

# **1H FY03/2020 Financial Results Briefing Presentation**

**November 1, 2019**

**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**

# Disclaimer

These materials contain forward-looking statements pertaining to forecasts and future strategies, which are based on information available to the Company at the time the materials were prepared. These statements are not guarantees that targets and forecasts will be reached, nor an assurance of future operating results. Future performance may vary substantially due to changes in the operating environment, downturns in performance at investee companies, share price fluctuations in the markets for financial products, and other factors.

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## **1.1H FY03/2020 Results Summary**

### **2. Net Asset Value (NAV)**

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

**1) Business Investment**

**2) Professional Services**

**3) Venture Capital Investment**

# 1H FY03/2020 Consolidated P&L

(After Insurance Item Adjustments)

(JPY100mn)

	1H FY03/2019	1H FY03/2020	YoY change	
			Amount	Percentage
<b>Sales</b>	<b>97.7</b>	<b>106.1</b>	<b>+8.4</b>	<b>+8.6%</b>
<b>Gross profit</b>	<b>47.0</b>	<b>51.9</b>	<b>+4.8</b>	<b>+10.3%</b>
<b>Operating profit</b>	<b>3.0</b>	<b>2.5</b>	<b>-0.5</b>	<b>-16.7%</b>
<b>Recurring profit</b>	<b>4.6</b>	<b>2.0</b>	<b>-2.6</b>	<b>-56.3%</b>
<b>Net income attributable to parent company shareholders</b>	<b>2.2</b>	<b>-0.0</b>	<b>-2.3</b>	<b>—</b>

# 1H FY03/2020 Consolidated P&L

Reference

(Before Insurance Item Adjustments)

(JPY100mn)

	1H FY03/2019	1H FY03/2020	YoY change	
			Amount	Percentage
Sales	97.7	106.1	+8.4	+8.6%
Gross profit	44.6	48.3	+3.7	+8.3%
Operating profit	0.6	-0.9	-1.6	—
Recurring profit	2.2	-1.4	-3.7	—
Net income attributable to parent company shareholders	4.1	-1.4	-5.5	—

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

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# Adjusted Insurance Accounting Items and Amounts

Reference

(JPY100mn)

	1H FY03/2019	1H FY03/2020
<b>Unadjusted gross profit (consolidated)</b>	44.6	48.3
<ul style="list-style-type: none"> <li>● <b>Adjustment related to ordinary underwriting reserves*</b></li> <li>● <b>Catastrophe reserve provision**</b></li> </ul>	+0.1	+0.7
	+2.2	+2.7
<b>Total adjustments</b>	+2.3	+3.4
<b>Adjusted gross profit (consolidated)</b>	47.0	51.9

\* 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 FY03/2020 P&L by Business Field

(JPY100mn)			1H FY03/2019	1H FY03/2020	YoY change
Venture Capital segment		● Sales	16.6	4.0	-75.7%
		● Recurring profit	2.7	-1.6	—
Professional Services segment	Strategic consulting	● Sales	9.0	10.9	+20.5%
		● Recurring profit	-0.9	0.2	—
	DI Asia	● Sales	1.6	1.9	+19.5%
		● Recurring profit	-0.7	-1.0	—
Business Investment	Insurance segment	● Sales	70.3	85.5	+21.6%
		● Recurring profit*	3.7	5.2	+39.7%
	Other segment (WorkStyleLab)	● Sales	—	3.8	—
		● Recurring profit	-0.1	-0.7	—

Note : Recurring profit : Segment profit - HQ cost ± Non-operating profit and loss  
 \* Factors in consolidated goodwill amortization; adjusted for accounting items

# DI Asia Withdraws from the Market Research Business

## Background

- Revised its business portfolio after failing to achieve profitability in FY03/2019
- Transferred consumer panels and market research business, and will concentrate resources on cooperation with the Strategic Consulting and Incubation businesses

## Consumer panels

- Transferred its consumer panels in three Southeast Asian countries (Vietnam, Thailand, and Indonesia) to Macromill, Inc.

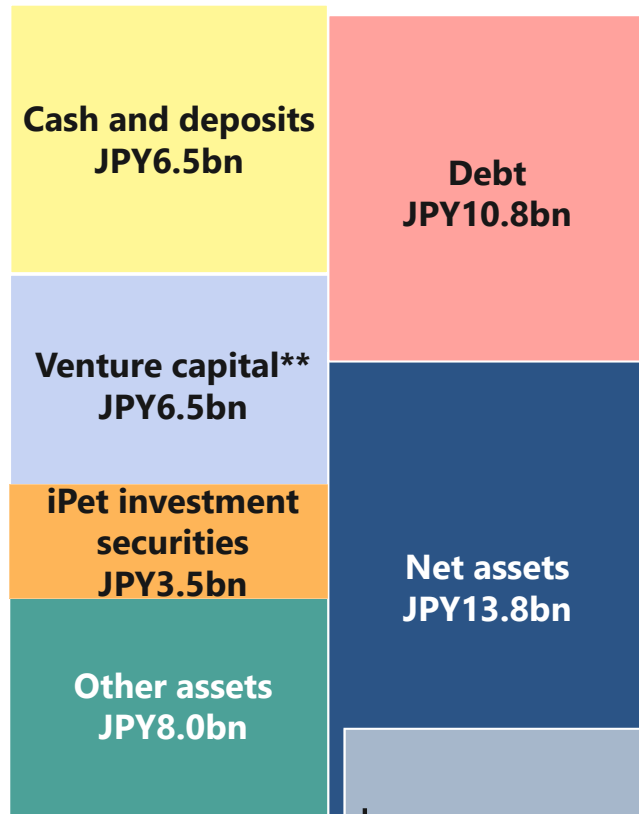
## Market research business

- Transferred to N&S Partners



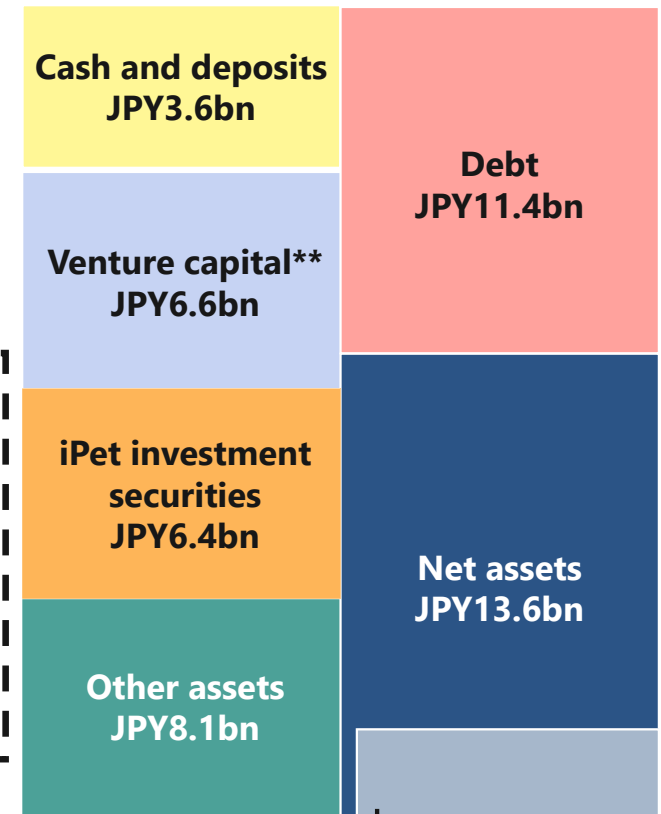
# 1H FY03/2020 Consolidated Balance Sheet

**March 31, 2019**  
**(Total assets: JPY24.7bn)**



Of which, JPY2.5bn is non-controlling interest

**September 30, 2019**  
**(Total assets: JPY25.1bn)**



Of which, JPY2.8bn is non-controlling interest

Breakdown of change in net assets	
● Net income	-JPY0.14bn
● Non-controlling interests	+JPY0.24bn
● Purchase of treasury shares	-JPY0.29bn
● Valuation difference on available-for-sale securities*	-JPY0.09bn
● Other comprehensive income	+JPY0.11bn
<b>● Total</b>	<b>-JPY0.17bn</b>

**Off-balance-sheet assets : Approx. JPY8.0bn(iPet unrealized gains)**

\* Impact of exchange rate fluctuations on available-for-sale securities denominated in foreign currencies, etc.

\*\* Includes post-IPO

## **1.1H FY03/2020 Results Summary**

### **2. NetAssetValue (NAV)**

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# NAV in FY03/2020

(JPYbn)

**March 31, 2019**

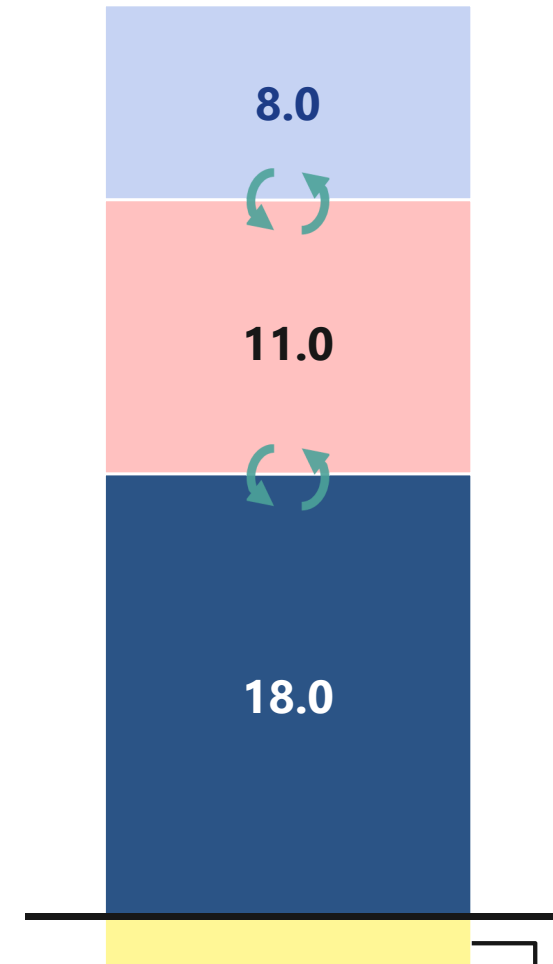
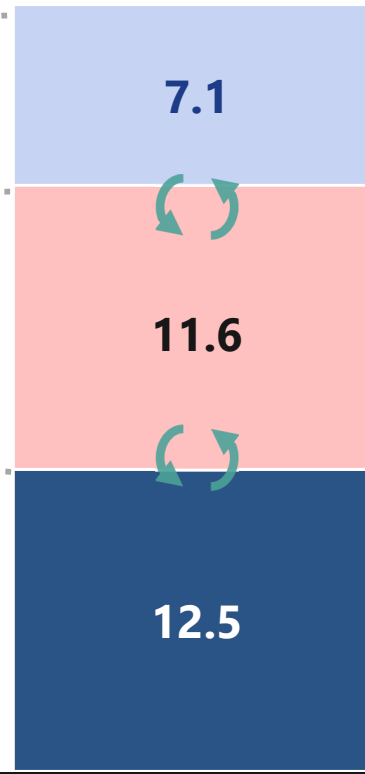
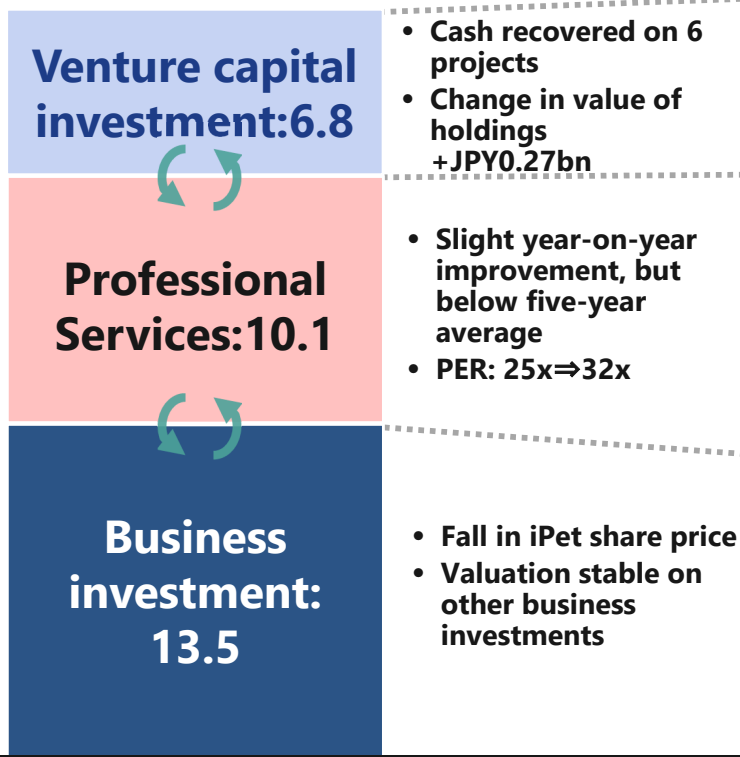
**September 30, 2019**

**Forecast for March 31, 2020 at start of fiscal year**

**Total: 35.0**

**Total: 30.1**  
(JPY2,926 per share)

**Total: 30.8**  
(JPY3,043 per share)



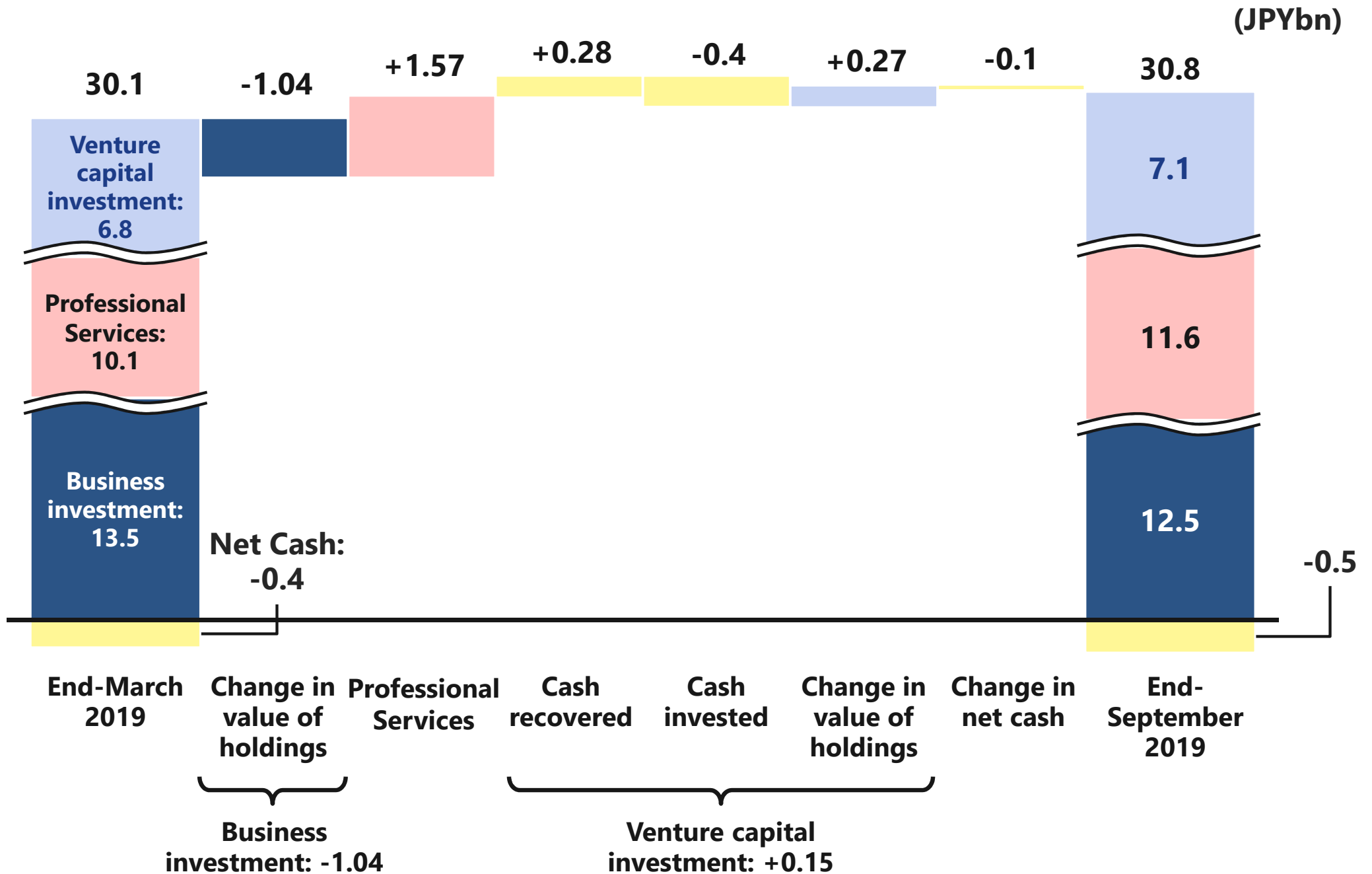
-0.4

-0.5

-2.0\*

\* Cash recovered from venture capital investment is incorporated into venture capital investment (light blue).

# Breakdown of Changes in NAV



## Assessing corporate value with the incremental approach

- **Venture capital investment and business investment:**
  - **Listed companies**
    - **Market capitalization at fiscal year-end x DI's holdings**
  - **Unlisted companies**
    - **Book value of investment at fiscal year-end ± mark-to-market valuation difference**  
(Recent financing prices and third-party transaction prices)
    - **When these prices are unavailable, book value is used without revaluation**
      - **Going forward, we plan to improve the level of precision in valuation.**
- **Professional Services:**
  - **Five-year average of profit after taxes x Peer company PER\***

\* The median PER value of peer companies in similar industries as listed on the SPEEDA platform of UZABASE, Inc.

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# Companies Targeted for Investment and Development

We focus on investment stake and management support, and are deeply committed to the growth of our investees.

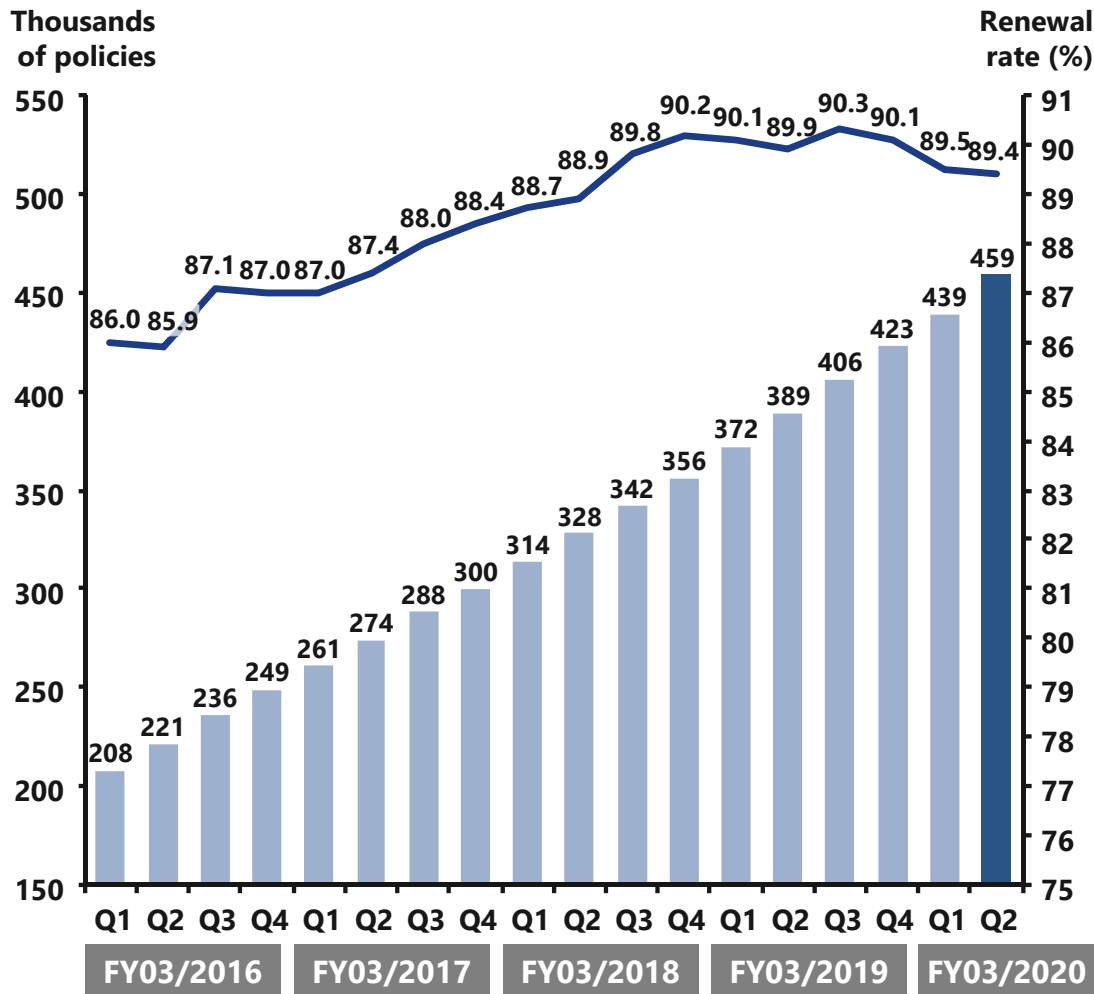
	Business	Stake	Most recent NAV (JPYbn)	Highlights
<b>iPet Insurance Co., Ltd.</b> 	Pet health insurance (No. 2 in sector)	56%	11.3	Trend of sustained growth
<b>Boardwalk Inc.</b> 	Event ticket sales, fan club operation business, e-commerce	30% (underlying basis: 46%)	0.3 (Not revalued)	Impact of dropout of demand in FY03/2020 less than expected, preparing for IPO
<b>Work Style Lab, Inc.</b> <small>はたらくことをかんがえる</small> 	Platform business that outsources services to freelance consultants	100%	0.5 (Not revalued)	Upfront investment to expand scale

**DI Asia Inc.**

- Sold off all businesses aside from the consulting business
- Will concentrate resources on coordinating with DI's Strategic Consulting and Incubation businesses

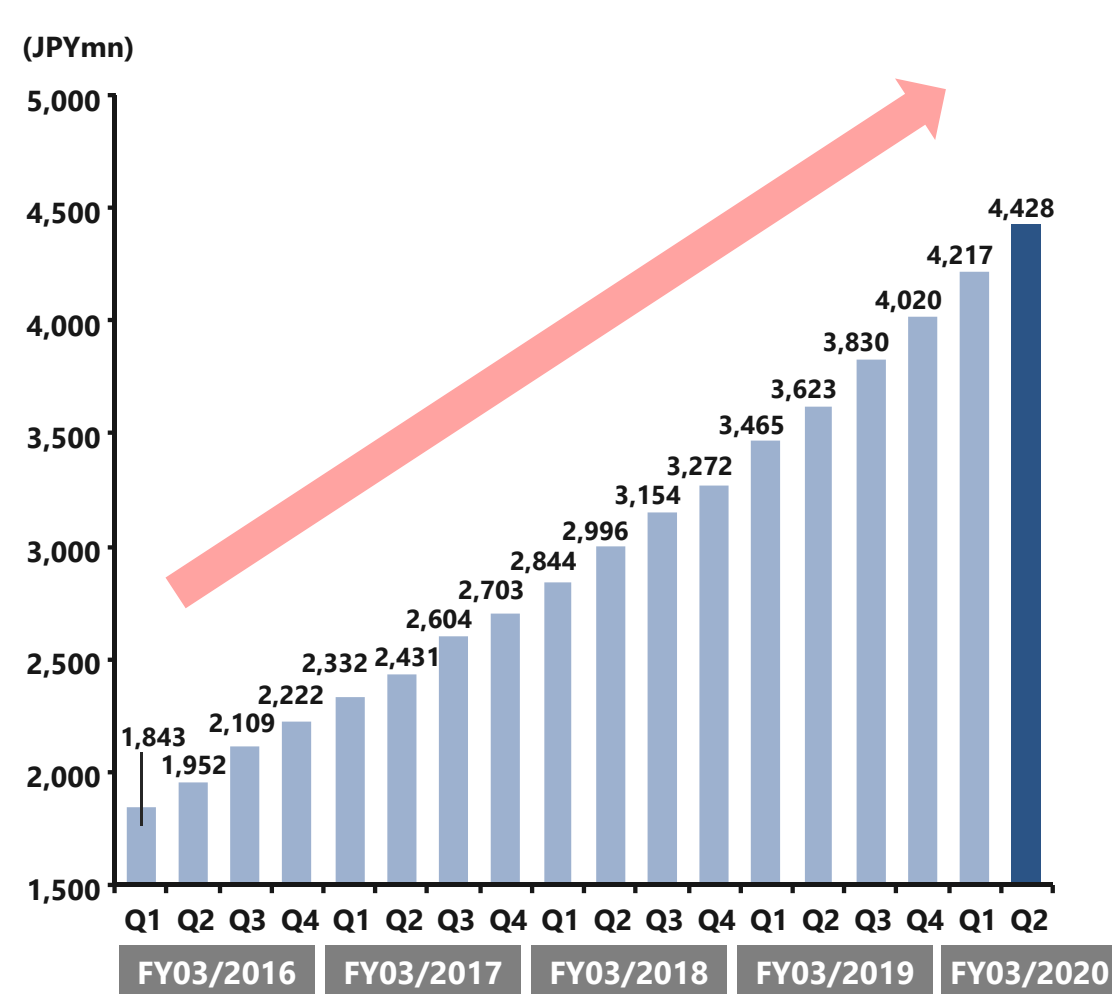
## Insurance policies

- Steady growth
- High renewal rate maintained



## Revenue (non-consolidated)

- Solid revenue growth following growth in insurance policies





## Status of initiatives

### “ticket board” members:

- Exceeded 8.3mn in September 2019

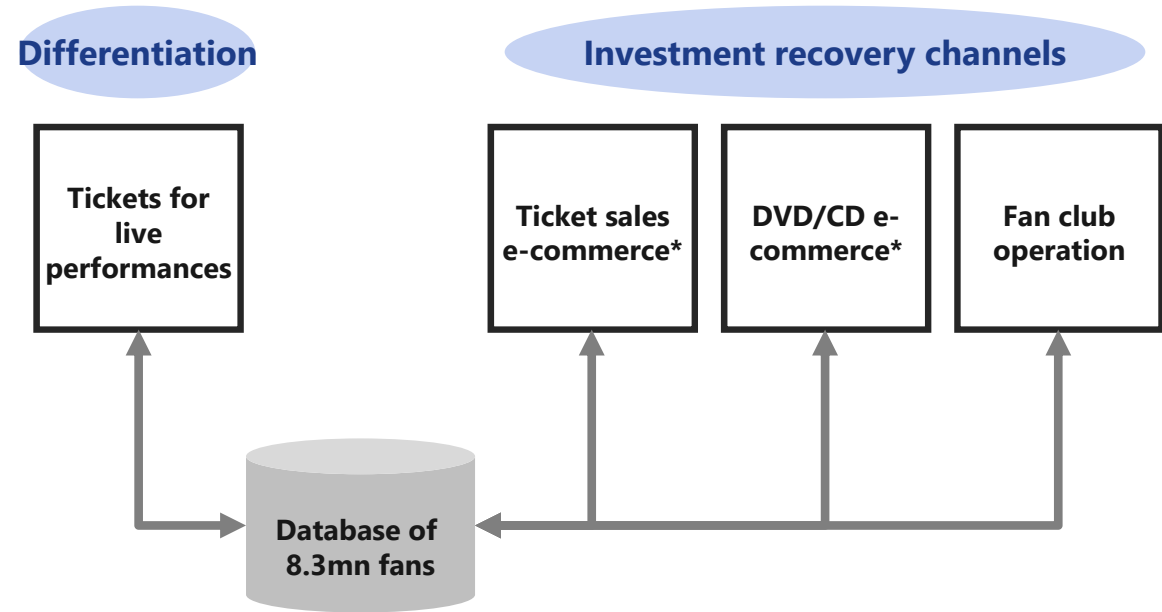
### Key artists engaging in business (alphabetical)

- E-girls, Eikichi Yazawa, EXILE, GENERATIONS from EXILE TRIBE, Girls' Generation, J Soul Brothers III from EXILE TRIBE, Kyosuke Himuro, L'Arc-en-Ciel, Mr. Children, Namie Amuro, Naoto Inti Raymi, SHINee, SMTOWN LIVE, Tokyo Girls Collection, and TWICE

### Current status

- Best-ever performance in FY12/2018
- Performance expected to dip in FY12/2019, due to extraordinary demand factors in previous year, but other business growing solidly
- Preparing for IPO

## Business model

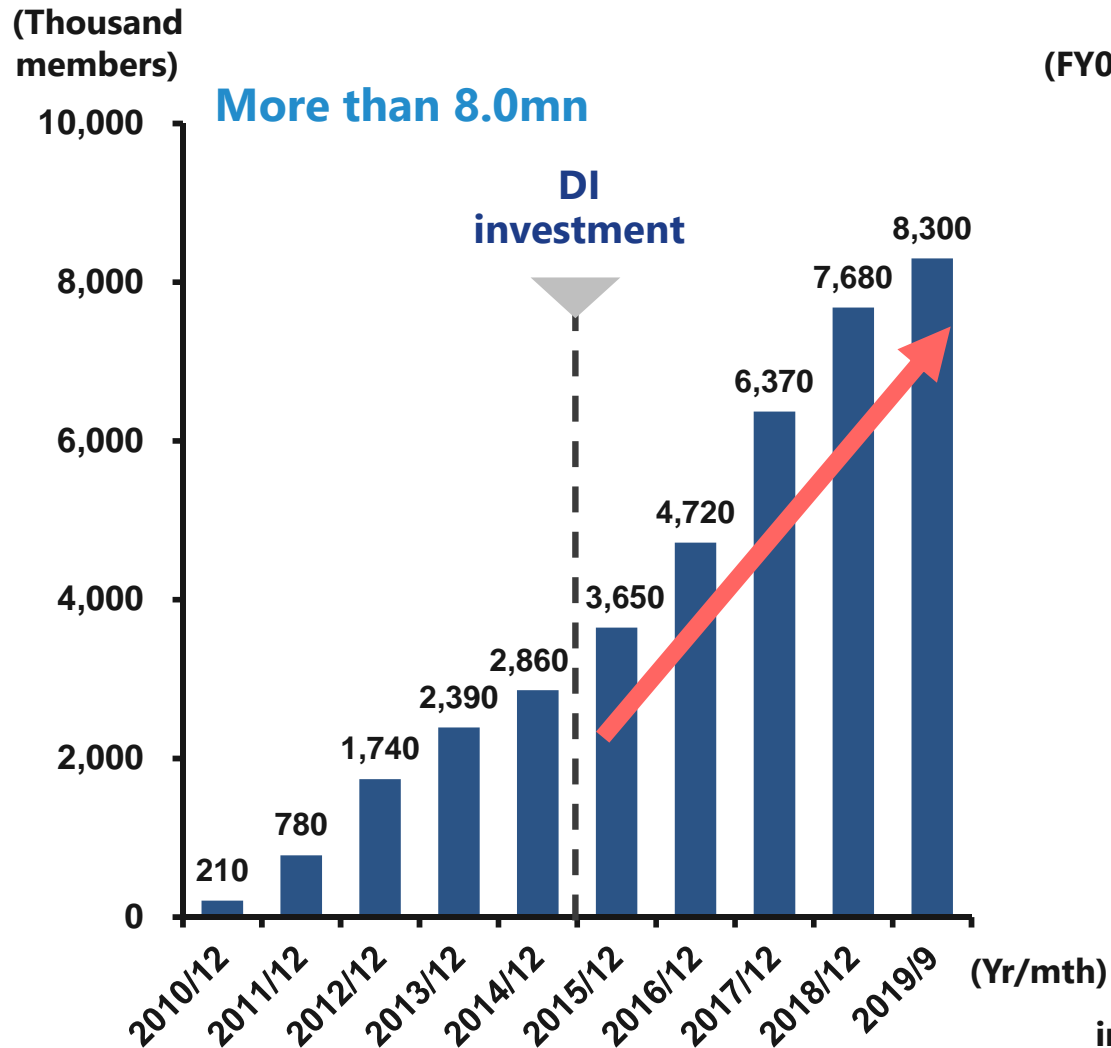


Low commission fees but platform enables acquisition of fan data

Leverage accumulated data toward direct sales

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

## Members

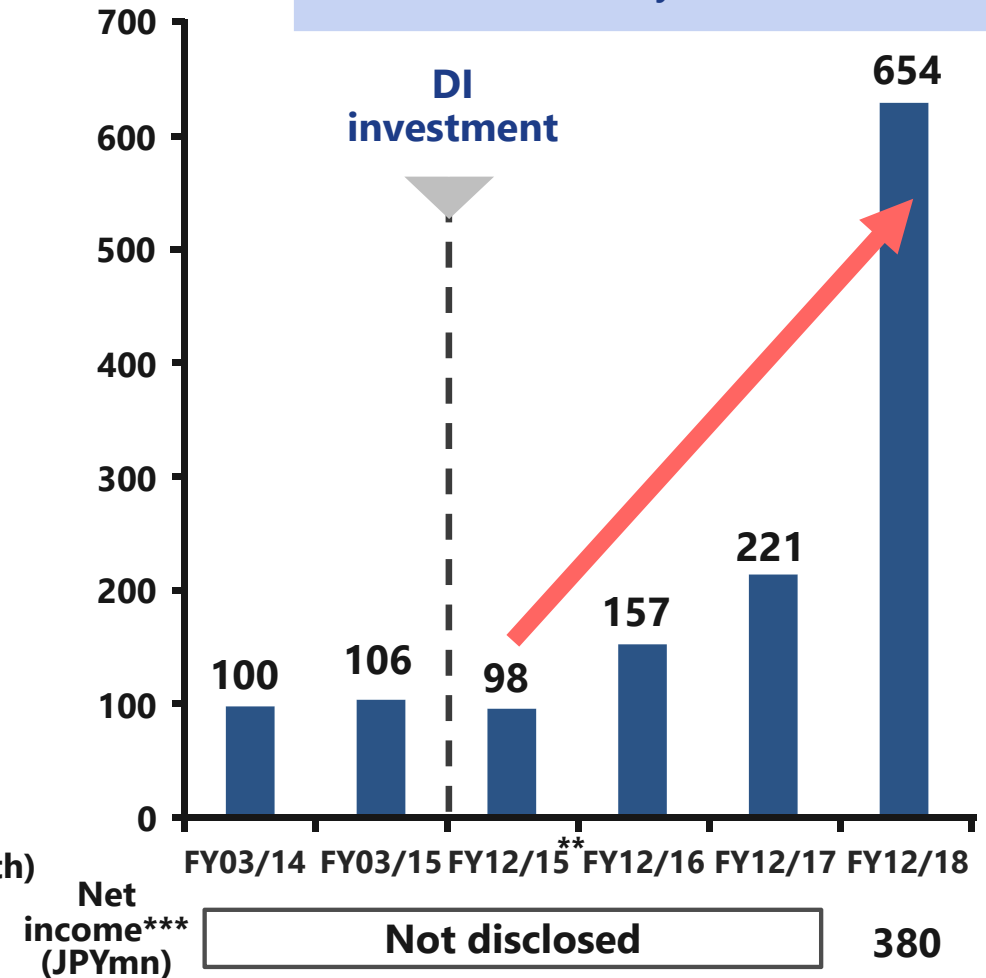


## Sales\*

(FY03/2014 = 100)

Support details:

- Build management foundation, build systems
- Accelerate recovery (e-commerce)

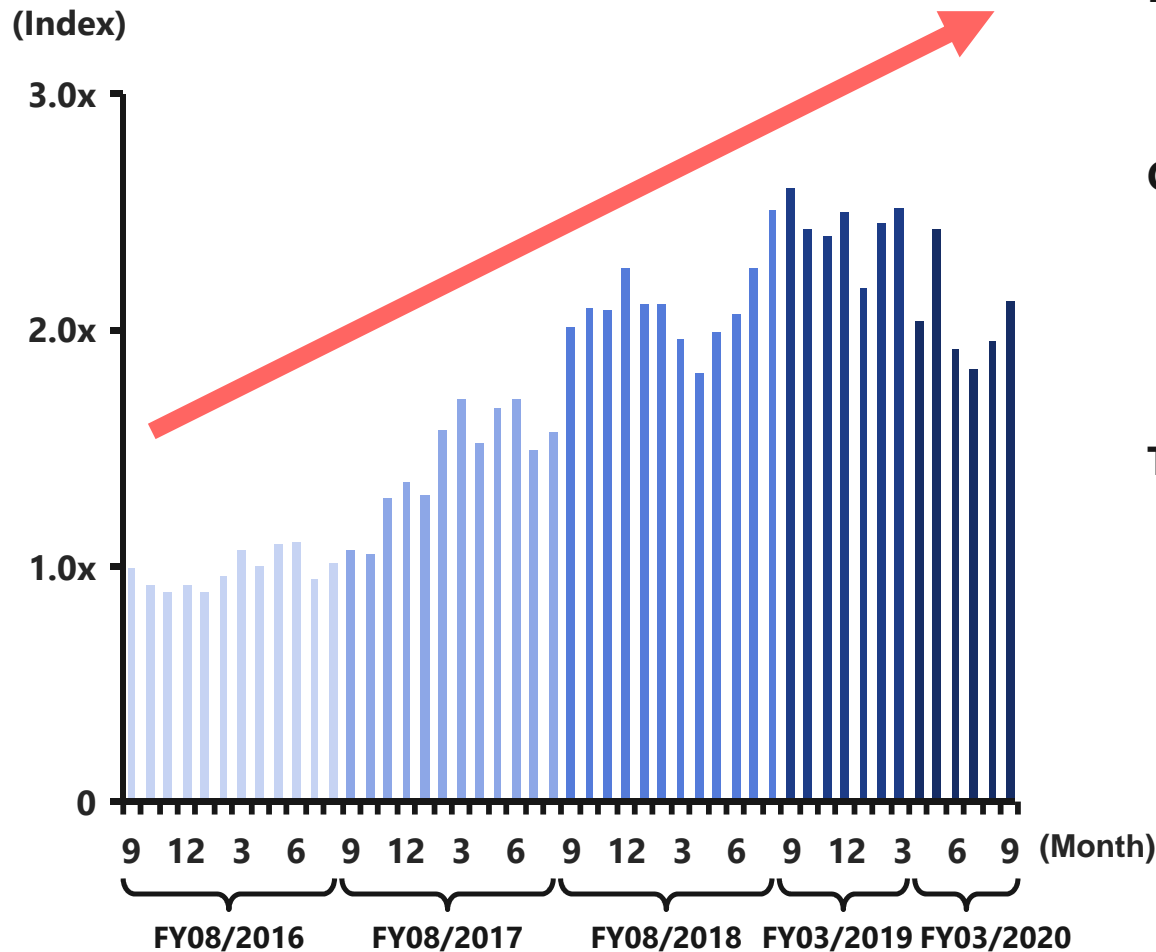


\* Sales indexed to FY03/2014 = 100

\*\* Nine-month period due to change in fiscal year

\*\*\* From Official Gazette database

## Monthly gross profit\*



## Initiatives

### Business model

- Operates a matching platform business for freelance consultants

### Overview

- In FY03/2020, Work Style Lab conducts **upfront spending to scale its operations** (technology, hiring, etc.). Performance has been largely in line with plan.

### Topics

- Granted the Innovation Award at the Fourth HR Technology Awards sponsored by The Ministry of Economy, Trade and Industry
- Concluded a strategic partnership with India's Flexing It Services Pvt. Ltd., which operates in the same industry



\* Gross profit indexed to September 2015 = 1

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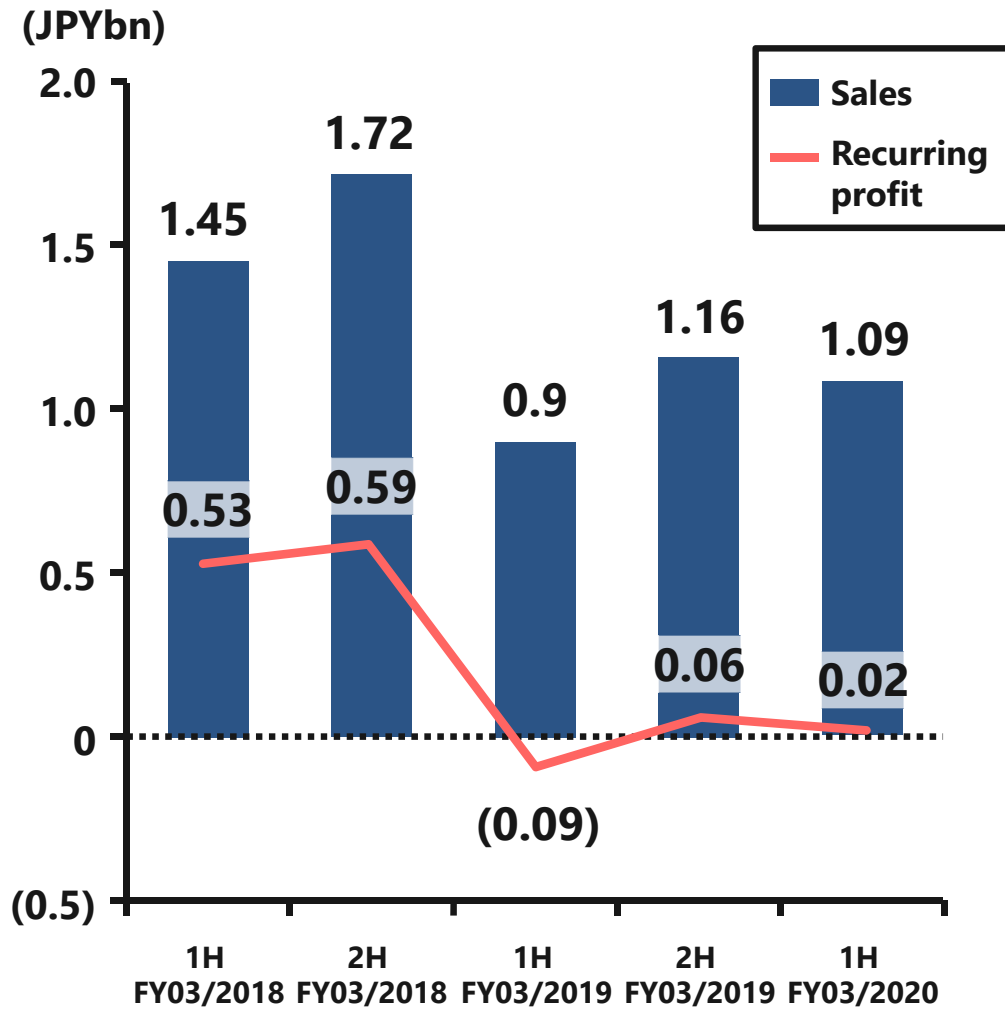
**1) Business Investment**

**2) Professional Services**

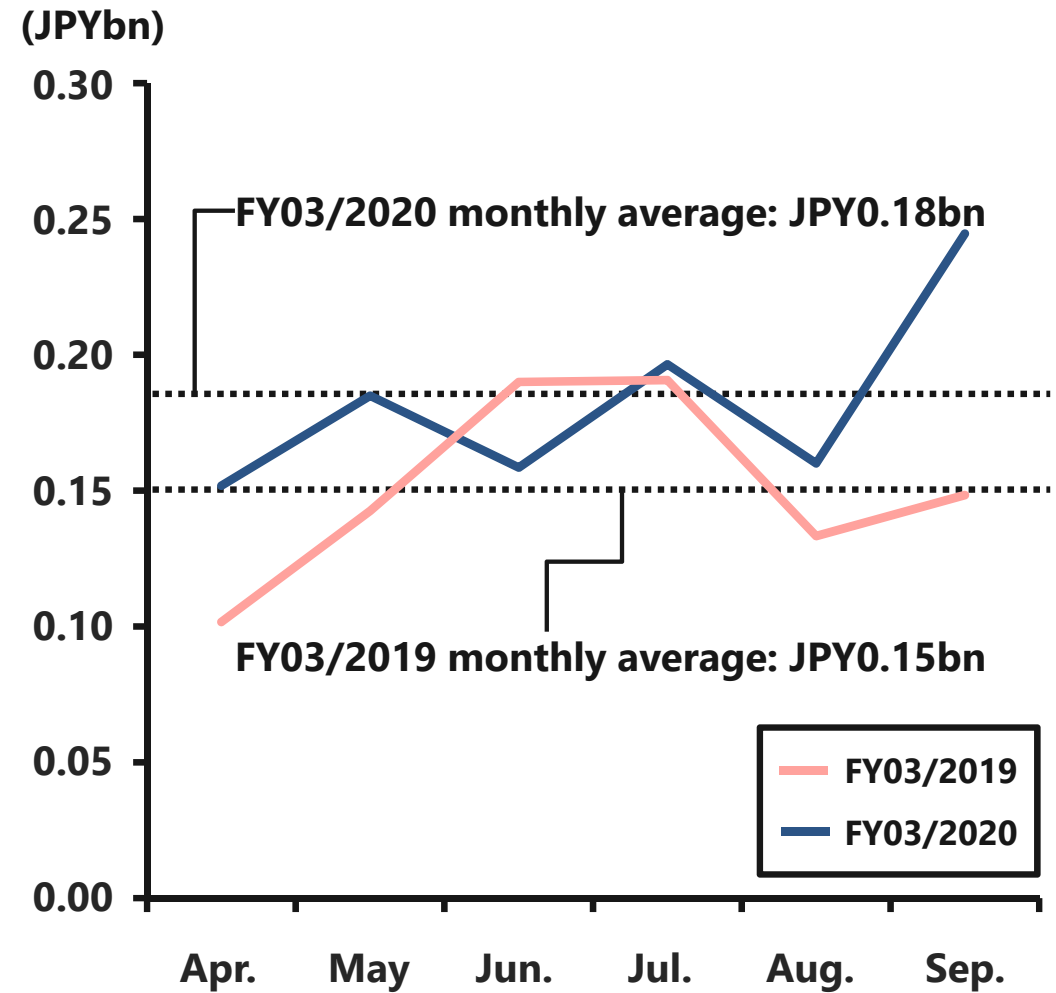
**3) Venture Capital Investment**

# Professional Services\*

## Operating performance



## 1H monthly sales



**1H performance improved slightly YoY**

\*Excluding DI Asia

# Future Direction of the Consulting Business

Strengthen the business foundation through measures that respond to market needs

Market needs	Measures	
1. Accelerate business production projects that aim to solve large social issues	<b>Form a consortium</b> <ul style="list-style-type: none"><li>● Initiatives for active involvement of seniors in society</li><li>● Data platform, etc.</li></ul>	Amplify DI's unique strengths
2. Accelerate the process of turning technologies into businesses (DI's specialty)	<b>Conclude a partnership with astamuse company, Ltd. (see following slides)</b>	
<hr/>		
3. Expand implementation support offerings, which are in high demand	<b>Revise the pricing structure</b> <b>Strengthen onsite projects</b>	Expand offerings
4. Answer the needs of medium-sized companies	<b>Dispatch young high-performing personnel</b> <b>Improve coordination with M&amp;A advisory and education teams</b>	

- Has shown solid growth since September
- In the long term, try new initiatives to bolster the balance sheet

# Dream Incubator and astamuse conclude Strategic Partnership

2019/10/17

## Dream Incubator and astamuse conclude strategic partnership

Dream Incubator Inc. (hereafter “DI”; Chiyoda-ku, Tokyo; Takayoshi Yamakawa, President and Representative Director) concluded a strategic partnership with astamuse company, Ltd. (Chiyoda-ku, Tokyo; Ayumu Nagai, President and CEO).



DI supports business creation and innovation at large companies that strive to drive the industry forward and develop new industries. Through our company’s core business production services, we continuously help companies solve social problems using the power of business. We recognize that global data related to new technology and innovation holds the key to these solutions. As such, astamuse’s initiatives, which collects and provides data in a completely new way, aligns with our vision. We have decided to form a partnership with astamuse because we strongly believed that our two companies could complement each other and create multiplier effects in customer acquisition and provided value.

# Background to the Strategic Partnership

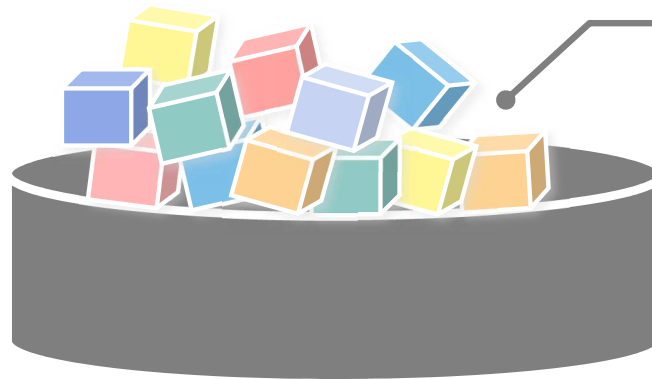
**DI**

**Many years of experience turning technologies into businesses in the manufacturing sector**



**astamuse**

**Holds world's largest innovation database**



**Resources, space, products**

**Energy**

**Medical and health**

**Mobility**

**Aerospace and marine resource development**

**and more...**

**Further accelerate the process of turning technologies into businesses (DI's unique strength)**



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# Venture Capital Results to Date



**170**

Investments



**8**

Countries invested in



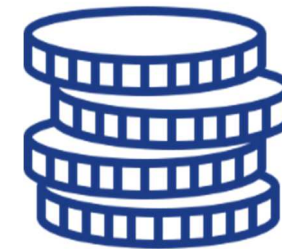
**28**

IPOs



**2.3x**

Investment multiple



**16%**

IRR

# Portfolio Overview

(JPYbn)		End-March 2019	→	End-September 2019
		(Number of companies)		(Number of companies)
Main venture portfolio*	Japan	1.6 (18)		1.6 (19)
	India	1.0 (14)		1.1 (16)
	US	0.32 (7)		0.2 (4)
	Others	0.95 (4)		0.92 (4)
	<b>Total</b>	<b>3.9 (43)</b>		<b>4.0 (44)</b>
Other investment**		2.0		2.0
<b>Investment balance</b>		<b>5.9</b>		<b>6.0</b>

+ Investment (8 companies\*\*\*)  
 - Sold (6 companies)  
 - Impairment losses (2 companies)

\* 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

# Status of Venture Capital Investees in Japan and India (Book Value of JPY50mn or More)

(JPYmn)

Japan					India				
Investee	Book value	Unrealized gains	Investment multiple	IRR	Investee	Book value	Unrealized gains	Investment multiple	IRR
A	4.5	1.3	1.3	31%	K	1.6	0.4	1.3	40%
B	2.5	▲0.6	0.7	-6%	L	1.5	▲0.2	0.8	-11%**
C	1.7	0.0	1.0	4%	M	1.2	▲0.2	0.8	-12%**
D	1.1	2.4	3.1	47%	N	1.1	▲0.0	1.0	-5%**
E	1.0	0.1	1.2	6%	O	0.9	0.0	1.0	1%
F	1.0	0.1	1.1	9%	P	0.8	▲0.0	0.9	-3%**
G	0.7	0.3	1.5	8%	Q	0.7	0.4	1.5	48%
H	0.7	0.2	1.4	17%	R	0.7	Not revalued*		-
I	0.6	Not revalued*		-	S	0.7	Not revalued*		-
J	0.5	0.7	2.5	75%	T	0.5	0.3	1.7	40%
					U	0.5	0.1	1.2	11%
					V	0.5	0.0	1.0	0%**

\* Because no recent financing price available  
\*\* Only by exchange rate fluctuations

# RightHand Robotics , the investee of DI , established Japan Entity and installed the picking robot at a PALTAC CORPORATION distribution center

## DI Press Release

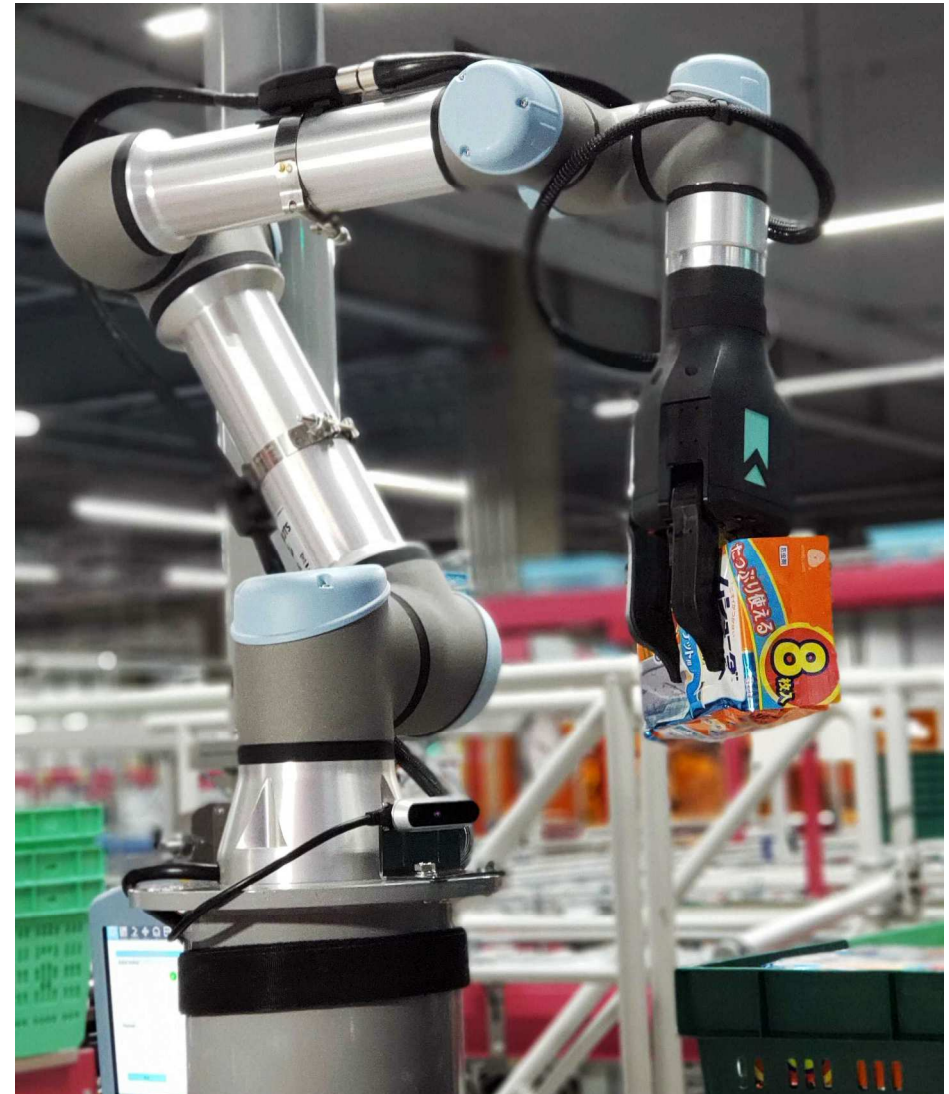
October 21, 2019

### **RightHand Robotics Establishes Japan Entity to Better Serve Japan and the Rest of Asia Pacific** ~ First picking robot installation in Japan at a PALTAC CORPORATION distribution center ~

RightHand Robotics (RHR), one of Dream Incubator's (DI) invested companies in the U.S. and a leader in providing autonomous robotic piece-picking solutions, established a new corporate entity in Japan. The subsidiary will enable RHR to better serve the fast-growing demand for robotic piece-picking in Japan and the rest of Asia Pacific.

*"As the world's second-largest retail sector as well as the second-largest industrial robotics market, Japan represents a significant market opportunity for supply chain automation. Expanding into the Japanese market with the establishment of Japan entity is a major accomplishment for our team. Having a presence in Japan will increase our opportunities in Asia Pacific and play a pivotal role in our global growth."* said Leif Jentoft, co-founder of RHR.

Furthermore, RHR's first deployment in Japan is with PALTAC CORPORATION (PALTAC), Japan's largest wholesaler of cosmetics, daily necessities and general pharmaceutical products. PALTAC has implemented RHR's piece-picking solution at its newly established distribution center, RDC Saitama, which commences operation in November. For more details, please refer to the link below.



## Full-scale development of Japanese market

# Model Investee (1): Gracia

**Established: 2017**

**Founder**

- **Hiroyasu Saito**  
(23 years old)

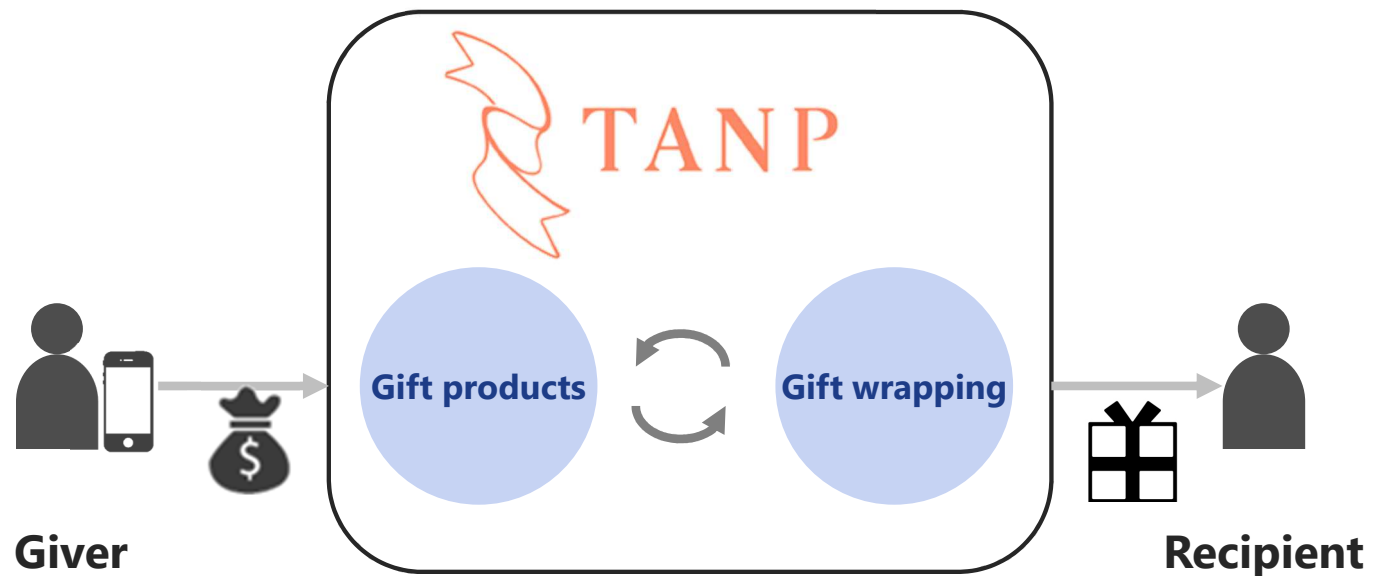


- **Started business with three classmates while studying at The University of Tokyo**

**Investment stage: Early**

**Operates TANP, an e-commerce gift site**

- **E-commerce occupies 1% of the 6tn yen gift market, and will grow to occupy a larger portion in the near future**
- **400% sales growth YoY**

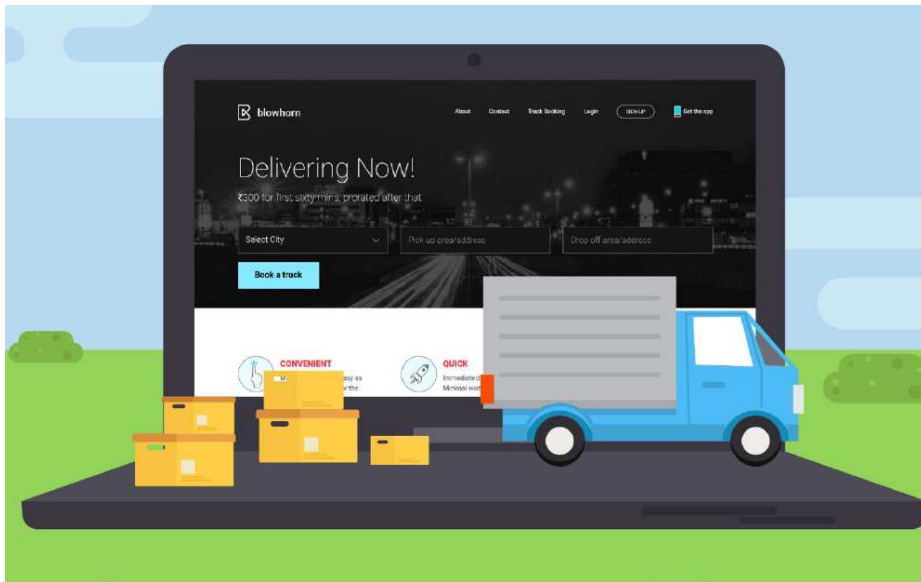


**Raised JPY500mn in funding in 08/2019**

## Overview

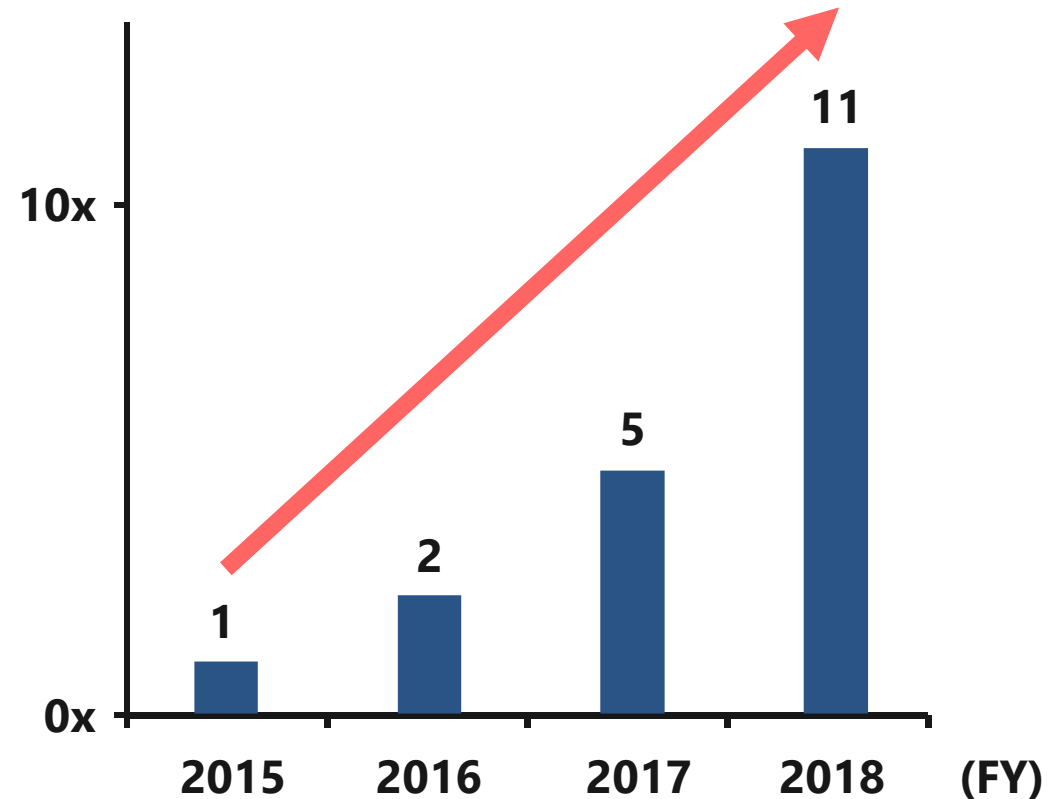
### India's top urban logistics platform

- Matches self-employed delivery workers with small businesses and individuals who need their services
- The sole full-stack\* service



## Sales (Index: FY2015 = 1)

(Index)



\*Handles supply and return deliveries in addition to regular delivery services

## Overview

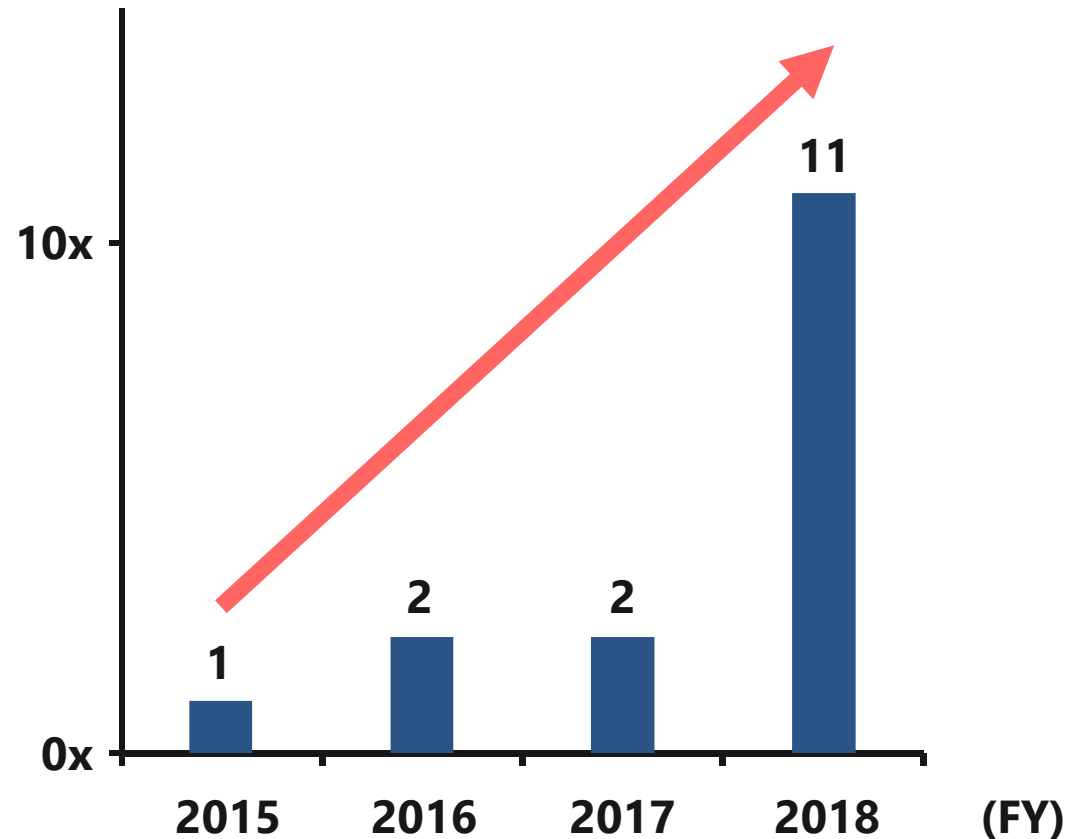
### YouTuber support platform

- Develops a video business and live performance business by discovering and cultivating YouTuber talent
- Strength in music content



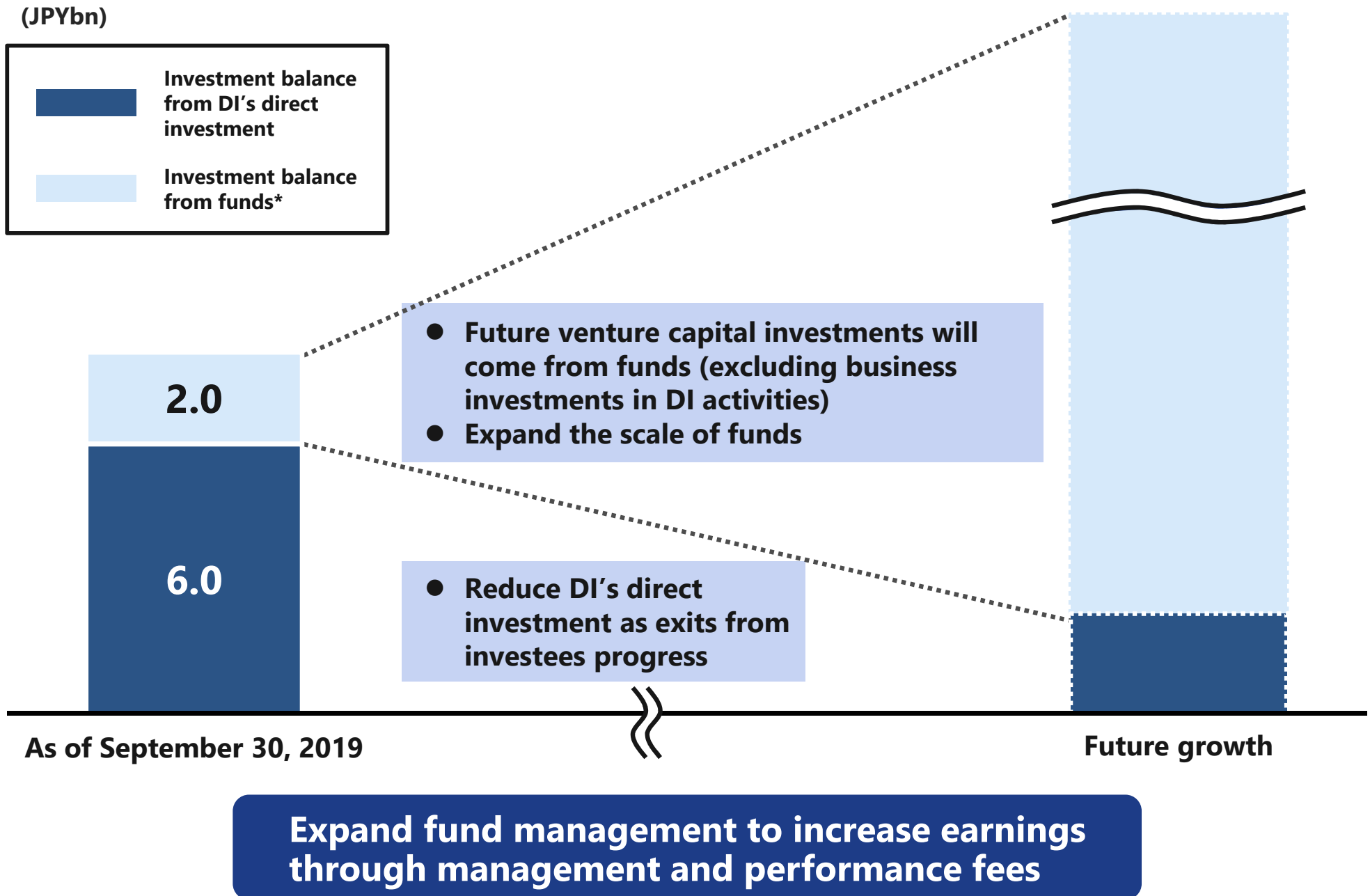
## Sales (Index: FY2015 = 1)

(Index)





# Future Direction of the Venture Capital Business



\*Excludes DI equity, which is included in investment balance from DI's direct investment

# Establishment of Dimension Venture Capital Fund in Japan

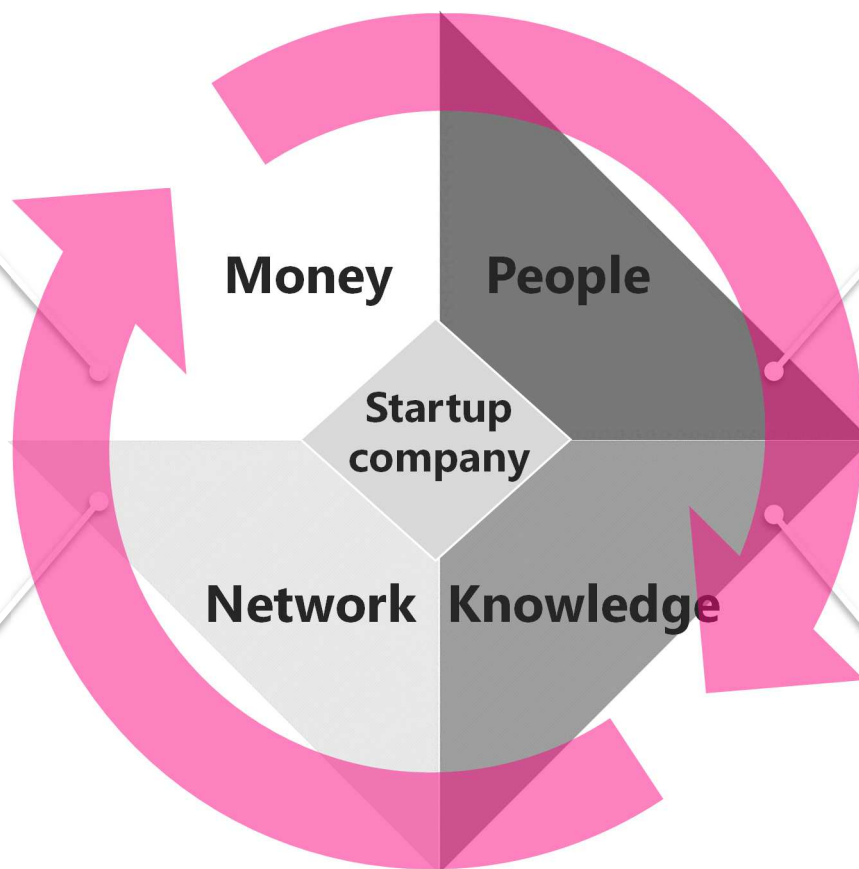
A “360° fund” providing one-stop support for entrepreneurs

## DIMENSION

Investment support through funds

A hub for large companies and government agencies

DI



**CAREEPOOL**  
for the chosen one by DIMENSION

Start an HR introduction service

Provide knowledge amassed through a proven incubation track record and owned media

Venture Navi

## DIMENSION

### ■ Overview

<b>Official name</b>	<b>Dimension Investment Partners Limited</b>
<b>Investment period</b>	<b>Nine years</b>
<b>Investment stage</b>	<b>Seed, early, and pre-IPO growth stages</b>
<b>Main limited liability partners</b>	<b>Yasushi Akimoto, Mizuho Bank, Akatsuki Securities, DI, and others</b>
<b>Fund size</b>	<b>JPY5.0bn (maximum)</b>
<b>Partner with unlimited liability</b>	<b>Dimension, Inc. (wholly owned subsidiary of Dream Incubator)</b>

### ■ Dimension, Inc.

<b>Founded</b>	<b>July 12, 2019</b>
<b>Head office</b>	<b>3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo</b>
<b>Representative director</b>	<b>Takamitsu Miyaso</b>

# Dimension's First Project: Gojo & Company, Inc.

Established: 2014

Founder

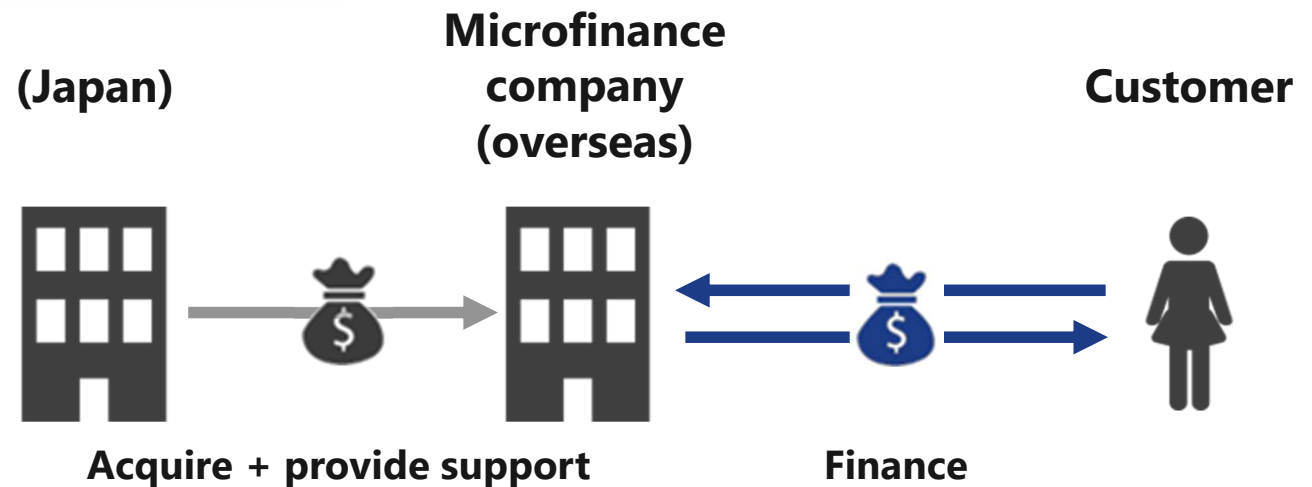
- Taejun Shin  
(38 years old)



Investment stage: Later

Operates a microfinance business in four countries\*  
Has maintained a CAGR above 200% since its founding in 2014

Gojo & Company, Inc.



**Raised JPY4.2bn in series C funding in 10/2019**

\*India, Cambodia, Myanmar, and Sri Lanka

## Targets

**Companies for which investment results are evident at fiscal year-end (recovery or effective insolvency)**

- **Shares of listed companies calculated as if all shares were sold at the initial price**

## Investment multiple

**Total return ÷ total investment**

## IRR

**(Total return ÷ total investment)<sup>1/average investment period</sup>**

# Full-year FY03/2020 Forecasts

## Professional Services segment

- Solid growth since September

## Insurance segment

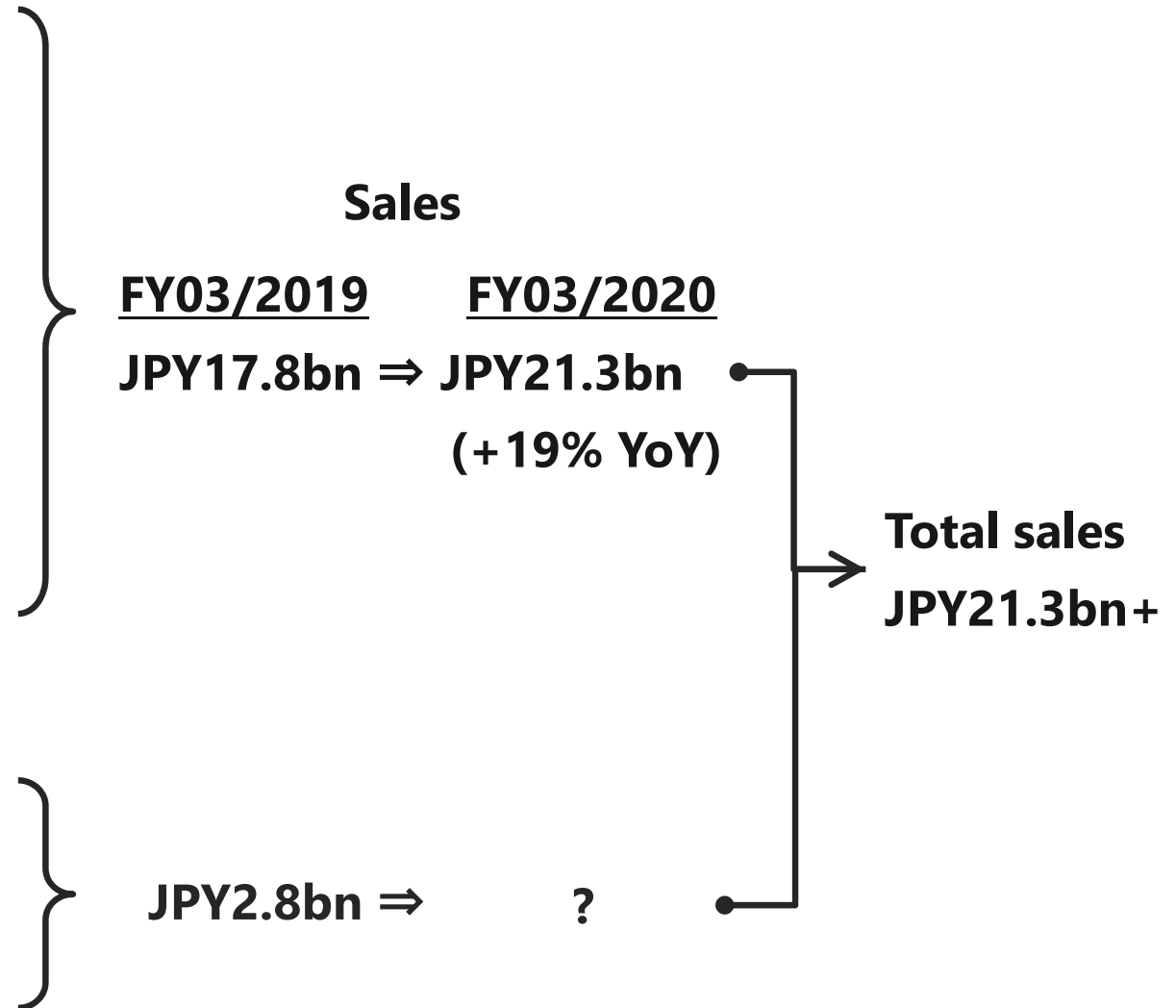
- Sustained growth

## Other segment (Work Style Lab)

- Upfront investment phase

## Venture Capital segment

- Multiple companies expected to sell in 2H through IPOs or trade sales



# Dream Incubator Inc.

The Business Producing Company