPY120mn
● Share buybacks	-JPY460mn
● Total	-JPY270mn



Of which JPY900mn is IPET non-controlling interest

Of which JPY1.0bn is IPET non-controlling interest

Number of Employees (Consolidated)

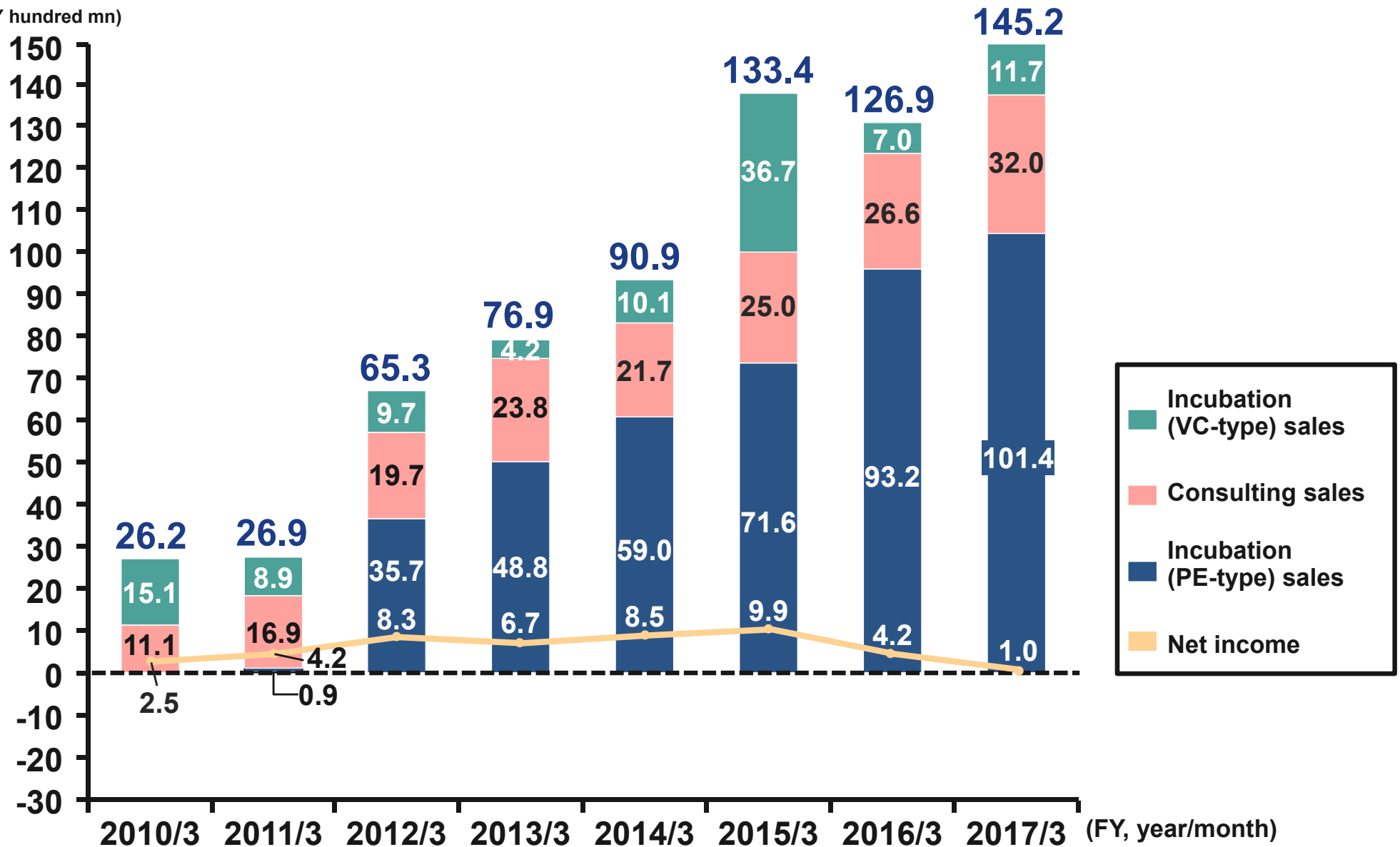


Note: Each breakdown of number of employees is based on working location (excludes directors, includes temporary workers)

Trends in Consolidated Sales & Net Income

Sales/Net Income

(JPY hundred mn)



Number of IPOs	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	Total
	1	1	2		4	1	2	2	25

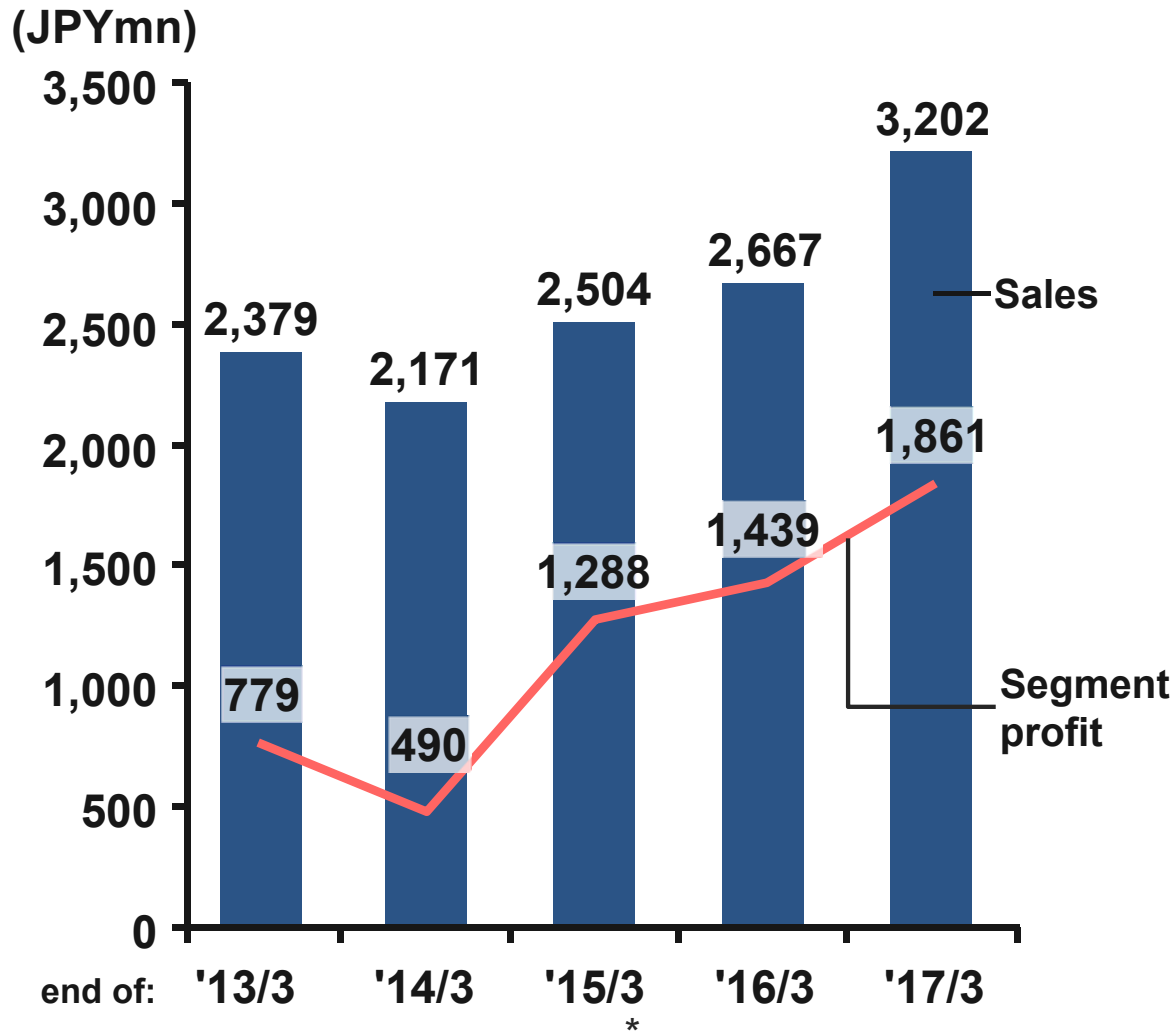
FY03/2017 Financial Results Summary

Current Situation of Each Business

Initiatives Going Forward

Strategic Consulting Services (Segment)

Sales and Profit Trend



Initiatives

20% YoY increase in sales

- Hit new record high three consecutive years
- Increase in hands-on support projects, projects becoming large and long-term

Main project themes

- Support commercialization of robotics/AI technology
- Support CTO organizational design
- Support establishment of overseas research sites
- Support building of brand strategy
- M&A advisory
- Development of management personnel

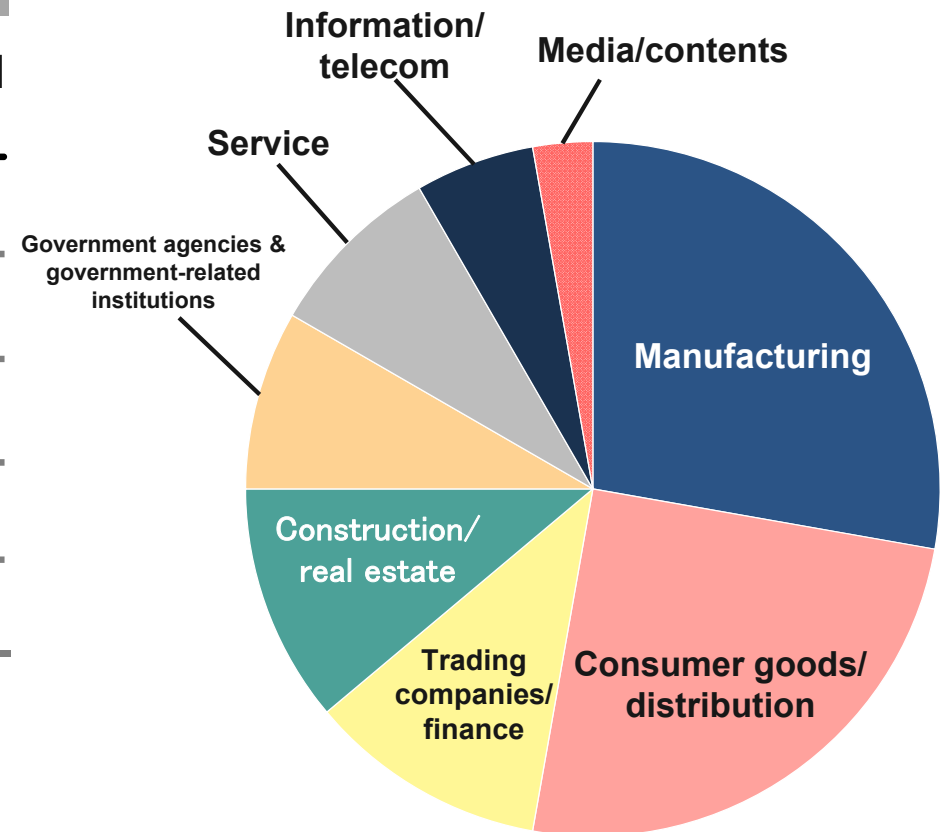
* Change in calculation method of segment profit

Overview of Clients

Size of Clients

Recurring Profit	Industry* Rank (Number of Companies**)			
	1st	2nd	3rd	4th and below
Over JPY500bn	5			
JPY100bn-500bn	3	2		2
JPY50bn-100bn	2			
JPY10bn-50bn	2	2	1	1
Below JPY10bn				4
Total	12	4	1	7
Sales composition (%)	87.6	4.5	0.5	7.3

Industry of Clients

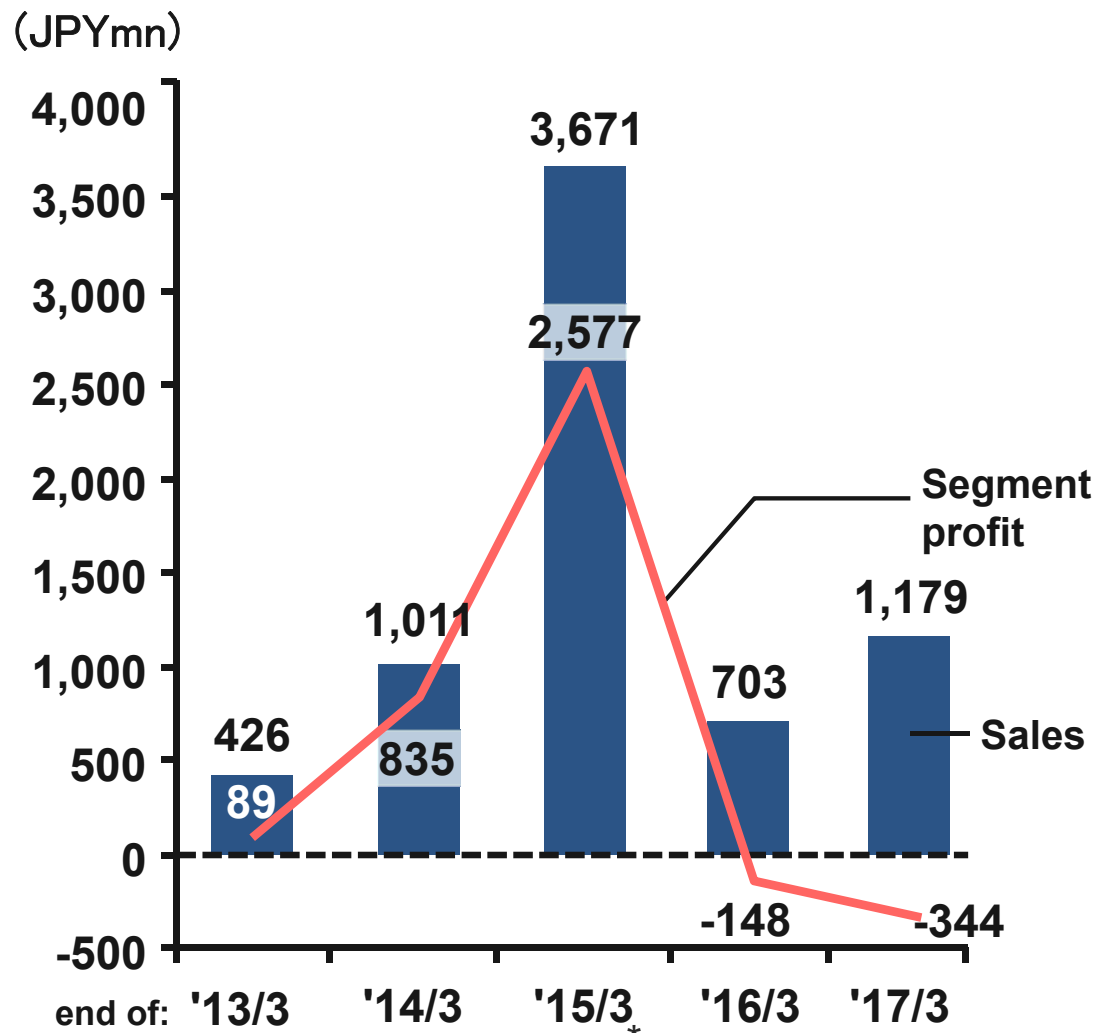


* Clients are classified by industry based on SPEEDA's industry classifications by UZABASE, Inc.

** Includes client companies from FA business, education business, and overseas business (however, excludes NPOs, ventures, and low-priced projects)

Incubation Services (1) Venture Capital Segment

Sales and Profit Trend



- * Change in calculation method of segment profit
- ** Includes only principal investments with a book value of over JPY2mn (amount is book value; excludes post-IPO)
- *** Includes additional/fund investment and acquisition of stock options (excludes post-IPO)

Initiatives

Main Portfolio (JPYmn)**	Number of companies
● Digital media	1,241 (10)
● Service	1,424 (12)
● Robotics	64 (1)
● Other	900 (3)
Total	3,630 (26)

Investment***	15
IPO	2
● Renet Japan, Renova	
Impairment	1

FY03/2017 Results of Investments/Support

AI / Robotics / IoT

RightHand Robotics

USA
Robotics venture



Digital Media

Layer

USA
Chat messenger service



Plex chat

USA
Mobile game fan management tool



Services

Tryon

Japan
English conversation school / Educational development using IT



Zepp

China
Sports IoT devices



99Games

India
Mobile games (largest player in the domestic market)



KONMARI MEDIA

USA
Development of Marie Kondo ("KonMari") contents



whomor

Japan
Illustration/comic book production cloud service



Sunvip

China
Cross-border e-commerce for lifestyle goods



Jiraffe

Japan
Manages "Hikakaku" website for buying and checking prices of used goods



Two additional companies in India

ReNet Japan Group, Inc.

RENOVA, Inc.

Established

July 2000



May 2000



Representative

Takeshi Kuroda

Yosuke Kiminami

Listing Date
(Exchange)

December 20, 2016
(Tokyo Stock Exchange Mothers
Market)

February 23, 2017
(Tokyo Stock Exchange Mothers
Market)

Latest Results

Consolidated Sales JPY3.72bn
Net Income JPY140mn

Consolidated Sales JPY8.55bn
Net Income JPY300mn

Investment Ratio*

1.2%

0.5%

Business Details

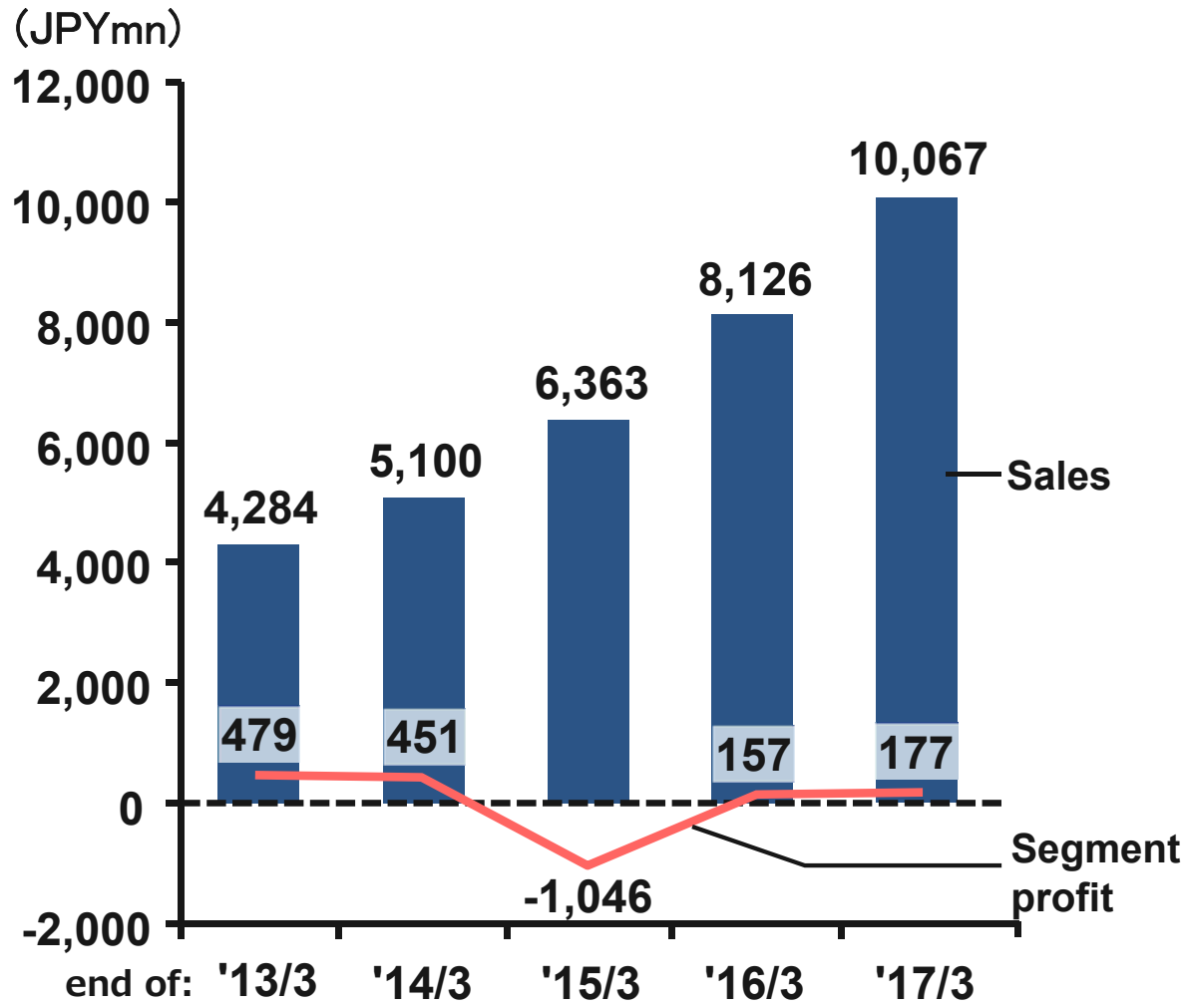
Online reuse/recycle business

Develops, owns, and operates
renewable energy power plants

*Based on number of actual shares (at time of listing approval)

Incubation Services (2) Insurance Segment (iPet)

Sales and Profit Trend



Initiatives

Steady growth

- Sales: +24% YoY
- Segment profit: +13%

Accelerate investment for growth

- Increase hiring of specialists, systems development

Preparing for IPO



* Lump-sum amortization of deferred assets under Article 113.
Change in calculation method of segment profit

FY03/2018 Full-year Outlook

Consulting Services

- Continued growth
 - Roughly 15% annual growth over medium- to long-term

Incubation Services

Insurance Segment

- Continued growth, IPO preparation

Others Segment

- Digital marketing
 - Start of monetization
- Preparation for other businesses

Venture Capital Segment

- Expect sale of several companies via IPO or trade sale

<Sales>

FY03/2017 FY03/2018
JPY13.3bn ⇒ JPY15.0bn

<Total sales>
JPY15.0bn + α

JPY1.1bn ⇒ α

FY03/2017 Year-end Dividend

	FY03/2016	FY03/2017
Consolidated Net Income	JPY420mn	JPY101mn
Dividends (Dividends Per Share)	JPY122mn (JPY12)	JPY30mn (JPY3)
Dividend Payout Ratio*	29.07%	29.69%




* Dividends divided by consolidated net income

FY03/2017 Financial Results Summary

Current Situation of Each Business

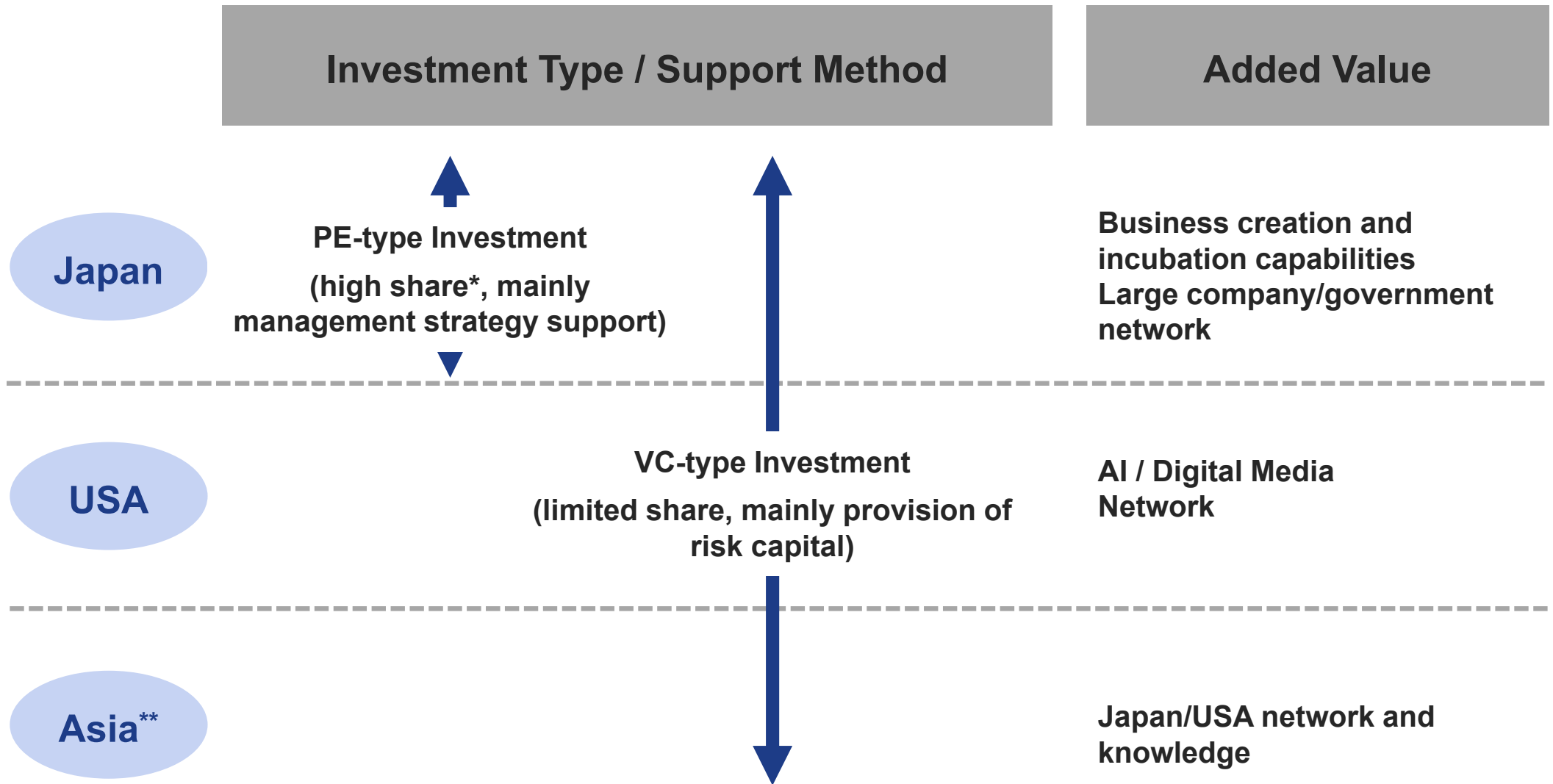
Initiatives Going Forward

Business Structure and Initiatives Going Forward

	Overview	Current Situation	Focus going forward	After three years
Incubation (VC-type)	Venture capital incubation	About JPY5bn invested <ul style="list-style-type: none"> ● Doubled our investments in exits made over past three years* 	Accelerate investment in Japan, USA, Asia 	Have JPY8bn invested <ul style="list-style-type: none"> ● More than double investments
Strategic Consulting	Consulting for large companies <ul style="list-style-type: none"> ● Especially, growth strategy/business creation support 	Sales of JPY3.2bn <ul style="list-style-type: none"> ● Competitors: McKinsey, BCG 	Enhance “business producing” capabilities/brand 	Sales of JPY4.5bn <ul style="list-style-type: none"> ● Continued growth
Incubation (PE-type)	iPet: pet insurance	Sales of JPY10bn <ul style="list-style-type: none"> ● Ranked 2nd in industry, preparing for IPO 	Increase Value (Capitalize on consulting capabilities)  New acquisitions	IPO, expansion of related services <ul style="list-style-type: none"> ● Continued growth
	DIM: Social media marketing (Southeast Asia)	700,000 members <ul style="list-style-type: none"> ● Top-class in Southeast Asia 		No.1 in Asia research <ul style="list-style-type: none"> ● Preparing for IPO
	BW**: electronic tickets	4.5mn members <ul style="list-style-type: none"> ● No.1 in electronic ticket services 		No.1 in fan management <ul style="list-style-type: none"> ● Capitalize on membership database
				New discoveries

* Impairments are accounted for as loss on sale
 ** Boardwalk; joint venture with Dentsu/NTT Docomo

Incubation: Focus on Discovery/Incubation of PE-type Investments

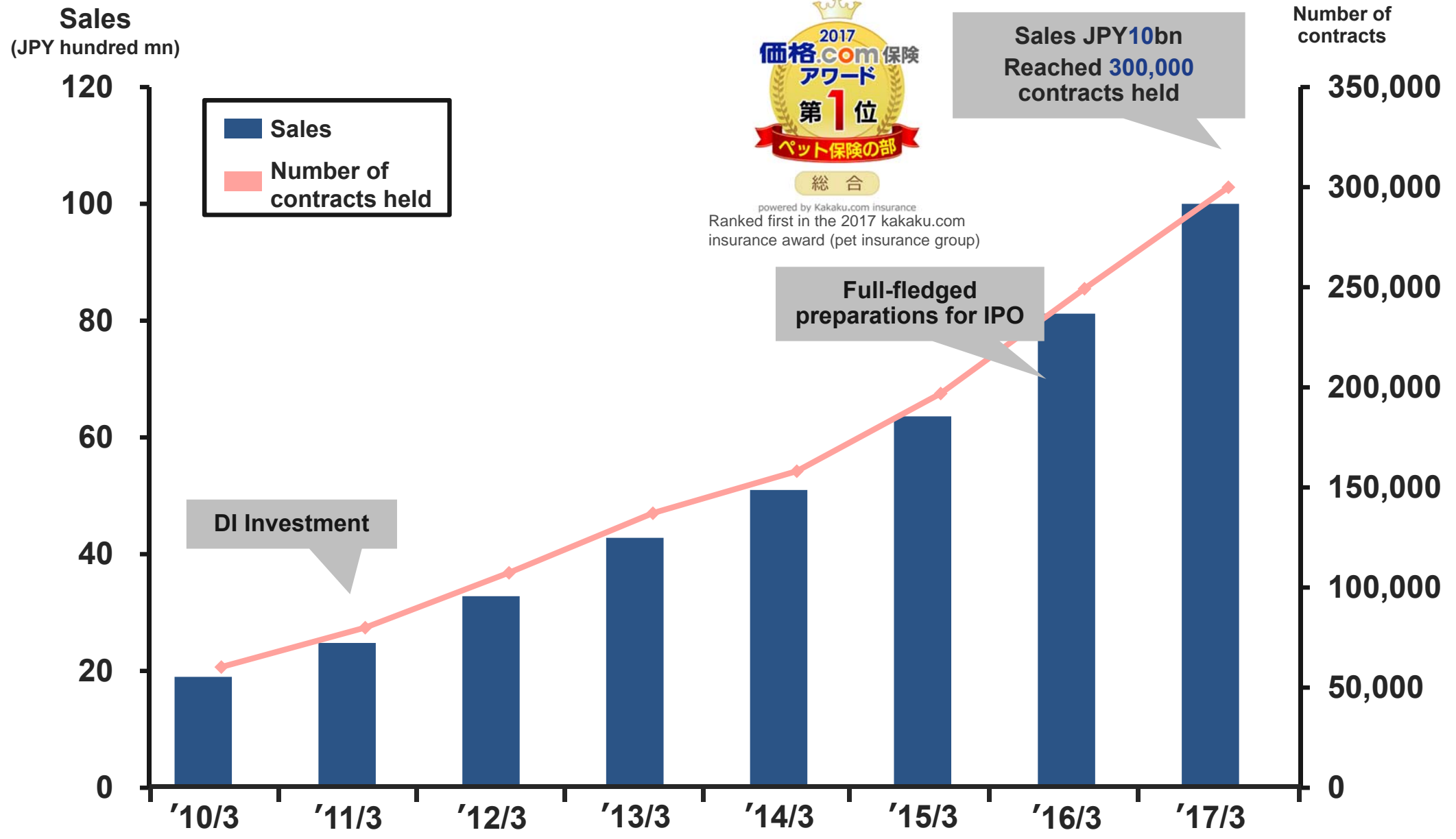


* Aim for more than 15%. There are cases in which, according to accounting standards, targets can be included as equity-method affiliates or consolidated, but in the end the goal is to sell.

** Currently focusing on India and China

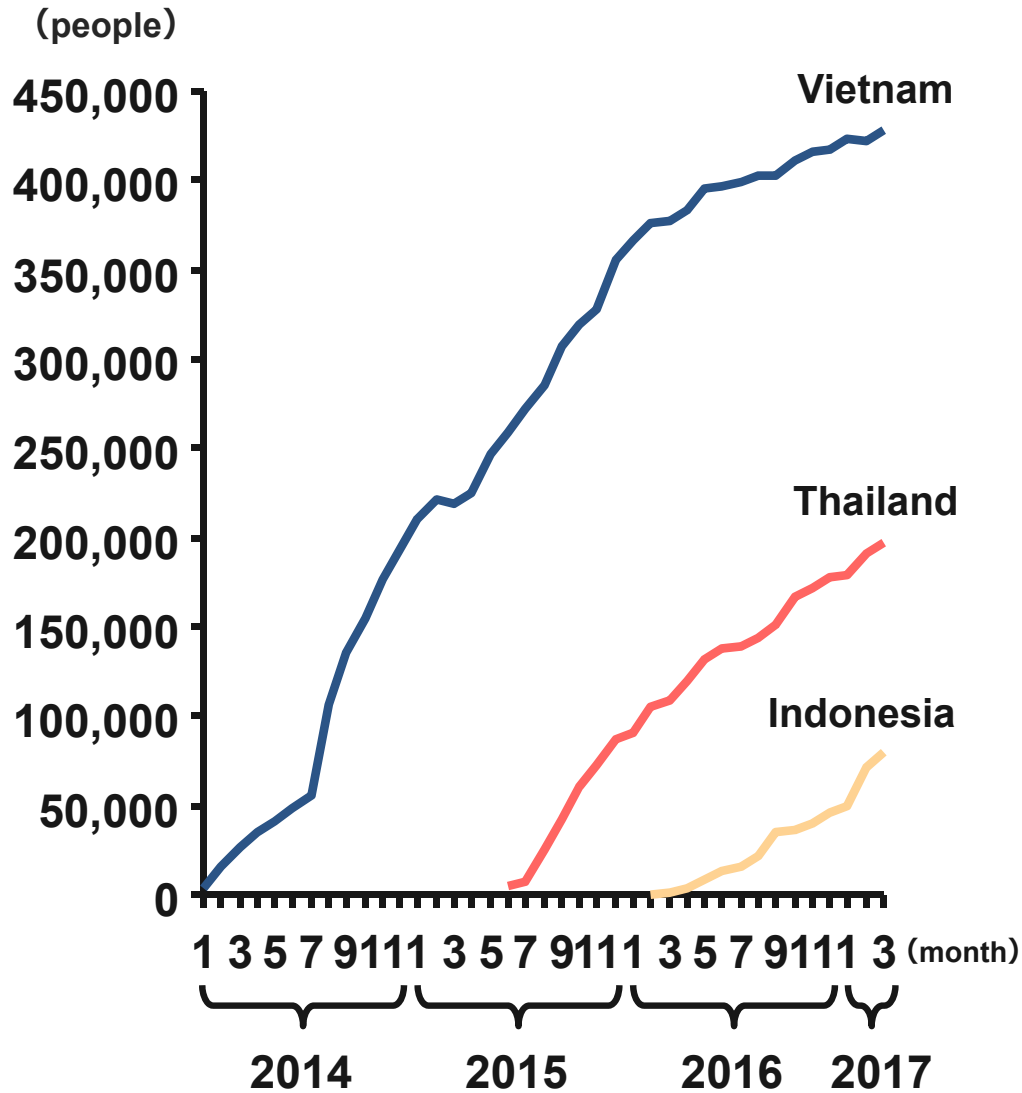
Trends Since Investment in iPet

Support Details: build management foundation, support growth strategy



Support Details: build management foundation, sales support

Number of Members



Online Research Example

STRESS CONTROL OF MOTHERS IN VIETNAM



The top 3 stress for moms raising kids



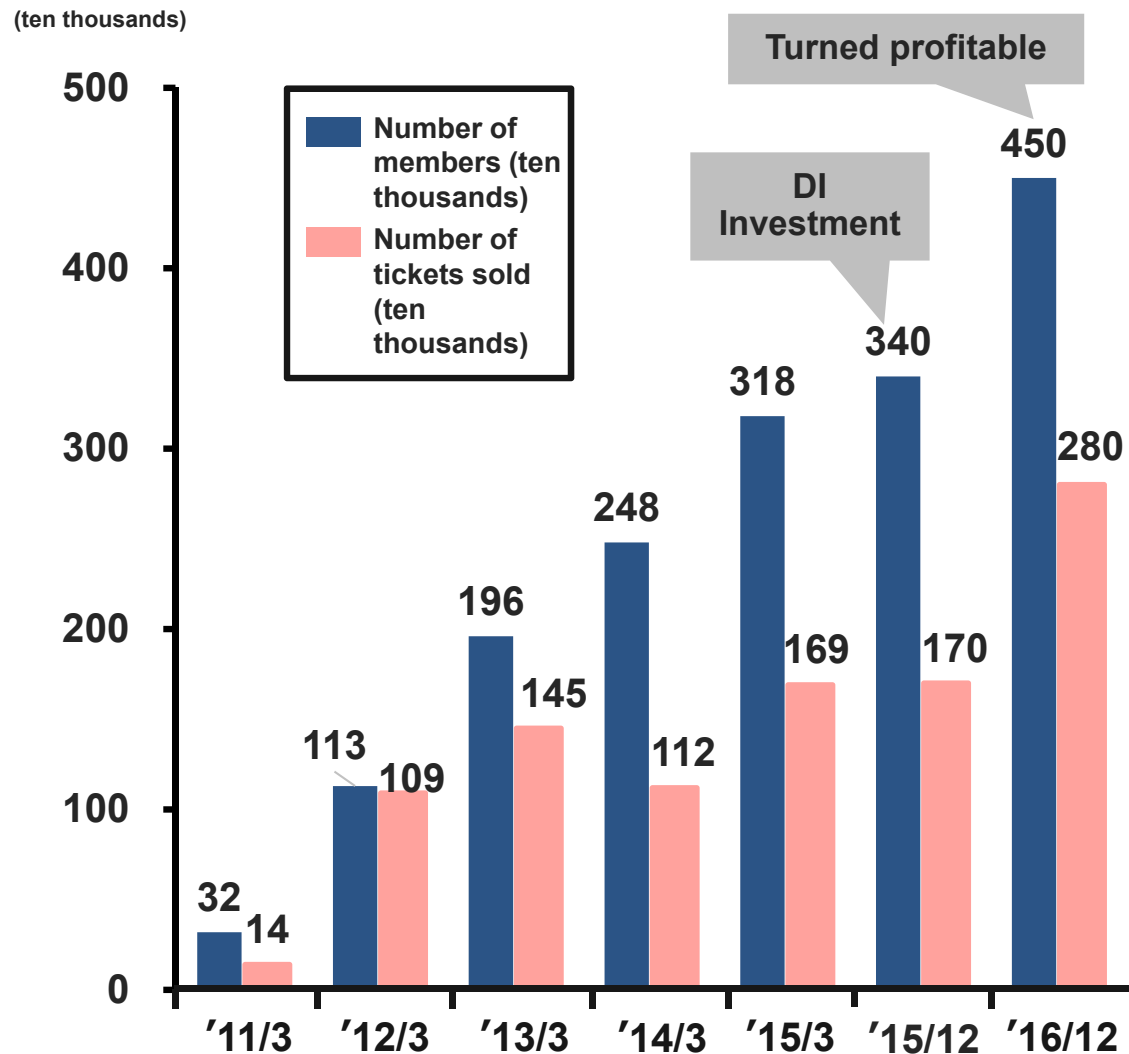
Solution to relieve stress



Support Details: build management foundation, enhance profit structure, build systems, new business creation

Indicators

Overview



Established: May 2010

DI Investment Ratio: 22% (actual base)

Main Business Details:

- Electronic ticket service for concerts, etc.
- Create and manage fan club websites

Main Client Artists

- Namie Amuro, E-girls, EXILE, 3rd Generation J Soul Brothers, etc.

Number of Members: 4.5mn (No.1 in Japan)



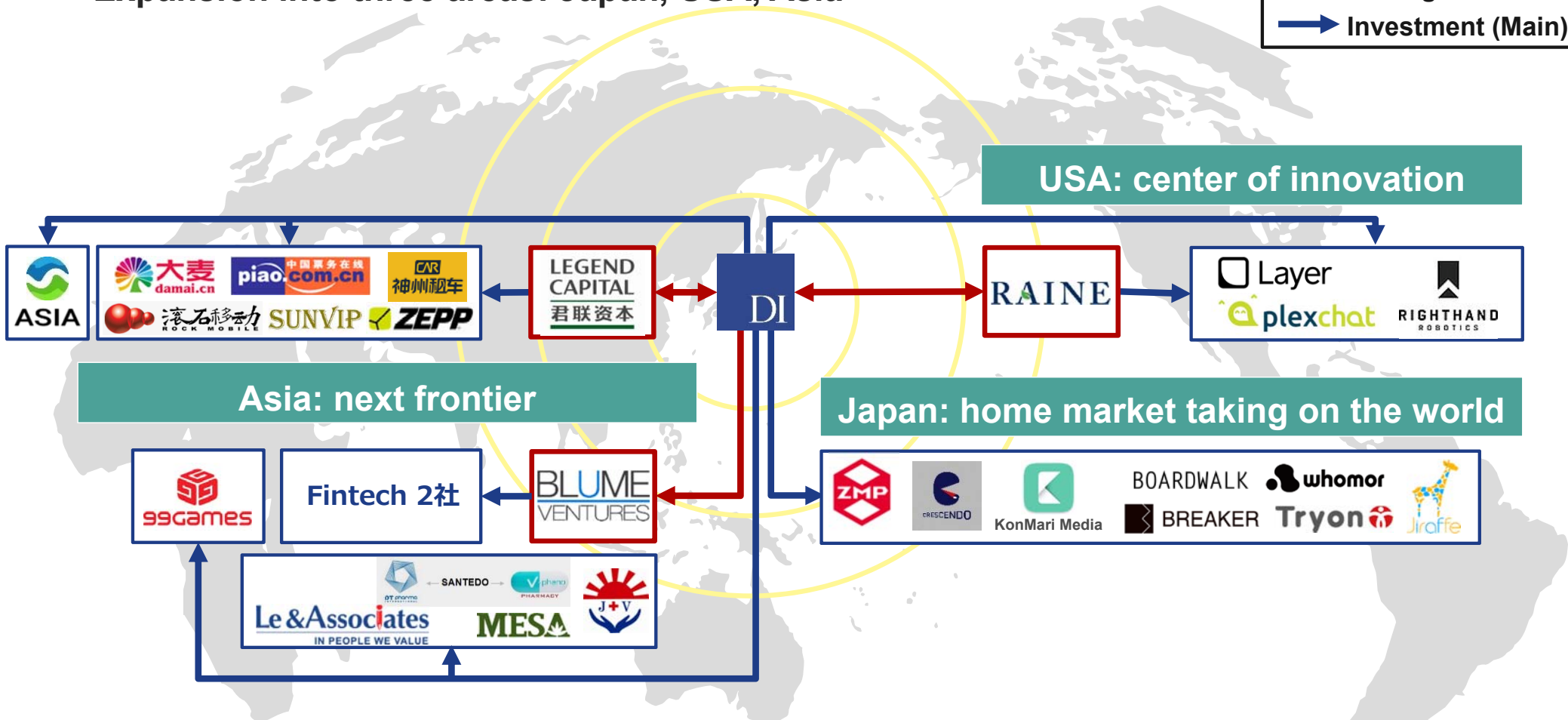
Electronic ticket service with over 4.5mn members

A mobile phone can be used for everything from purchasing tickets to entering the venue

* Change in accounting period

Incubation: Global Investment Structure

Expansion into three areas: Japan, USA, Asia



【Main Overseas Investment Partners】

USA

RAINE

Top global US-based investment bank/venture capital firm covering technology, media, and telecom

China

LEGEND CAPITAL
君联资本

Major investment fund of the Legend Group. Top-ranked in Chinese capital: “China's Top 10 VC firm”

India

BLUME VENTURES

Top venture capital firm in India investing in more than 60 companies. Top-ranked: “India's Most Active Tech VC firm”

Strategic Consulting: Business Producing/Brand Enhancement

Volume 1

PHP Institute, Inc.

“Business Producing Strategy to Create a JPY300bn Business”



Published May 2015, Additional Printing in July

Volume 2

PHP Institute, Inc.

“Business Producing Road to Success to Create a JPY300bn Business”



Published May 12, 2017

Volume 3

Nikkei Business Publications, Inc.

“Boss, Our Company Needs a CTO, Too”



Published May 22, 2017

DI's Strategy

