

FY03/2018

**Financial Results Briefing
Presentation**

May 10, 2018

Dream Incubator Inc.

(Stock Code: 4310)

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

DI

FY03/2018 Financial Results Summary

Current Situation of Each Business

FY03/2018 FINANCIAL RESULTS SUMMARY

Financial Results Overview			YoY	(Reference) Taking adjusted Insurance Segment profit into account*
• Consolidated sales	JPY18.4bn	Record high	(+26%)	JPY18.4bn
• Recurring profit	JPY1.9bn	Record high	(+263%)	JPY2.1bn
• Net income	JPY0.89bn		(+787%)	JPY1.07bn

Key Points

- **Strategic Consulting Services: Sales hit historic high (fourth consecutive year)**
- **Incubation Services: Accelerated investment**
 - Gains due to one company's IPO (Venture Capital)
 - Listing confirmed for iPet, a PE-type investee, IPO in April
- **Extraordinary loss, taxes:**
 - Loss on retirement of assets accompanying review of system development (Insurance)
 - Reversal of deferred tax assets due to expiration of tax loss carryforwards (Insurance)

Note: Displayed amounts have been rounded down.

* Please refer to pages 4 and 5.

FY03/2018 CONSOLIDATED P&L

(JPYmn)	End-FY03/17	End-FY03/18	Change
Strategic Consulting Services (Segment)	3,202	3,275	2.3%
Incubation Services	11,324	15,172	34.0%
Venture Capital Segment	1,179	2,752	133.4%
Insurance Segment	10,067	12,212	21.3%
Others Segment	78	208	166.6%
Intersegment Transactions	—	(29)	—
Total Sales	14,526	18,418	26.8%
Strategic Consulting Services (Segment)	1,861	1,811	-2.7%
Incubation Services	(232)	908	—
Venture Capital Segment	(344)	632	—
Insurance Segment	177	402	126.4%
Others Segment	(65)	(125)	—
Total Segment Profit	1,629	2,720	67.0%
Head Office Expense* and Non-Operating Profit/Loss	1,102	805	-26.9%
Recurring Profit	527	1,915	263.2%
Net Income Before Taxes	527	1,659	214.4%
Net Income Attributable to Parent Company Shareholders	101	899	787.4%

*Allocations to each segment have increased in connection with a review of department operations.

ADJUSTED ITEMS AND AMOUNTS IN THE INSURANCE SEGMENT PROFIT

The following two items have been adjusted to reflect iPet profits and losses.

(JPYmn)	<u>FY03/2017</u>	<u>FY03/2018</u>
Unadjusted Insurance Segment profit	177	402
<ul style="list-style-type: none"> • Adjustments related to the ordinary underwriting reserve* • Catastrophe reserve provision** 	+47 +322	-117 +391
Total adjustments	+370	+273
Adjusted Insurance Segment profit	547	676

* Adjustment to revise the ordinary underwriting reserve calculation from the first-year income-expenditure balance method to the unearned premium method

** Excluding the impact of the provision amount (negative if reversed)

FY03/2018 CONSOLIDATED P&L (INSURANCE SEGMENT ADJUSTED)

(JPYmn)	End-FY03/17	End-FY03/18	Change
Strategic Consulting Services (Segment)	3,202	3,275	2.3%
Incubation Services	11,324	15,172	34.0%
Venture Capital Segment	1,179	2,752	133.4%
Insurance Segment	10,067	12,212	21.3%
Others Segment	78	208	166.6%
Intersegment Transactions	—	(29)	—
Total Sales	14,526	18,418	26.8%
Strategic Consulting Services (Segment)	1,861	1,811	-2.7%
Incubation Services	138	1,182	756.5%
Venture Capital Segment	(344)	632	—
Insurance Segment	547	676	23.4%
Others Segment	(65)	(125)	—
Total Segment Profit	1,999	2,994	49.7%
Head Office Expense and Non-Operating Profit/Loss	1,102	805	-26.9%
Recurring Profit	897	2,189	143.9%
Net Income Before Taxes	898	1,933	115.3%
Net Income Attributable to Parent Company Shareholders	358	1,071	199.0%

Note: Changes in amounts due to Insurance Segment adjustments are indicated in red.

FY03/2018 RECURRING PROFIT/LOSS—YOY CHANGE BY COMPANY

Reference

(Unit for profit/loss: JPYbn)	FY03/2017	FY03/2018	Reason for change
DI and others*	0.43	1.60 +1.17	<ul style="list-style-type: none"> • Increase in capital gains
iPet**	0.17	0.44 +0.27	<ul style="list-style-type: none"> • Robust growth • Non-operating profit of JPY30mn in investment gains
DIM	-0.08	-0.13 -0.05	<ul style="list-style-type: none"> • Sales continuing to trend upward • Posting of upfront investment costs, including for the establishment of new companies overseas
Total	0.52	1.91 +1.39	

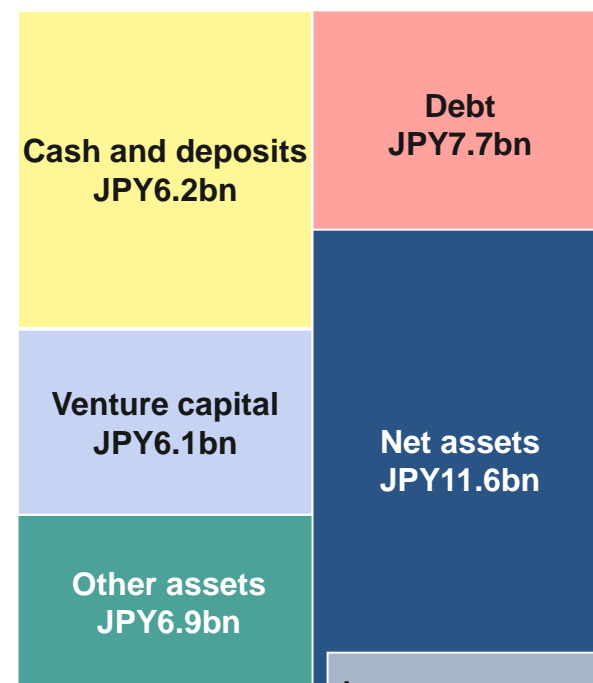
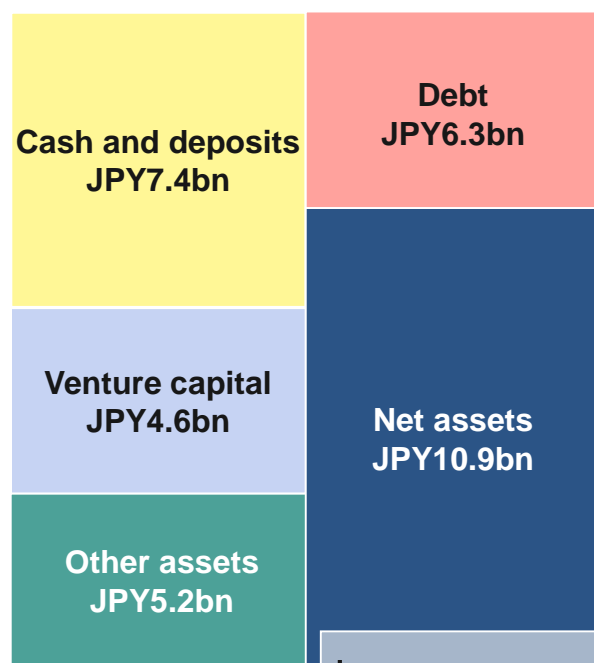
* Includes overseas bases of operation

** Takes into account goodwill amortization recorded on a consolidated basis

FY03/2018 CONSOLIDATED BALANCE SHEET

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

End-FY03/2018
(Total assets: JPY19.3bn)



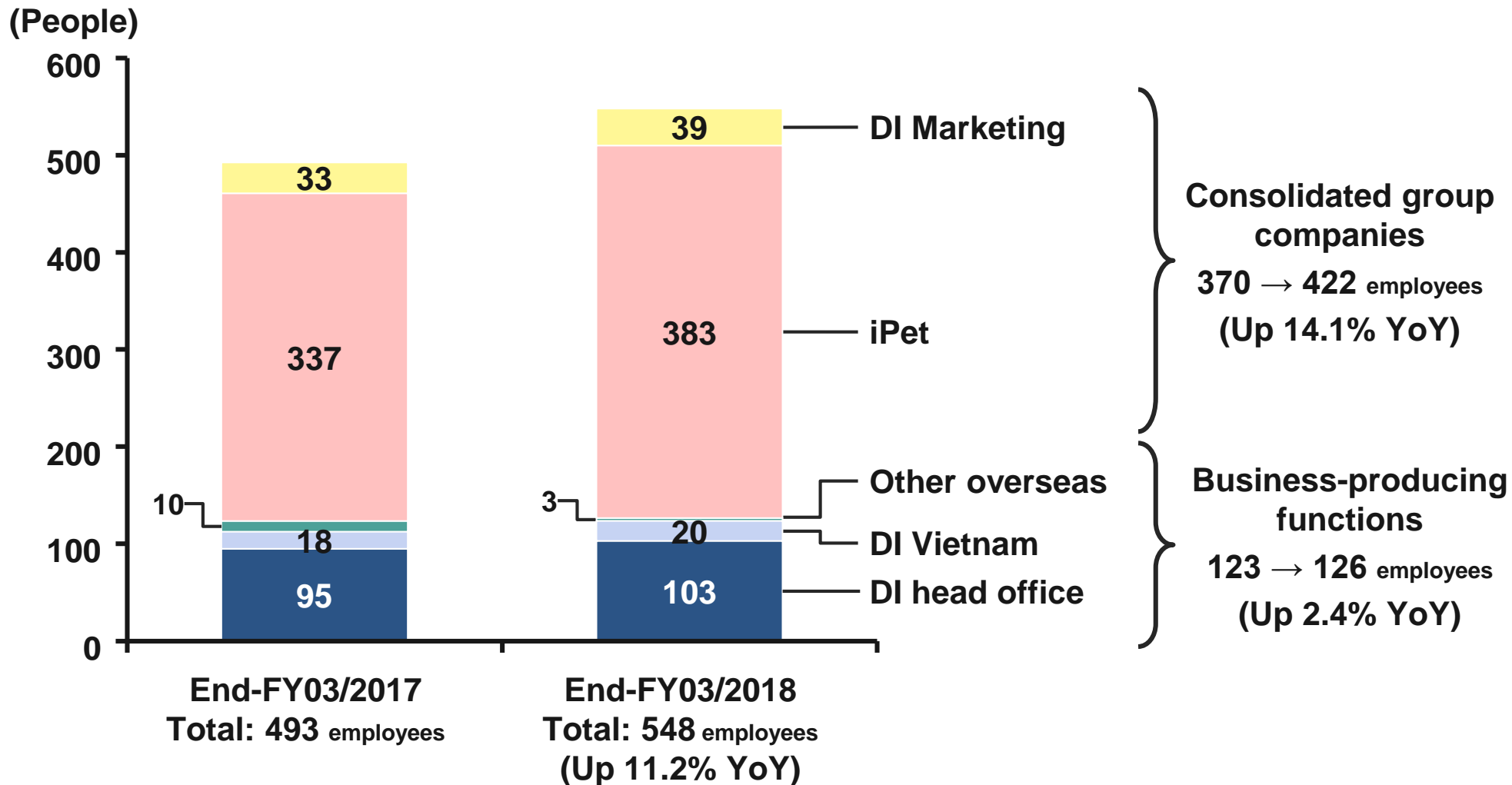
Breakdown of change in net assets

● Net income	+JPY890mn
● Non-controlling interests	+JPY10mn
● Other comprehensive income	-JPY250mn
● Exercise of stock options	+JPY50mn
● Dividends paid	-JPY30mn
● Total	JPY670mn

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

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

FY03/2018 NUMBER OF EMPLOYEES (CONSOLIDATED)

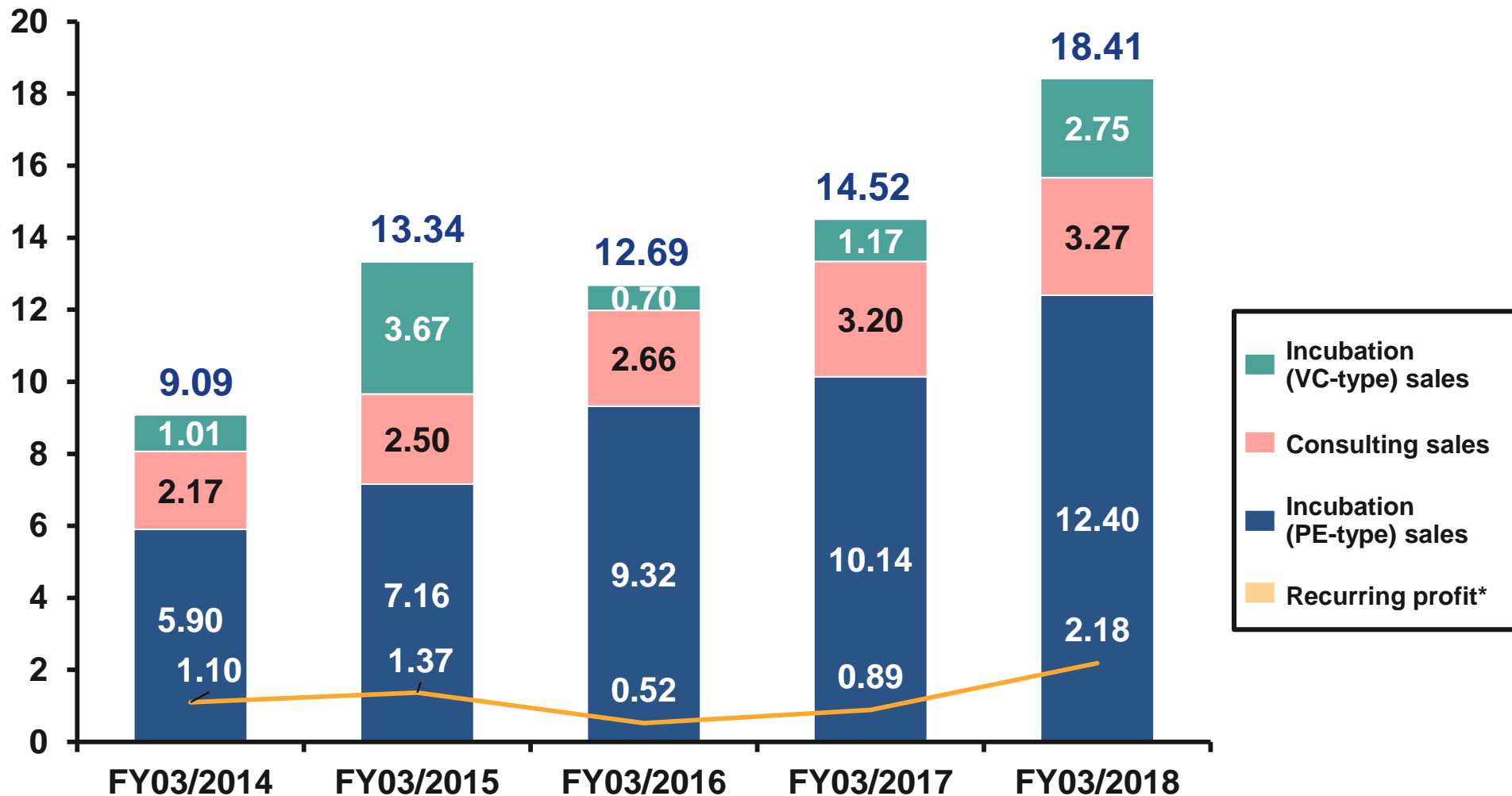


Note: Each breakdown of number of employees is based on working location (excludes directors, includes temporary workers), and includes employees who resigned on the last day of each months.

CONSOLIDATED PERFORMANCE

Reference

Sales/Recurring Profit
(JPYbn)



Number of
IPOs

4

1

2

2

1

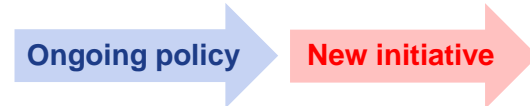
Total: 26

* For the most recent two periods, adjusted recurring profit, using adjusted profit/loss for the Insurance Segment

FY03/2018 Financial Results Summary

Status of Individual Businesses

BUSINESS STRUCTURE



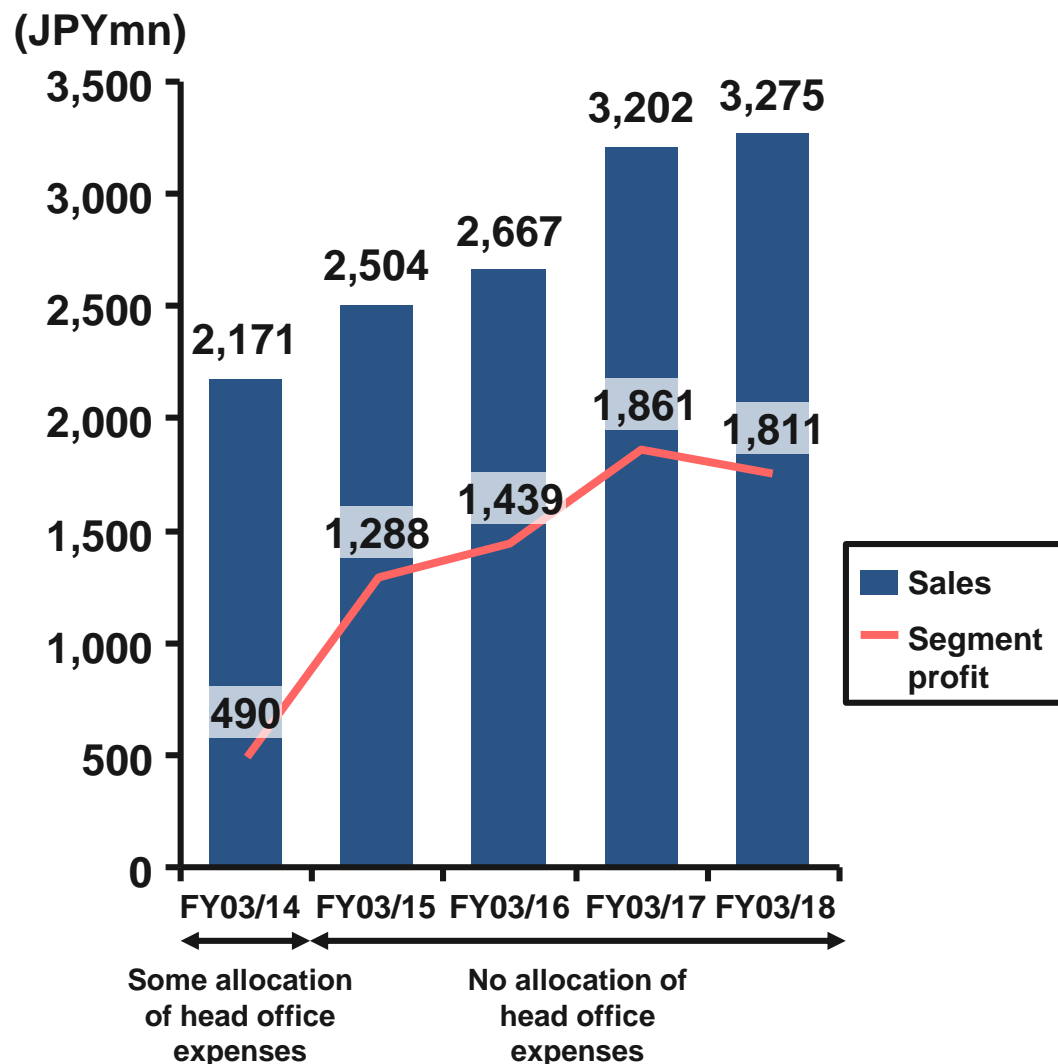
	Overview	Previous FY	Current situation	Focus going forward
Incubation (VC-type)	Venture capital incubation	Invested: Approx. <u>JPY5.0bn</u> • Doubled our investments in exits made over past five years*	Invested: Approx. <u>JPY6.0bn</u>	Accelerate investment in Japan, US, Asia Establish “India fund”
Strategic consulting	Consulting for large companies • Especially, growth strategy/business creation support	Sales: <u>JPY3.20bn</u> • Competitors: McKinsey, BCG	Sales: <u>JPY3.27bn</u> • Rise in inquiries	Enhance “business-producing” capabilities/brand Create “Knowledge Platform for Asia”
		DIM**: Social media marketing (Southeast Asia) Members: <u>700,000</u> • Top-class in Southeast Asia	Members: <u>1 million +</u>	
Incubation (PE-type)	BOARDWALK: Electronic tickets	Members: <u>4.5mn</u> • No. 1 in electronic ticket services, has continued to grow during the three years since DI’s investment	Members: <u>6.5mn</u>	Leverage member database
	iPet**: Pet insurance	Sales: <u>JPY10.0bn</u> • Ranked second in industry	Sales: <u>JPY12.2bn</u> • IPO on Mothers market	Provide ongoing support New discoveries

* Impairments are accounted for as loss on sale.

** Consolidated subsidiary

STRATEGIC CONSULTING SERVICES (SEGMENT)

Performance



Initiatives

Record-high sales for four consecutive fiscal years

- In FY03/2017, increase in domestic projects offset decline in large-scale overseas projects
- Rise in inquiries due to enhanced branding

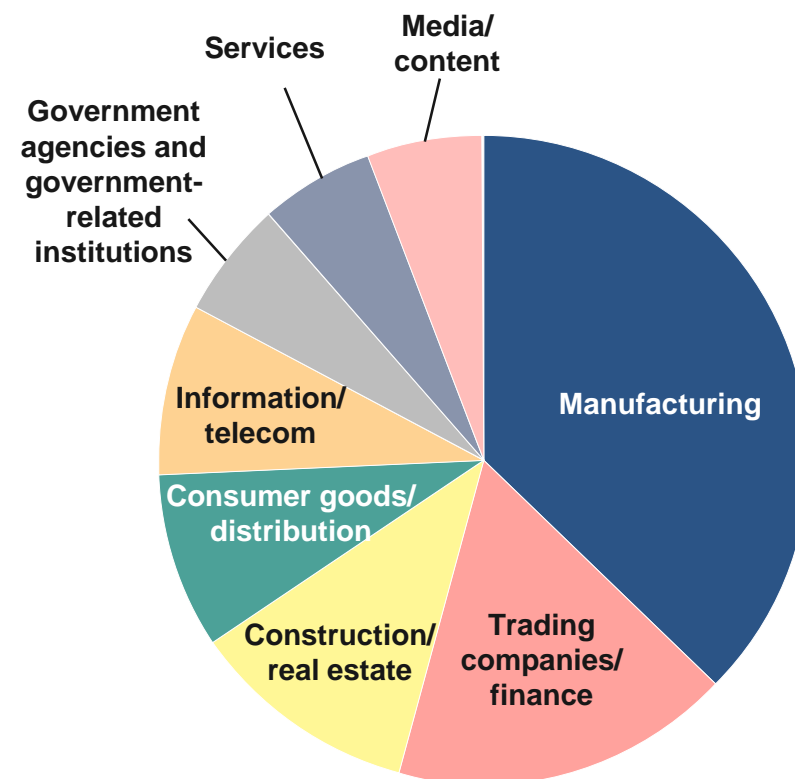
Main project themes

- Support AI and robotics strategies
- Support digital marketing strategy
- Support design of organization for innovation
- Formulate technology development strategy
- Offer M&A advisory services
- Cultivate management personnel

Size of Clients

Recurring profit	Industry rank* (number of companies**)			
	1st	2nd	3rd	4th and below
Over JPY500bn	5			
JPY100–500bn	3			
JPY50–100bn	4			
JPY10–50bn	4		2	7
Below JPY10bn				2
Total	16		2	9
Sales composition (%)	78.1		5.5	16.4

Client Industries

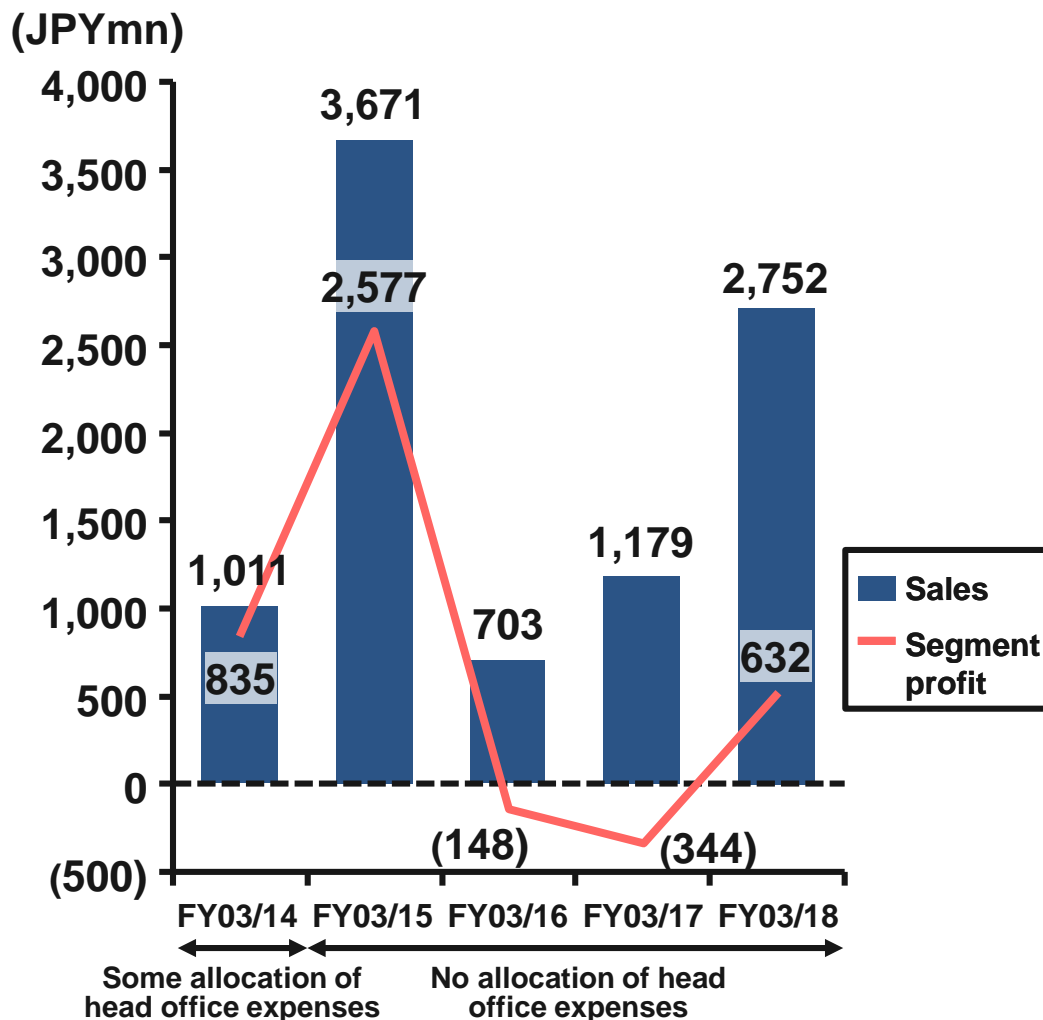


* Clients are classified by industry based on SPEEDA's industry classifications by UZABASE, Inc.

** 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

Performance



Initiatives

Main portfolio (JPYmn)

• Japan*	1,905 (16 companies)
• Asia	1,867 (14 companies)
• US	576 (9 companies)
Total	4,349 (39 companies)

Investment** 24 companies

- New investment in 17 companies, additional investment in seven (see following page)

IPO / EXIT*** 1 company

- LTS




















Impairment 2 companies

* Includes only principal investments with a book value of over JPY2mn (amount is book value; excludes post-IPO)

** Includes acquisition of stock options (excludes fund investments and post-IPO)

*** Excludes post-IPO

FY03/2018 RESULTS OF INVESTMENT/SUPPORT

Japan			US		Asia	
<p>div</p> <p>Programming learning services</p> 	<p>CLUE</p> <p>Provision of software for industrial drones</p> 	<p>Payme</p> <p>Provision of system development for same-day salary payments</p> 	<p>Root Robotics</p> <p>Sales of programming learning robots</p> 	<p>C2Sense</p> <p>Development of ultrasmall gas detection sensors</p> 	<p>AnyMind Group</p> <p>(Singapore) Marketing platforms using AI</p> 	<p>Instamojo</p> <p>(India) Payment platform for online individual business operators</p> 
<p>BOARDWALK</p> <p>Digital ticketing platform</p> 	<p>BREAKER</p> <p>Digital content production, distribution</p> 	<p>LTS</p> <p>Business reform support consulting</p> 	<p>Analytical Space</p> <p>Network development using ultrasmall satellites</p> 	<p>Waggle</p> <p>Operates online pet community</p> 	<p>Healthifyme</p> <p>(India) Health management apps</p> 	<p>Active Intelligence</p> <p>(India) Chat banking services</p> 
<p>Tryon</p> <p>Operates English conversation schools</p> 	<p>Jiraffe</p> <p>Manages website for purchasing price comparison</p> 	<ul style="list-style-type: none"> Two other companies 	<p>Workast</p> <p>Task management tool for chats</p> 	<p>Layer</p> <p>Chat messenger SAAS</p> 	<p>Baldor Technologies</p> <p>(India) Personal authentication service</p> 	<ul style="list-style-type: none"> Three other companies

 : Additional investment

LTS, Inc.



Established

March 2002

Representative

Hiroaki Kabashima

**Listing date
(exchange)**

December 14, 2017 (Mothers Market, Tokyo Stock Exchange)

Latest results

Consolidated sales: JPY2.4bn

Net income: JPY0.11bn

Investment ratio*

16.5%

Business details

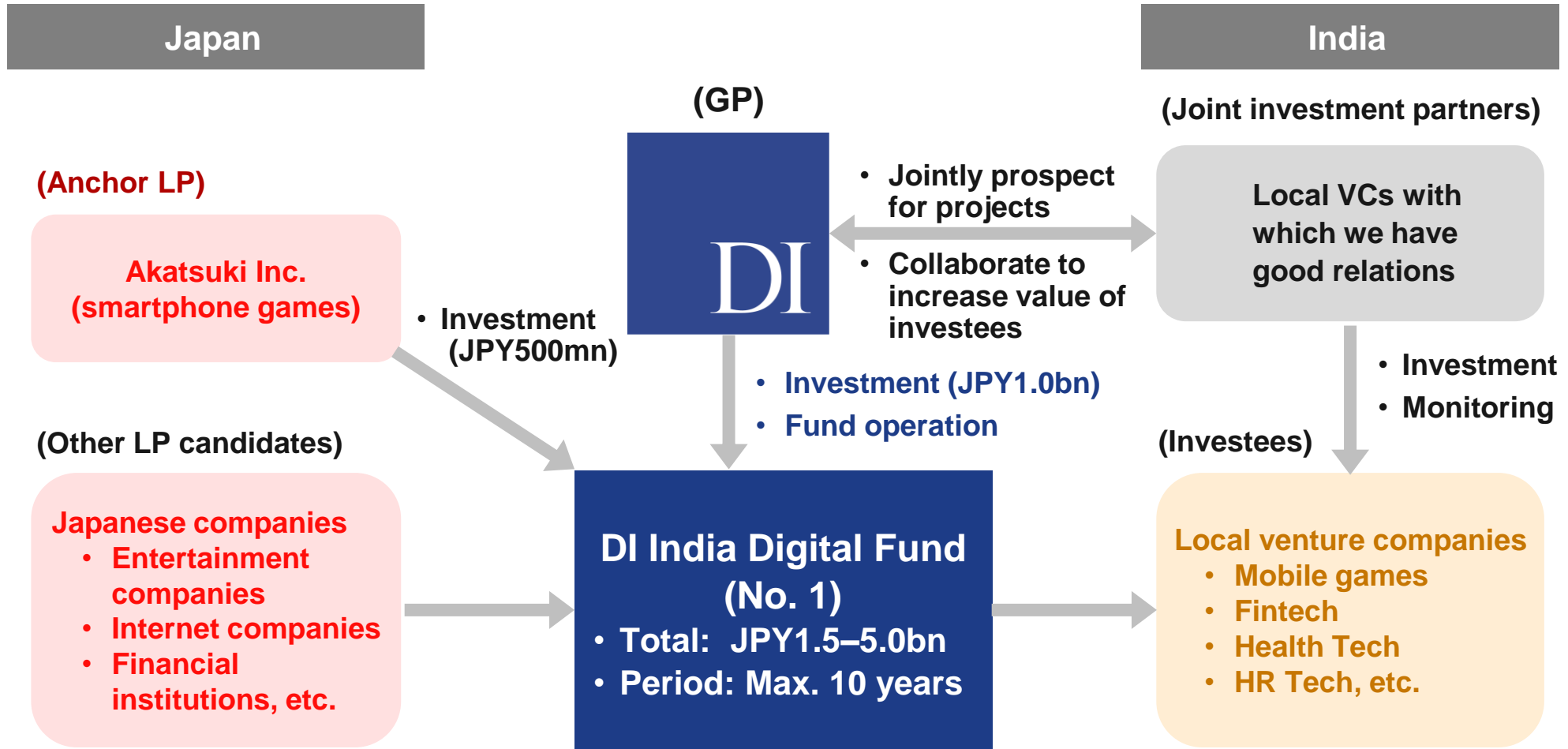
Supports the promotion of work style reforms, leveraging robotics, AI, and business process management

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

INVESTMENT STRATEGIES, BY REGION

	Area of focus	Strategy
Japan	Next-generation youth x promising entrepreneurs	Create pool of entrepreneurs <ul style="list-style-type: none">• Own media, study groups
Asia	Fields of overwhelming macroeconomic growth (particularly BtoC)	Joint investment with prominent local VCs
US	Cutting-edge business and technology fields	

ESTABLISHMENT OF DI INDIA DIGITAL FUND

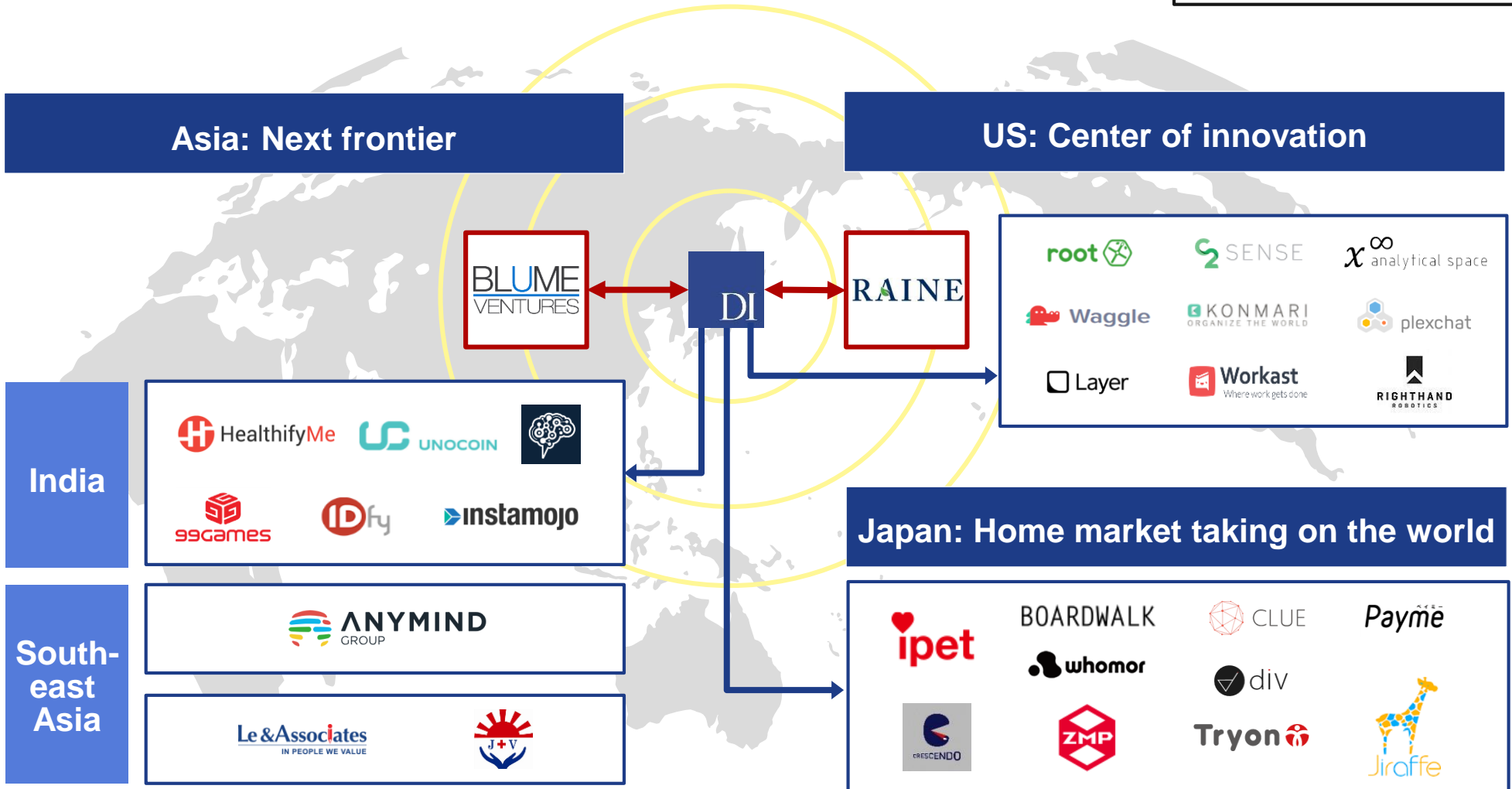


Objective: Japan–India platform for creating digital businesses

GLOBAL INVESTMENT STRUCTURE

Reference

Expansion into three areas: Japan, US, Asia



Venture Navi

<http://venturenavi.dreamincubator.co.jp/>

Posted interviews

Posting of articles on interviews with proven entrepreneurs, distribution on social media

- Major interviews

Listed

Jin Uehara, President, Mynet

Ryosuke Niino, Director, UZABASE

Shuichi Takenaga, President, Aucfan

Yosuke Tsuji, CEO, Money Forward

Masahide Nakamura, President, Allied Architects

Daisuke Yanasawa, CEO, KAYAC

Unlisted

Yuji Maeda, President, SHOWROOM

Teruaki Aso, President, Jiraffe

Kosuke Sogo, CEO, AnyMind Group

Event

Held “CEO Night,” a closed study group for entrepreneurs

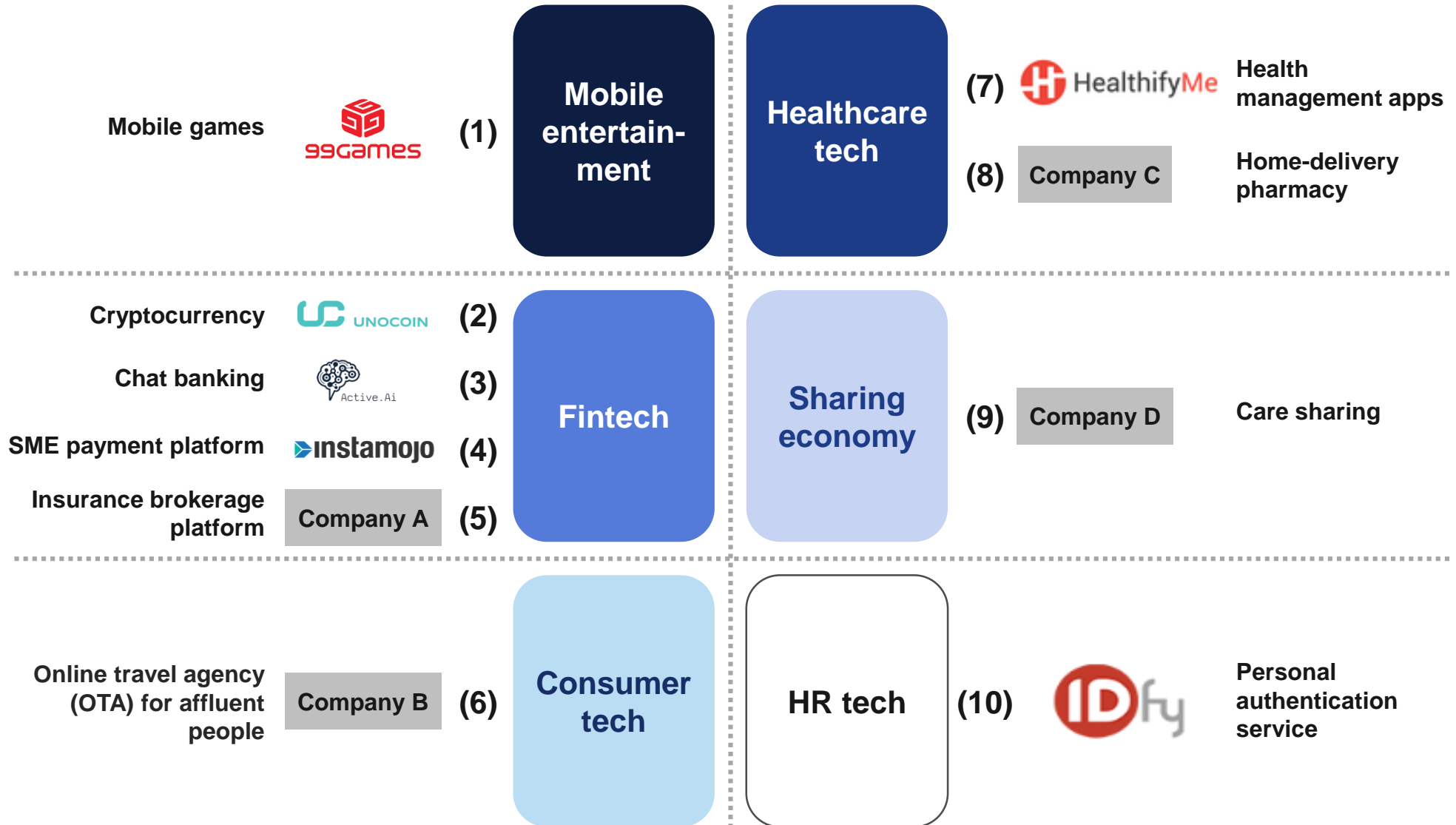
- First guest was Shuichi Takenaga, president of Aucfan (listed on TSE Mothers market)



INDIA: DIVERSIFIED INVESTMENT IN FIELDS OF OVERWHELMING MACROECONOMIC GROWTH

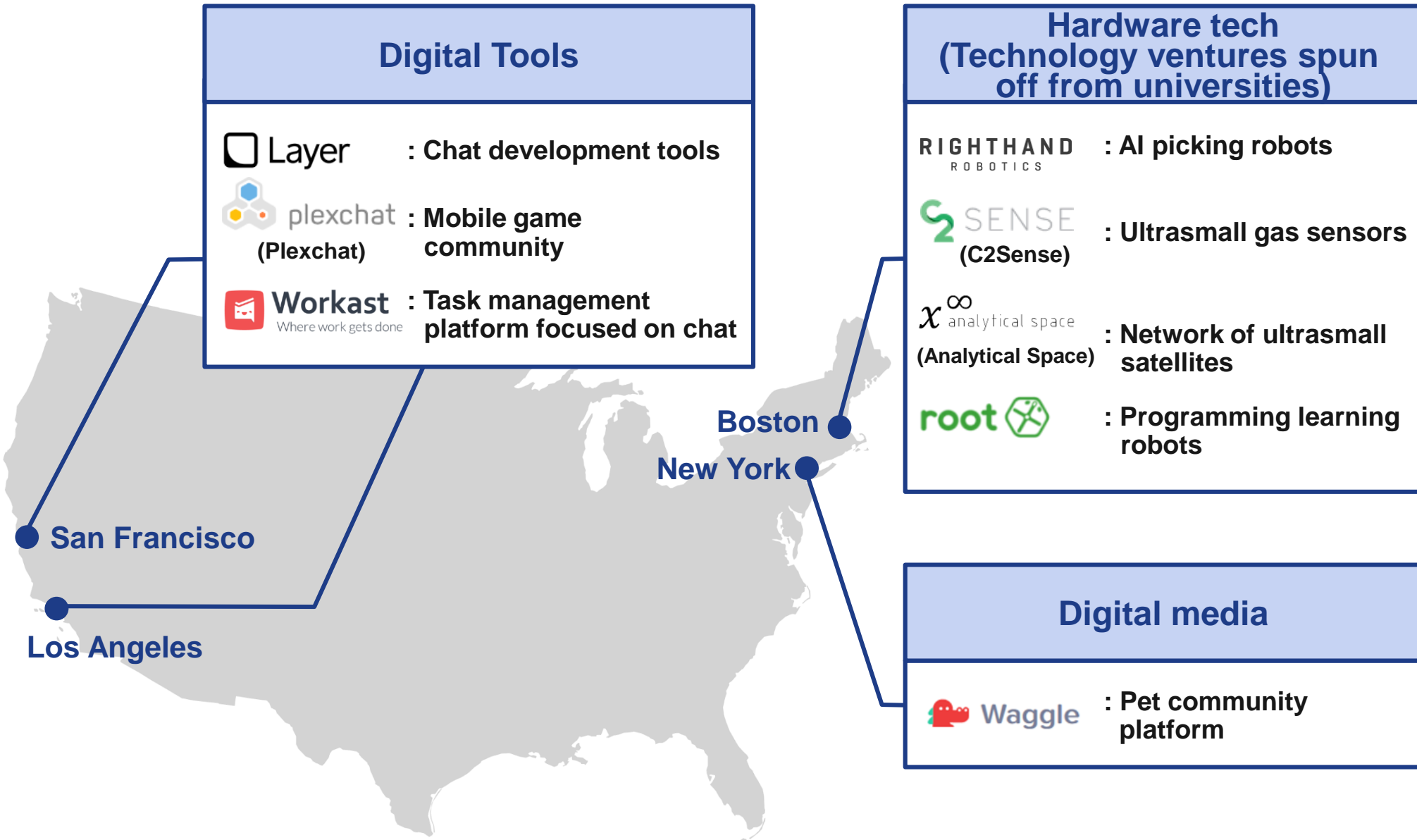
Reference

Cumulative investments in 10 companies



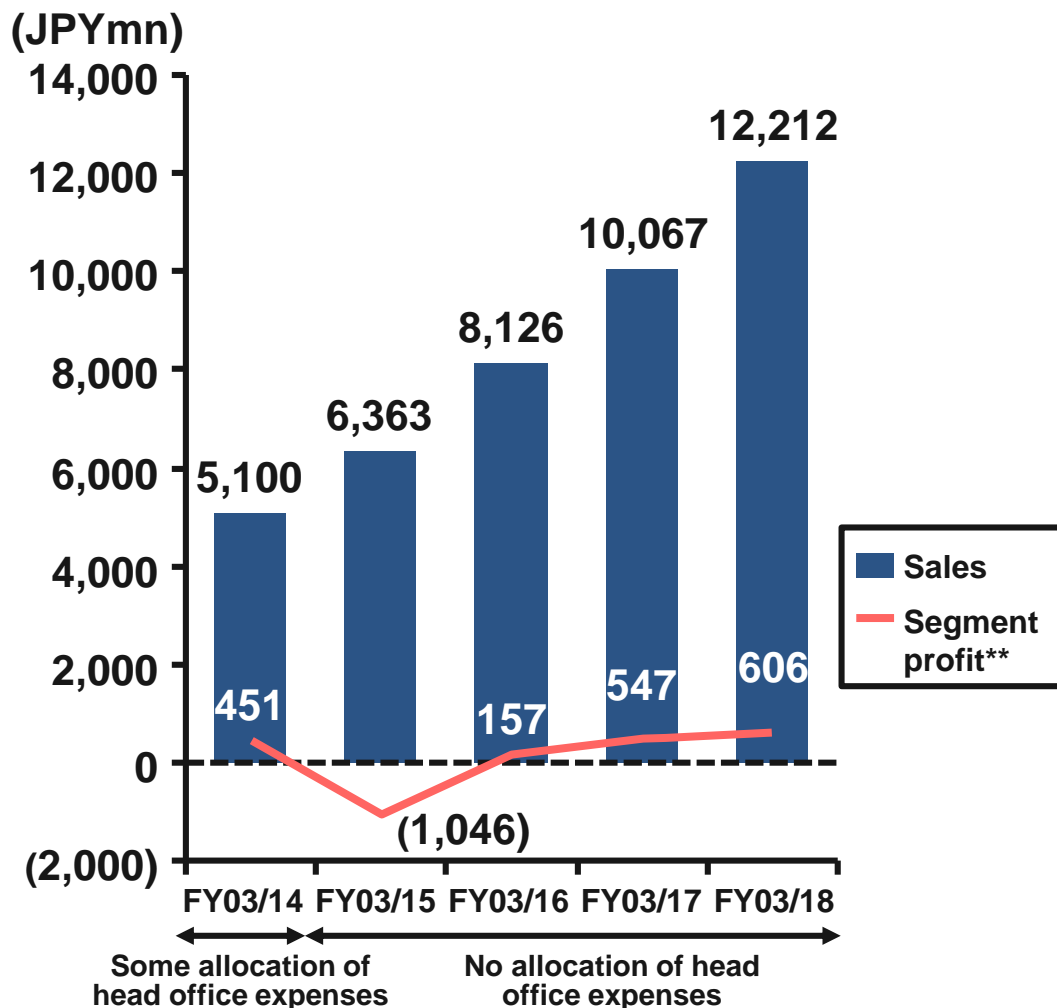
US: INVEST IN CUTTING – EDGE TECHNOLOGIES, HELP WITH BUSINESS DEVELOPMENT

Reference



INCUBATION SERVICES (2) INSURANCE SEGMENT (iPet)

Performance



* Loss on retirement: review of development; tax assets: expiration of tax loss carryforwards

** Adjusted Insurance Segment losses for the most recent two fiscal years

Initiatives

Steady growth

- Sales: +21% YoY
- Segment profit: +126%

Extraordinary loss, one-off tax expenses

- Loss on retirement of core system: JPY0.25bn*
- Reversal of deferred tax assets: JPY0.1bn*

IPO on TSE Mothers market on April 25



iPet: IPO ON THE TSE MOTHERS MARKET ON APRIL 25, 2018

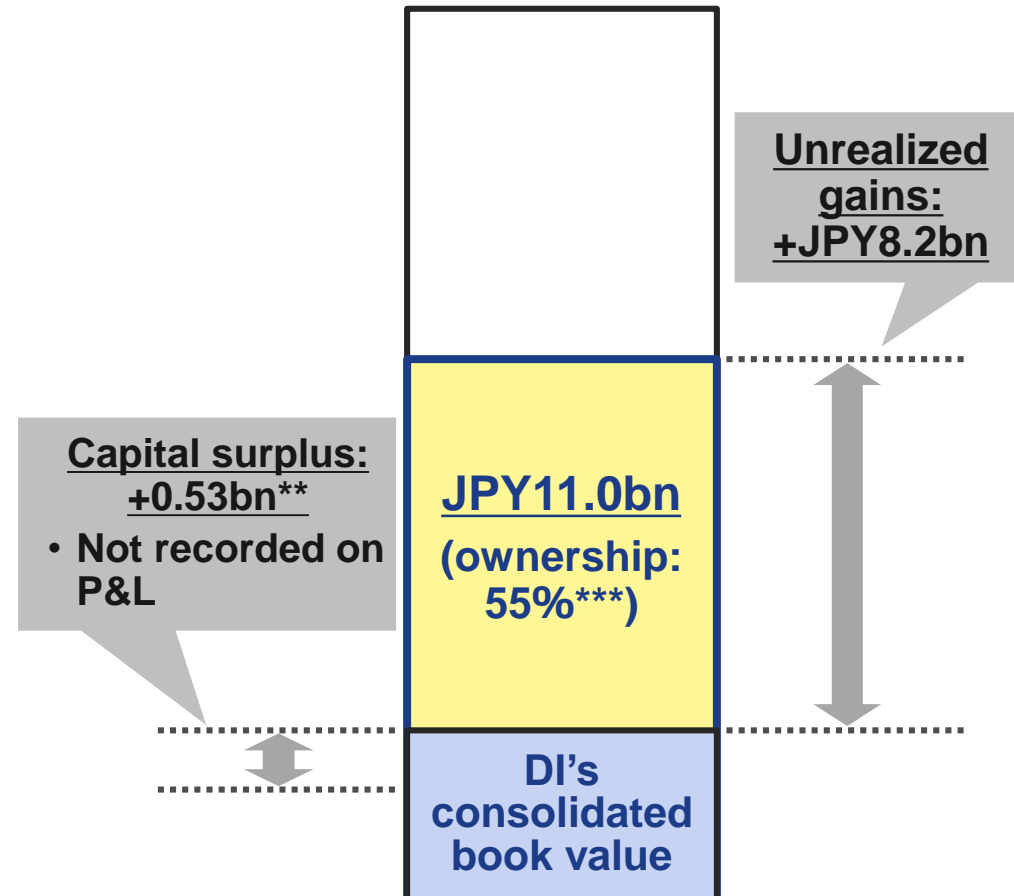
Holding status and policy

- DI's ownership: 58.94% (explicit basis)
- Market capitalization: JPY20.0bn (stock price: JPY3,890*)
- DI's holding policy: For the time being, continue to hold and provide support



Financial accounting impact and unrealized gains

Market capitalization: JPY20.0bn



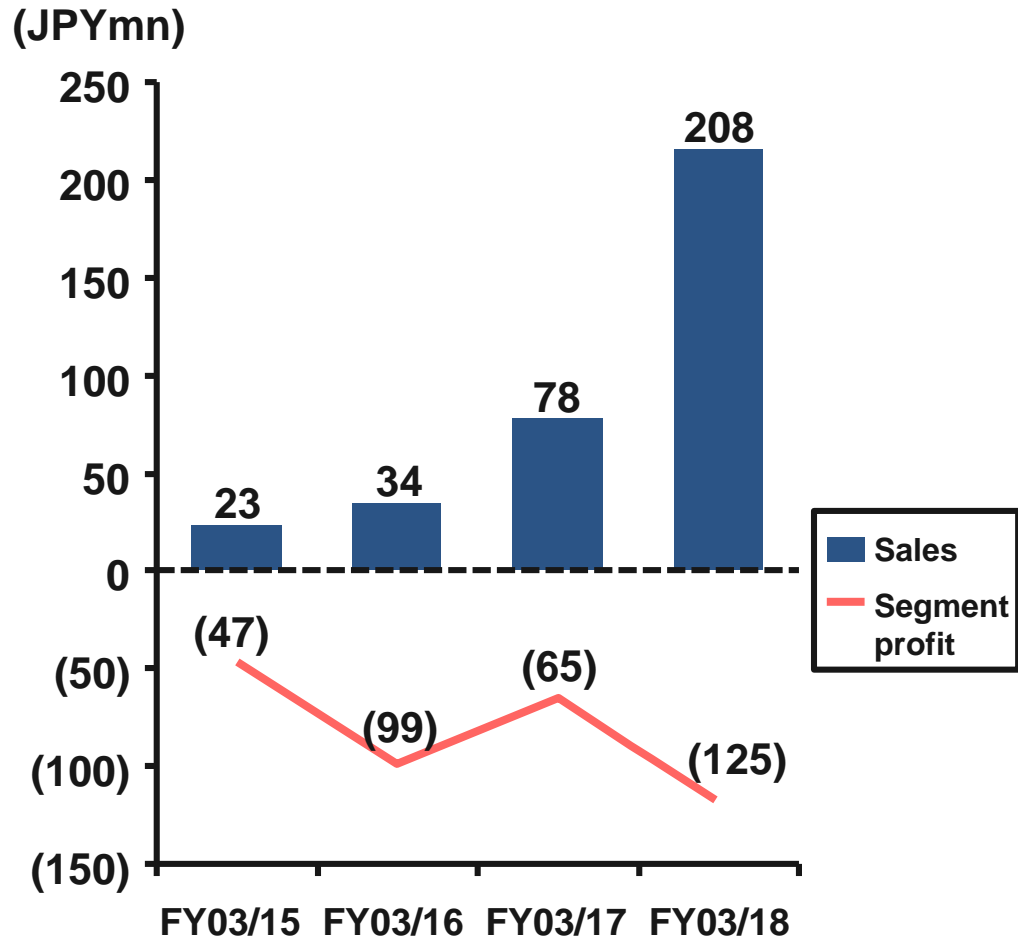
* As of April 30, 2018

** Change in ownership due to public offering; posted in Q1 of FY03/2019

*** Underlying basis

INCUBATION SERVICES (3) DIGITAL MARKETING (DI Marketing)

Performance



Initiatives

Full-fledged start of sales in Japan, substantially rise in orders

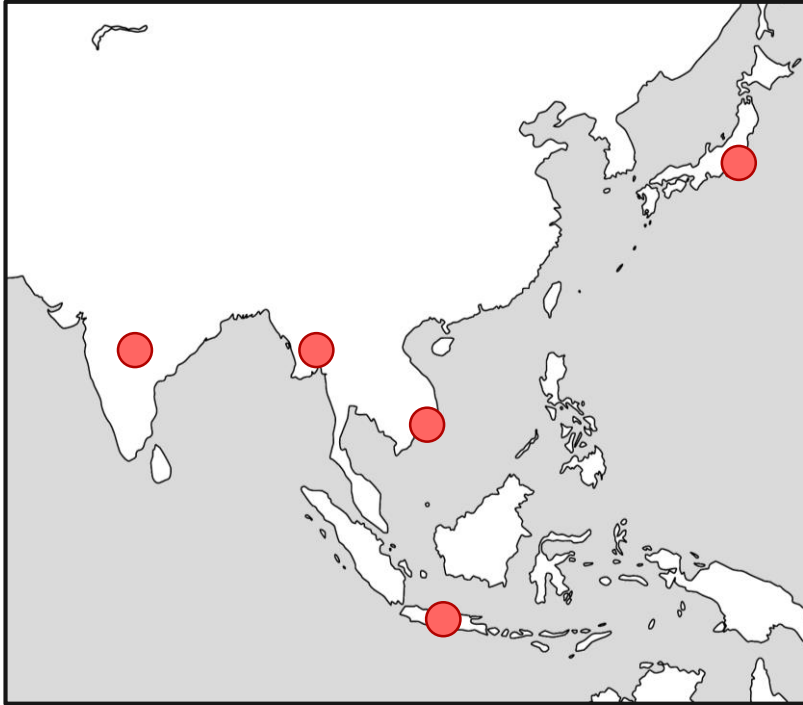
- Sales: +166% YoY
- Number of panel members in three Southeast Asian countries also topping 1mn

Continue investing toward growth, with a view to moving into the black on an annual basis

Collaborate with DI Vietnam, aiming to become a “Knowledge Platform for Asia”

- Planning to revise the Group structure

DI VIETNAM + DIM = A KNOWLEDGE PLATFORM FOR ASIA



Future structure

Combine DI Vietnam and DI Marketing

- **Five-base structure***
 - Tokyo, Vietnam, Thailand, Indonesia, India (DI)

* Base in China to be closed as part of Group restructuring

Services

Former DI Vietnam (DIV)

- Strategic consulting

Former DI Marketing (DIM)

- Market surveys
- Market entry surveys
- Database sales

Strengths

(1) Database of 1 million consumers

- Vietnam, Thailand, Indonesia

(2) Diverse service menu

- From drafting strategies to selling data
- Respond to client company needs

FY03/2018 YEAR-END DIVIDEND

	FY03/2017	FY03/2018
Consolidated net income	JPY101mn	JPY899mn
Dividends (dividends per share)	JPY30mn (JPY3)	JPY262mn (JPY26)
Dividend payout ratio [*]	29.69%	29.16%

* Dividends divided by consolidated net income

FY03/2019 FULL-YEAR OUTLOOK

Professional Services*

- Continued growth
 - Roughly 15% annual growth over medium to long term
 - Monetization of digital marketing

Incubation Services

Insurance Segment

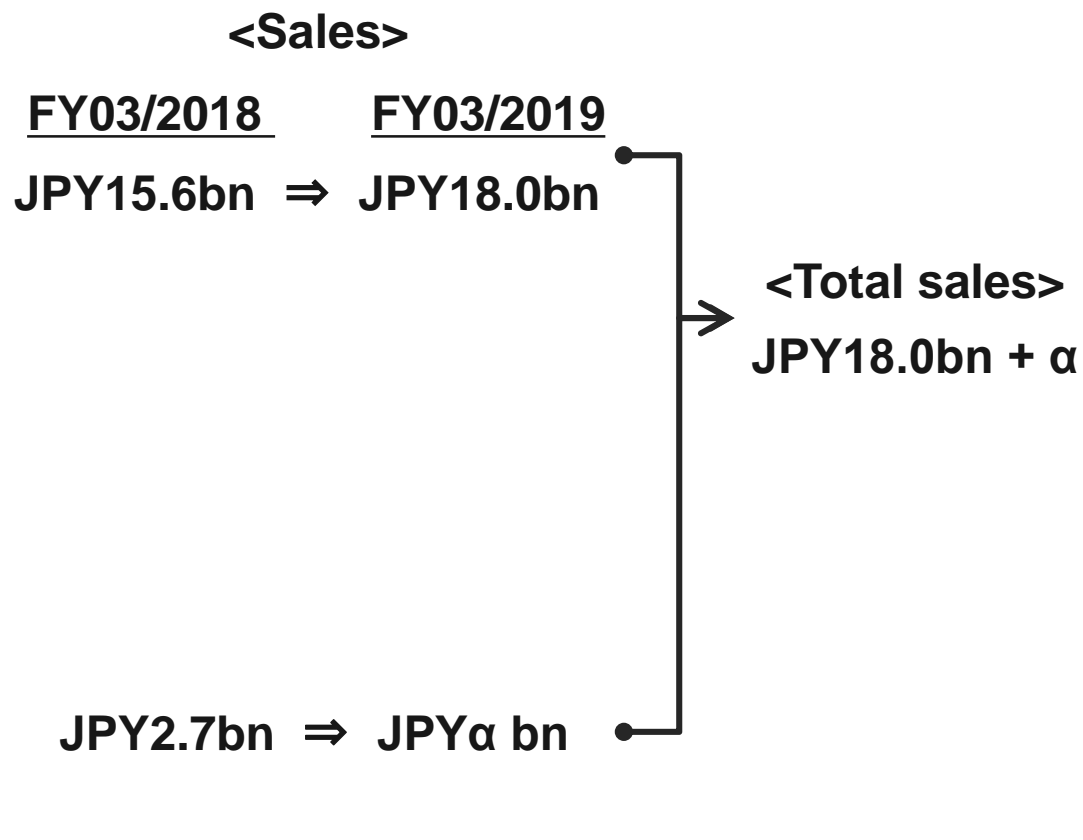
- Continued growth

Others Segment

- Preparation for other businesses

Venture Capital Segment

- Expect sale of several companies via IPO or trade sale



* In line with Group restructuring, DI Marketing is scheduled to transition to a segment.

Dream Incubator Inc.