

1H FY03/2022 Financial Results Briefing Presentation

November 9, 2021

Dream Incubator Inc.

(Stock Code: 4310)



DI

Summary

Steady progress toward full-year target (recurring profit of JPY500mn to JPY1bn*)

- **Business Production: Both sales and orders up YoY**
- **Venture Capital:**
Multiple investment recoveries from trade sales, expecting multiple IPOs in 2H
- **Business Investment:**
 - Profit rose owing to lower-than-expected rise in loss ratio at ipet
 - Larger-than-expected losses at PEACS; planning to further accelerate structural reforms in 2H

Progress of structural reform initiatives

- **Strengthen Business Production:**
Expanding personnel and promoting collaboration with Dentsu
 - Examining expansion into the DX/IT domain (with an eye on M&A)
 - Technology (IT) as a lever to execute Business Production
 - DX through true integration of management and IT
- **Expand Business Production by applying financial functions:**
 - Launched SIB** Fund No. 1; currently promoting partnerships with financial institutions and local governments
- **Promote structural reform of investments:**
Review of overall policy, separation of funds (deconsolidated from Q3 onward)
- **Strengthen governance:**
Review of strategy and plan and Board of Directors

* After insurance item adjustments
** Social Impact Bond



1. 1H FY03/2022 Financial Results Summary

2. Structural Reforms

1H FY03/2022 Consolidated P&L (After Insurance Item Adjustments)

(JPYbn)	1H FY03/ 2021	1H FY03/ 2022	YoY change	
			Amount	Percentage
Sales	13.34	16.79	3.45	25.9%
Gross profit	5.67	7.51	1.83	32.4%
Operating profit	0.13	0.23	0.1	78.2%
Recurring profit	0.21	0.44	0.23	109.6%
Net income (attributable to parent company shareholders)	-0.13	0.06	0.19	—

1H FY03/2022 Consolidated P&L (Before Insurance Item Adjustments)

(JPYbn)	1H FY03/ 2021	1H FY03/ 2022	YoY change	
			Amount	Percentage
Sales	13.34	16.79	3.45	25.9%
Gross profit	5.39	7.04	1.64	30.5%
Operating profit	-0.14	-0.23	-0.08	—
Recurring profit	-0.06	-0.02	0.03	—
Net income (attributable to parent company shareholders)	-0.24	-0.12	0.11	—

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

Adjusted Insurance Accounting Items and Amounts

(JPYbn)	1H FY03/ 2021	1H FY03/ 2022
Unadjusted gross profit (consolidated)	5.39	7.04
<ul style="list-style-type: none"> • Adjustment related to ordinary underwriting reserves* • Catastrophe reserve provision** 	-0.06 +0.33	+0.05 +0.42
Total adjustments	+0.27	+0.47
Adjusted gross profit (consolidated)	5.67	7.51

* 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 system 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 shortcoming 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**.

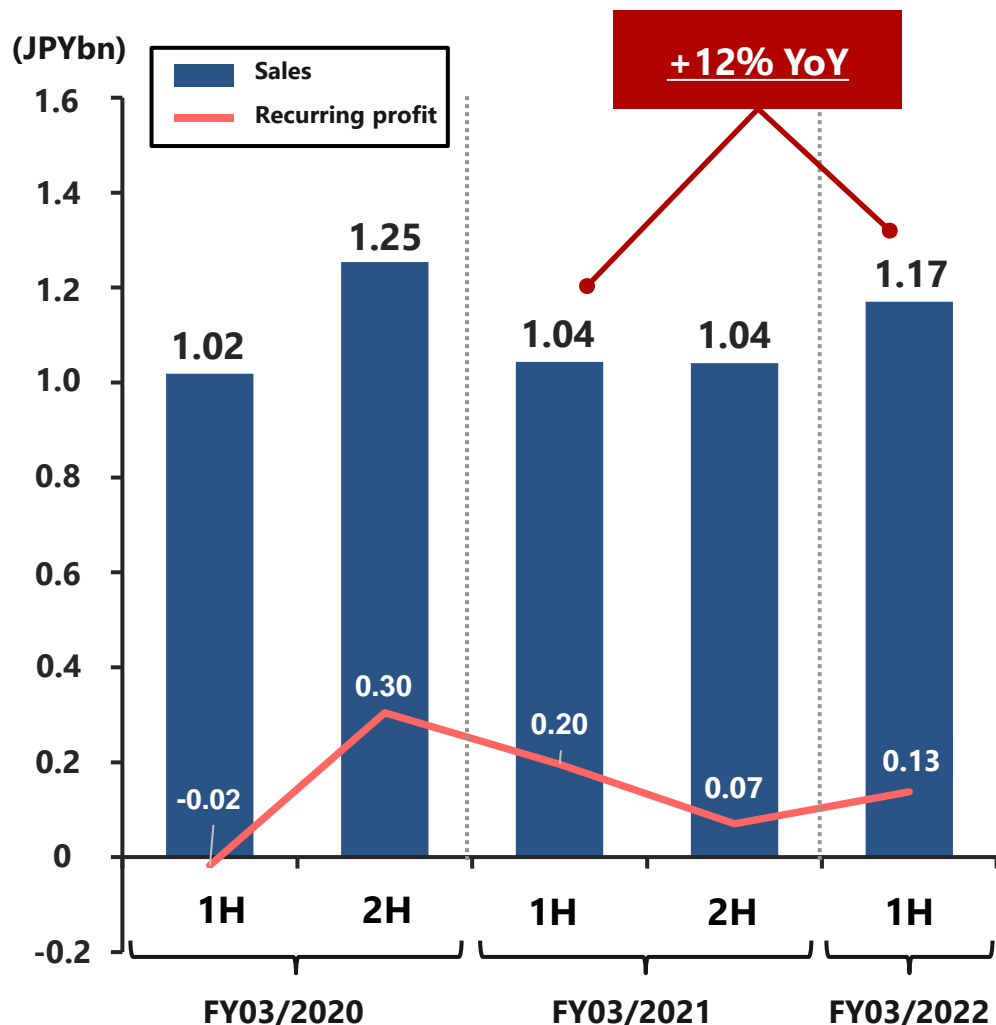
1H FY03/2022 P&L by Segment

(JPYbn)		1H FY03/2021	1H FY03/2022	YoY change	Notes	
Business Production	• Sales	1.17	1.29	10.6%	<ul style="list-style-type: none"> • Sales and orders remained strong • Accelerating efforts to expand personnel and strengthen alliances to boost revenue base 	
	• Recurring profit	0.21	0.13	-35.7%		
Venture Capital	• Sales	0.94	0.32	-65.3%	<ul style="list-style-type: none"> • Trade sales of several small projects, investment recovery of surplus funds invested in listed companies • Expecting multiple IPOs in 2H 	
	• Recurring profit	-0.35	0.01	—		
Business Investment	Pet Lifestyle	• Sales	10.73	13.69	27.5%	<ul style="list-style-type: none"> • Continued steady growth in new policies • Sales and profit rose YoY on a slightly lower-than-expected rise in loss ratio
		• Recurring profit*	0.40	0.58	43.9%	
	HR Innovation	• Sales	0.49	0.63	26.8%	<ul style="list-style-type: none"> • Steady sales and gross profit • Continuing growth investment in personnel and digital transformation (DX)
		• Recurring profit	-0.05	-0.07	—	
	Fan Marketing	• Sales	—	0.86	—	<ul style="list-style-type: none"> • Larger-than-planned loss owing to delays in addressing the slump in some businesses caused by the COVID-19 pandemic • Planning to focus on growth businesses and further accelerate structural reforms in existing businesses in 2H
		• Recurring profit	—	-0.22	—	

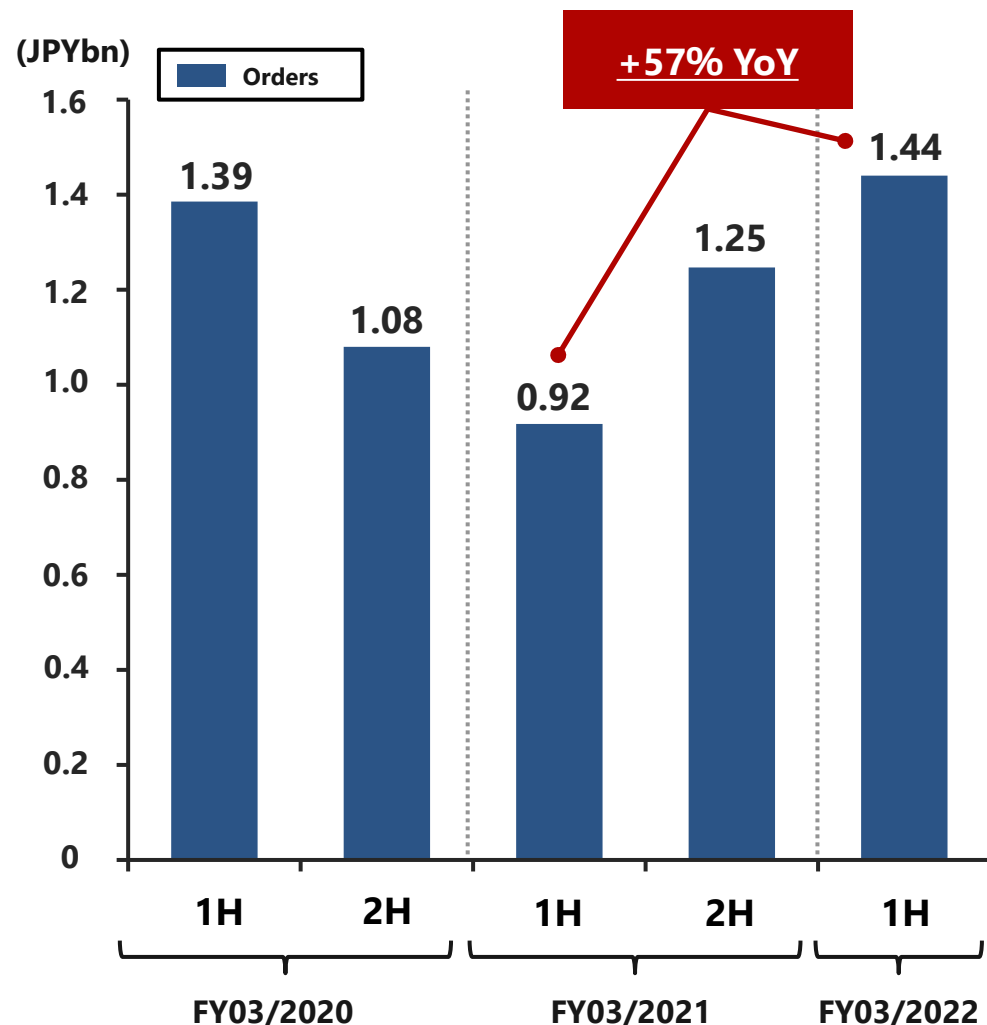
Note: Recurring profit was calculated as segment profit – companywide expenses ± non-operating profit/loss
 * After insurance item adjustments

Business Production* sales and orders remained strong

Sales & Recurring Profit

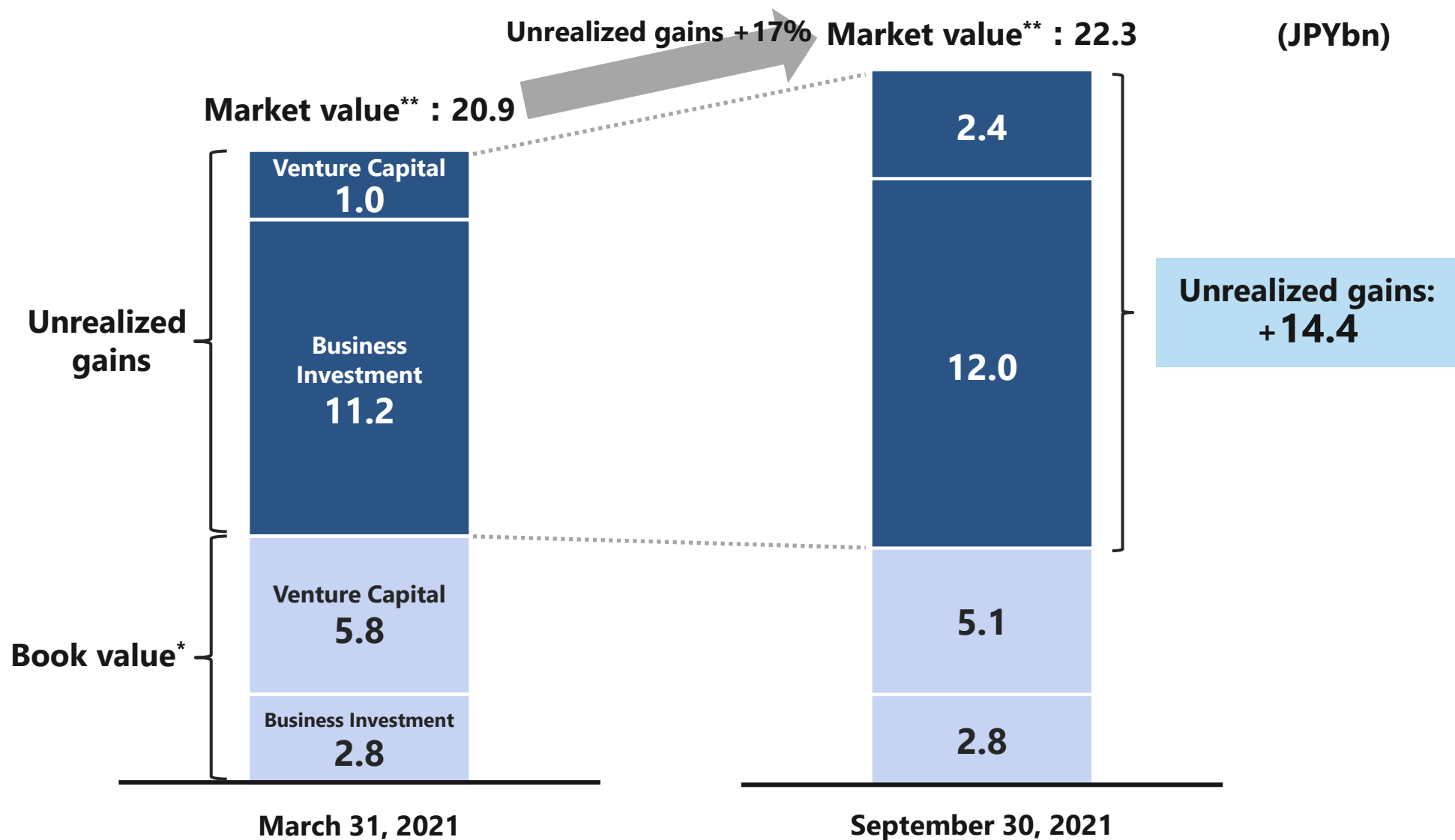


Orders (leading indicator of sales)



Note: Orders: Full contract amount is recorded at the time of contract
 Sales: Recorded over the contract period
 * Excludes businesses withdrawn from or divested by Q2.

Unrealized gains totaled JPY14.4bn, up 17% from end-FY03/2021



* Fund investments only include DI's holdings.

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

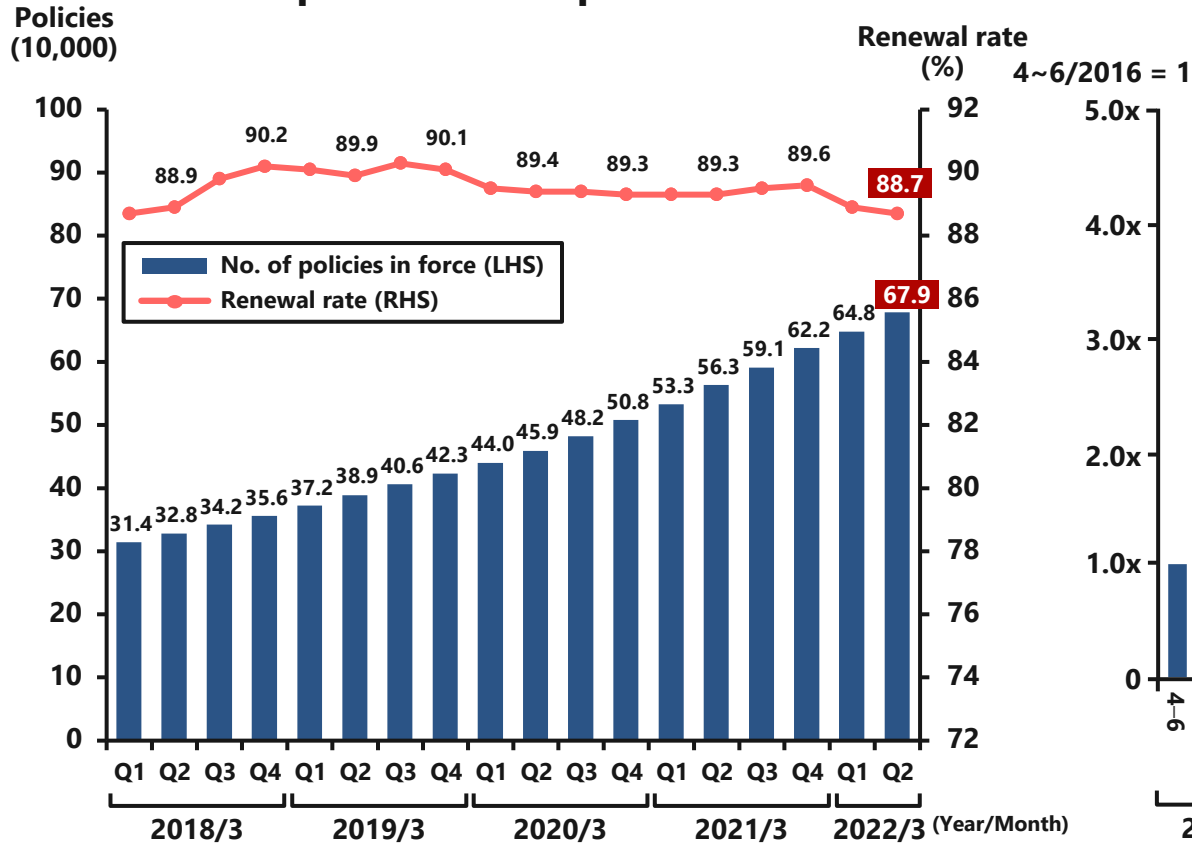
Unlisted companies: Book value of investment at period-end ± mark-to-market valuation difference (recent financing prices and third-party transaction prices).
When these prices are unavailable, book value is used without revaluation.

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

Status of Business Investees (1/2)



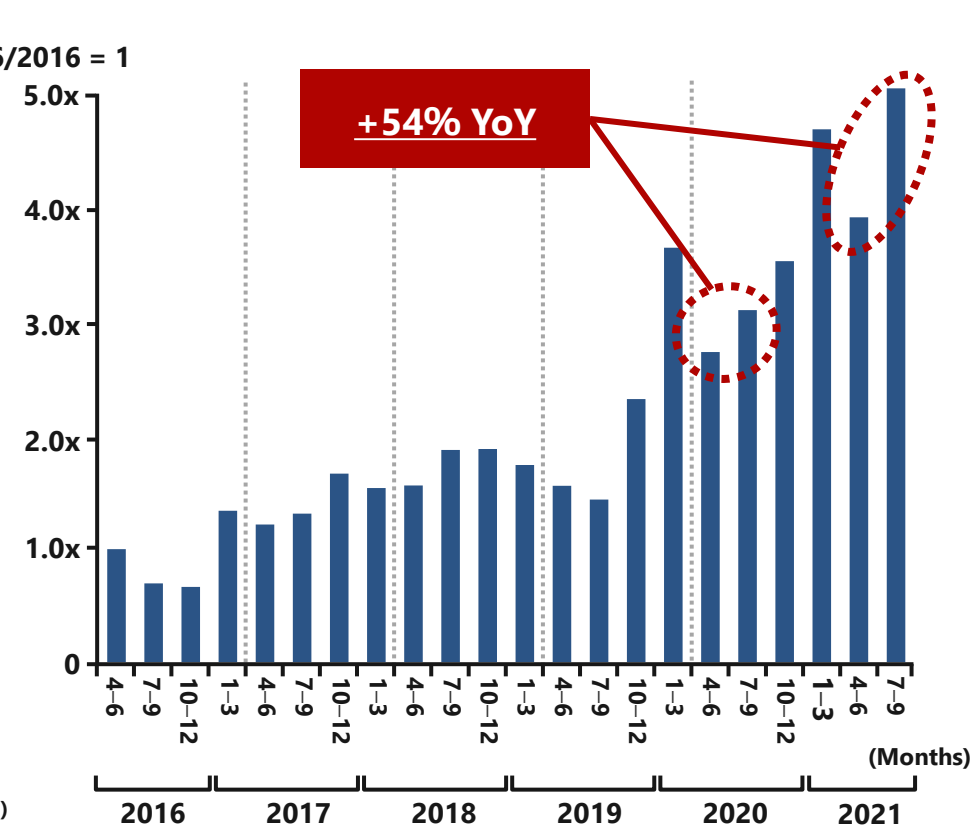
ipet insurance policies



Continued growth in new policies
Aiming to further boost LTV by enhancing DX support



Quarterly gross profit*



Solid growth in gross profit
Continued growth investment (personnel, DX)

* Gross profit indexed to April-June 2016 = 1

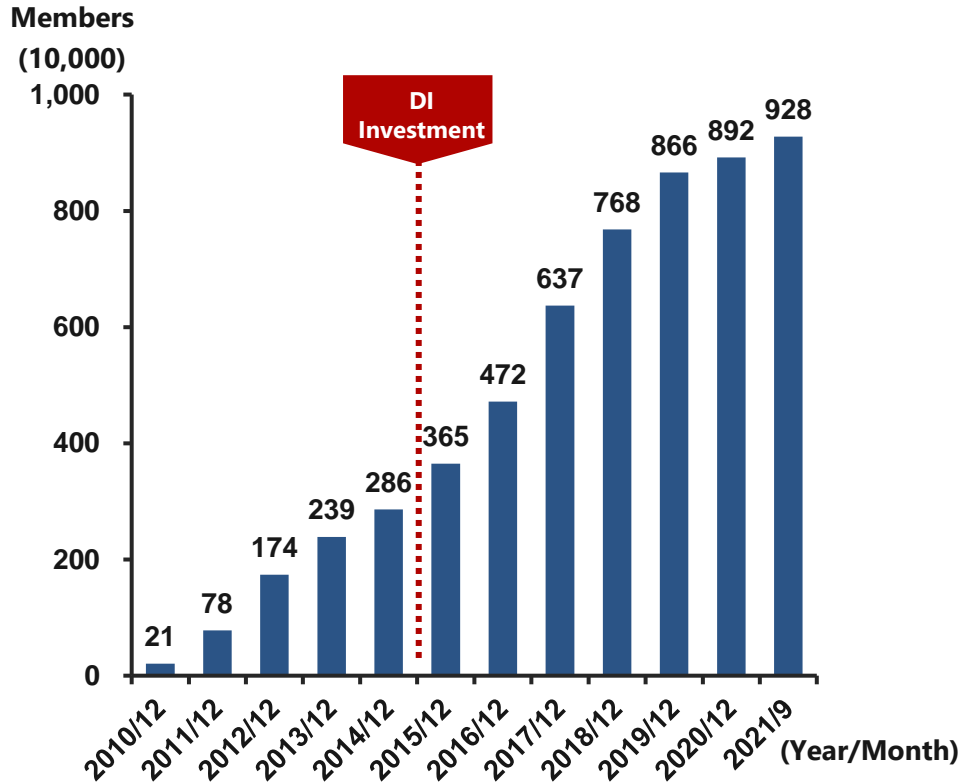
Status of Business Investees (2/2)

Fan Marketing



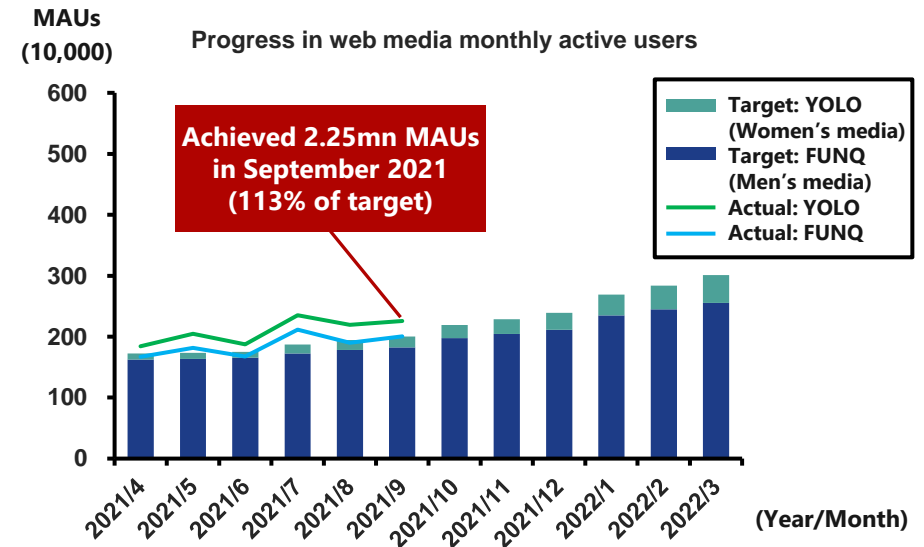
BOARDWALK

Members



1H update

- Posted larger-than-planned loss owing to delays in addressing the slump in some businesses caused by the COVID-19 pandemic
 - Segment recurring loss: JPY220mn (initial forecast: -JPY110mn)
- We are currently making steady progress in building a growth model to make our web media service/solution business into a new core business



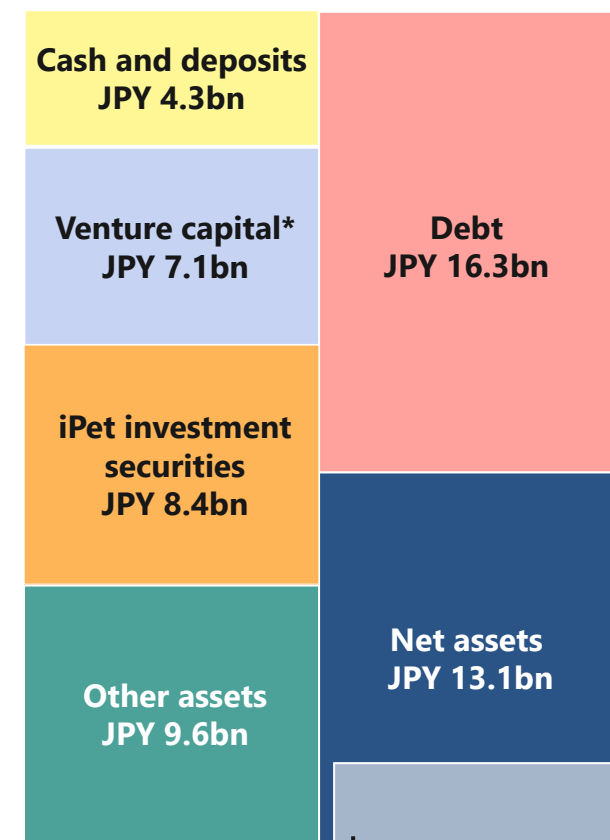
Recovery trend in events despite continued impact of COVID-19; Reassessing IPO

Planning to focus on growth businesses and further accelerate structural reforms in existing businesses in 2H

Note: No impact on consolidated P&L as BOARDWALK is not consolidated.

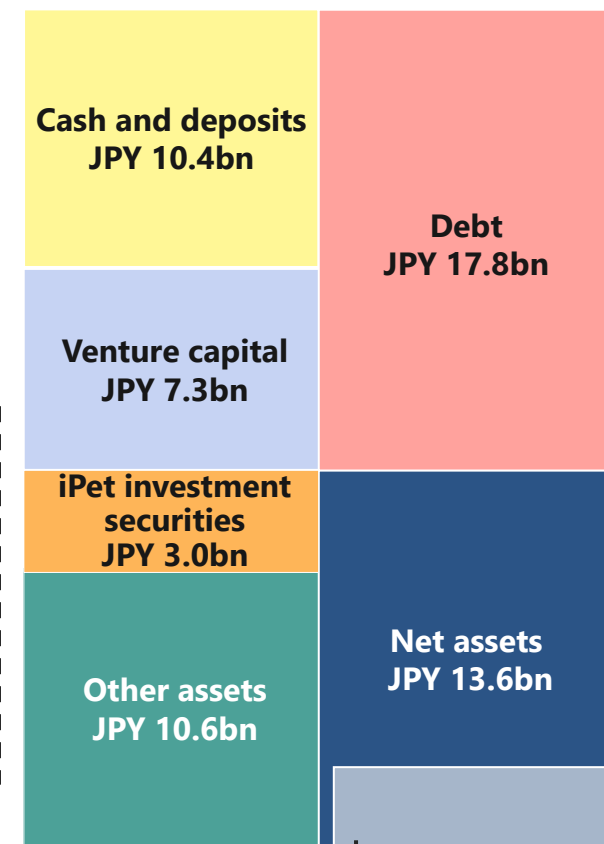
1H FY03/2022 Consolidated Balance Sheet

March 31, 2021
(Total assets: JPY29.5bn)



Includes non-controlling interests of JPY3.9bn

September 30, 2021
(Total assets: JPY31.4bn)



Includes non-controlling interests of JPY4.4bn

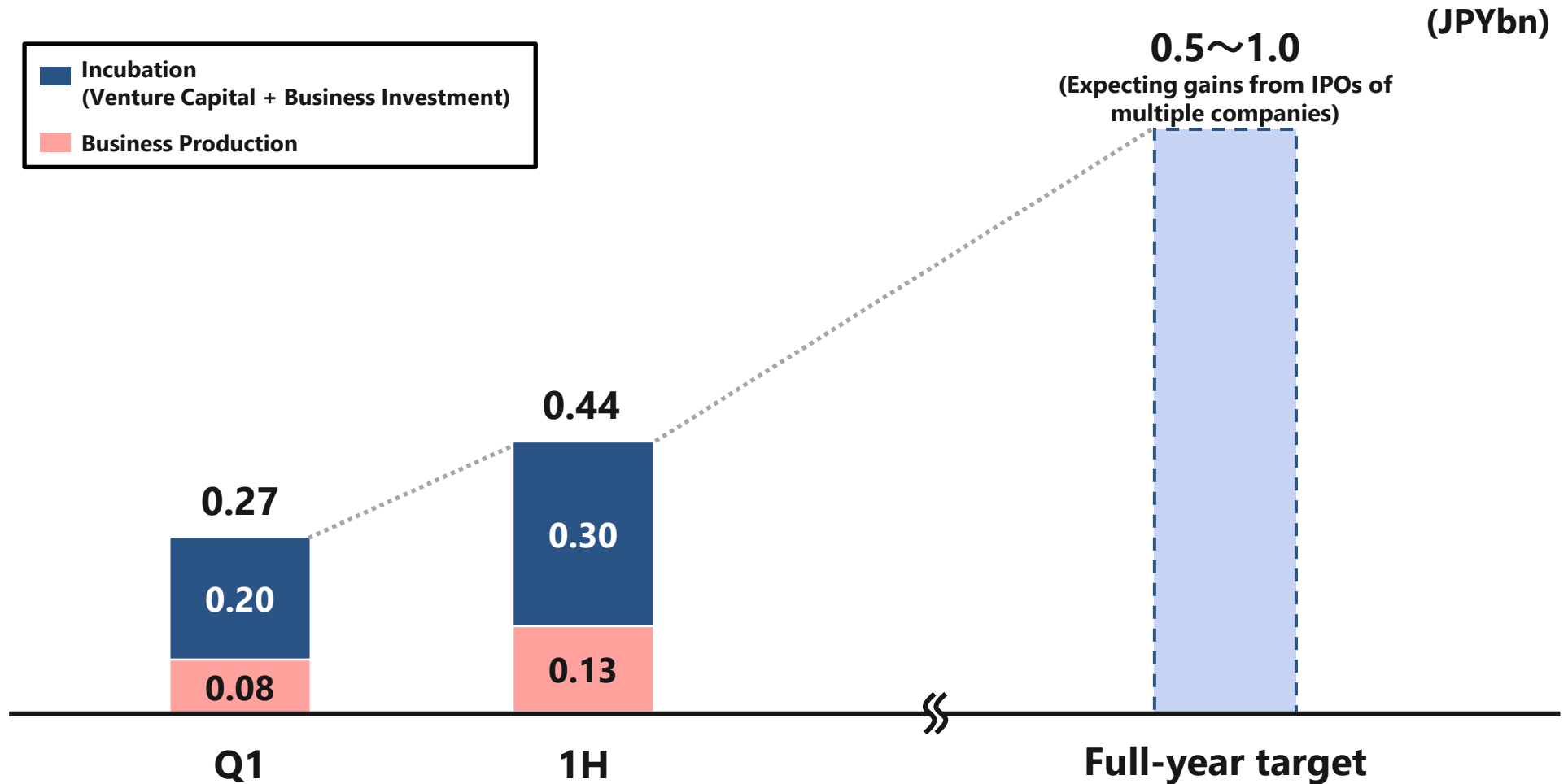
Breakdown of change in net assets

• Net income	-JPY0.12bn
• Non-controlling interests	+JPY0.47bn
• Valuation differences on available-for-sale securities	+JPY0.1bn
• Other comprehensive income	+JPY0.01bn
• Total	+JPY0.47bn

* Includes post-IPO

Steady progress toward full-year target

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



* After insurance item adjustments



1. 1H FY03/2022 Financial Results Summary

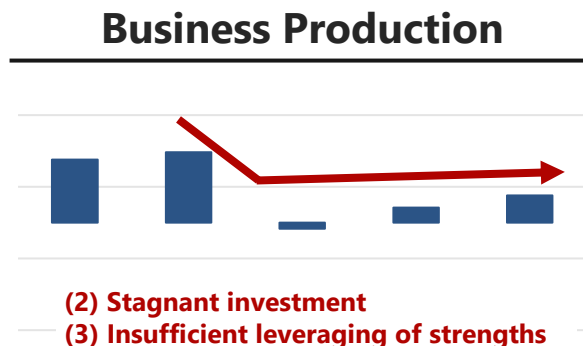
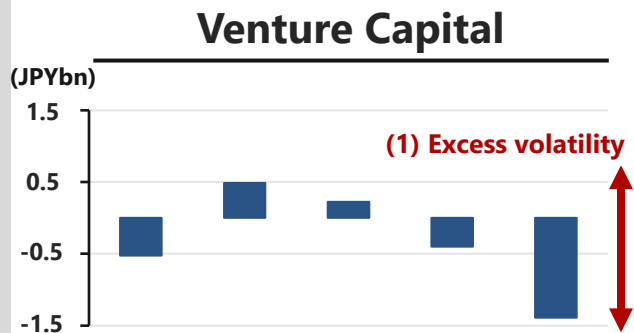
2. Structural Reforms

Undergoing structural reforms to improve stock price and achieve P/L growth

(Disclosed on May 14)

Earnings structure (5-year recurring profit/loss, excluding Business Investment)

Priority challenges



Countermeasures

Structural Reform (1):
Limit principal investment, expand fund scale

Structural Reform (2):
Strengthen business production capabilities by expanding functions, enhancing personnel, and forming business tie-ups

Structural Reform (3):
Expand Business Production by applying financial functions

Structural Reform (4):
Promote structural reform and monitor executive responsibilities through Board of Directors with a majority of outside directors

Update

- Review of expansion policy**
- Prioritizing strengthening stable revenue base
 - Accelerating shift to a less volatile business structure

- Steady progress in personnel enhancements
 - Promoting collaboration with Dentsu
 - Examining expansion into DX/IT domain
- Launched SIB Fund No. 1
 - Expanding SIB-based alliances

- Strengthening governance**
- Examining ways to simultaneously fulfill our mission and boost corporate value
 - Review of strategy and plan
 - Review of Board of Directors

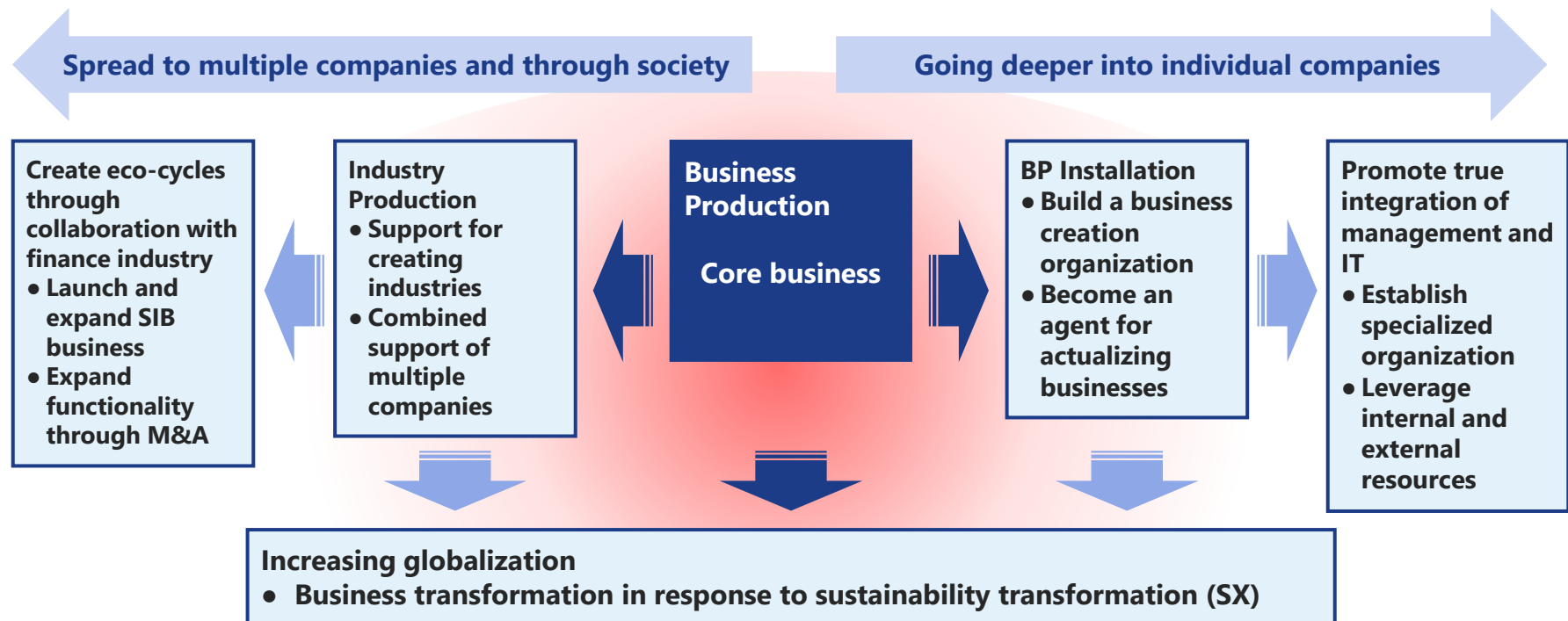
Expanding added value with Business Production at the core

Heightened demand for business creation

- New business is at the top of the agenda of executives at many large companies
- Sharp growth in large-scale demand to shift from existing businesses in the wake of the COVID-19 pandemic

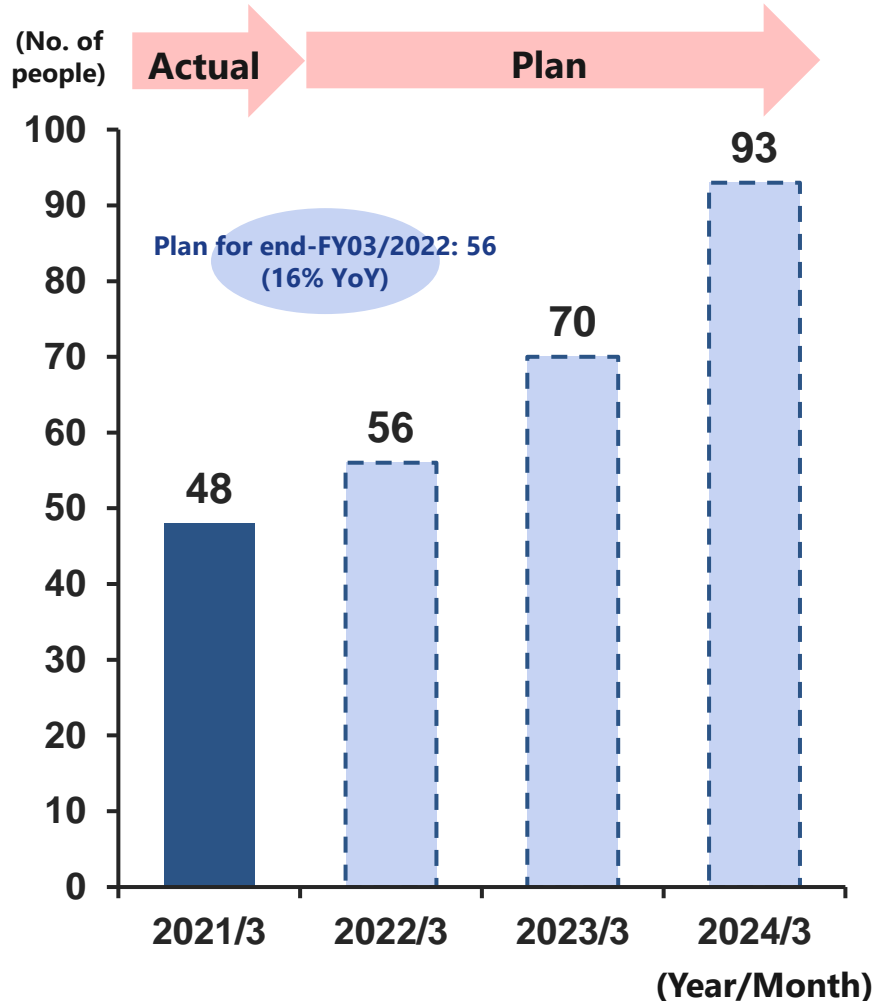
Theme expansion possibilities that leverage DI's strengths

- Business creation involving multiple companies
- Heightened demand for agents to actualize businesses
- Need for true integration of management and IT
- Room for eco-cycles that integrates finance
- Global sustainability demands



Personnel enhancements on track; established a team with Dentsu

Personnel plan for Business Production



Established the Sustainable BX Team with Dentsu

Press Release

August 30, 2021

**DI expands business produce operations in earnest toward the era of carbon neutrality:
Established Sustainable BX Team with Dentsu**

Plans to launch Carbon Neutral Transformation Program

Dream Incubator Inc. (headquartered in Chiyoda-ku, Tokyo; Representative Director & COO Takayuki Miyake; hereinafter “DI”) hereby announces that it has decided to further strengthen and expand the scope of its business produce operations toward the era of carbon neutrality. DI has already been conducting these operations, albeit with only some of its clients, amid the global shift toward achieving carbon neutrality.

As part of this effort, DI established a Sustainable BX Team, a BX*¹ team dedicated to achieving both sustainability goals and corporate transformation/business growth, in collaboration with business partner Dentsu Inc. (headquartered in Minato-ku, Tokyo; Representative Director and President: Hiroshi Igarashi). Drawing on each other’s strengths—namely DI’s business produce capabilities in creating new businesses that address social issues with a combination of policies, strategies, and technologies, and Dentsu’s comprehensive solutions focused on consumer behavior, customer interactions, and customer experience—DI and Dentsu aim to support companies achieve their sustainability goals as well as transform and grow their businesses.

Strategies and distinctive features of Sustainable BX Team

Examining expansion into DX and IT as part of efforts to strengthen revenue

Currently conducting a feasibility study

Background

1. Opportunities in areas related to Business Production (conceptualization and strategy)
 - Execution and downstream processes
 - Often times execution plans are based on technology
2. Proven track record (value enhancement by implementing DX at investee companies)
 - Experience gained through DX support for Boardwalk and ipet
 - High recruitment potential
 - Recruitment is key in this area

Aim

Technology (IT) as a lever to execute Business Production

DX through true integration of management and IT

Policy (currently under review)

- Establish specialized organization
 - Strengthen member recruitment
- Consider leveraging internal and external resources, including large-scale M&A
- Aim for business scale comparable to or greater than current business

Launched SIB fund to expand Business Production

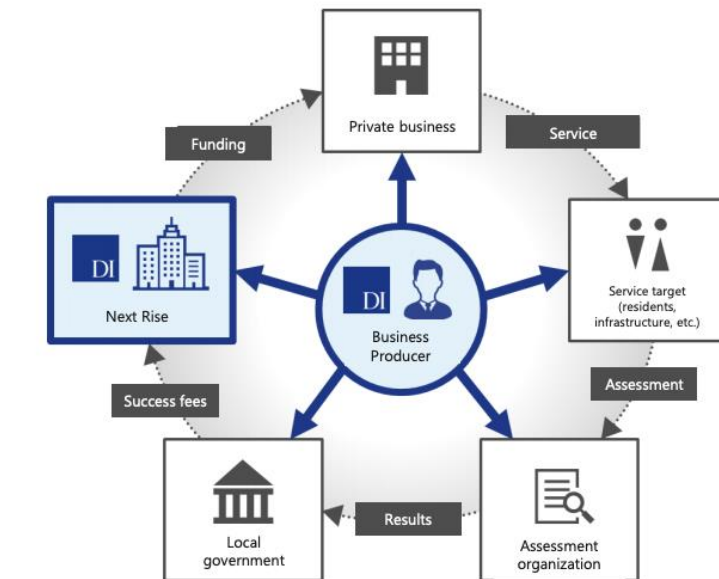
Overview

Name	Next Rise Social Impact Fund Investment Limited Partnership	
Fund size	Initial fund of JPY3bn (up to JPY5bn) • Asia's largest SIB fund	
Established	July 1, 2021	
Investors	Development Bank of Japan Inc. Nippon Life Insurance Company Dream Incubator Inc.	
Fund term	10 years (yearly extension up to two years)	
GP	DI Social Impact Capital Inc. • Wholly owned subsidiary of Dream Incubator Inc.	
GP team	Rep. Director Directors	Takayuki Miyake Tutomu Fujita, Kyohei Hosono



Fund position and investment targets

Invest in projects that contribute to solving social issues of national/local governments



Preventive care



Facility maintenance



Disaster prevention

Already invested → Expanding target area going forward

Aim to secure stable revenue through management/success fees, expanding to a multi-billion yen fund in the future

Expanding SIB-based alliances

Objectives

1. To expand the scope of SIB fund investors and investment targets
2. To secure more opportunities for Business Production projects in related areas



Latest alliances (in order of signing date)

Detail of alliance

Nippon Life Insurance

Signed a business alliance agreement on mutual cooperation to solve social issues (Aug. 5, 2021)

Sapporo City

Signed a Memorandum of Understanding (MOU) on surveys and research for the utilization of SIBs (Sept. 8, 2021)

Kyoto City

Signed a Memorandum of Understanding (MOU) on surveys and research for the utilization of SIBs (Oct. 1, 2021)

**Yamaguchi Financial Group/
YMFG ZONE Planning**

Signed a cooperation agreement on SIB (Oct. 18, 2021)

Structural reform of investment: Policy going forward

Background of the change in policy from May

We held discussions again from June under the new governance structure

- Reviewed policies with the main objective of boosting share price and P/L growth
- Decided to prioritize strengthening our stable revenue base by focusing management resources on Business Production, where we can better leverage our strengths and secure better earnings prospects
- Curbing volatility and accelerating the shift to a more transparent business structure

Investment policy going forward

Venture Investment

- Japan: Promote the development and recovery of existing investments (no new investments)
- India: Focus on synergies with Business Production

Business Investment

- New investments will focus on expanding Business Production (including DX/IT)
- While continuing to develop and enhance the value of existing investments, we will determine the timing of recovery on a case-by-case basis from the perspective of maximizing shareholder value

Specific actions

Separation of domestic investment fund (DIMENSION)

- Separate GP (fund manager) business and concentrate resources on Business Production
- This was consolidated into our balance sheet and income statement, but will be reflected as an equity method investment from Q3 onward

Strengthening governance

Changed Board of Directors composition

- Majority of the Board of Directors are now outside directors
- Nomination and Compensation Committee is now chaired by an outside director

Board of Directors targets for FY03/2022:

Establish a way to simultaneously fulfill our mission and boost corporate value

- Review of strategy and plan
 - Focus on strengths: Business Production (plan to double business scale, collaborate with finance industry)
 - Investment in growth areas: DX/IT (including collaboration and M&A)
 - Review KPIs: Switch from NAV focus to improving share price through sustainable growth in profits
- Review of Board of Directors
 - Transition to a monitoring model (focus on strategy and supervision)
 - Ensure evaluation, compensation, and selection/dismissal of executives by outside directors

Working on specifics for FY03/2022 briefing

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, 5 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

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Dream Incubator Inc.

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