

**1H FY03/2019**

**Financial Results Briefing  
Presentation**

**October 30, 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.

**DI**

# **1. Business Overview and Valuations**

## **2. 1H FY03/2018 Results Summary**

## **3. Current Situation of Each Business**

## **4. Reference (Details for Each Business)**

# Introducing Dream Incubator

## Founding Principle

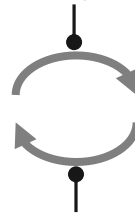
Create the next 100 companies comparable to Sony or Honda

## Business Model

Strategic consulting services and incubation investment

- Strategic consulting approach
- Social and industry-level perspectives

Strategic consulting

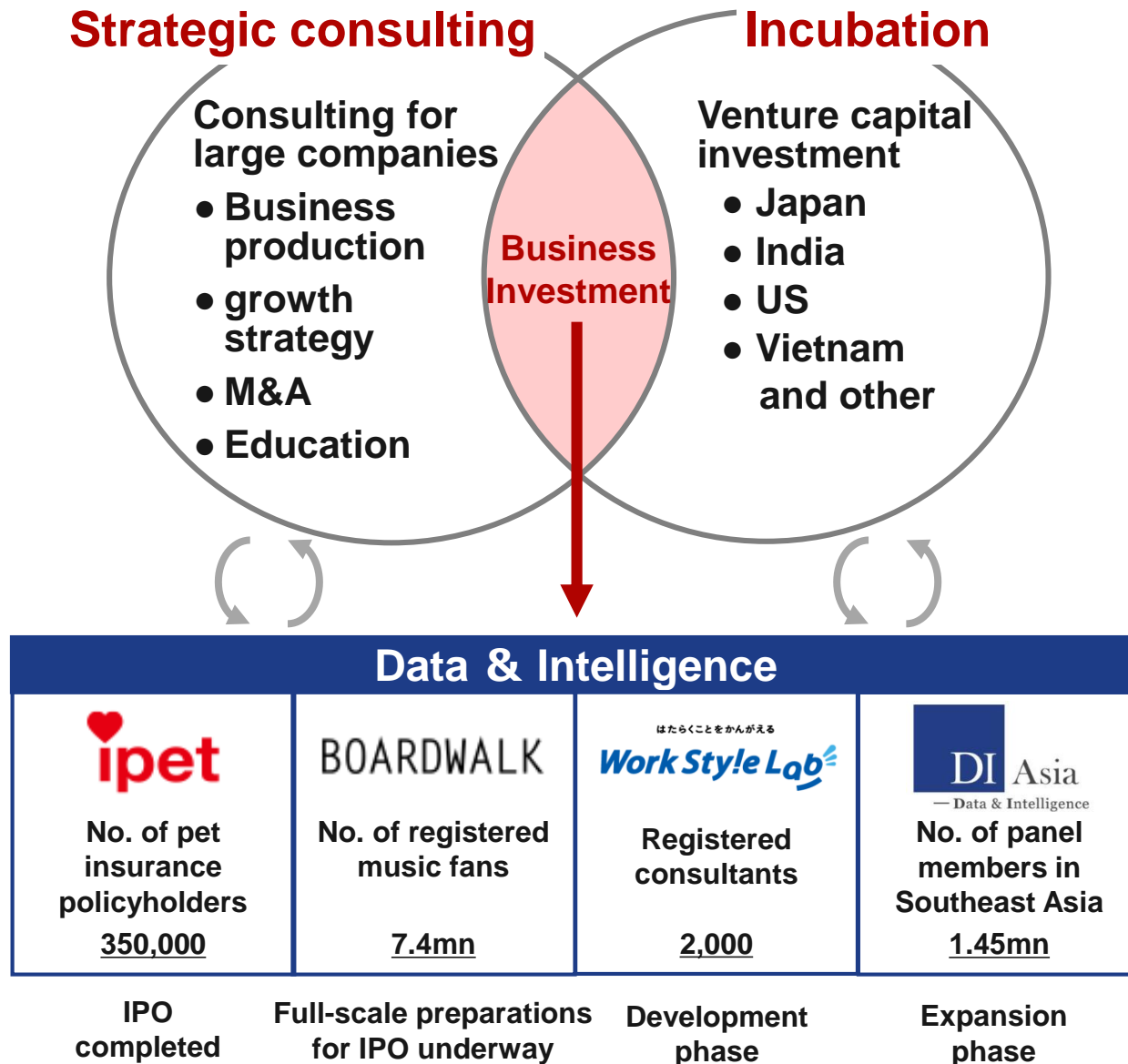


Incubation

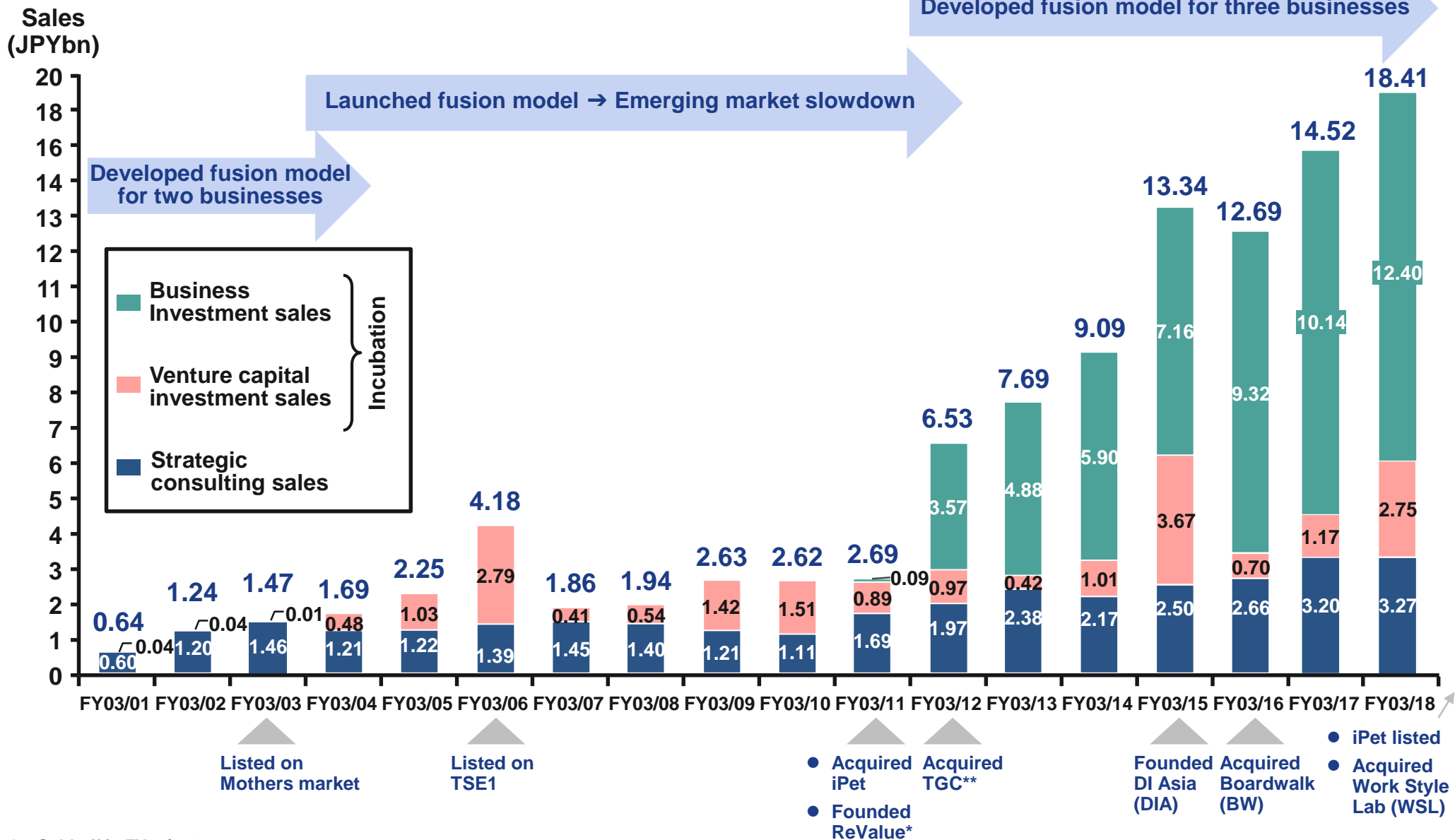
- Network of entrepreneurs and investors
- Hands-on management expertise

**“ The Business Producing Company ”  
(Creating large businesses to help change society)**

# Business Model



# Company History



\* Sold off in FY03/2016

\*\* Tokyo Girls Collection trademark; sold off in FY03/2016

# Present Business Valuations

## Present Business Valuations

## Key Initiatives

Incubation  
(Venture Capital)

JPY10.0bn

- Cyclical and continued expansion

Professional  
Services

Strategic

Consulting:

JPY14.5bn

DIA:

Being developed

- Strengthening of brand

Incubation  
(Business  
Investment)

iPet:

JPY13.0bn

WSL:

BW:

Being developed

- Business development

---

Total:            Approx. JPY37.5bn  
                      JPY3,700/share

# Business Valuations Targeted in FY03/2022

|                                     |                      | Present Business Valuations  |                            |                    | FY03/2022 Targets   |                    |
|-------------------------------------|----------------------|--|----------------------------|--------------------|---|--------------------|
| Incubation<br>(Venture Capital)     |                      | Investment balance   | Recent investment multiple | Business valuation | <ul style="list-style-type: none"> <li>Increase balance to JPY10.0bn while keeping investment multiple steady</li> <li>Pursue acceleration in growth markets (such as India)</li> </ul> | Business valuation |
|                                     |                      | JPY6.0bn   | × 2x                       | JPY10.0bn*         |   | JPY17.0bn*         |
| Professional Services               | Strategic Consulting | Post-tax profit**  | PER***                     |                    | <ul style="list-style-type: none"> <li>Strengthen brand as “business producing company”</li> </ul>  | JPY20.0bn          |
|                                     |                      | JPY0.58bn  | × 25x                      | JPY14.5bn          |   |                    |
|                                     | DIA                  | <ul style="list-style-type: none"> <li>Business launch phase → Moving to expand scale</li> </ul>     |                            | n/a                | <ul style="list-style-type: none"> <li>Create a “Data and Knowledge Platform for Asia”</li> <li>Post-tax profit of JPY0.5bn x PER of 20x</li> </ul>                                     | JPY10.0bn          |
| Incubation<br>(Business Investment) | iPet                 | Market cap   | Equity ratio               |                    | <ul style="list-style-type: none"> <li>Pet insurance: Market growth</li> <li>Expand operations centered on pet business</li> </ul>  | JPY20.0bn          |
|                                     |                      | JPY23.0bn  | × 57%                      | JPY13.0bn          |   |                    |
|                                     | WSL                  | <ul style="list-style-type: none"> <li>Made wholly owned subsidiary in August 2018</li> </ul>        |                            | n/a                | <ul style="list-style-type: none"> <li>Expand disruption model</li> </ul>   | JPY3.0–5.0bn       |
|                                     | BW                   | P&L undisclosed, non-consolidated  |                            |                    | <ul style="list-style-type: none"> <li>Accelerate digital marketing business</li> </ul>   | JPY10.0bn          |
|                                     |                      | <ul style="list-style-type: none"> <li>Operating in the black</li> <li>7mn unique members</li> </ul> |                            | n/a                |   |                    |
| Theoretical value                   |                      | Approx. JPY37.5bn<br>JPY3,700/share  |                            |                    | Approx. JPY80.0bn<br>JPY7,900/share   |                    |

\* Assumes tax rate of 30%

\*\* Recent three-year average

\*\*\* Set in reference to median value for comparable companies  
(Source: SPEEDA by UZABASE, Inc.)

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# 1H FY03/2019 Results Summary

## Overview of 1H results

|                    |           | <u>YoY</u> | <u>(Reference)<br/>After insurance item<br/>adjustments*</u> |
|--------------------|-----------|------------|--|
| Consolidated sales | JPY9.7bn  | (+32.0%)   | JPY9.7bn   |
| Recurring profit   | JPY0.22bn | (-46.1%)   | JPY0.46bn  |
| Net income         | JPY0.41bn | (+324.6%)  | JPY0.22bn  |

## Results highlights by segment

- Professional Services: Sales down
- Venture Capital: Booked capital gains on four trade sales
- Insurance: Net income up on change in tax effect classification

## Topics

- Acquired all shares in Work Style Lab (new business investment target) in August

Note: Displayed amounts have been rounded down

\* Adjusted for insurance accounting items  
(please refer to pages 11 and 12)

# 1H FY03/2019 Consolidated P&L

(Before Insurance Item Adjustments)

| (JPYmn)   | 1H<br>FY03/2018 | 1H<br>FY03/2019 | YoY change |            |
|---|-----------------|-----------------|------------|------------|
|   |                 |                 | Amount     | Percentage |
| Sales   | 7,404           | 9,774           | +2,370     | +32.0%     |
| Gross profit  | 3,986           | 4,467           | +480       | +12.1%     |
| SG&A expenses   | 3,612           | 4,405           | +792       | +21.9%     |
| Operating profit  | 374             | 62              | -312       | -83.4%     |
| Recurring profit  | 414             | 223             | -191       | -46.1%     |
| Net income attributable to<br>parent company shareholders | 96              | 411             | +314       | +324.6%    |

# Adjusted Insurance Accounting Items and Amounts

| (JPYmn)   | <u>FY03/2019</u>          |
|---|---------------------------|
| <b>Unadjusted gross profit (consolidated)</b>   | <b>4,467</b>              |
| <ul style="list-style-type: none"><li>● Adjustment related to ordinary underwriting reserves*</li><li>● Catastrophe reserve provision**</li></ul> | <b>+12</b><br><b>+225</b> |
| <b>Total adjustments</b>  | <b>+237</b>               |
| <b>Adjusted gross profit (consolidated)</b>   | <b>4,705</b>              |

\* Adjustment to revise the ordinary underwriting reserve calculation from the initial year balance method to the unearned premium method

\*\* Excludes the impact of transferred provision amount (negative if reversed)

# 1H FY03/2019 Consolidated P&L

(After Insurance Item Adjustments)

| (JPYmn)   | 1H<br>FY03/2019 |
|---|-----------------|
| Sales   | 9,774           |
| Gross profit  | 4,705           |
| SG&A expenses   | 4,405           |
| Operating profit  | 300             |
| Recurring profit  | 462             |
| Net income attributable to<br>parent company shareholders | 228             |

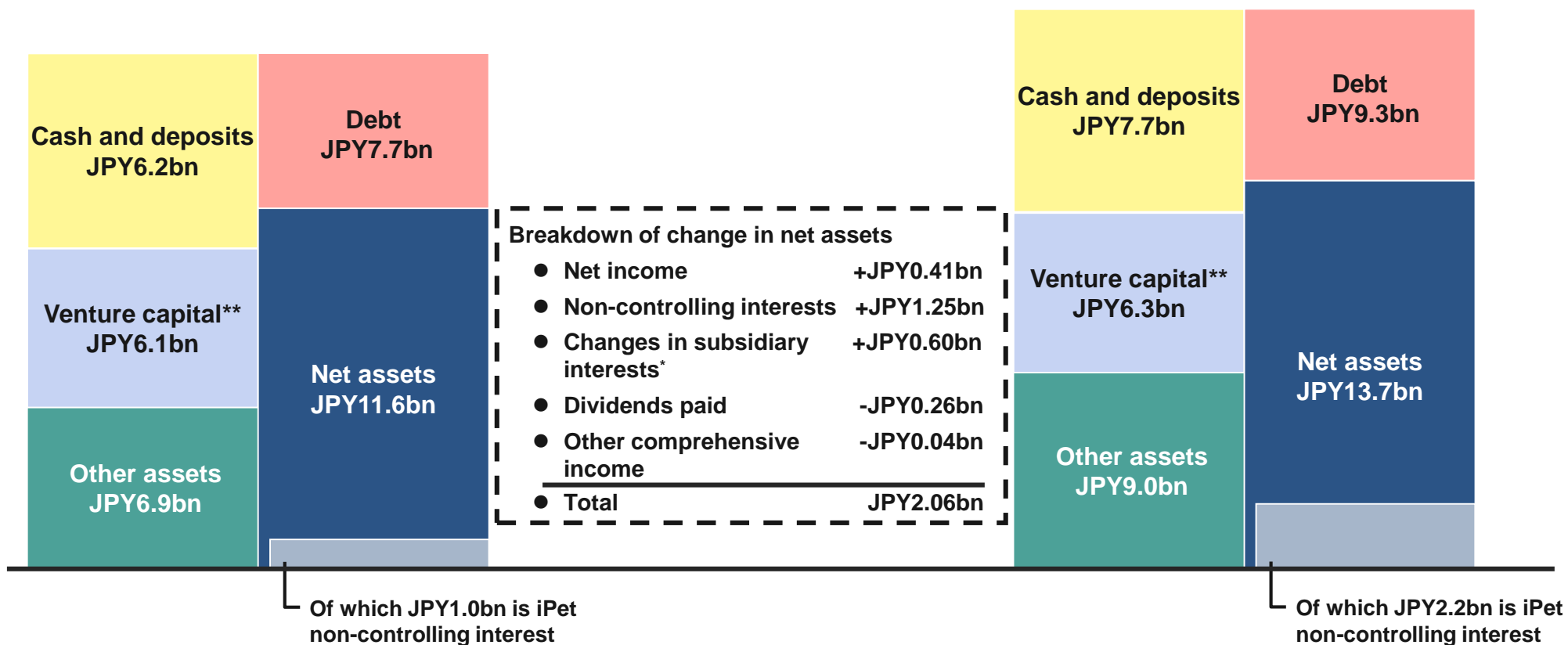
Note: Amounts affected by adjustments for insurance items are displayed in blue font

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# 1H FY03/2019 Consolidated Balance Sheet

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

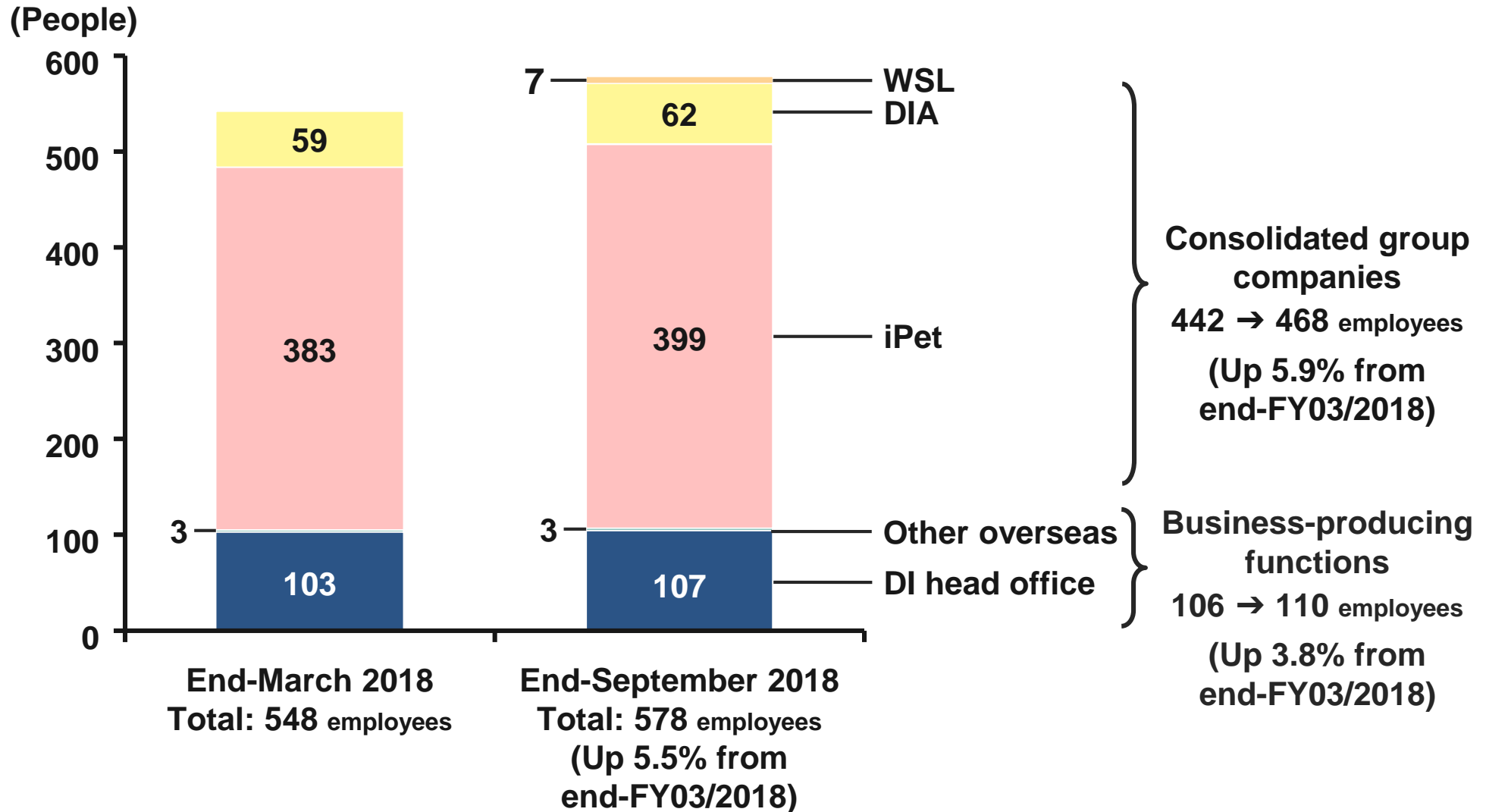
**End-1H FY03/2019**  
(Total assets: JPY23.0bn)



Off-balance assets:  
Approx. JPY10.0bn  
(iPet unrealized gains)

\* Increase in capital surplus attributable to change in DI's stake in iPet  
\*\* Includes post-IPO

# 1H FY03/2019 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 the applicable month.

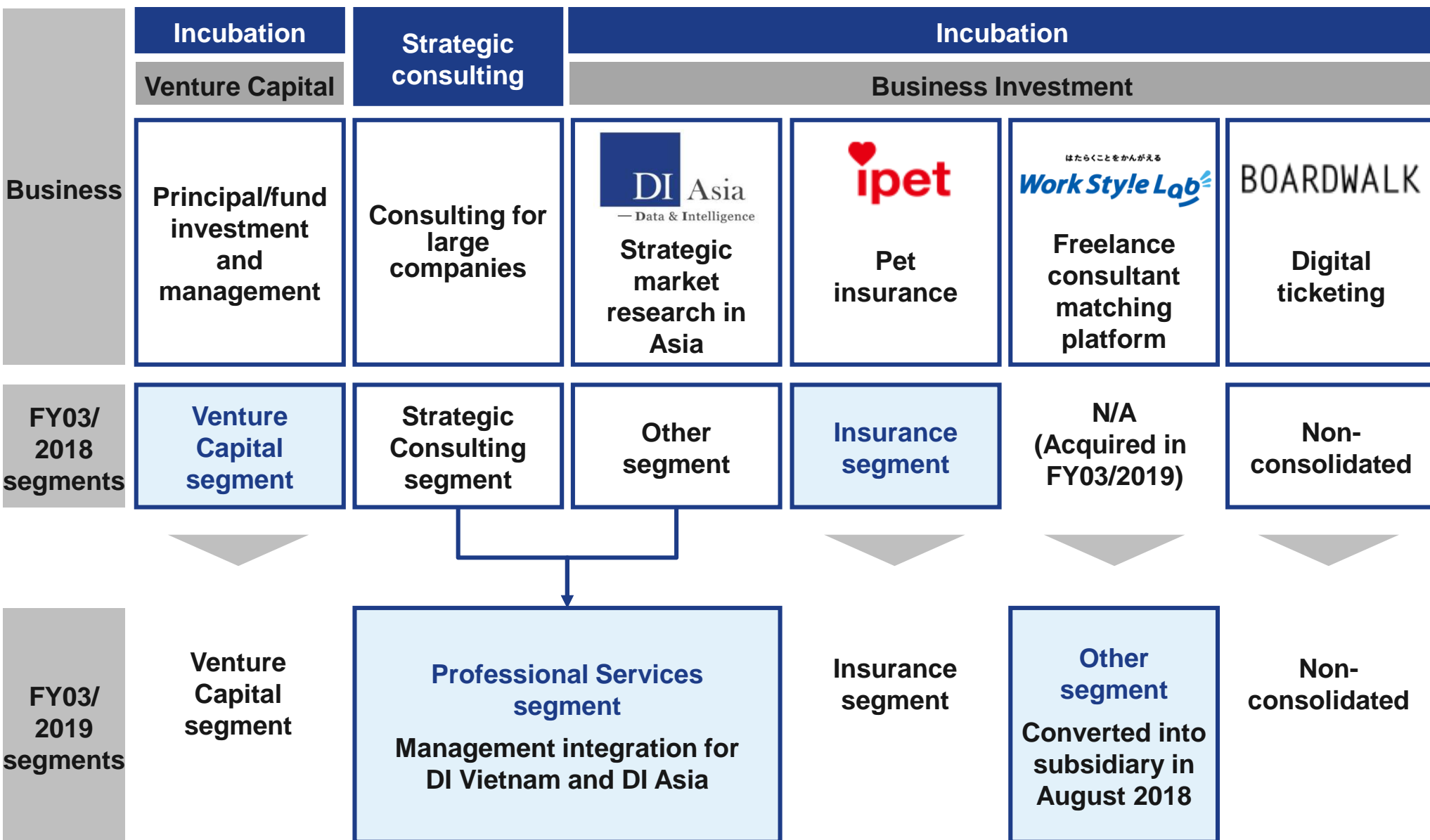
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# Changes to Segment Structure





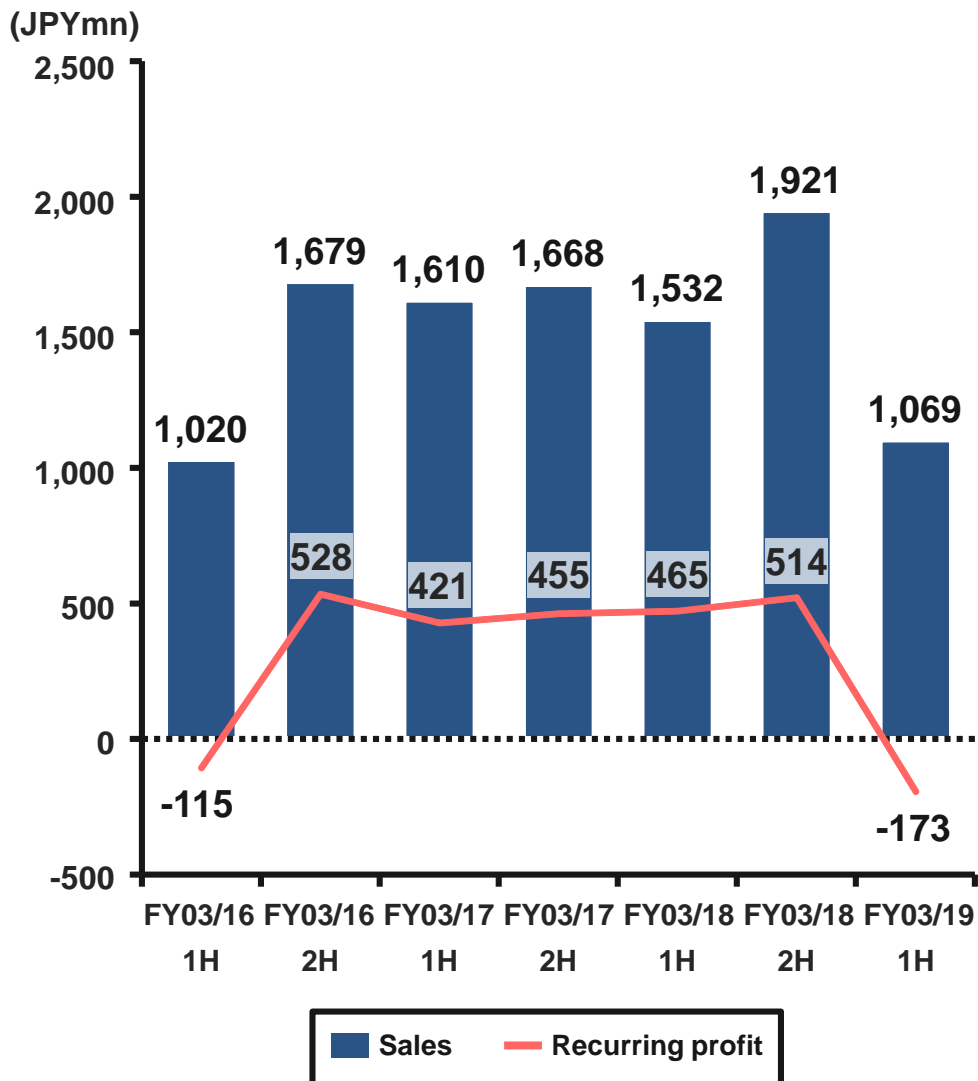
# 1H FY03/2019 P&L by Business Field

| (JPYmn)                                |                      | 1H<br>FY03/2018     | 1H<br>FY03/2019 | Change  | Reason for Change                          |                 |
|--|----------------------|---------------------|-----------------|---------|--|-----------------|
| Venture<br>Capital<br>segment          | ● Sales              | 67                  | 1,667           | +2,371% | ● Booked capital gains on four trade sales |                 |
|  | ● Recurring profit   | (220)               | 271             | —       |  |                 |
| Professional<br>Services<br>segment    | ● Sales              | 1,532               | 1,069           | -30.2%  | ● Decline in sales                         |                 |
|  | ● Recurring profit   | 465                 | (173)           | —       |  |                 |
| Incubation<br>(Business<br>Investment) | Insurance<br>segment | ● Sales             | 5,804           | 7,036   | +21.2%                                     | ● Strong growth |
|  |                      | ● Recurring profit* | —**             | 373     | -19.4%                                     |                 |

\* Factors in consolidated goodwill amortization; adjusted for accounting items undisclosed

# Professional Services (Segment)

## Performance



## Overview

### Sales down 30.2% YoY

- Decline in consulting sales
- Despite short-term changes, the segment targets continued growth of 15% over the medium to long term

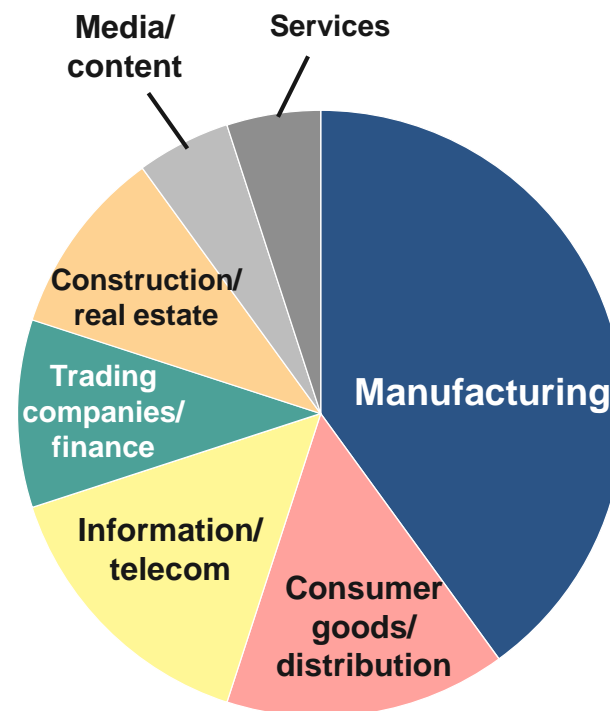
### Main project themes

- Develop, execute, and support FinTech business model
- Support commercialization of research and technology
- Strengthen and support management planning functions
- Support launch of Vietnamese business
- Pursue strategic research on consumer trends in Southeast Asia

## Size of Clients

| Recurring profit             | Industry rank*<br>(number of companies**) |             |            |               |
|------------------------------|---|-------------|------------|---------------|
|                              | 1st                                       | 2nd         | 3rd        | 4th and below |
| Over JPY500bn                | 5   |             |            |               |
| JPY100–500bn                 | 3   |             |            |               |
| JPY50–100bn                  | 2   | 1           |            |               |
| JPY10–50bn                   |   | 1           | 1          | 4             |
| Below JPY10bn                |   |             |            | 3             |
| <b>Total</b>                 | <b>10</b>                                 | <b>2</b>    | <b>1</b>   | <b>7</b>      |
| <b>Sales composition (%)</b> | <b>64.7</b>                               | <b>11.2</b> | <b>1.7</b> | <b>22.5</b>   |

## Client Industries



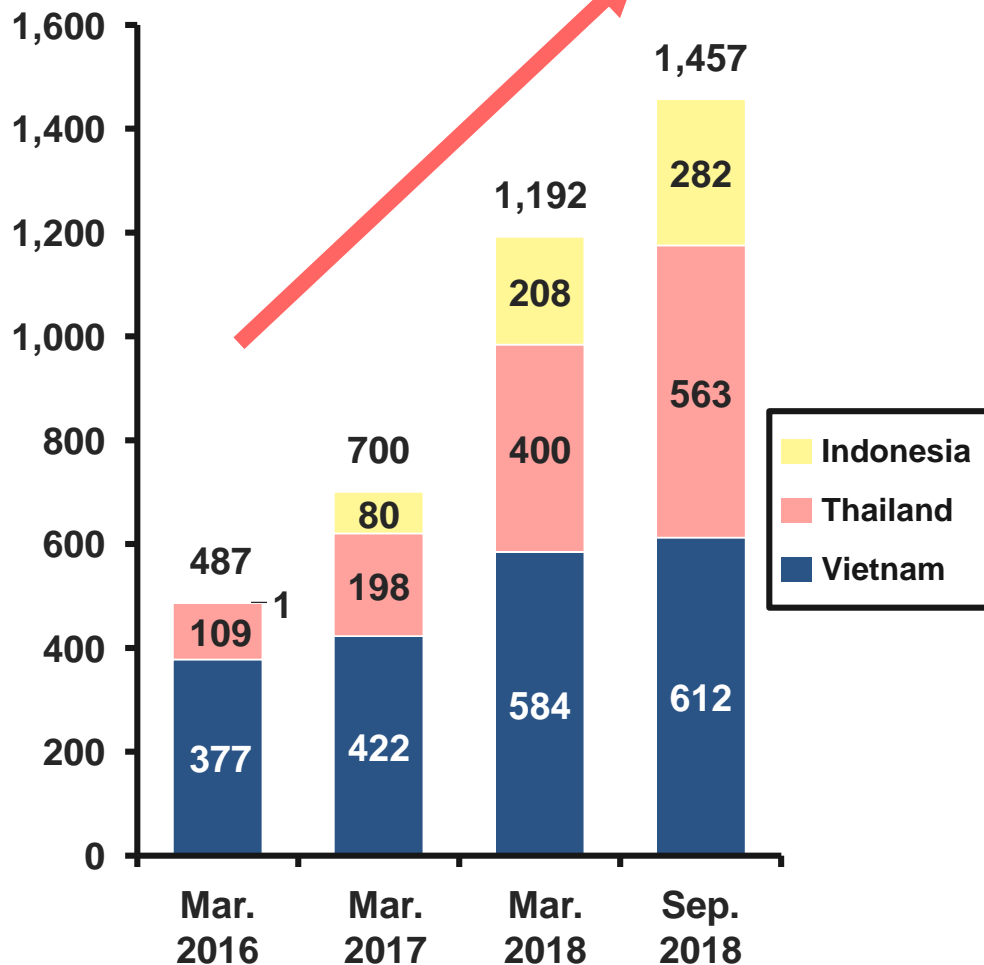
\* Clients are classified by industry based on SPEEDA's industry classifications by UZABASE, Inc.

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

# DI Asia (Market Research Business in Asia)

## Members

(Thousand members)



## Initiatives

### Business overview

- Strategic market research in Asia (online surveys and market structure analysis that leverage member base)
- Management integration with DI Vietnam, expansion of service portfolio

### Members up 22.2% from end-FY03/2018

- Pushing forward with new business development by leveraging accumulated data

### Recent performance

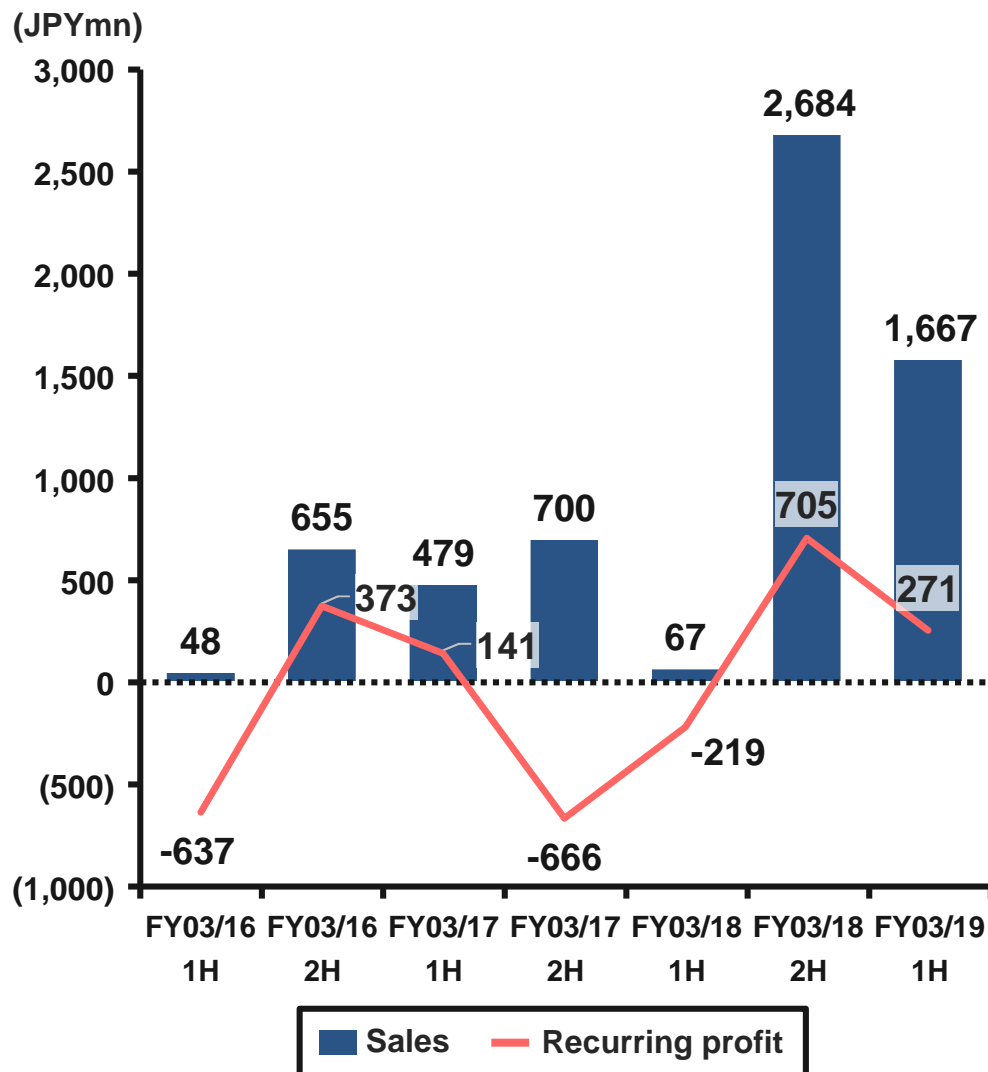
- Steady expansion in sales
- Operating in the red as of 1H due to impact from upfront spending to drive further growth in scale
- Targets turn to profitability in FY03/2019

# Incubation Services: Policy by Investment Category

|                                   | 1. Venture Capital Investment       | 2. Business Investment                             |
|-----------------------------------|-------------------------------------|--|
| Position                          | Supporter                           | Concerned party                                    |
| Focus                             | Growth, innovation, versatility     | Data & intelligence                                |
| Investment and development policy | Minor share, multi-stage investment | High share, high commitment, long-term development |
| Projected return                  | Gain on sales                       | Stable cash flow growth                            |

# 1. Venture Capital Investment (Venture Capital Segment)

## Performance



## Initiatives

### Investment\*\*

Six companies


- New investment in three companies, additional investment in three companies
  - Of which, two companies through India Digital Fund (founded in April)

### Sold

Four companies

- Plexchat, Inc., Moshimo Co., Ltd., and others
- Sold off through trade sales

# Portfolio Overview

| (JPYmn)                   |              | End-Mar 2018 |                       |    | End-Sep 2018 |                       |
|---------------------------|--------------|--------------|-----------------------|---|--------------|-----------------------|
|                           |              |              | (Number of companies) |   |              | (Number of companies) |
| Main Portfolio*           | Japan        | 1,905        | (16)                  | <div style="border: 1px dashed gray; padding: 5px;"> <p>+ Investment (six companies***)</p> <p>- Sold (four companies)</p> </div> | 1,539        | (14)                  |
|                           | Asia         | 2,373        | (17)                  |   | 2,544        | (19)                  |
|                           | US           | 576          | (9)                   |   | 410          | (8)                   |
|                           | <b>Total</b> | <b>4,855</b> | <b>(42)</b>           |   | <b>4,495</b> | <b>(41)</b>           |
| Other Investment**        |              | 1,315        |                       | 1,814   |              |                       |
| <b>Investment Balance</b> |              | <b>6,171</b> |                       | <b>6,309</b>  |              |                       |

\* Amounts reflect book value; book value of JPY2mn and above; excludes post-IPO and stock options

\*\* LP investment in third-party funds and other investment

\*\*\* Includes additional investment

# FY03/2019 Results of Investment/Support

## Japan

### C Channel\*

Video media geared toward women



### Plus-medi

Medical app development and operation



### Payme\*

Development and provision of same-day salary payment system



### Tryon

Operation of English conversation schools



## Principal

### HealthifyMe

Health management apps



### Metarain

Online home-delivery pharmacy



## India

## Fund

### Manash Lifestyle

Cosmetics marketplace



### Qyuki

Digital video ads



 Additional investment

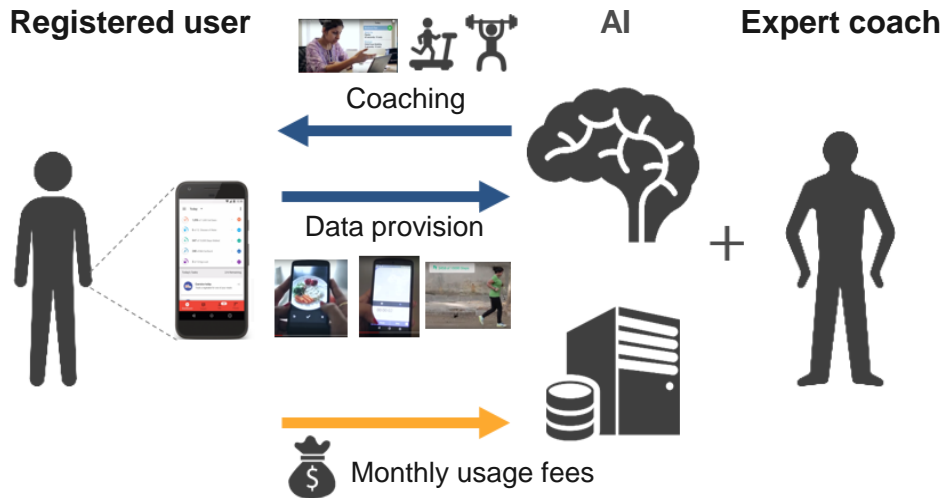


## Project overview

### Business:

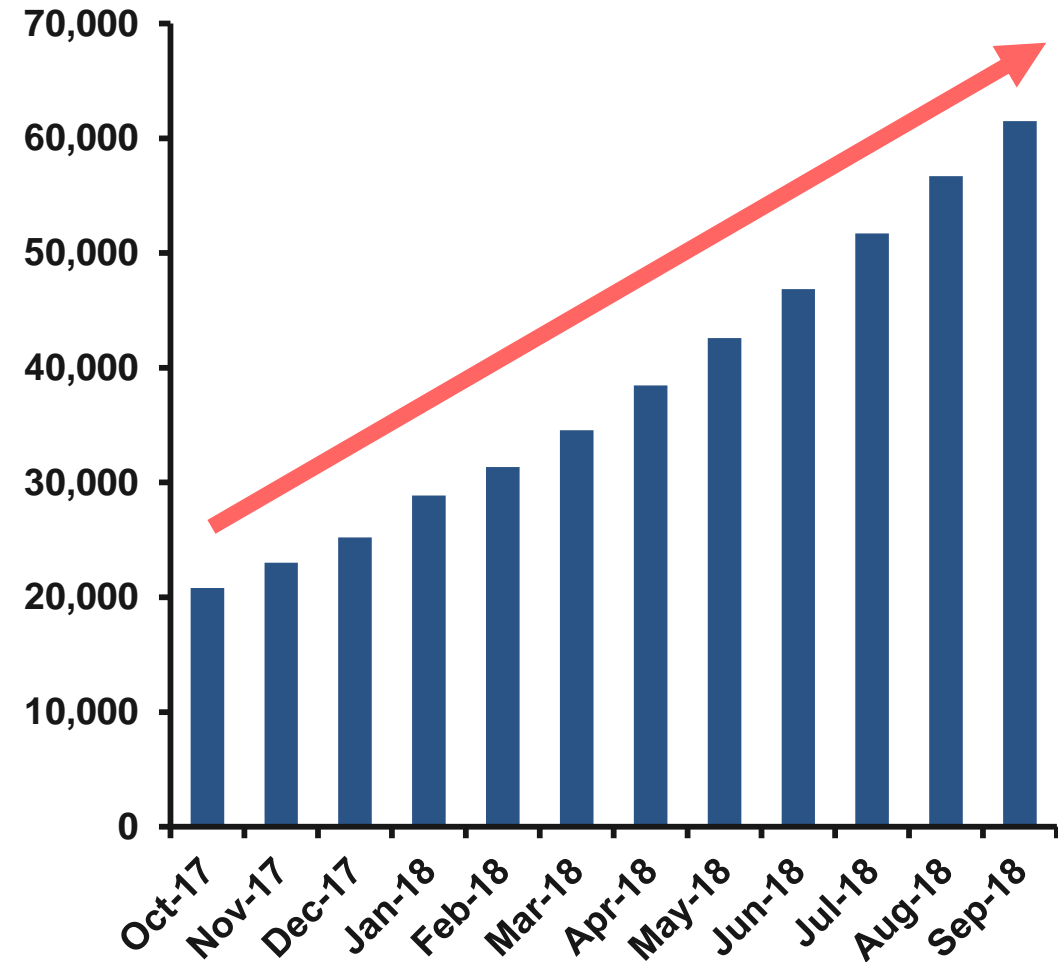
Provides India's most popular health app

- AI-powered digital coaching
- Over 6mn registered users, over 1mn MAU\*



## Paying users (cumulative)

(People)

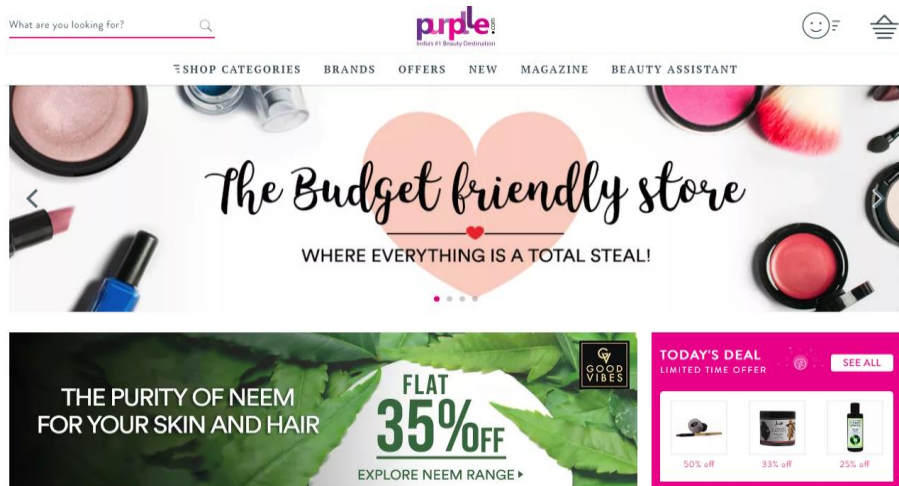


## Project overview

### Business:

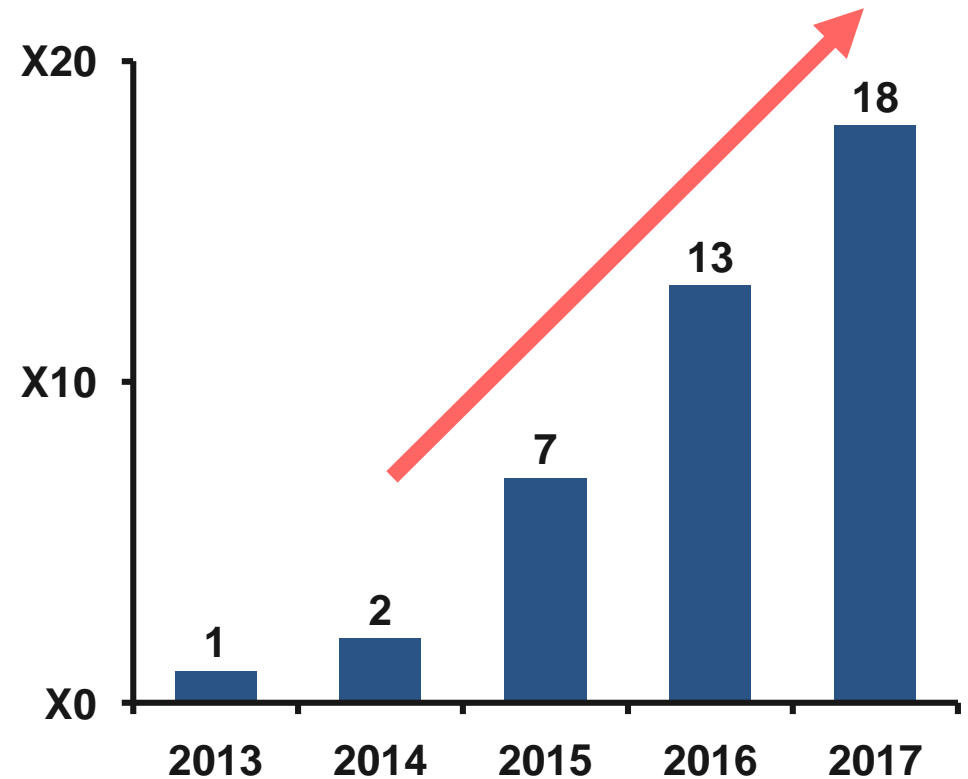
Operates purple, cosmetics e-commerce site

- Currently No. 2 in growing Indian cosmetics market
- Potential for business opportunities with Japanese cosmetics manufacturers



<https://www.purplle.com/>

## GMV\*



## 2. Business Investment: Investees

Focus on combination of high share and management support; profound commitment to growth of investees

|                | iPet insurance Co., Ltd.                        | Boardwalk Inc.  | Work Style Lab, Inc.  | DI Asia Inc.   |
|----------------|---|---|---|--|
| Business       | Pet health insurance<br>(No. 2 in sector)       | <ul style="list-style-type: none"> <li>● Event ticket sales</li> <li>● Fan club operation business</li> <li>● E-Commerce</li> </ul> | Platform business that outsources services to freelance consultants | Strategic market research in Asia                                      |
| Founded        | May 2004  | May 2010  | September 2009  | July 2014  |
| Representative | Teppei Yamamura<br>Masaaki Aoyama<br>(director) | Shouichi Iida<br>Katsuhiko Handa<br>(COO/CMO)   | Takeshi Shingai   | Hideyuki Kato (CEO)<br>Makoto Miyauchi (COO)<br>Kazutoshi Numata (CSO) |
| Stake          | 57.06%  | 30.00% (underlying basis: 45.80%)   | 100%  | 100%   |



BOARDWALK



# iPet (Non-Life Insurance Business)

## Performance (parent)

|                            | 1H FY03/18<br>(JPYmn) | 1H FY03/19<br>(JPYmn) | YoY    |
|----------------------------|-----------------------|-----------------------|--------|
| Recurring revenue          | 5,841                 | 7,089                 | +21.4% |
| Recurring profit           | 163                   | 213                   | +31.0% |
| Net income                 | -217                  | 638                   | —      |
| Adjusted recurring profit* | 349                   | 439                   | +25.8% |
| Adjusted net income**      | -31                   | 311                   | —      |

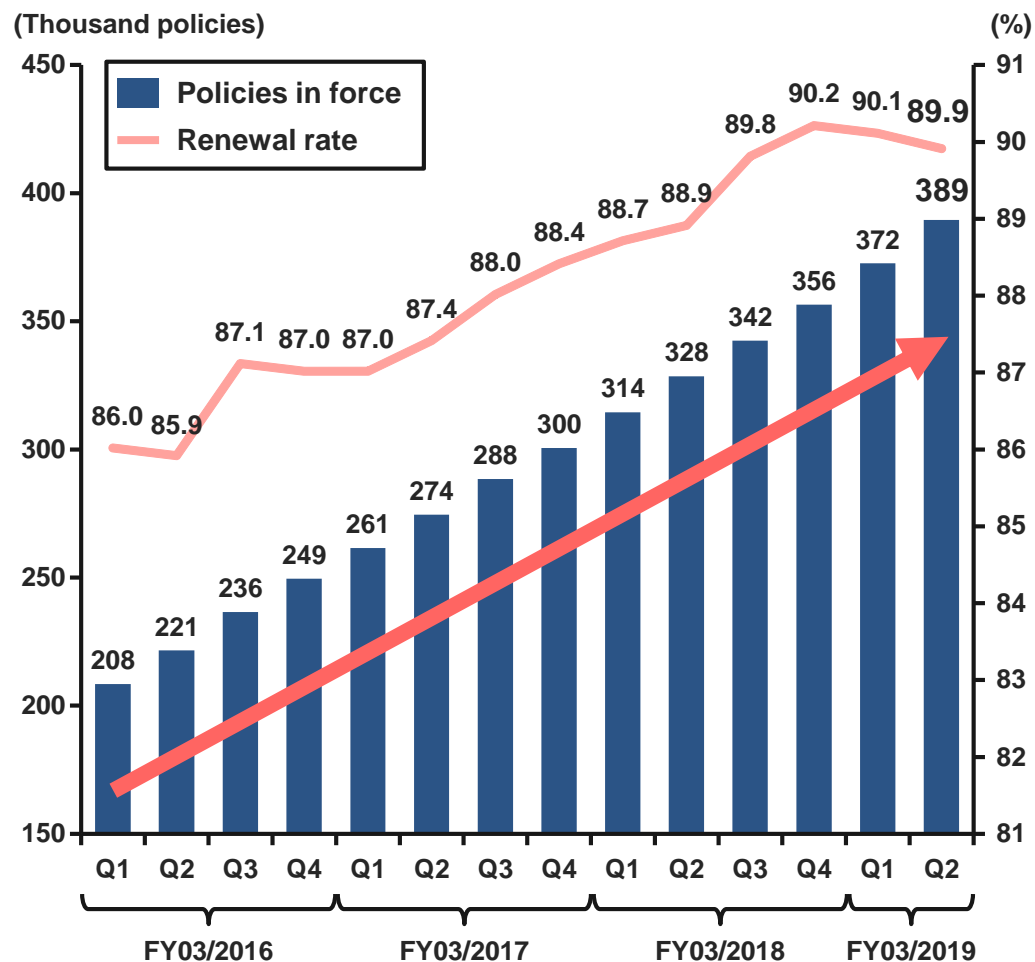
## Initiatives

### Expansion in scope of pets covered by insurance



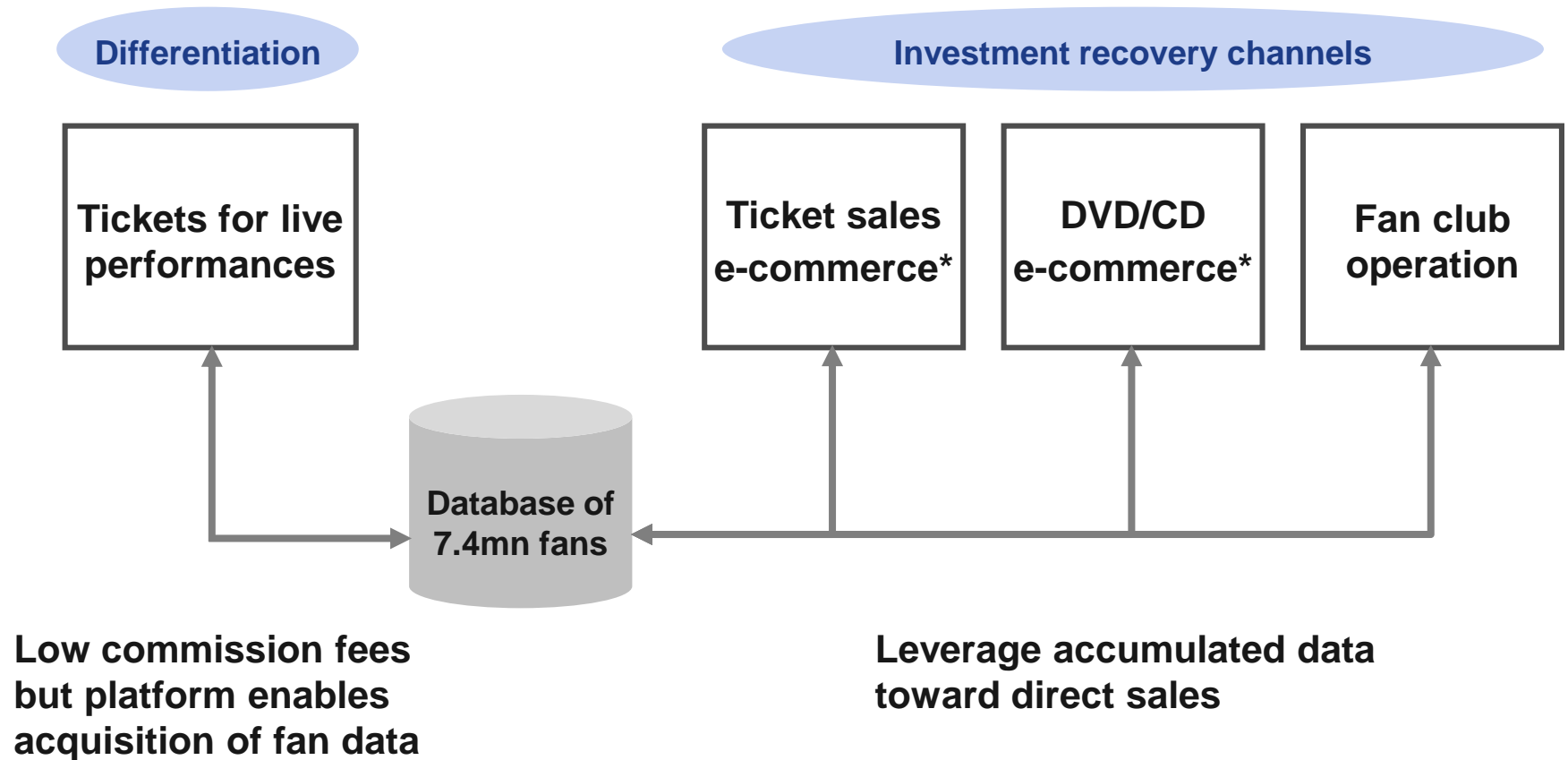
## Insurance policies and renewal rate

Growth remained strong after IPO and upward momentum is expected to continue



Source: iPet 1H FY03/2019 results briefing materials  
 \* Recurring profit ± impact from catastrophe reserves  
 \*\* Net income ± impact from catastrophe reserves

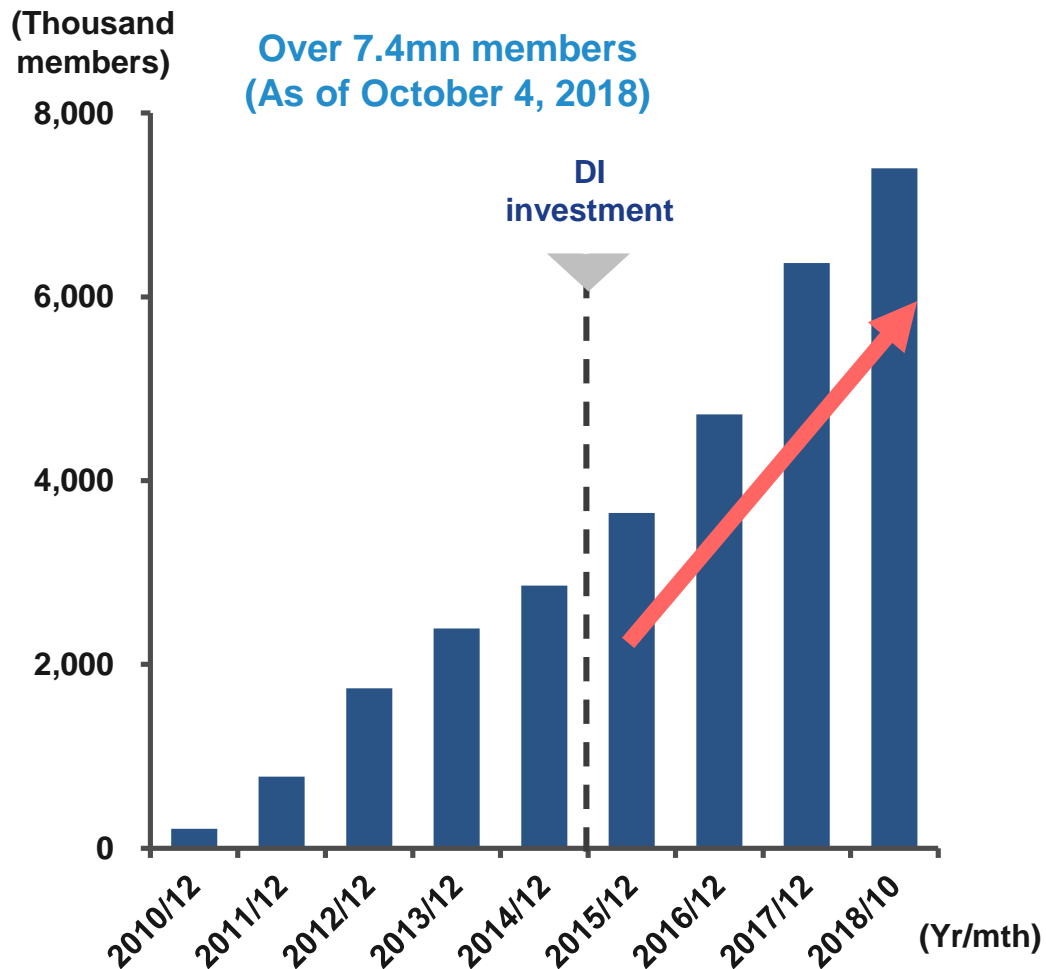
# Boardwalk (Digital Ticketing) Business Model



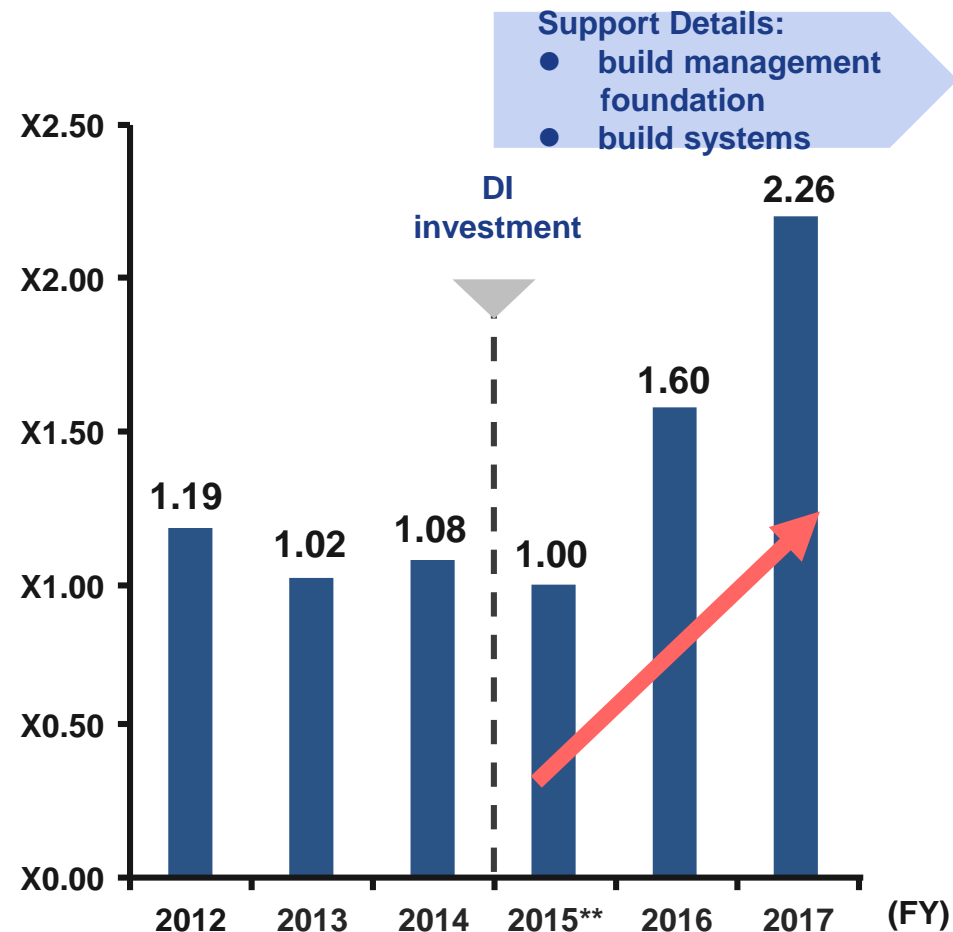
**Business that not only handles ticketing, but also engages in direct marketing**

# Boardwalk Users and Sales

## Members



## Performance\*



**Full-scale preparations for IPO underway**

\* 2015 sales indexed at 100, and operating profit at 10  
 \*\* Irregular nine-month period due to change in fiscal year

# New Business Investment Target: Work Style Lab

## Company overview

**Founded** September 1, 2009

**Business** 1. Consultant matching platform  
2. Consultant media

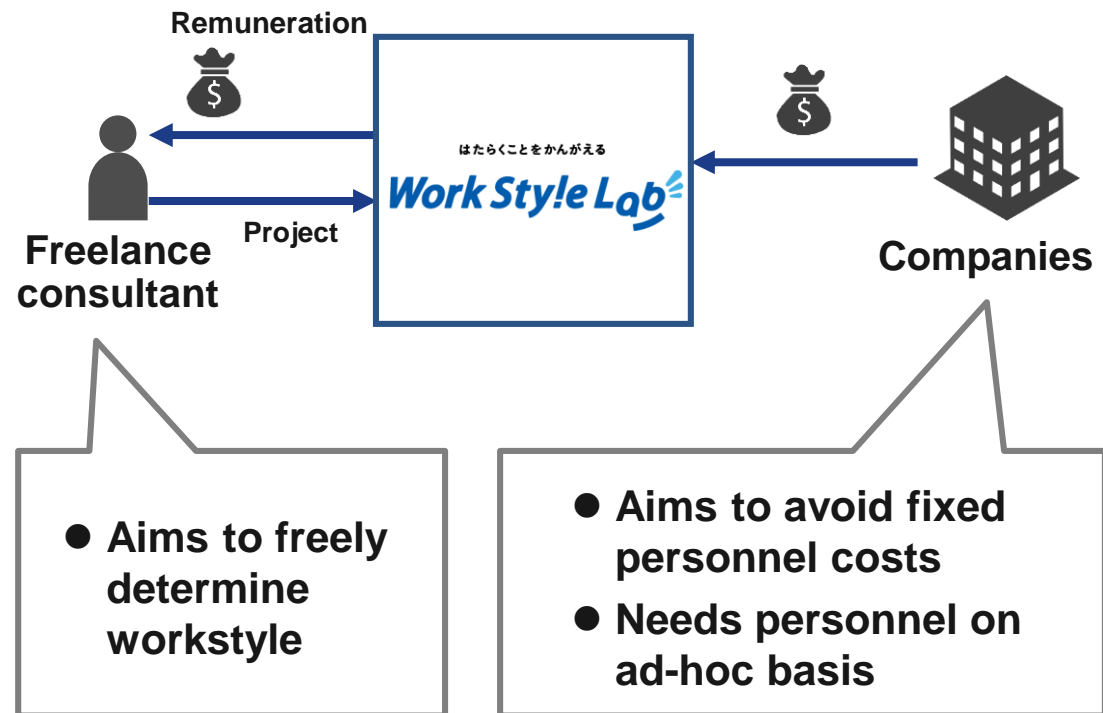
**Sales** JPY910mn (FY08/2018)

**Net assets** JPY70mn (end-Aug 2018)

**DI stake** 100%

**Investment purpose** Drive innovation in the consulting sector

## Business model



# FY03/2019 Full-Year Outlook

## Professional Services

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

## Incubation Services

### Insurance Segment

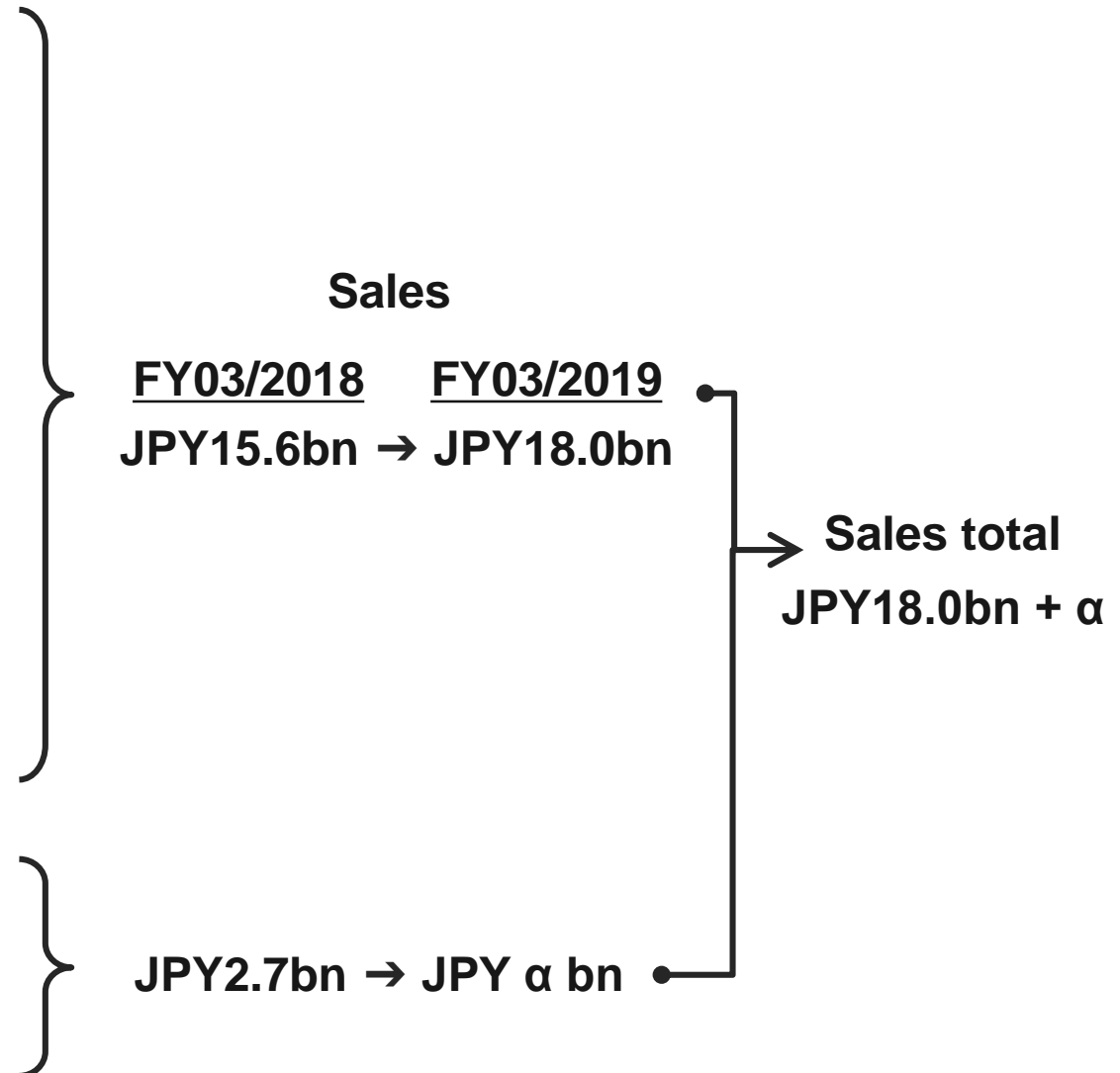
- Continued growth

### Other Segment

- WSL Development

## Venture Capital Segment

- Expect sale of several companies via IPO or trade sale





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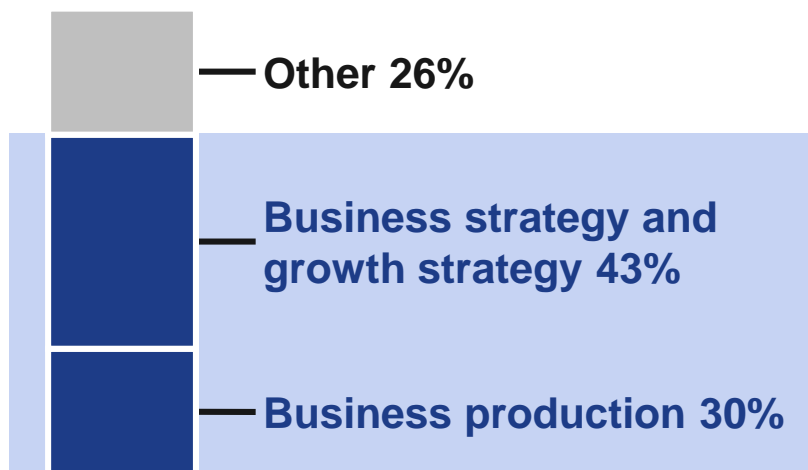
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## Targeted themes

### Business production and growth strategy account for 70%

- Focused on projects expected to become business drivers in five to 10 years



## Key project themes

### Business Production

- Produce industries (engage in activities that create overarching industries)
- Develop new business strategies
- Develop strategies for technology development

### Business Strategy and Growth Strategy

- Develop medium-term management strategies
- Rebuild businesses, develop strategies to spark renewed growth
- Develop overseas operations strategy
- Develop marketing and sales strategy

### Other

- Improve operations and conduct business due diligence



- **Views and ideas that transcend industries**
  - Social issues, history, combination of cutting-edge business and other industries
- **Path to realization based on analysis of market and competitive landscape**
- **Access to, incorporation of, external resources**
  - Other industry players, start-ups, government, university
- **System design that benefits businesses**
  - Mechanisms to disrupt industry practices
- **Lead vision as a concerned party**
- **Diversified stakeholder management**

## 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.

“Building the Future through the Production of Industries”



Published August 8, 2018

# Venture Capital: Investment Strategy by Country

Incubation  
(Venture Capital)

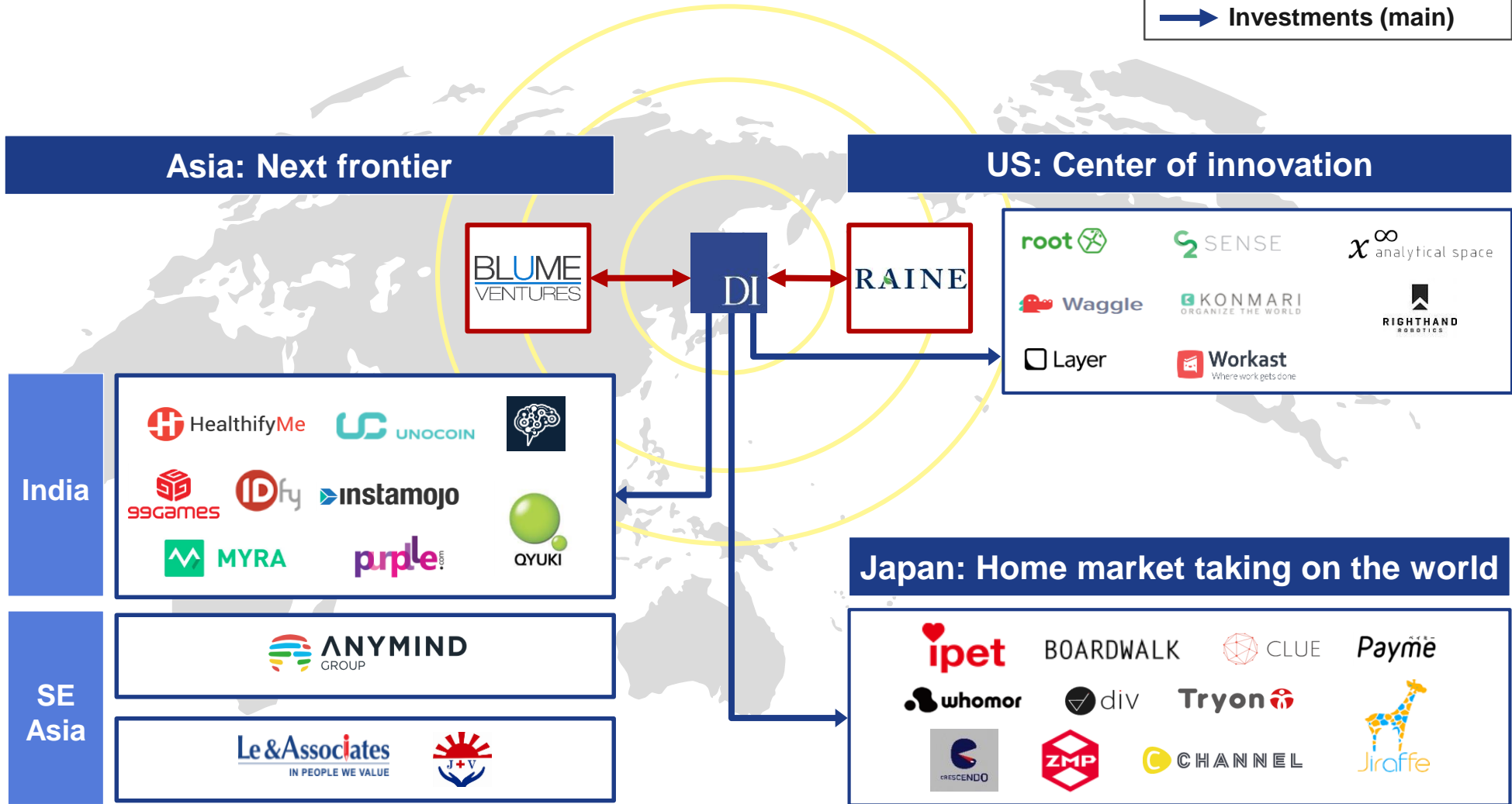
Diversified portfolio spanning Japan, India, and the US

|                   | Japan                         | India                                  | US   |
|-------------------|-------------------------------|--|--|
| Positioning       | Base earnings                 | Upside earnings                        | Business ideas, suggestions                      |
| Policy            | Strong IPO x expand relations | Macro growth x time machine investment | Cutting-edge business x technological innovation |
| Key targets       | Digital media                 | Tech B2C                               | AI, robotics, digital                            |
| Targeted multiple | Up to 10x-plus                | 10–50x                                 | 10–50x   |

# Build Global Investment Framework

Incubation  
(Venture Capital)

## Expansion into three areas: Japan, Asia, and the US





















\* Local sourcing mainly handled by partners, business support in Japan and Asia mainly handled by DI (utilizing major companies, government, and venture capital network)  
Due diligence, governance, and exit strategies handled jointly

# Track record of 27 IPOs

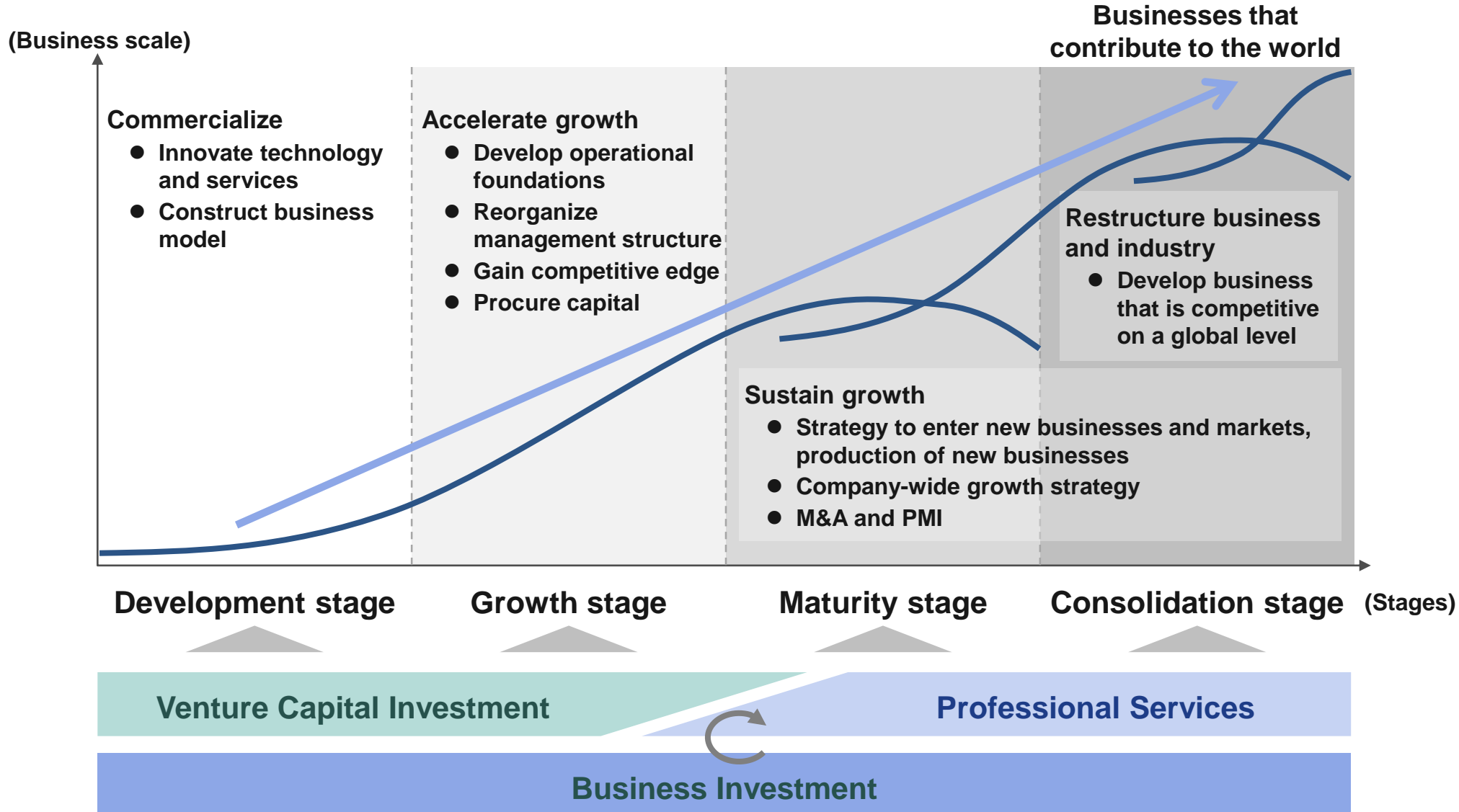
Incubation  
(Venture Capital)

Of which eight companies upgraded to TSE1, one listed on NASDAQ\*

|   |  |  |   |  |
|---|--|--|---|--|
|  <p>Drug development</p> <p>2005 OSE Hercules<br/>2006 NASDAQ</p>                                      |  <p>PC software development and sales</p> <p>2006 TSE Mothers<br/>2008 TSE1</p>   |  <p>XML-based software development and sales</p> <p>2007 TSE Mothers</p>         |  <p>Publication of free newspapers</p> <p>2007 OSE Hercules (presently JASDAQ)</p>                 |  <p>Research and development of anti-cancer drugs</p> <p>2009 TSE Mothers</p> |
|  <p>Bulletin board/posting monitoring, user support</p> <p>2010 TSE Mothers<br/>2016 TSE1</p>           |  <p>e-book sales</p> <p>2011 TSE Mothers<br/>2013 TSE1</p>  |  <p>Low-cost carrier</p> <p>2011 TSE2</p>  |  <p>Online sales of imported building materials</p> <p>2013 TSE Mothers</p>                        |  <p>Social media marketing</p> <p>2013 TSE Mothers</p>                        |
|  <p>New character development<br/>Marketing services</p> <p>2014 TSE Mothers<br/>2016 TSE1</p>         |  <p>Development and sales of fingerprint authentication terminals</p> <p>2014 KONEX (South Korea)<br/>2016 KOSDAQ (South Korea)</p> |  <p>Development of AI-powered, automated translation</p> <p>2015 TSE Mothers</p> |  <p>Development and operation of online smartphone games</p> <p>2015 TSE Mothers<br/>2017 TSE1</p> |  <p>Website-based reuse and recycling business</p> <p>2016 TSE Mothers</p>    |
|  <p>Renewable energy generation, development, and operation</p> <p>2017 TSE Mothers<br/>2018 TSE1</p> |  <p>Reform-related support and consulting</p> <p>2017 TSE Mothers</p>   |  <p>Pet health insurance</p> <p>2018 TSE Mothers</p>                           | <p>And nine other companies</p>   |  |

# Customized Support for Each Growth Stage

Leverage investment and professional services to generate and produce businesses that contribute to the world





# Venture Capital Example: Company A

Incubation  
(Venture Capital)

## Business overview

### Business:

- Digital marketing
- Stage at time of investment: Middle Stage

### Investment details:

- Following a request for support for the establishment of a new business from Company A, the DI team gauged the potential of the market (which was still in the early development phase), and started investment development.
  - DI share was gradually increased during support phase

## Support details



### Launch of new business (four months)

- Strategy, setting KPIs, reorganization, sales
- Arrange appointments by phone with three semi-permanent staff

### Follow-up on items above (seven months)

- Continue to work with three semi-permanent staff

### Full-scale expansion of items above (1.5 years)

- One permanent staff + semi-permanent staff

### Follow-up geared toward IPO

- Shareholder report meetings
- Compilation of IR materials
- Overseas strategic support

Sell off shareholdings with IPO

Low-key start

Long-term follow-up

Exit

Leverage consulting expertise to increase value of investees

# Business Investment Example: iPet

Incubation  
(Business Investment)

## Overview of business

### Business:

- Pet health insurance
  - Ranked No. 2 in industry

### Support:

- Develop business foundations
- Support growth strategy
- Dispatch officers and employees

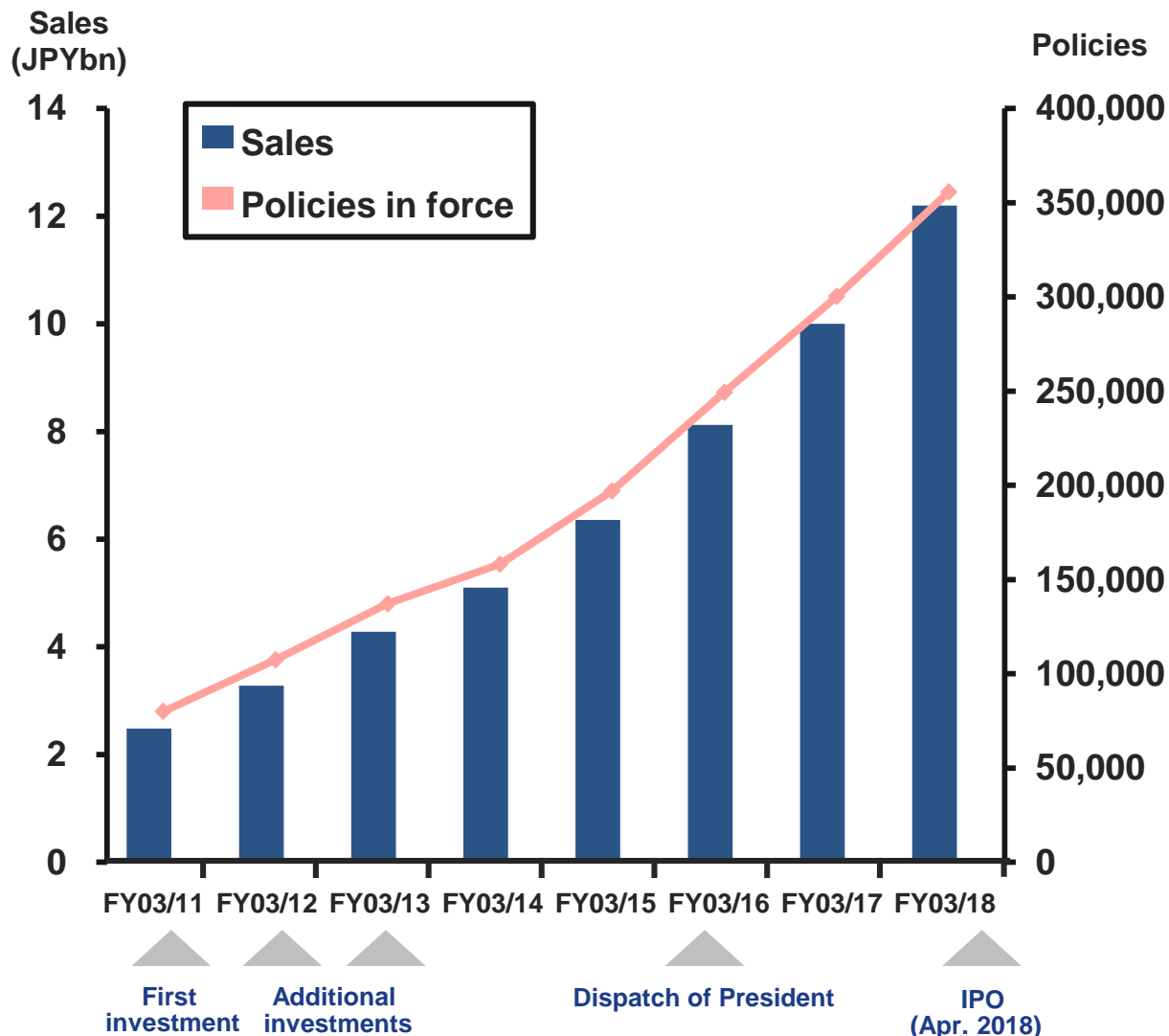
### Total staff dispatched from DI:

- Seven

### Unrealized gains:

- About JPY10.0bn\*

## Sales and policies in force



\* Calculated based on market cap as of end-September 2018 (Approx. JPY23.0bn)

Dream Incubator Inc.