

Q3 FY03/2022 Financial Results Briefing Presentation

February 7, 2022

Dream Incubator Inc.

(Stock Code: 4310)



DI

Performance Details

Structural reforms currently underway

- Investment of resources in Business Production, efforts to curtail, and ensure returns from, investment in Venture Capital, etc.

Business conditions

(For all businesses)

- Adjusted recurring profit: JPY1.23bn (above full-year target of JPY500mn–JPY1bn)

(For individual businesses)

- Business Production: Orders were stronger than expected. The Company revised its full-year forecast and now projects **YoY increases in sales and profit** (versus previous forecast of sales growth and profit decline).
- Venture Capital: The segment **became profitable** thanks to multiple returns stemming from trade sales and IPOs. The Company expects to record **additional returns** from sources such as IPOs in Q4.
- Business Investment:
 - The Company raised its **full-year recurring profit forecast*** for ipet from **JPY880mn to JPY1.13bn**.
 - Structural reforms at PEACS are being accelerated. Losses in Q3 were slightly smaller than in 1H.

* Forecast regarding non-consolidated results (adjusted recurring profit) generated through ipet Holdings, Inc.

Q3 FY03/2022 Consolidated P&L (After Insurance Item Adjustments)

(JPYbn)	Q3 FY03/ 2021	Q3 FY03/ 2022	YoY change	
			Amount	Percentage
Sales	19.93	26.10	6.17	31.0%
Gross profit	8.64	11.95	3.31	38.4%
Operating profit	0.16	0.99	0.83	517.9%
Recurring profit	0.19	1.23	1.04	545.9%
Net Income (attributable to parent company shareholders)	-0.24	0.43	0.68	—

Q3 FY03/2022 Consolidated P&L (Before Insurance Item Adjustments)

(JPYbn)	Q3 FY03/ 2021	Q3 FY03/ 2022	YoY change	
			Amount	Percentage
Sales	19.93	26.10	6.17	31.0%
Gross profit	8.18	10.97	2.79	34.2%
Operating profit	-0.29	0.01	0.31	—
Recurring profit	-0.26	0.25	0.52	—
Net Income (attributable to parent company shareholders)	-0.43	0.04	0.47	—

Note: Figures affected by insurance item adjustments are shown in blue.

Adjusted Insurance Accounting Items and Amounts

(JPYbn)	Q3 FY03/ 2021	Q3 FY03/ 2022
	<hr/>	<hr/>
Unadjusted gross profit (consolidated)	8.18	10.97
<ul style="list-style-type: none"> ● Adjustment related to ordinary underwriting reserves* ● Catastrophe reserve provision** 	-0.06 +0.52 <hr/>	+0.33 +0.64 <hr/>
Total adjustments	+0.45	+0.97
Adjusted gross profit (consolidated)	8.64	11.95

* 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)

Supplemental Information on Insurance Item Adjustments

1. Adjustment related to ordinary underwriting reserves

- **Non-life insurance companies are required under the Insurance Business Act to calculate ordinary underwriting reserves using two methods (unearned premium balance and first year balance) and record the larger of the two as a liability.**
- **Based on this, ipet Insurance uses the first year balance method for institutional accounting, but emphasizes profit and loss under the unearned premium method, **which is equivalent to profit under accrual accounting.****
- **In addition, since there are no listed non-life insurance companies that use the first year balance method, we believe that the disclosure of profits and losses calculated using the unearned premium method is useful for investors in making investment decisions as it **helps with making competitor comparisons.****

2. Adjustment related to catastrophe reserves

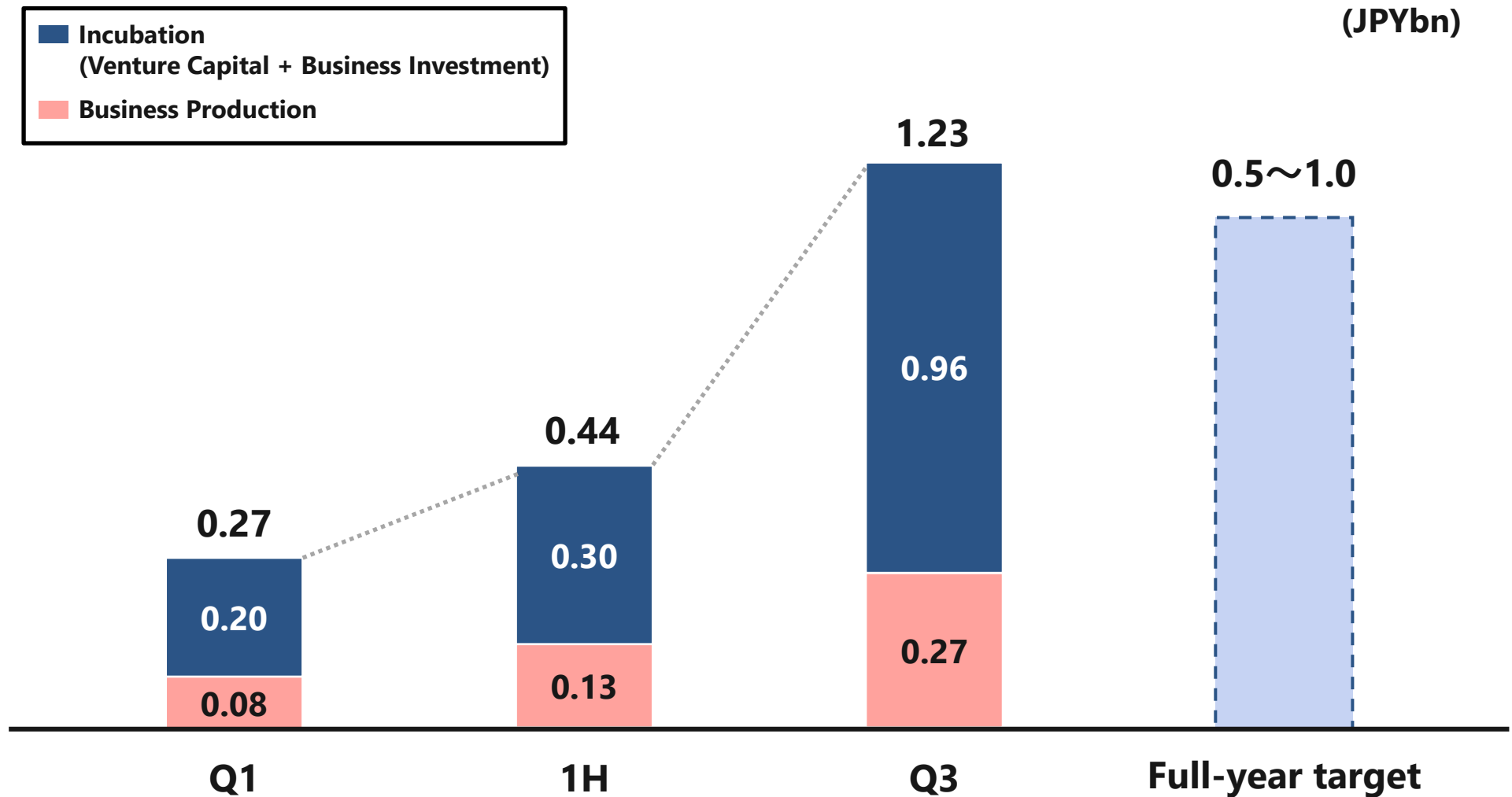
- **A catastrophe reserve is a type of underwriting reserve required by law to be set aside to cover losses from catastrophic events.**
- **If the loss ratio exceeds the standard loss ratio specified by law, the amount equivalent to the excess of the loss ratio must be reversed (lowers expenses); if the loss ratio is lower, the amount equivalent to the shortage must be reserved.**
 - **The loss ratio at ipet Insurance is lower than the standard, so the amount of 3.2% multiplied by underwriting revenue must be reserved each fiscal year.**
- **We focus on the profit and loss excluding the effect of reversals and reserves as a **measure of actual profit and loss.****

Q3 FY03/2022 P&L by Segment

(JPYbn)		Q3 FY03/2021	Q3 FY03/2022	YoY change	Notes	
Business Production	• Sales	1.63	2.03	24.1%	<ul style="list-style-type: none"> • Orders exceeded expectations amid growing need for business creation. Profit grew as this strong performance compensated for cost increases due to personnel expansion, etc. • The Company's full-year forecast projects increases in both sales and profit. 	
	• Recurring profit	0.19	0.27	40.9%		
Venture Capital	• Sales	0.97	0.77	-20.4%	<ul style="list-style-type: none"> • The segment became profitable thanks to multiple returns stemming from trade sales, IPOs, etc. • The Company expects additional returns from IPOs and other sources in Q4. 	
	• Recurring profit	-0.60	0.27	—		
Business Investment	Pet Lifestyle	• Sales	16.57	20.99	26.7%	<ul style="list-style-type: none"> • The Company revised its full-year recurring profit forecast upward from JPY880mn to JPY1.13bn.
		• Recurring profit*	0.66	1.08	61.6%	
	HR Innovation	• Sales	0.77	0.97	25.6%	<ul style="list-style-type: none"> • Sales and gross profit were steady. • The Company continued to pursue growth by investing in personnel and digital transformation (DX).
		• Recurring profit	-0.06	-0.12	—	
	Fan Marketing	• Sales	—	1.39	—	<ul style="list-style-type: none"> • The Company observed progress in terms of structural reforms. • Losses in Q3 were slightly smaller than in 1H.
		• Recurring profit	—	-0.26	—	

Note: Recurring profit was calculated as segment profit - companywide expenses ± non-operating profit/loss
 * After insurance item adjustments

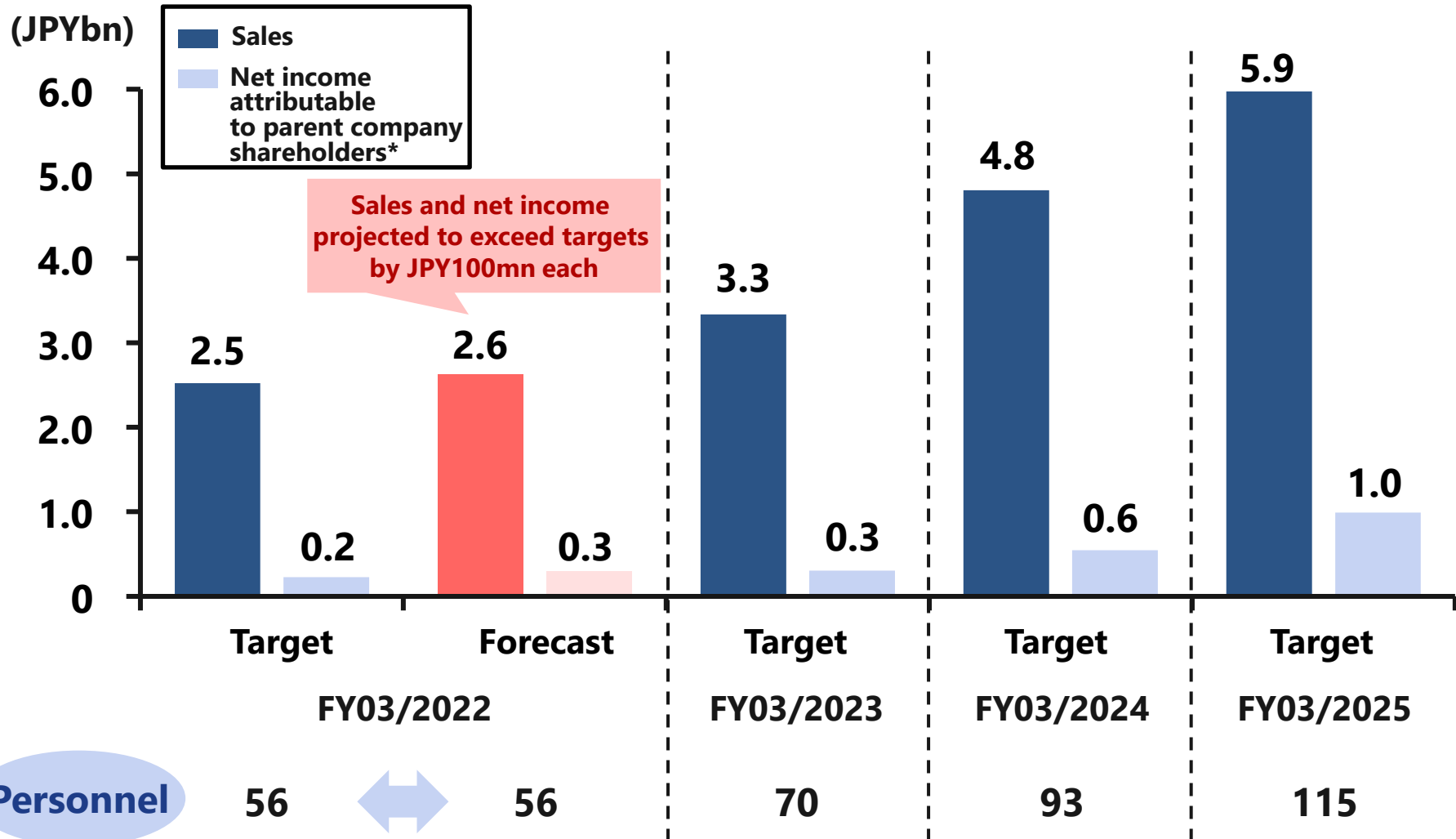
Progress against FY03/2022 target (recurring profit/loss*)



* After insurance item adjustments

Steady progress in efforts to achieve compliance with Prime Market listing criteria

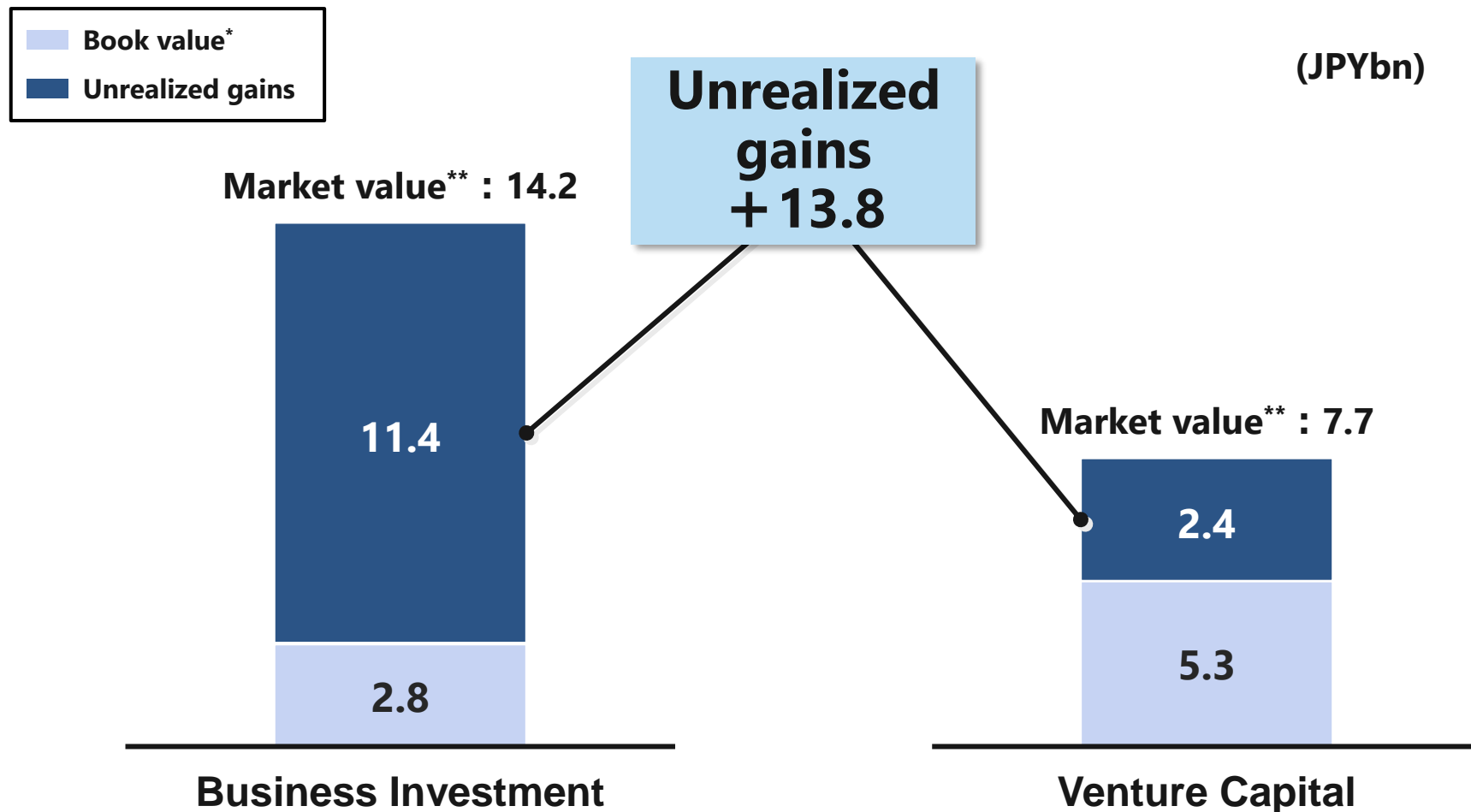
Business Production's progress toward targets in the plan for compliance with Prime Market listing criteria (released on December 22, 2021)



* Calculated by simply multiplying recurring profit by the tax rate of 30%

Unrealized gains totaled JPY 13.8bn

The status of the unrealized gains of investees at December 31, 2021



*
**

Fund investments only include DI's holdings.

Listed companies: Market capitalization at period-end x DI's holdings.

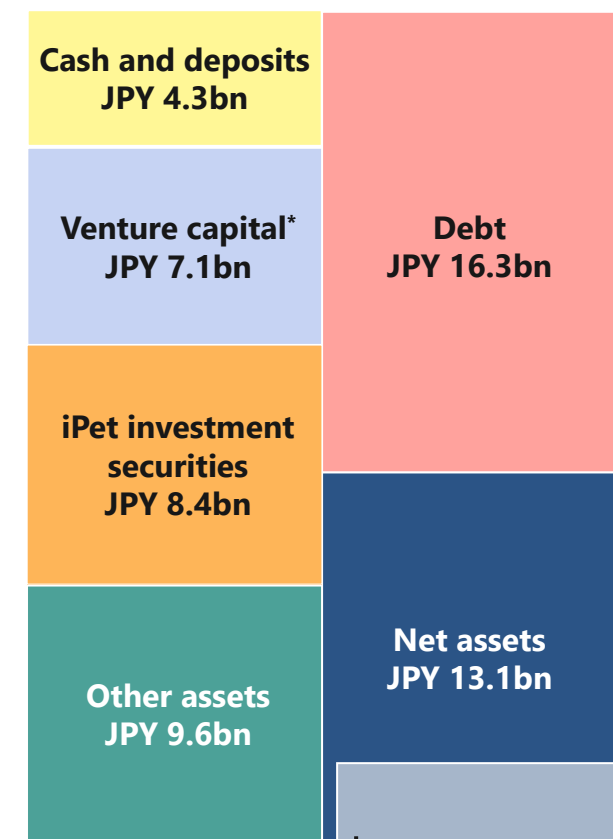
Unlisted companies: Book value of investment at period-end ± mark-to-market valuation difference (recent financing prices and third-party transaction prices).

When these prices are unavailable, book value is used without revaluation.

Venture Capital is after tax, Business Investment is before tax.

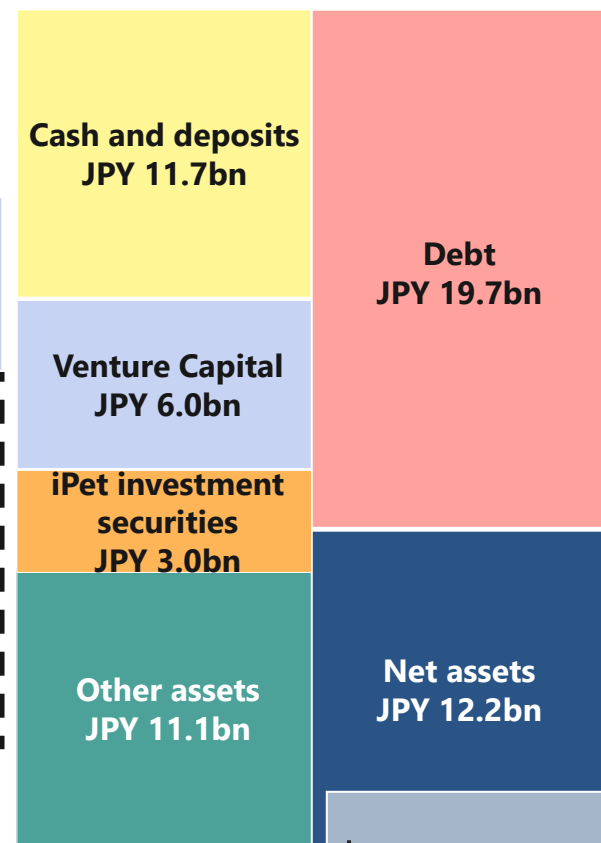
Q3 FY03/2021 Consolidated Balance Sheet

March 31, 2021 (Total assets: JPY 29.5bn)



Includes non-controlling interests of JPY 3.9bn

December 31, 2021 (Total assets: JPY 31.9bn)



Includes non-controlling interests of JPY 2.6bn

Decrease due to unconsolidation of Japan Venture fund "DIMENSION"

Breakdown of change in net assets	
• Net income	+JPY 0.04bn
• Non-controlling interests	-JPY 1.26bn
• Valuation differences on available-for-sale securities	+JPY 0.20bn
• Other comprehensive income	+JPY 0.01bn
Total	-JPY 0.96bn

* Includes post-IPO

POLICY FOR EXECUTIVE OWNERSHIP OF COMPANY STOCK

To commit to boosting enterprise value and align our interests with our shareholders, we pay a certain percentage of annual executive compensation in the form of company stock.

- **Applicable persons:** 16 full-time directors and executive officers, 6 senior managers
- **Percentage of annual compensation paid in stock:** 20% for full-time directors and executive officers, 10% for senior managers
- **Notes:** Disclosure of shares held by each individual is not available as stock-based compensation is provided through an ESOP trust (BIP trust for directors) and is managed as points until the time of retirement.

DI = The Business Producing Company

Mission: **Create Businesses and Change Societies**

Vision: **Become the First Choice of Challengers**

Value: **Advance Beyond Boundaries.**

- Envision **Beyond Boundaries** of Areas
- Formulate **Beyond Boundaries** of Customaries
- Partner **Beyond Boundaries** of Organizations
- Challenge **Beyond Boundaries** of Ourselves

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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Dream Incubator Inc.

The Business Producing Company