

1H FY03/2018

**Financial Results Briefing
Presentation**

October 30, 2017

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

1H FY03/2018 Financial Results Summary

Current Situation of Each Business

1H FY03/2018 Financial Results Summary

1H Financial Results Overview

- **Consolidated Sales** **JPY7.4bn (+8% YoY)**
- **Recurring Profit** **JPY414mn (-41%)**
- **Net Income** **JPY96mn (-78%)**

Key Points

- **Strategic Consulting Services: Sales down 6% YoY; steady project pipeline for 2H**
- **Incubation Services: No gains on sales**
- **Extraordinary loss: Booked JPY250mn loss on retirement of non-current assets accompanying a review of core system development in the Insurance segment**

1H FY03/2018 Consolidated P&L

(JPYmn)	1H FY03/2017	1H FY03/2018	Change
Strategic Consulting Services (Segment)	1,578	1,480	-6%
Incubation Services	5,274	5,931	12%
Venture Capital Segment	479	67	-86%
Insurance Segment	4,762	5,804	22%
Others Segment	32	60	84%
Intersegment Transactions	-	-8	-
Total Sales	6,853	7,404	8%
Strategic Consulting Services (Segment)	923	835	-10%
Incubation Services	352	-45	-
Venture Capital Segment	243	-153	-
Insurance Segment	140	139	-0%
Others Segment	-31	-32	-
Total Segment Profit	1,275	789	-38%
Head Office Expense* and non-operating profit/loss	572	375	-34%
Recurring Profit	703	414	-41%
Net Income Before Taxes	703	158	-77%
Net Income Attributable to Parent Company Shareholders	448	96	-78%

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

1H FY03/2018 Recurring Profit/Loss - YoY Change by Company

Reference

(Unit for profit/loss: JPY hundred mn)

	1H FY03/2017	1H FY03/2018	Reason for change
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DI
and others*

6.0 $\xrightarrow{-3.1}$ 2.8

- Dropout of gains on sale of listed shares booked in FY03/2017

iPet**

1.4 $\xrightarrow{+0.2}$ 1.6

- Profit unchanged, reflecting decline in expense ratio but increase in loss ratio amid growth in the number of policies
- Non-operating profit of JPY30mn in investment gains

DIM

-0.4 $\xrightarrow{+0.0}$ -0.3

- Sales trending upward, and move to quarterly profit not far off

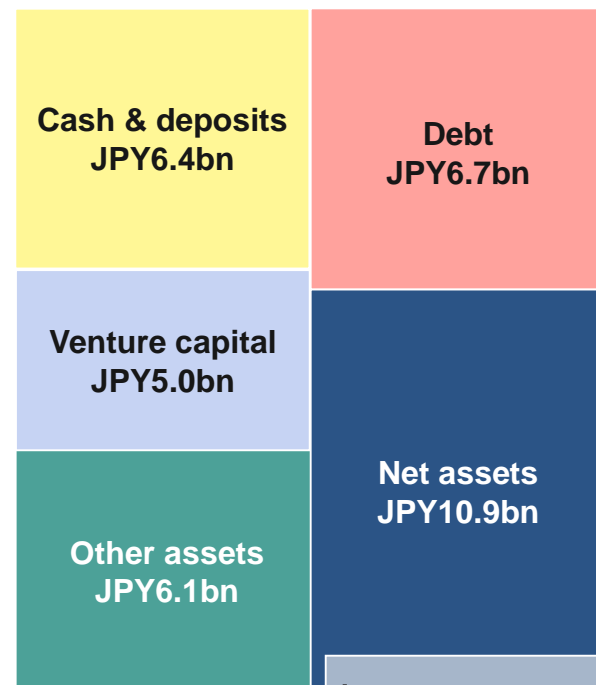
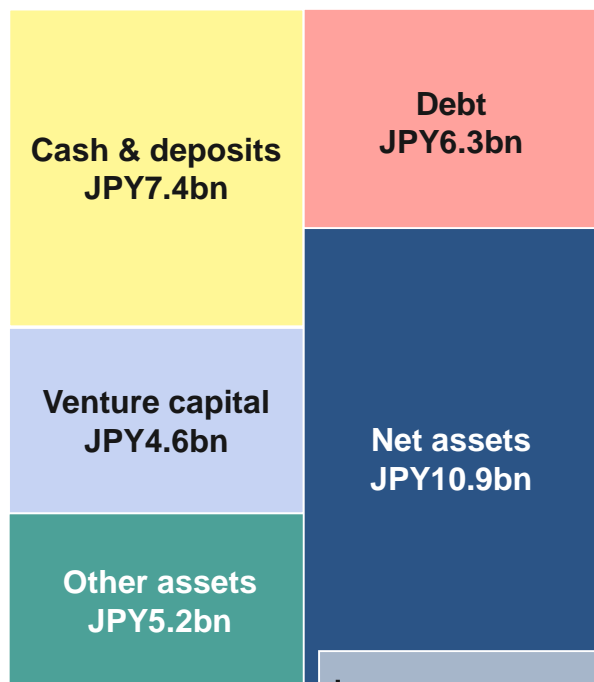
Total 7.0 $\xrightarrow{-2.8}$ 4.1

* Includes overseas bases of operation.
 ** Takes into account goodwill amortization recorded on a consolidated basis.

1H FY03/2018 Consolidated Balance Sheet

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

end-September 2017
(Total assets: JPY17.6bn)



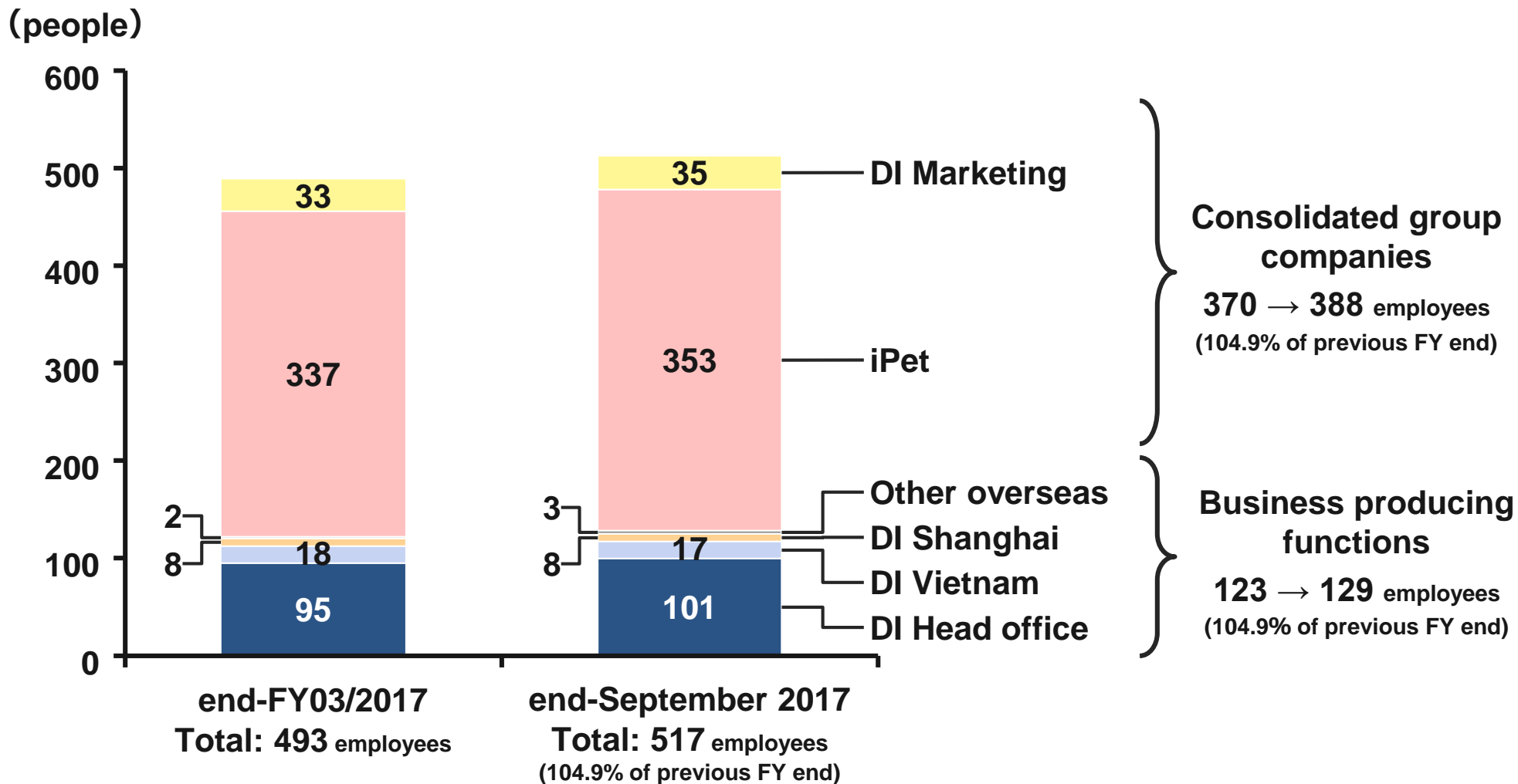
Breakdown of change in net assets

● Net income	+JPY90mn
● Dividends paid	-JPY30mn
● Non-controlling interests	-JPY50mn
● Other comprehensive income	-JPY70mn
● Total	-JPY50mn

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

Of which JPY900mn is IPET non-controlling interest

Number of Employees (Consolidated)



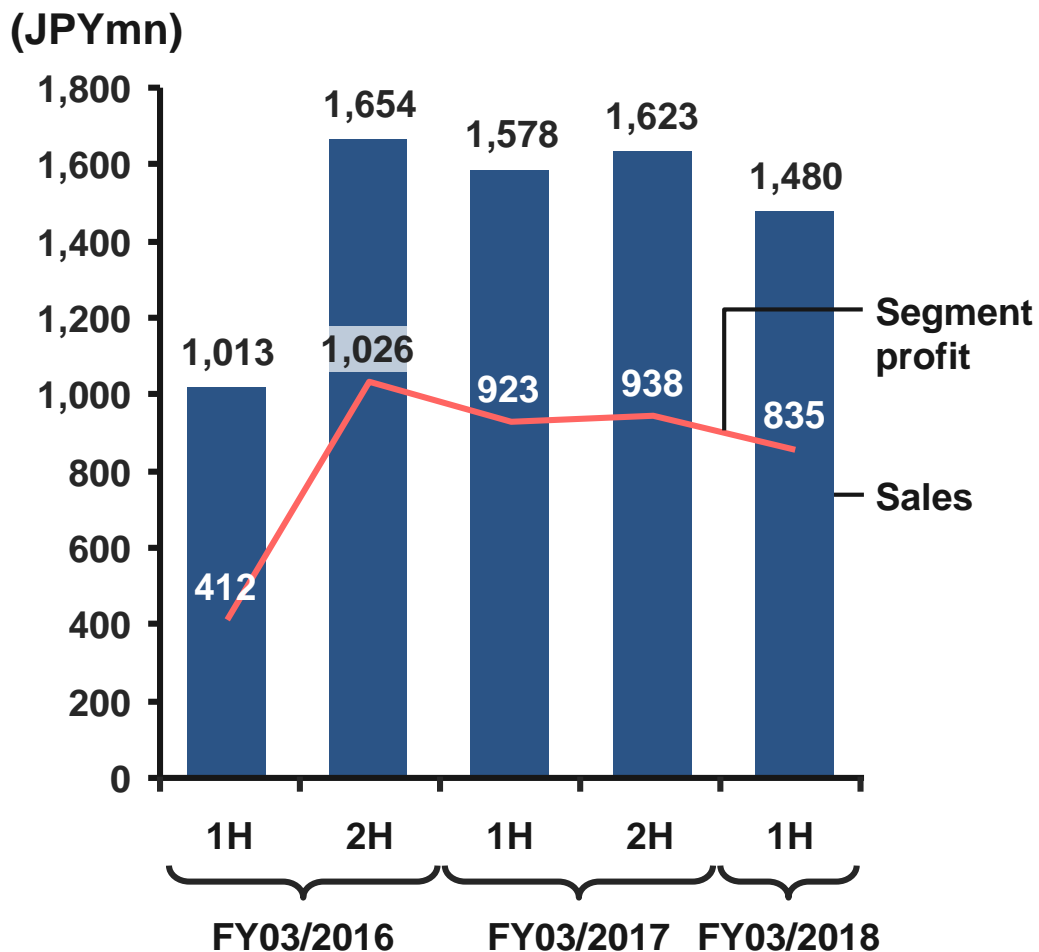
Note: Each breakdown of number of employees is based on working location (excludes directors, includes temporary workers), includes employees who resigned on the last day of each month

1H FY03/2018 Financial Results Summary

Current Situation of Each Business

Strategic Consulting Services (Segment)

Sales and Profit Trend



Initiatives

Sales down 6% YoY

- Steady increase of projects geared toward 2H (quarterly sales from JPY580mn in Q1 to JPY890mn in Q2)
- In addition to an increase in the business creation category and trend toward larger and longer-term projects, shift to high profitability

Main project themes

- Support for commercialization of robotics/AI technologies
- Support for next-generation organization design
- Examination of digital marketing strategy
- M&A advisory
- Development of management personnel

Strategic Consulting: Business Producing/Brand Enhancement

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.

“Boss, Our Company Needs a CTO, Too”

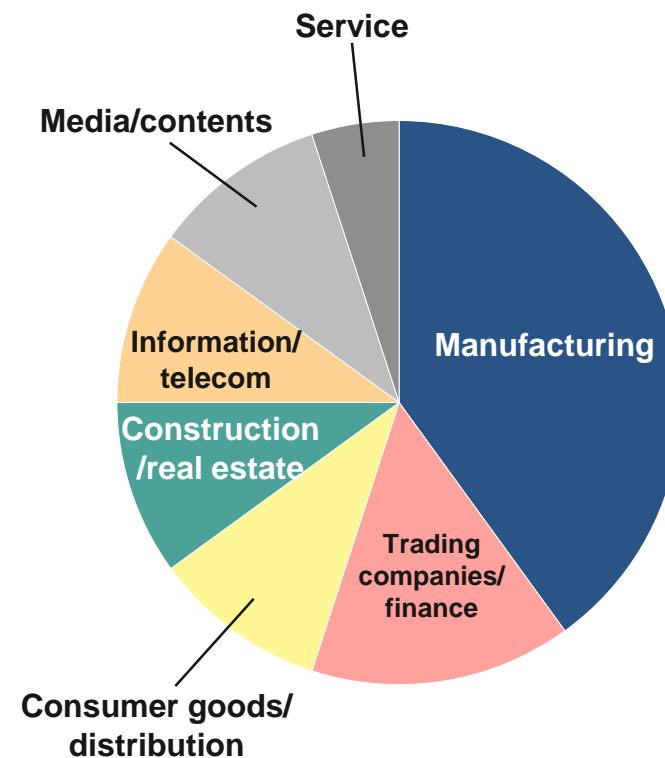


Published May 22, 2017

Size of Clients

Recurring Profit	Industry* Rank (Number of Companies**)			
	1st	2nd	3rd	4th and below
Over JPY500bn	4			
JPY100bn-500bn	2			
JPY50bn-100bn	3			
JPY10bn-50bn	3		2	4
Below JPY10bn				2
Total	12		2	6
Sales composition (%)	75.2		4.3	20.5

Industry of Clients



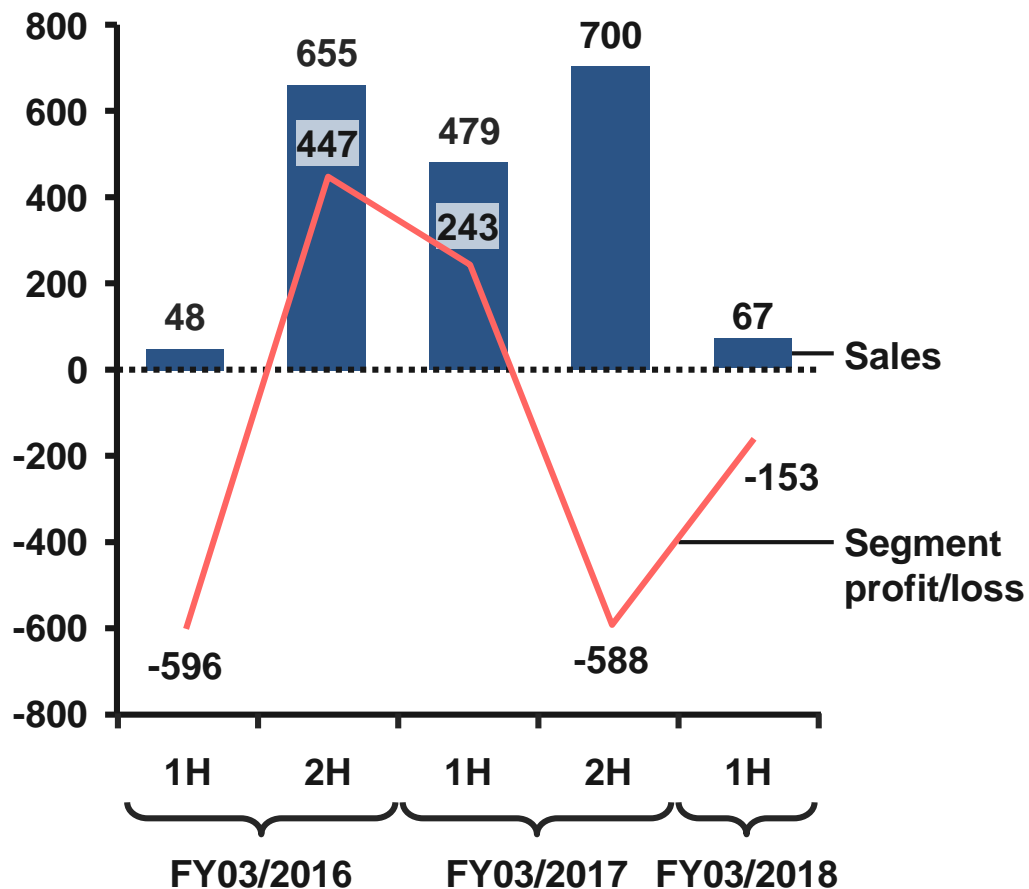
* Clients are classified by industry based on SPEEDA's industry classifications by UZABASE, Inc.

** 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

Sales and Profit Trend

(JPYmn)



Initiatives

Main Portfolio (JPYmn)*

Number of companies

● Japan	1,878	(14)
● Asia	1,637	(10)
● US	421	(7)
Total	3,937	(31)

Investment**

9 companies

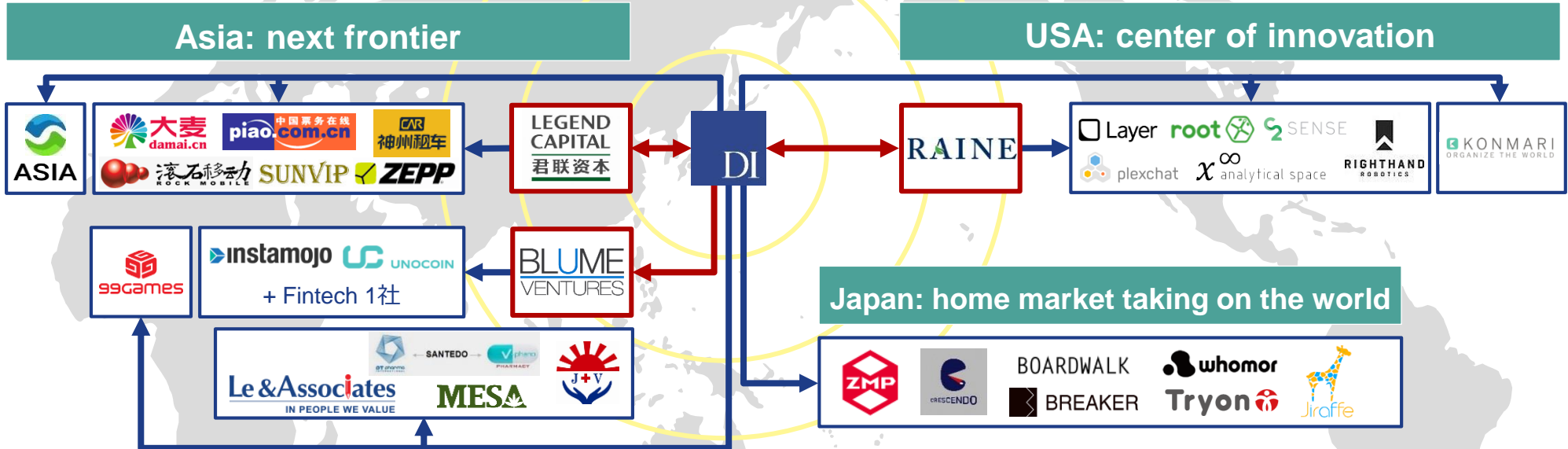
- New investment: 6 companies
- Additional investment: 3 companies

* 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 investment and post-IPO)

Incubation: Global Investment Structure

Expansion into three areas: Japan, USA, Asia



[Main Overseas Investment Partners]

USA

RAINE

Top global US-based investment bank/venture capital firm covering technology, media, and telecom

China

LEGEND CAPITAL
君联资本









Major investment fund of the Legend Group. Top-ranked in Chinese capital: "China's Top 10 VC firm"

India

BLUME VENTURES

Top venture capital firm in India investing in more than 60 companies. Top-ranked: "India's Most Active Tech VC firm"

FY03/2018 Results of Investments/Support

Japan		Asia	US	
<p>BOARDWALK</p> <p>Digital ticketing platform</p> <p>BOARDWALK</p>	<p>LTS</p> <p>Business reform support consulting</p> 	<p>AdAsia</p> <p>(Singapore)</p> <p>AI-driven marketing platform</p> 	<p>Scansorial</p> <p>Sales of robots that support the study of programming</p> 	
<p>BREAKER</p> <p>Digital contents production, distribution</p> 	<p>div</p> <p>Programming learning services</p> 	<p>Instamojo</p> <p>(India)</p> <p>Payment platform for online individual business operators</p> 	<p>C2Sense</p> <p>Development of ultra-small gas detection sensors</p> 	<p>Analytical Space</p> <p>Network development using ultra-small satellites</p> 

 : Additional investment



[Venture Navi]

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



Target

Venture business CEOs in their 20-30s

Purpose

Increase recognition of DI venture support by providing information related to venture business operation

Details

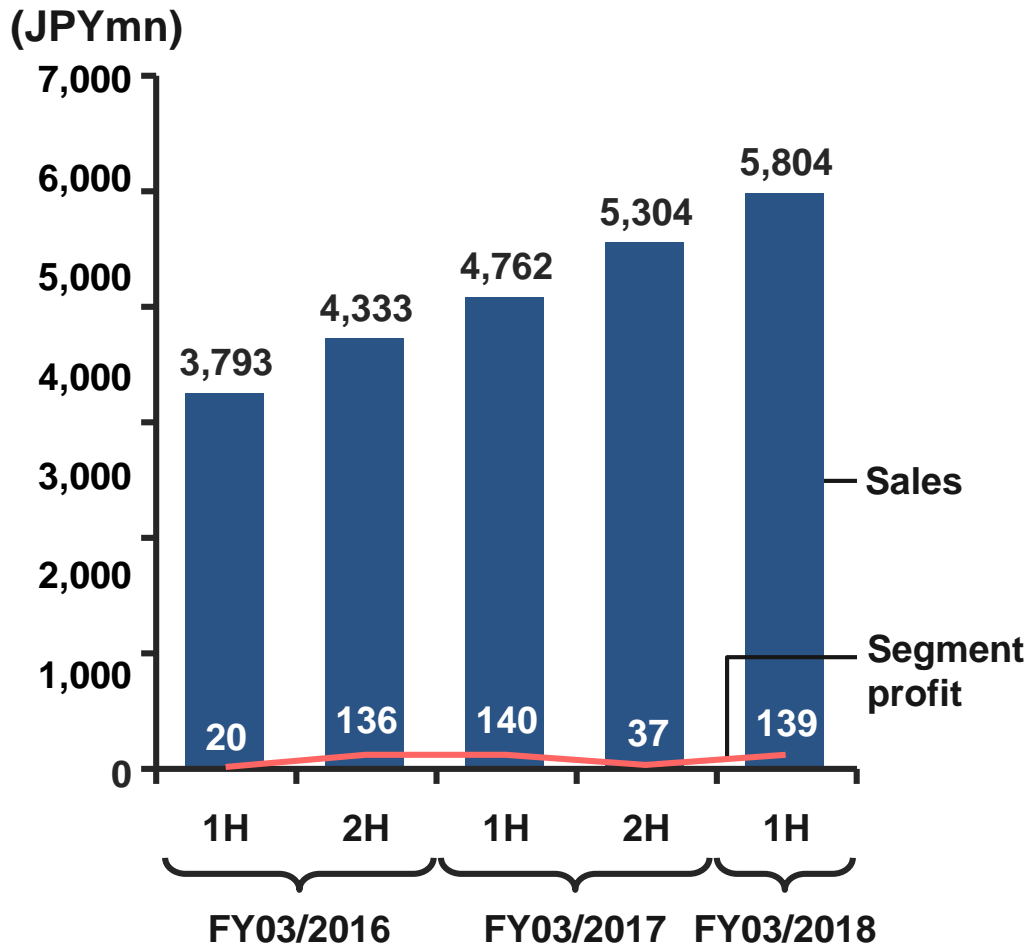
Smartphone browsing + information dissemination aimed at further distribution

- Interview articles that highlight mindset of promising entrepreneurs, etc.
 - Unlisted/listed ventures, or both

Uptrend in consultations from business ventures

Incubation Services (2) Insurance Segment (iPet)

Sales and Profit Trend



Initiatives

Steady growth

- Sales: +22% YoY
- Segment profit: -0%

Booked JPY250mn extraordinary loss on retirement of non-current assets accompanying a review of core system development

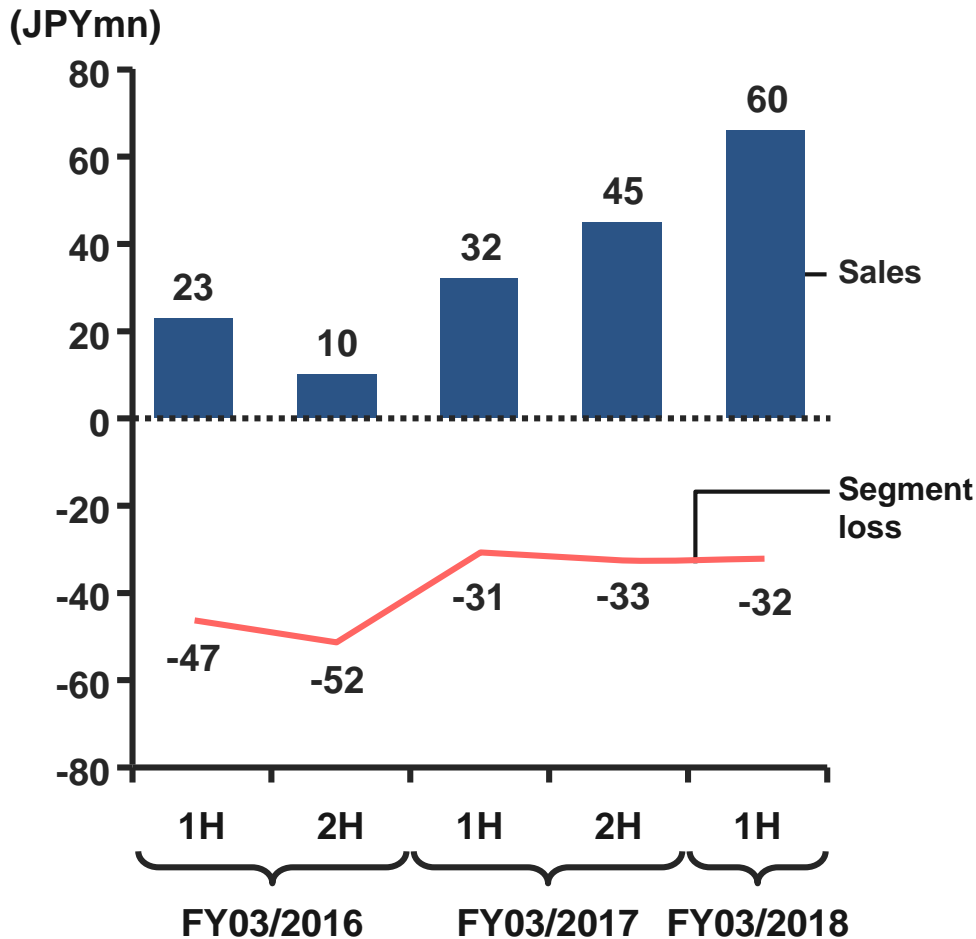
Preparing for IPO



powered by Kakaku.com insurance

Incubation Services (2) Digital Marketing (DI Marketing)

Sales and Profit Trend



Initiatives

Initiatives from establishment to date

- From establishment in 2014: Development of survey members
 - Growth to over 850,000 people in three countries across Asia
- From 2017: Move to full-scale operations
 - Launch of sale base in Japan (incorporation*)

Key services

- Strategic Research
Ex: Research on macro structure of a certain market
- Overseas Quick Research
Ex: Research on product/service usage needs in Asia

Steady growth in orders

- Sales: +84% (YoY)

* DI Marketing Co., Ltd.
DI-owned DI Marketing Vietnam and DI Marketing Thailand shares scheduled to be transferred to DI Marketing Co., Ltd.

FY03/2018 Full-year Outlook

Consulting Services

- Continued growth
 - Roughly 15% annual growth over medium- to long-term

Incubation Services

Insurance Segment

- Continued growth, IPO preparation

Others Segment

- Digital marketing
 - Start of monetization
- Preparation for other businesses

Venture Capital Segment

- Expect sale of several companies via IPO or trade sale

<Sales>

FY03/2017 FY03/2018
JPY13.3bn ⇒ JPY15.0bn

<Total sales>
JPY15.0bn + α

JPY1.1bn ⇒ α

Dream Incubator Inc.