

**FY03/2019**

**Financial Results Briefing  
Presentation**

**May 9, 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.

Also, the content of these materials may change without notice. People using these materials are advised to refer also to other sources of information and make any decisions based on their own judgment. The Company accepts absolutely no responsibility for losses arising from the use of these materials.

- 1. FY03/2019 Financial Results Summary**
- 2. Business Model and Corporate Value**
- 3. Current Situation of Each Business**
  - 1) Business Investment**
  - 2) Strategic Consulting**
  - 3) Venture Capital Investment**
- 4. Reference**

# FY03/2019 Consolidated P&L

(Before Insurance Item Adjustments)

(JPY100mn)

	FY03/ 2018	FY03/ 2019	YoY change	
			Amount	Percentage
<b>Sales</b>	184	207	+22	+12.4%
<b>Gross profit</b>	95.5	93.0	-2.4	-2.6%
<b>Operating profit</b>	18.5	1.2	-17.2	-93.3%
<b>Recurring profit</b>	19.1	2.7	-16.3	-85.5%
<b>Net income attributable to parent company shareholders</b>	8.9	3.7	-5.2	-57.9%

# Adjusted Insurance Accounting Items and Amounts

(JPY100mn)	FY03/ 2018	FY03/ 2019
<b>Unadjusted gross profit (consolidated)</b>	<b>95.5</b>	<b>93.0</b>
<ul style="list-style-type: none"> <li>● Adjustment related to ordinary underwriting reserves*</li> <li>● Catastrophe reserve provision**</li> </ul>	-1.1  +3.9	+1.5  +4.7
<b>Total adjustments</b>	<b>+2.7</b>	<b>+6.3</b>
<b>Adjusted gross profit (consolidated)</b>	<b>98.2</b>	<b>99.3</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)

# FY03/2019 Consolidated P&L

(After Insurance Item Adjustments)

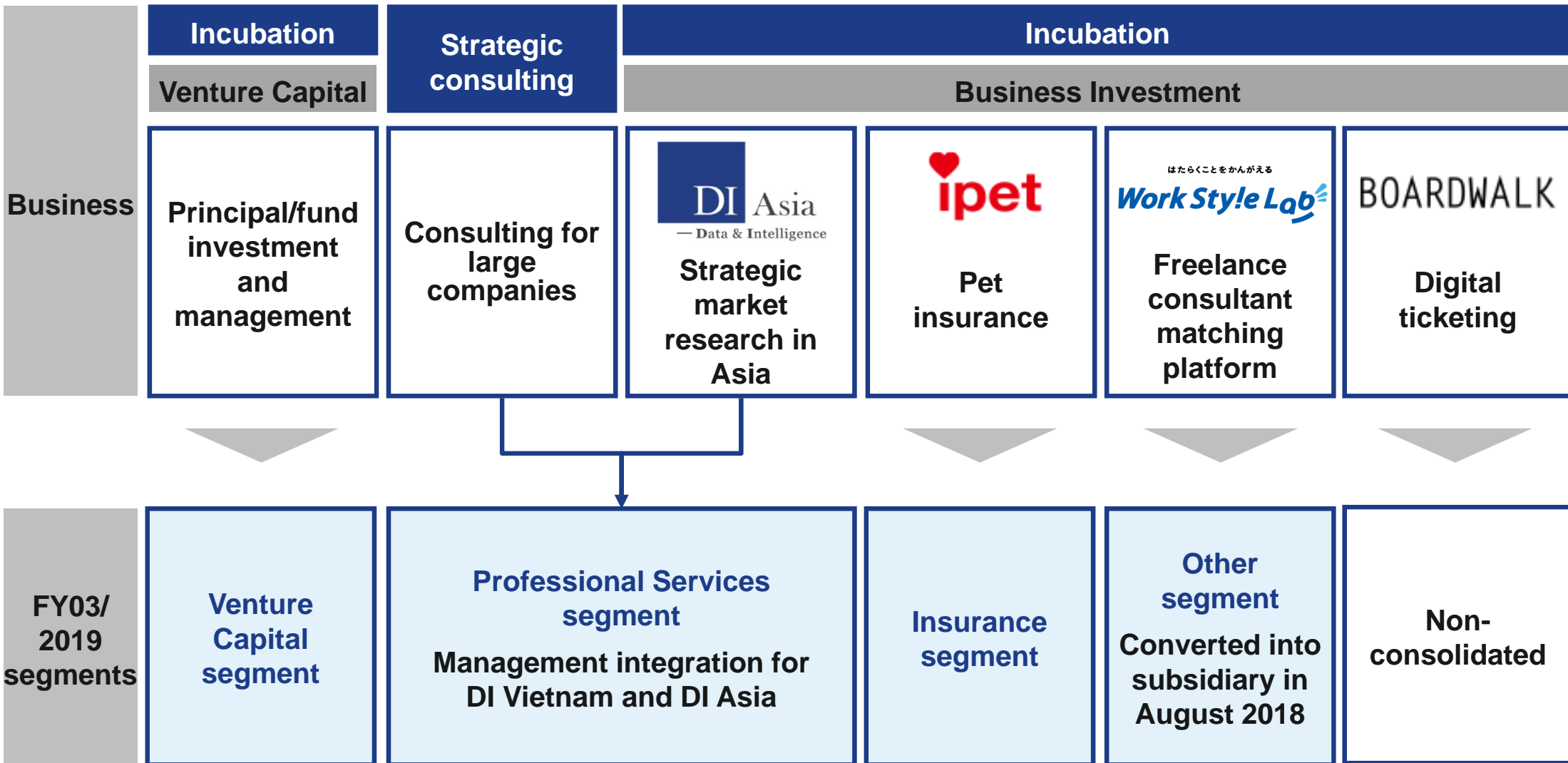
(JPY100mn)

	FY03/ 2018	FY03/ 2019	YoY change	
			Amount	Percentage
<b>Sales</b>	184	207	+22	+12.4%
<b>Gross profit</b>	98.2	99.3	+1.0	+1.1%
<b>Operating profit</b>	21.2	7.5	-13.7	-64.5%
<b>Recurring profit</b>	21.8	9.0	-12.8	-58.5%
<b>Net income attributable to parent company shareholders</b>	10.7	3.5	-7.1	-66.5%

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

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# Segment Structure



# FY03/2019 P&L by Business Field

(JPY100mn)

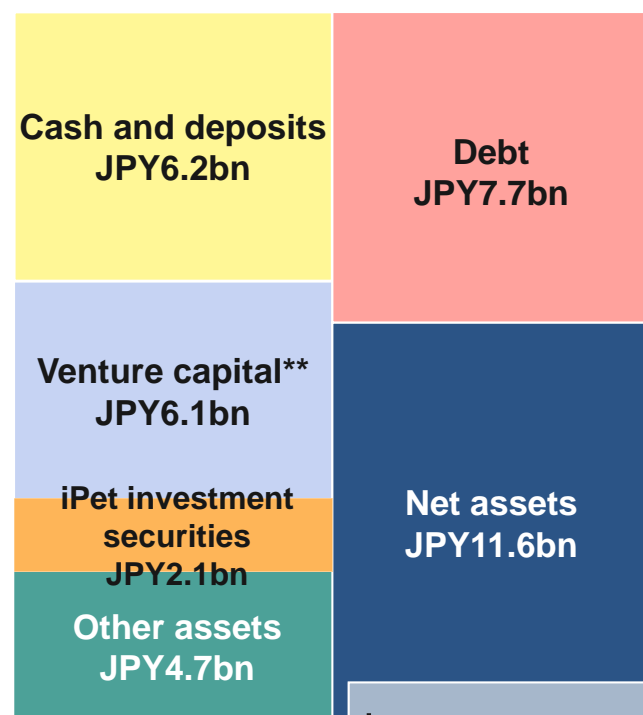
			<b>FY03/ 2018</b>	<b>FY03/ 2019</b>	<b>YoY change</b>
<b>Venture Capital segment</b>	● Sales		27.5	28.6	+4.2%
	● Recurring profit		4.8	2.2	-53.7%
<b>Professional Services segment</b>	● Sales		34.5	25.5	+26.0%
	● Recurring profit		9.7	(0.8)	—
<b>Business Investment</b>	<b>Insurance segment</b>	● Sales	122	148	+21.8%
		● Recurring profit*	7.2	7.9	+10.4%
	<b>Other segment (WSL)</b>	● Sales	—	4.4	—
		● Recurring profit*	—	(0.2)	—

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



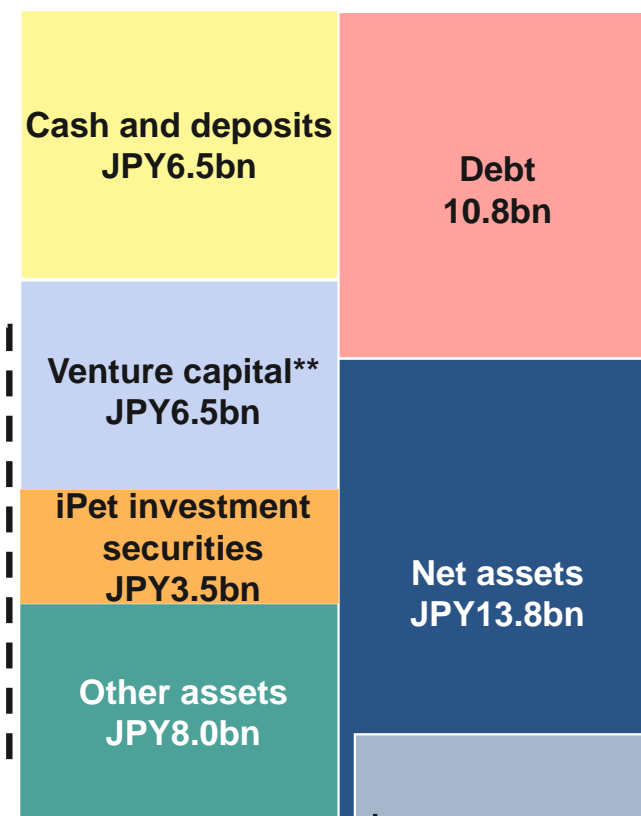
# FY03/2019 Consolidated Balance Sheet

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



Of which JPY1.0bn is non-controlling interest

**End-FY03/2019**  
**(Total assets: JPY24.7bn)**



Of which JPY2.5bn is non-controlling interest

**Breakdown of change in net assets**

● Net income	+JPY0.37bn
● Non-controlling interests	+JPY1.52bn
● Changes in subsidiary interests*	+JPY0.61bn
● Dividends paid	-JPY0.26bn
● Other comprehensive income	-JPY0.05bn
<b>● Total</b>	<b>JPY2.20bn</b>

Off-balance assets :  
 Approx. JPY9.0bn  
 (iPet unrealized gains)

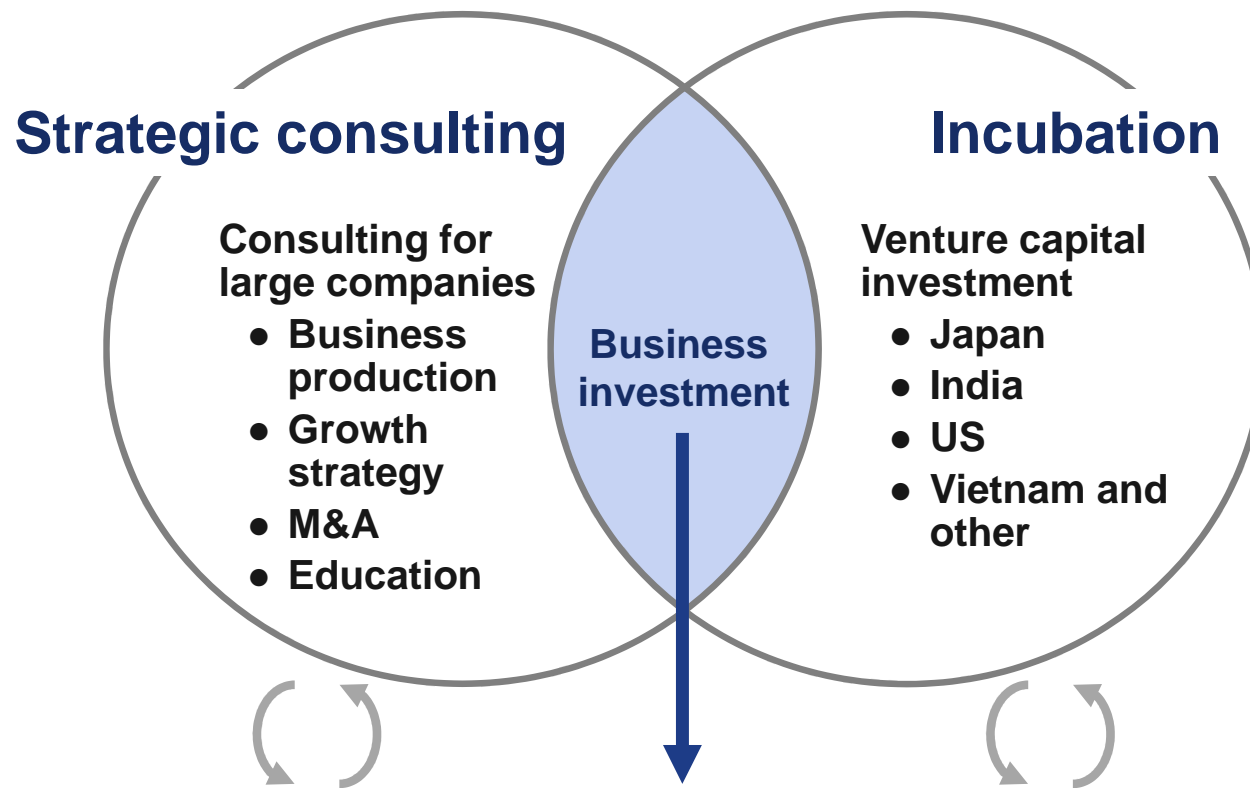
\* Increase in capital surplus attributable to change in DI's stake in iPet  
 \*\* Includes post-IPO




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**= The Business Producing Company**

# Business Model



Data & Intelligence			
 No. of pet insurance policyholders: <u>420,000</u>	BOARDWALK No. of registered music fans: <u>8.0mn</u>	 Registered consultants: <u>2,000</u>	 No. of panel members in Southeast Asia: <u>1.65mn</u>

IPO completed

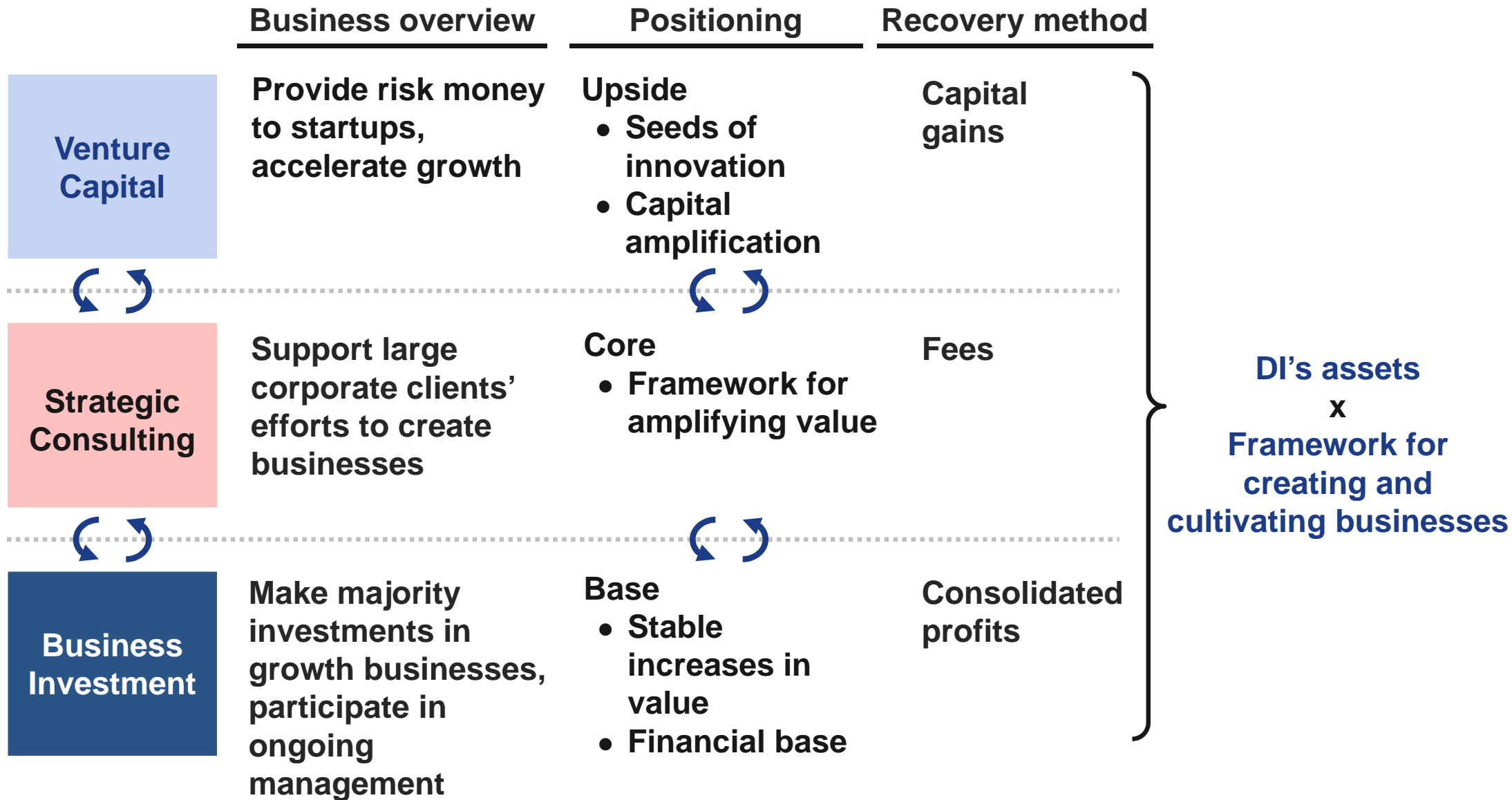
Full-scale preparations for IPO underway

Expansion phase

Restructuring underway

Note: Abbreviations used for business investment are as follows.  
 iPet Insurance Co., Ltd. (iPet)  
 Boardwalk Inc. (BW)  
 Work Style Lab, Inc. (WSL)  
 DI Asia Inc. (DIA)

# Overview of Businesses



## Expanding Disclosure to Express Corporate Value More Appropriately

As “the Business Producing Company,” DI satisfies its raison d’être and mission to continue to create and cultivate businesses.

- “DI’s assets” x “framework for creating and cultivating businesses” represents DI’s corporate value

DI’s value cannot be expressed solely in the income statement on the basis of profits in a single year.

- Because investee valuation is not reflected appropriately in the income statement and balance sheet

Incorporating advice from multiple overseas institutional investors, we have adopted **net asset value (NAV)** as a way to appropriately express corporate value.

- This is an effective method for a company with a range of asset values.
  - The method is being adopted as a new key performance indicator (KPI) in Europe and the US.
- We recognize ample room remains for improving valuation targets and methods, and we will make appropriate refinements. We are currently at the first step.

## Assessing corporate value with the incremental approach

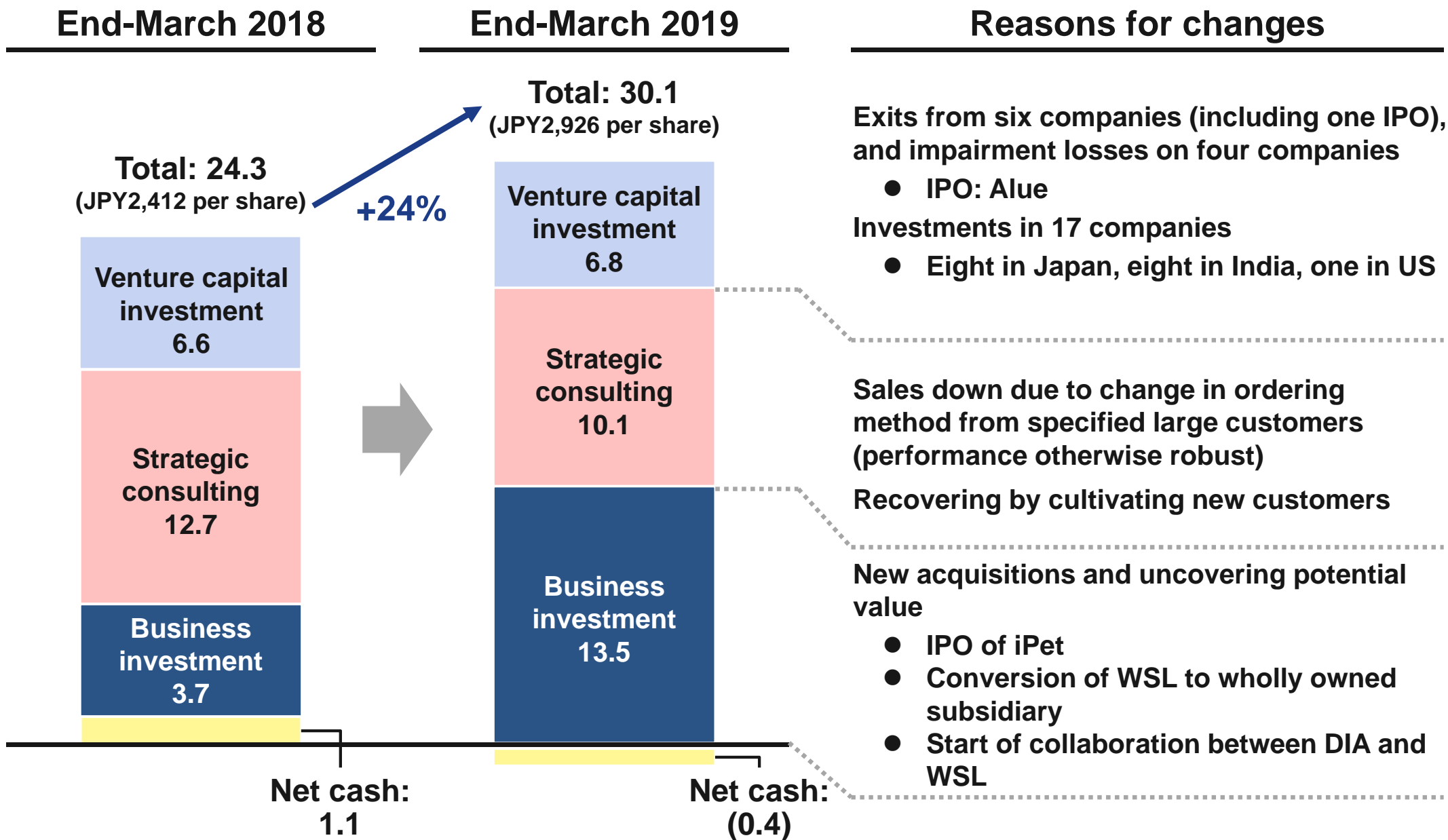
- **Venture capital investment and business investment:**
  - **Listed companies**
    - **Market capitalization at fiscal year-end x DI's holdings**
  - **Unlisted companies**
    - **Book value of investment at fiscal year-end ± mark-to-market valuation difference**  
(Recent financing prices and third-party 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.**
- **Strategic consulting:**
  - **Five-year average of profit after taxes\* x Peer company PER\*\***

\* As the business began operating in FY03/2015, a four-year average through FY03/2018 is used.

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

# Net Asset Value up JPY5.8bn (+24%) YoY

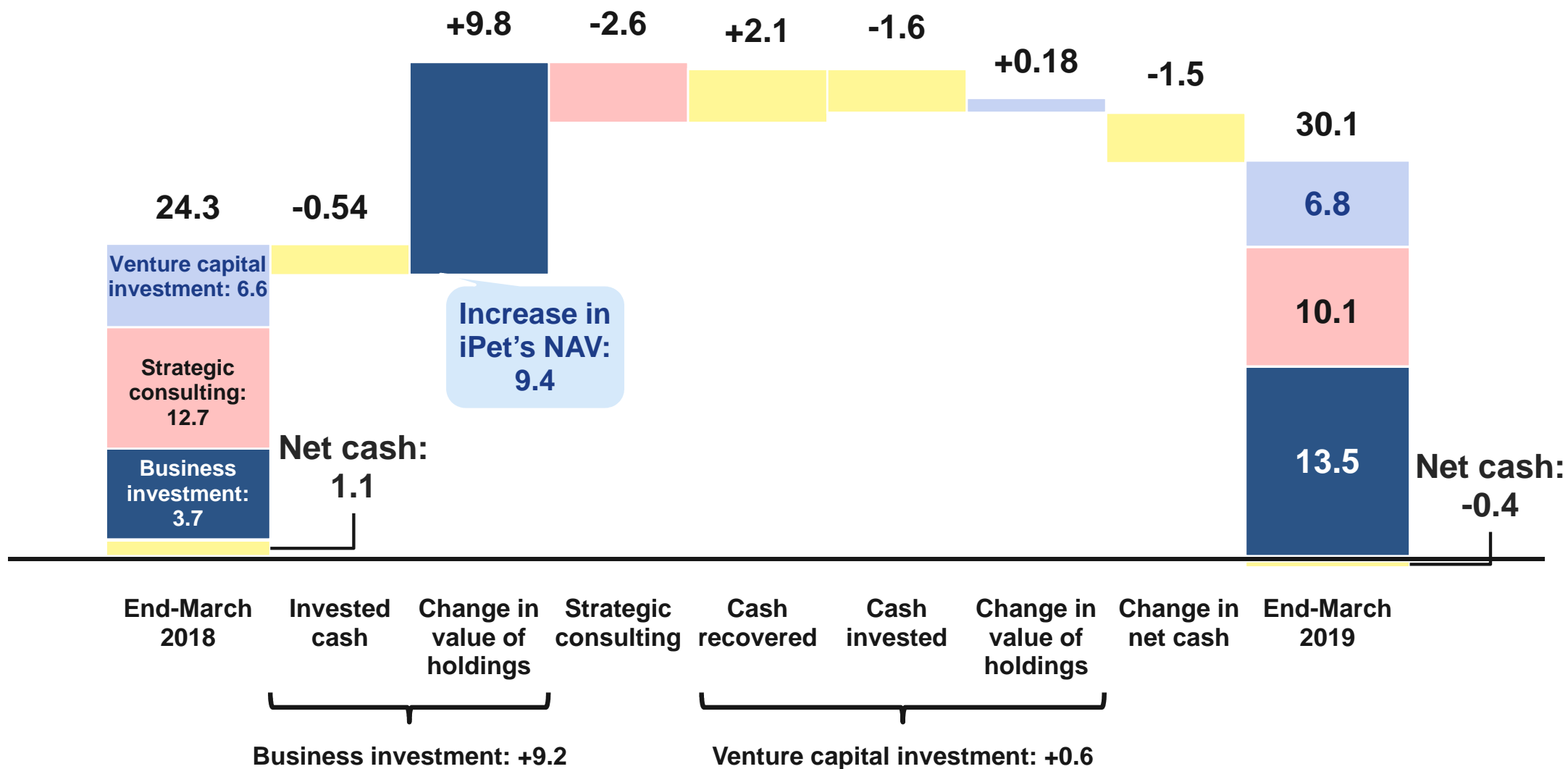
(JPYbn)





# Breakdown of Changes in NAV

(JPYbn)



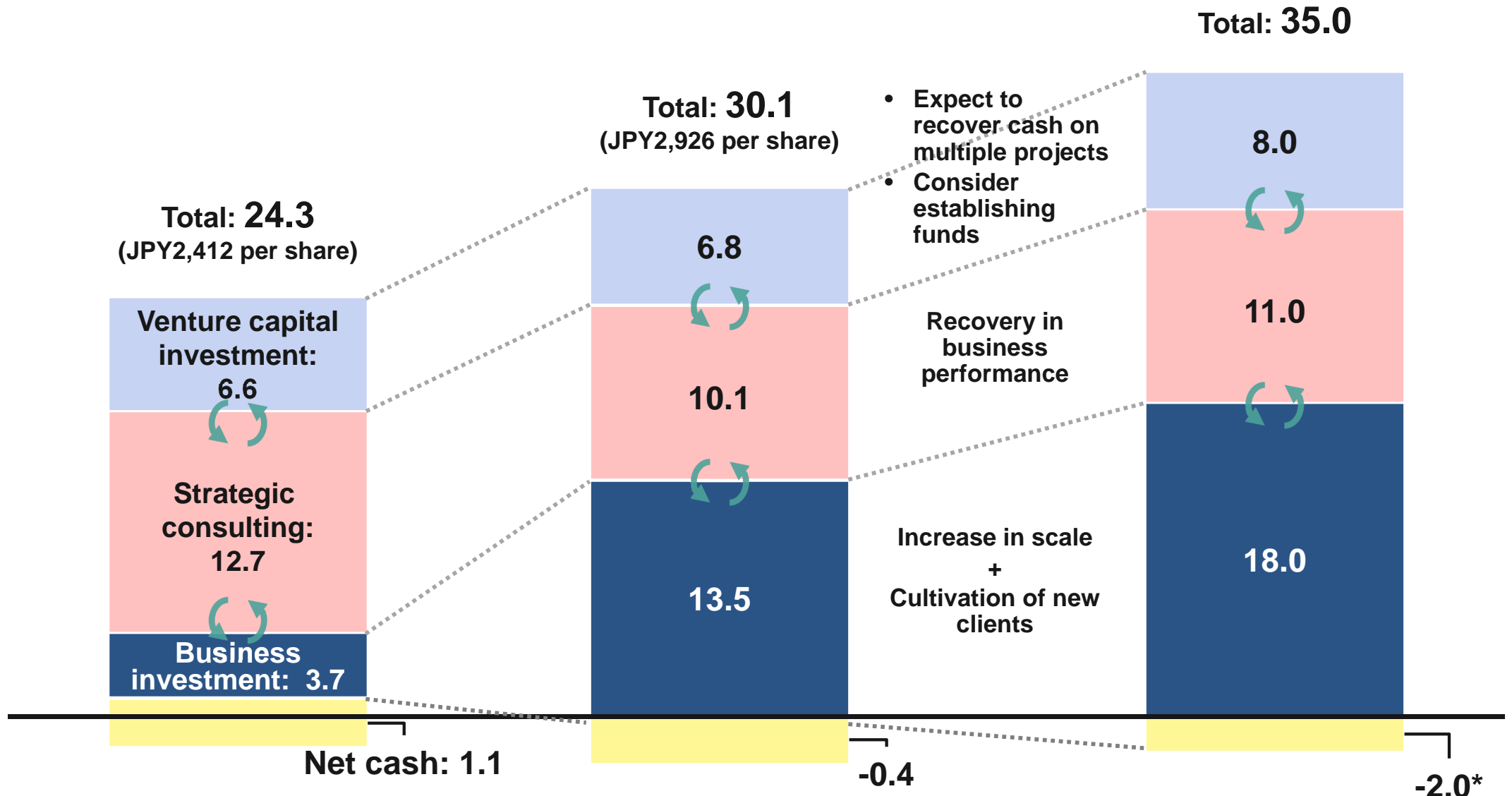
# Growth Forecast

(JPYbn)

As of end-March 2018

As of end-March 2019

Forecast for end-March 2020







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

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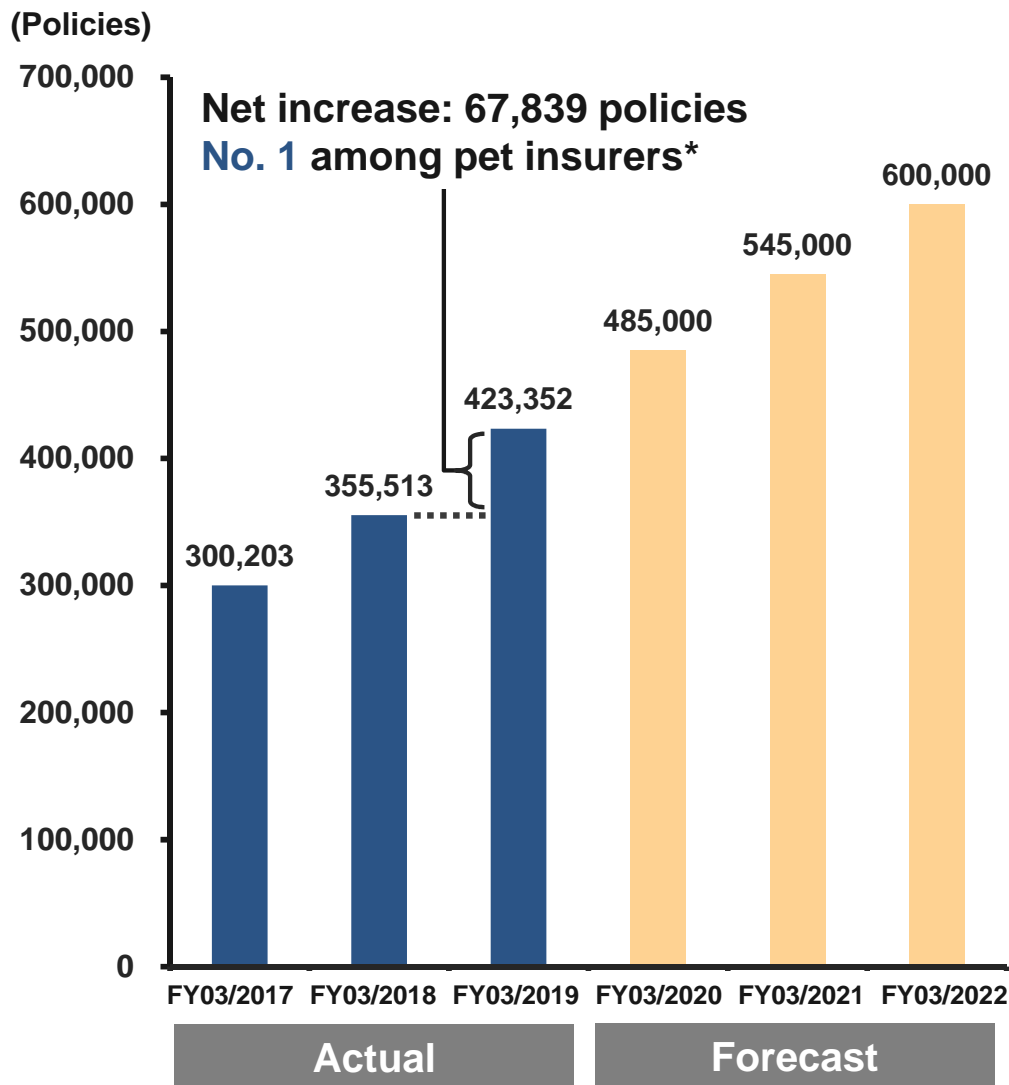
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# Companies Targeted for Investment and Development

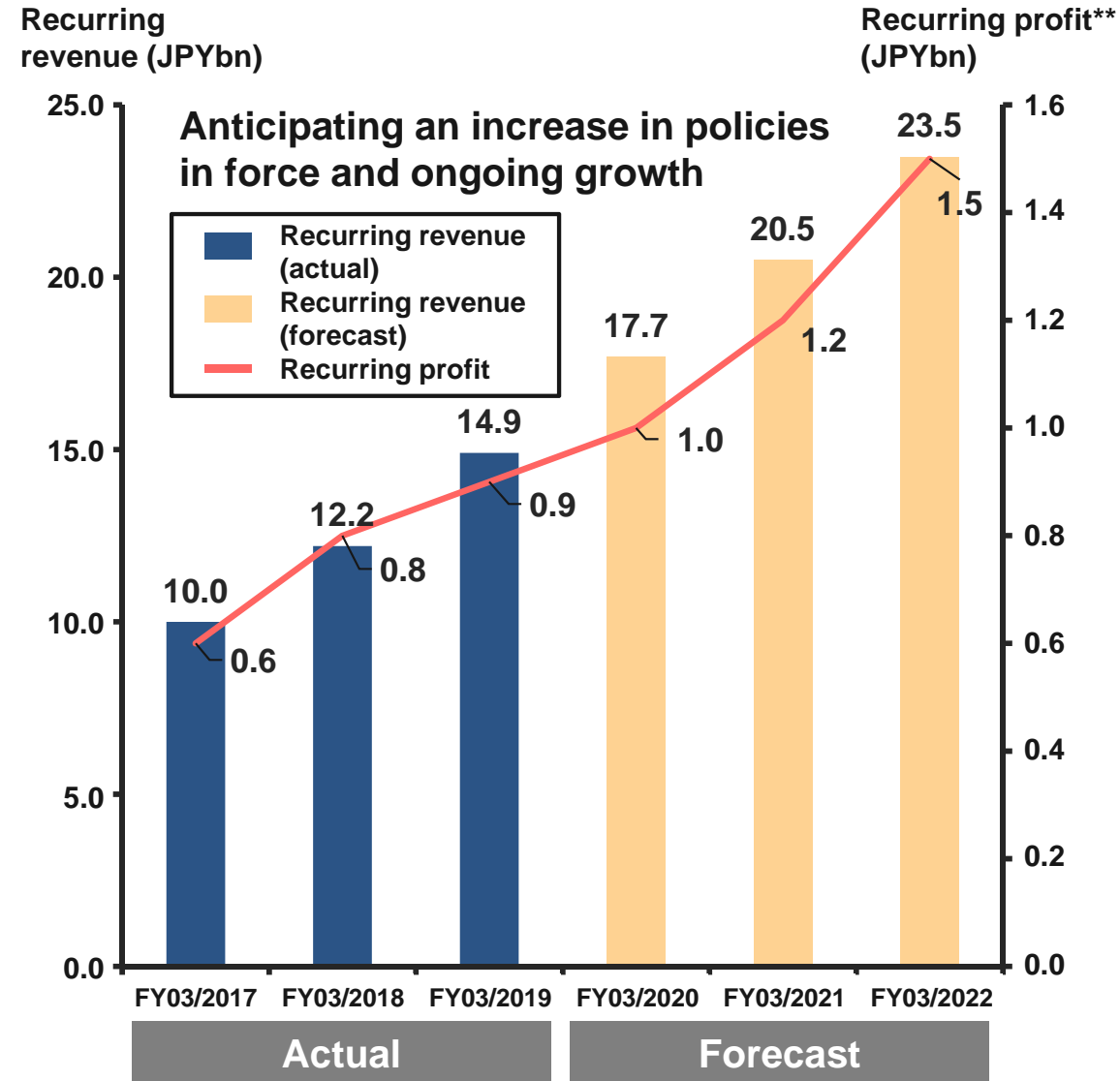
We focus on investment stake and management support, and are deeply committed to the growth of our investees.

	Business	Stake	Most recent NAV (JPYbn)	Highlights
<b>iPet Insurance Co., Ltd.</b> 	Pet health insurance (No. 2 in sector)	57%	12.3	Listed on Mothers
<b>Boardwalk Inc.</b> 	Event ticket sales, fan club operation business, e-commerce	30% (underlying basis: 46%)	0.3 (Not revalued)	Best performance to date, 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)	Converted to wholly owned subsidiary, upfront investment to increase scale
<b>DI Asia Inc.</b> 	Strategic market research in Asia	100%	0.3 (After impairment losses)	Restructuring through collaboration with WSL

## Insurance policies



## Numeric targets (non-consolidated)



\* According to iPet's estimates

\*\* Adjusted (non-GAAP) recurring profit

## Status of initiatives

“ticket board” members:

- Exceeded 8.0mn in April 2019

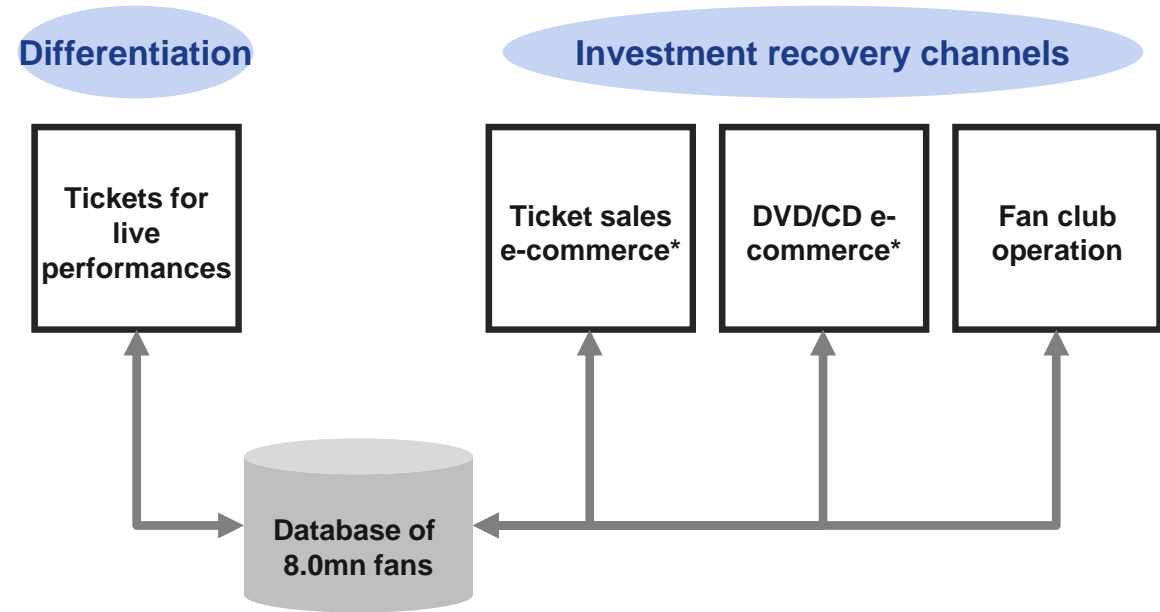
Key artists engaging in business (alphabetical)

- 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

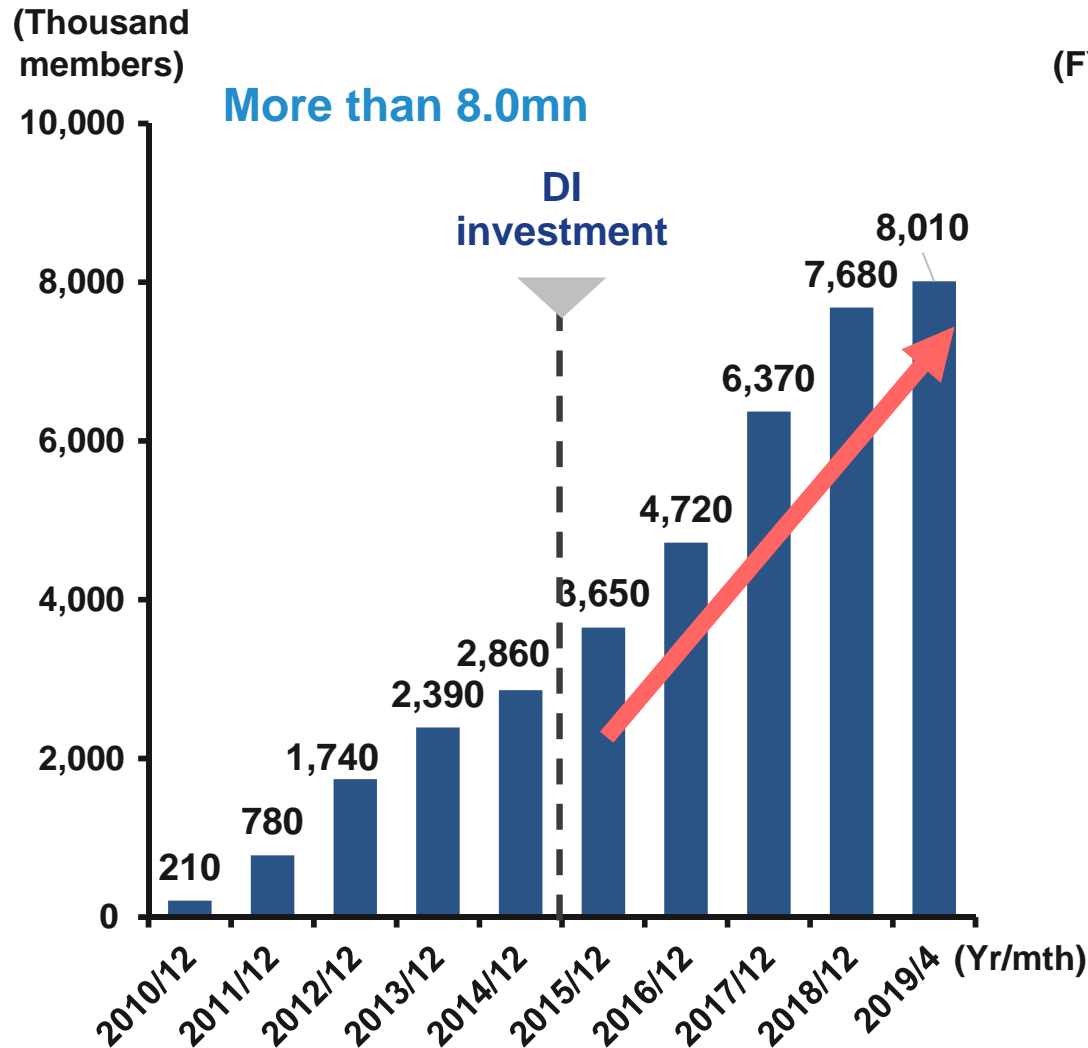


Low commission fees but platform enables acquisition of fan data

Leverage accumulated data toward direct sales

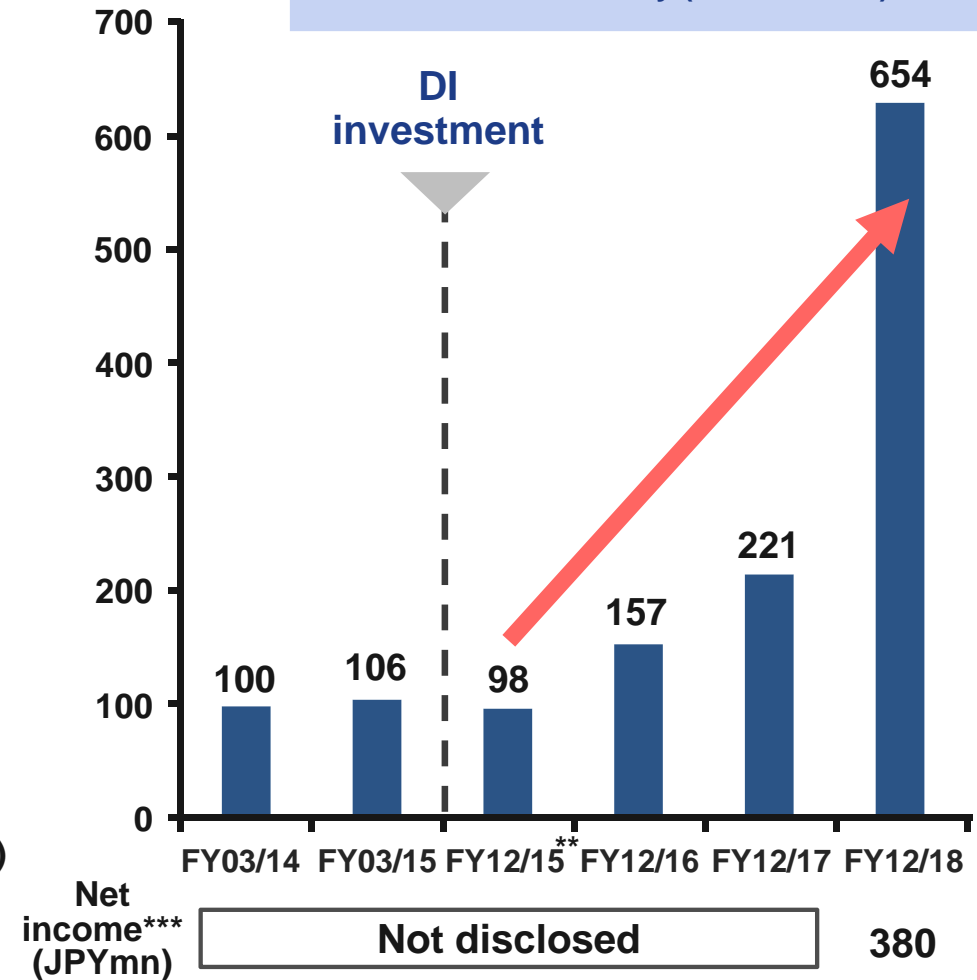
**Business that not only handles ticketing, but also engages in direct marketing**

## Members



## Sales\*

(FY03/2014 = 100)

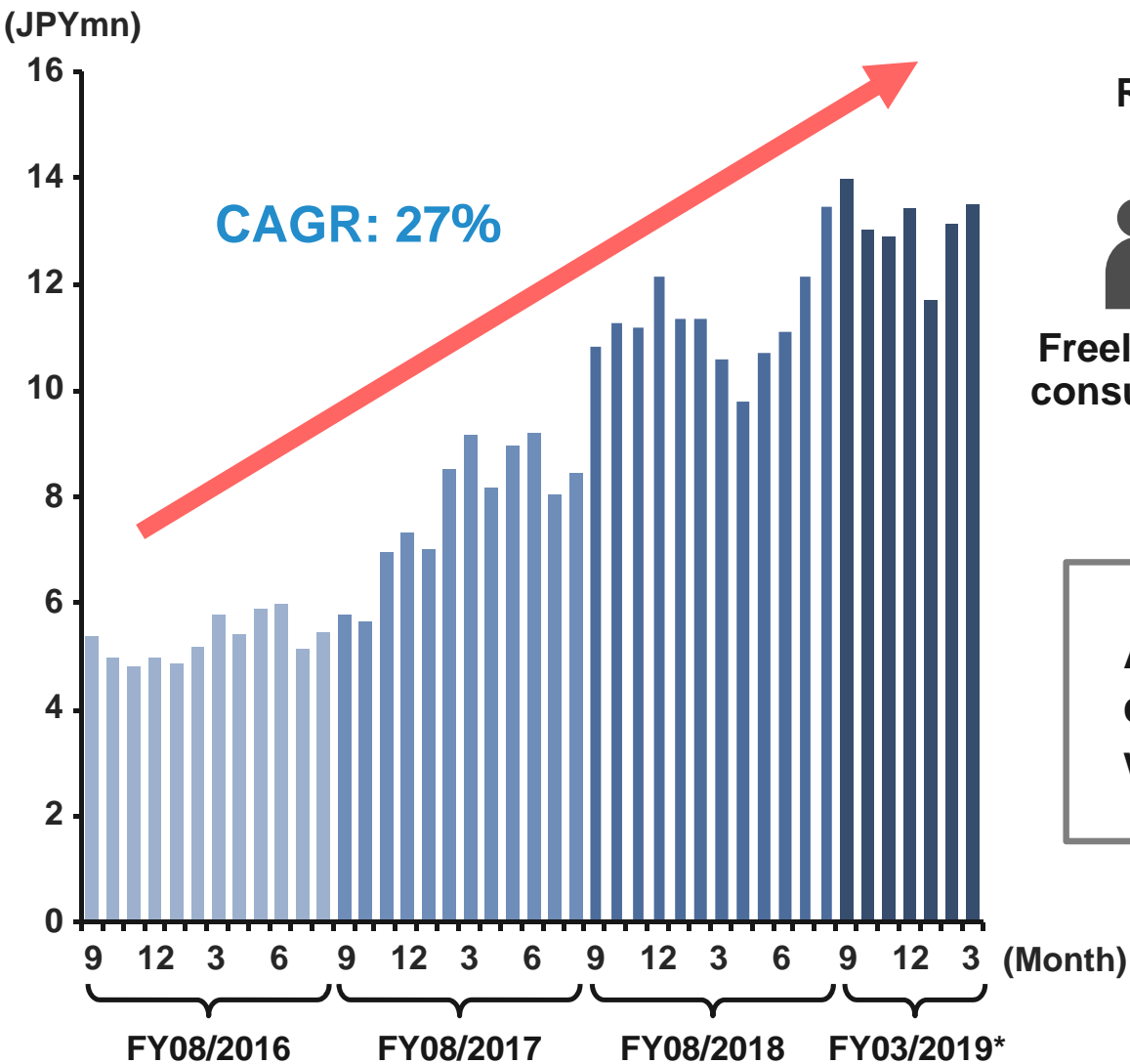


\* Sales indexed to FY03/2014 = 100

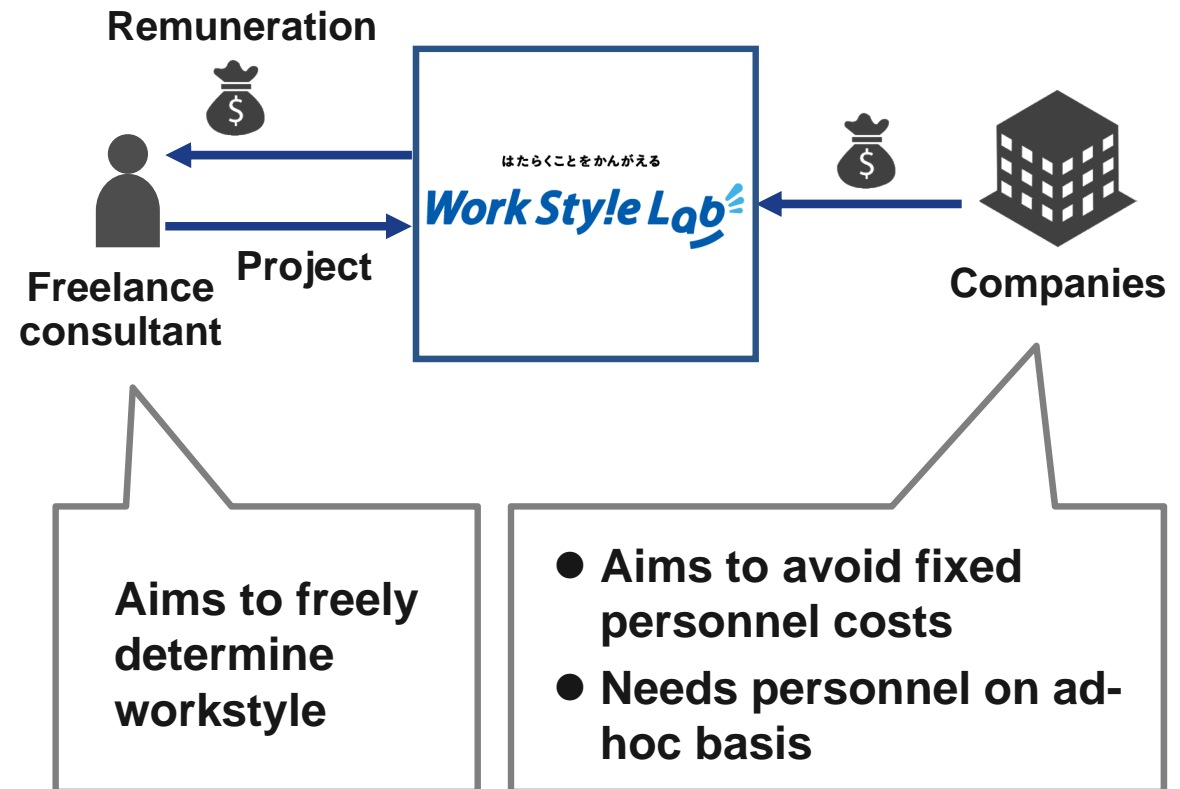
\*\* Nine-month period due to change in fiscal year

\*\*\* From Official Gazette database

## Monthly gross profit



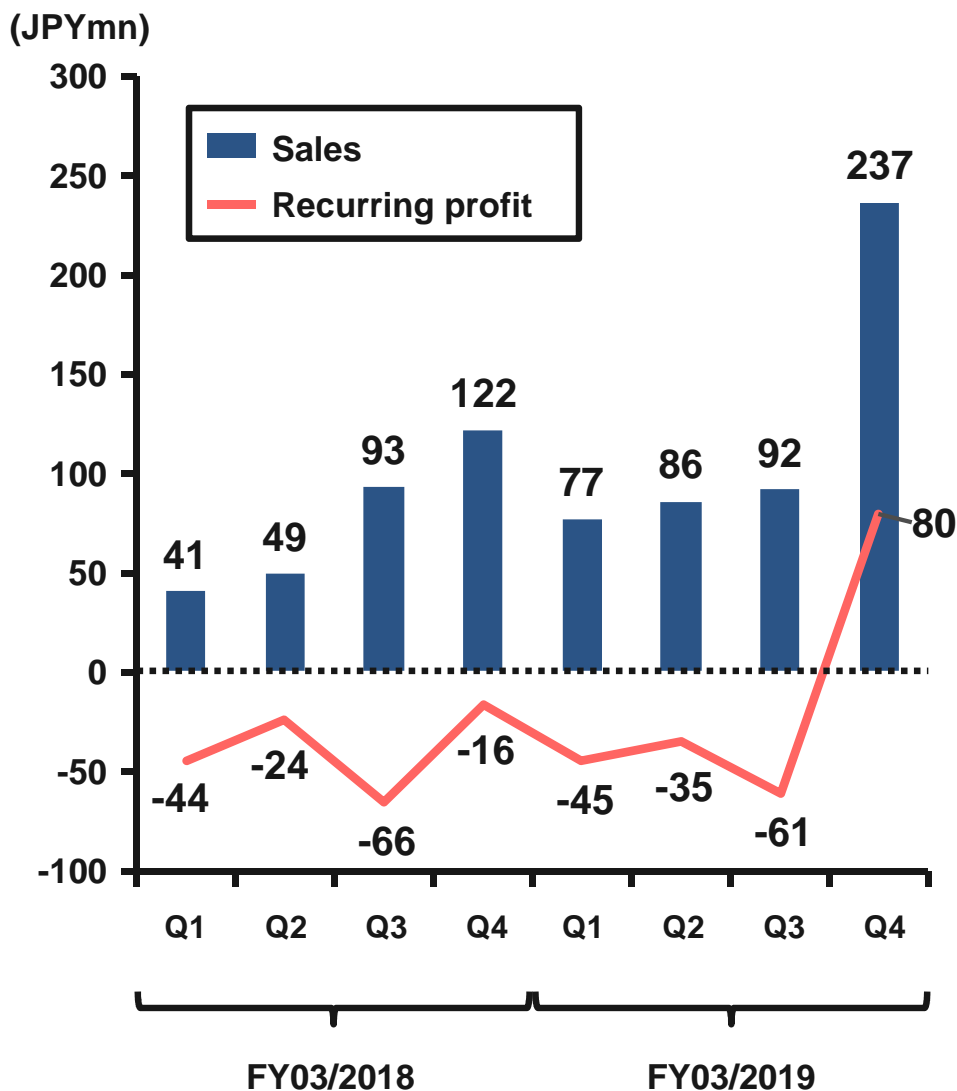
## Business model



\* Change in fiscal year



## Operating performance



## Status of initiatives

### Current situation

- Although sales up 61% and profit improving 59% at the recurring level (YoY), not profitable on full-year basis

### Initiatives

- Reconsider the future and profitability of each business, and concentrate on core competencies
- Post impairment losses of JPY0.15bn, aim to be profitable from FY03/2020



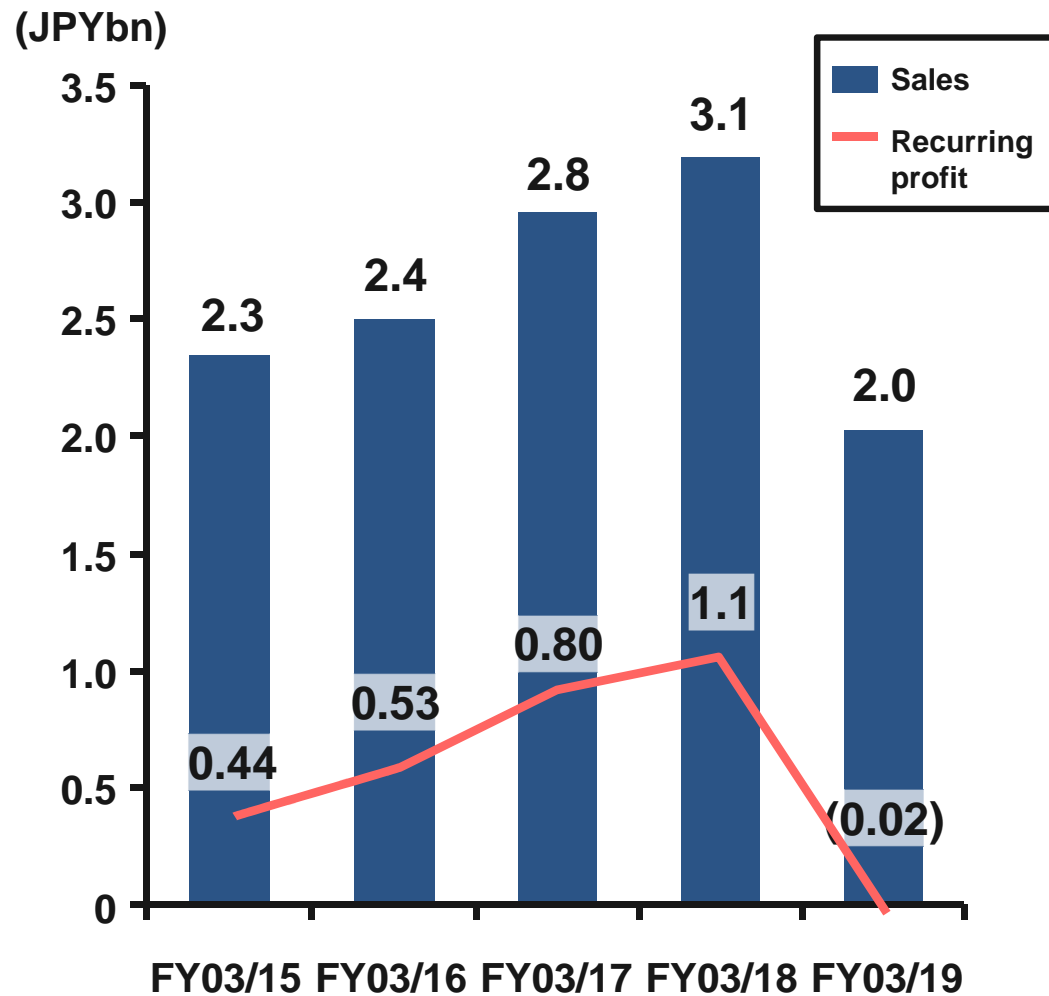
### Start of collaboration with WSL

- Mutually introduce services to each other's customer bases
- Cross-sell research and freelance consultants

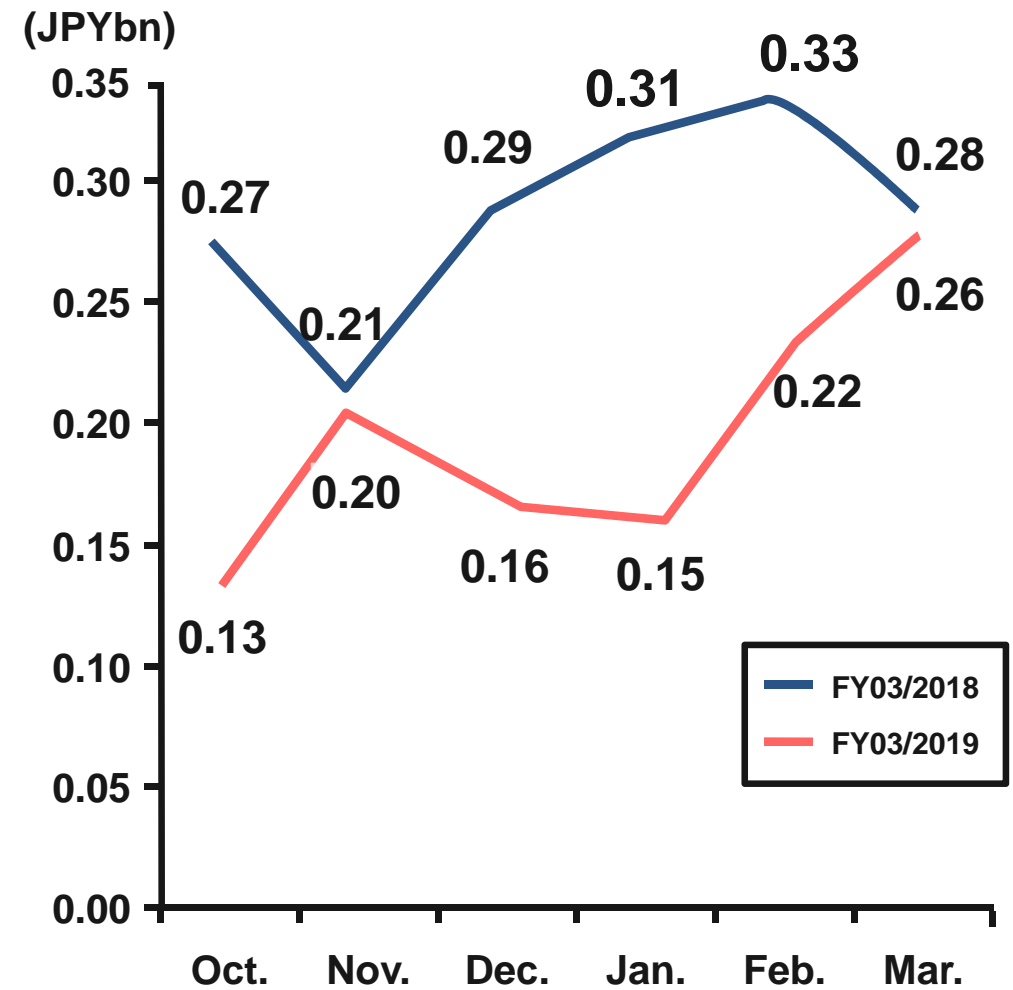
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# Overview

## Operating performance



## Sales by month in 2H



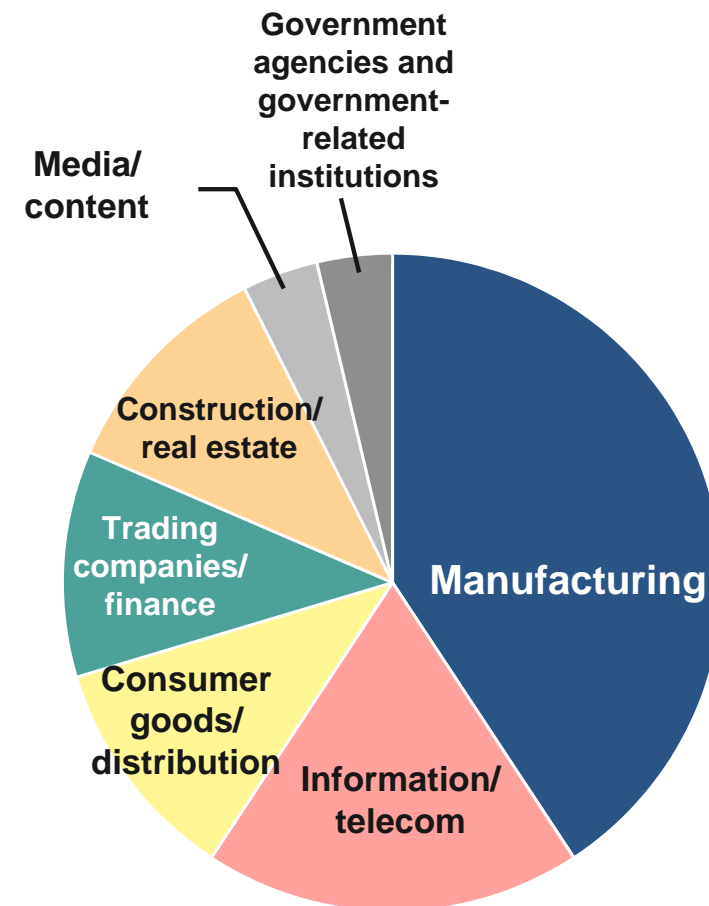
**Performance down YoY but recovering**

# Overview of Clients

## Size of Clients

Recurring profit	Industry rank* (number of companies**)			
	1st	2nd	3rd	4th and below
Over JPY500bn	5			
JPY100–500bn	6	1		
JPY50–100bn	2			
JPY10–50bn	1	2	1	4
Below JPY10bn				5
<b>Total</b>	<b>14</b>	<b>3</b>	<b>1</b>	<b>9</b>
<b>Sales composition (%)</b>	<b>70.4</b>	<b>13.0</b>	<b>1.2</b>	<b>15.4</b>

## Client Industries



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

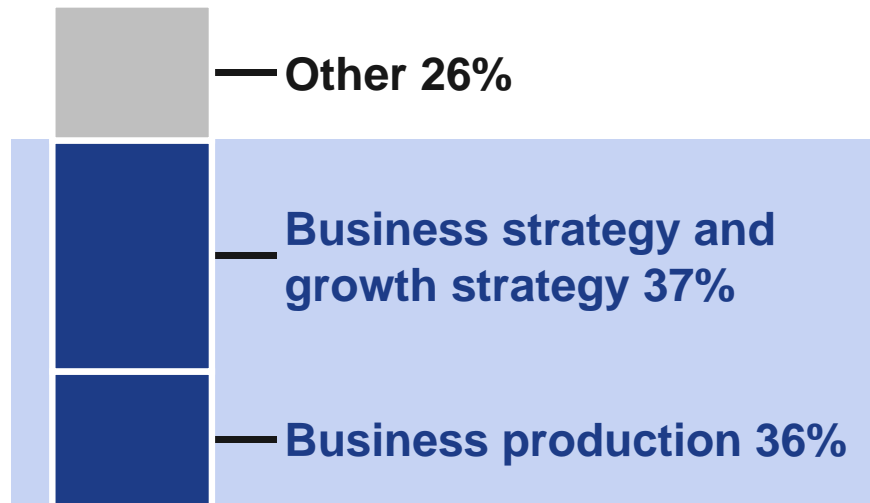
\*\* Includes client companies from FA business and education business (however, excludes NPOs, ventures, and low-priced projects)

# Strategic Consulting Themes

## 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

# Strengthen Brand as “ Business Produce ”

Reference

“Business Producing Strategy to Create a JPY300bn Business”

3000億円の事業を生み出す

## ビジネスプロデュース戦略

BUSINESS PRODUCE

なぜ、御社の新規事業は大きくならないのか？

TAKAYUKI MIYAKE TAKASHI SHIMAZAKI  
三宅孝之・島崎 崇

数千億円規模の事業創造型プロジェクトを多数手掛けてきたドリームインキュベータ(DI)が、「構想」から「実行」までの方法論をはじめて解説。

PHP研究所 定価:本体1,800円(税別)

Published May 2015

“Business Producing Road to Success to Create a JPY300bn Business”

3000億円の事業を生み出す

## ビジネスプロデュース成功への道

BUSINESS PRODUCE

TAKAYUKI MIYAKE TAKASHI SHIMAZAKI  
三宅孝之・島崎 崇

数千億円規模の事業創造型プロジェクトを多数手掛けてきたドリームインキュベータ(DI)が日本の大企業が直面している「事業創造のジレンマ」とその突破法を徹底解説。

PHP研究所 定価:本体1,800円(税別)

Published May 2017

“Boss, Our Company Needs a CTO, Too”

社長、ウチにもCTOが必要ですよ

Chief Technology Officer

CTOが

ストーリーで分かる  
トップ企業が持つCTO思考

日経BP総研 クリーンテック研究所 編  
ドリームインキュベータ 監修

企業は新しい価値を生み出し続けなければならない。

その鍵を握るのがCTOだ」コマツ 野路國夫 会長

日経BP社

Published May 2017

“Building the Future through the Production of Industries”

三宅 孝之  
Takayuki Miyake

遠山みず穂  
Mizuho Toyama

新ビジネスを次々と生み出す思考法

## 産業プロデュースで未来を創る

3000億円級の事業創造を支援してきたドリームインキュベータだからこそ知る

### 「10兆円市場」創出のアプローチ

キーポイントは、企業主体で国を巻き込んだ社会の再設計

日経BP社

Published August 2018

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# Venture Capital Results to Date



**164**

Investments



**8**

Countries invested in



**28**

IPOs



**2.3x**

Investment multiple




**17%**

IRR



# Portfolio Overview










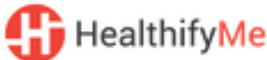








(JPYbn)		End-March 2018			End-March 2019	
			(Number of companies)			(Number of companies)
Main venture portfolio*	Japan	1.5	(15)	<b>+ Investment (17 companies***)</b> <b>- Sold (6 companies)</b> <b>- Impairment losses (4 companies)</b>	1.6	(18)
	India	0.63	(10)		1.0	(14)
	US	0.54	(9)		0.32	(7)
	Others	1.5	(6)		0.95	(4)
	<b>Total</b>	<b>4.2</b>	<b>(40)</b>		<b>3.9</b>	<b>(43)</b>
<b>Other investment**</b>		<b>1.5</b>			<b>2.0</b>	
<b>Investment balance</b>		<b>5.8</b>			<b>5.9</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

<p><b>Payme (Japan)*</b></p> <p>Development and provision of same-day salary payment system</p> 	<p><b>Tryon (Japan)</b></p> <p>Operation of English conversation schools</p> 	<p><b>Wakrak (Japan)</b></p> <p>Development and operation of day-work app</p> 	<p><b>Metarain (India)</b></p> <p>Online pharmacy</p> 	<p><b>Manash Lifestyle (India)</b></p> <p>Cosmetics marketplace</p> 	<p><b>Money View (India)</b></p> <p>Marketplace for consumer loans</p> 
<p><b>C Channel (Japan) *</b></p> <p>Video media for women</p> 	<p><b>AnyMind Group (Japan/Singapore)</b></p> <p>Marketing platform that leverages AI</p> 	<p><b>LegalForce (Japan)</b></p> <p>Use of AI to review contracts</p> 	<p><b>HealthifyMe (India)</b></p> <p>Health management apps</p> 	<p><b>Niramai (India)</b></p> <p>Use of AI to provide support for breast cancer diagnosis</p> 	<p><b>Sekhmet Technology (India)</b></p> <p>CRM services for hospitals</p> 
<p><b>Plus-medi (Japan)</b></p> <p>Development and operation of medical apps</p> 	<p><b>Gracia (Japan)</b></p> <p>E-commerce site for gifts</p> 	<p><b>Hackazouk (Japan)</b></p> <p>Alumni consulting</p> 	<p><b>Qyuki (India)</b></p> <p>Digital video ads</p> 	<p><b>Little Black Book (India)</b></p> <p>Regional information platform</p> 	<p><b>RightHand Robotics (US)</b></p> <p>Picking robots that employ machine learning</p> 

\* Investment completed in FY03/2018, announced in FY03/2019

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 Additional investment

 One other company

# 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	450	170	1.4	94%	J	150	(0)	0.9	-5%**
B	250	(60)	0.7	-7%	K	120	Not revalued*		-
C	170	0	1.0	4%	L	120			-
D	110	230	3.0	56%	M	110		-	
E	100	10	1.2	8%	N	90	10	1.1	5%
F	100	Not revalued*		-	O	80	(0)	1.0	-2%**
G	70	30	1.5	8%	P	50	40	1.7	68%
H	70	20	1.3	22%	Q	50	10	1.3	18%
I	50	Not revalued*		-	R	50	Not revalued*		-

\* Because no recent financing price available

\*\* Investments in companies J and O in India were affected only by exchange rate fluctuations

# Investee (1): AnyMind Group, an AI Solution Provider

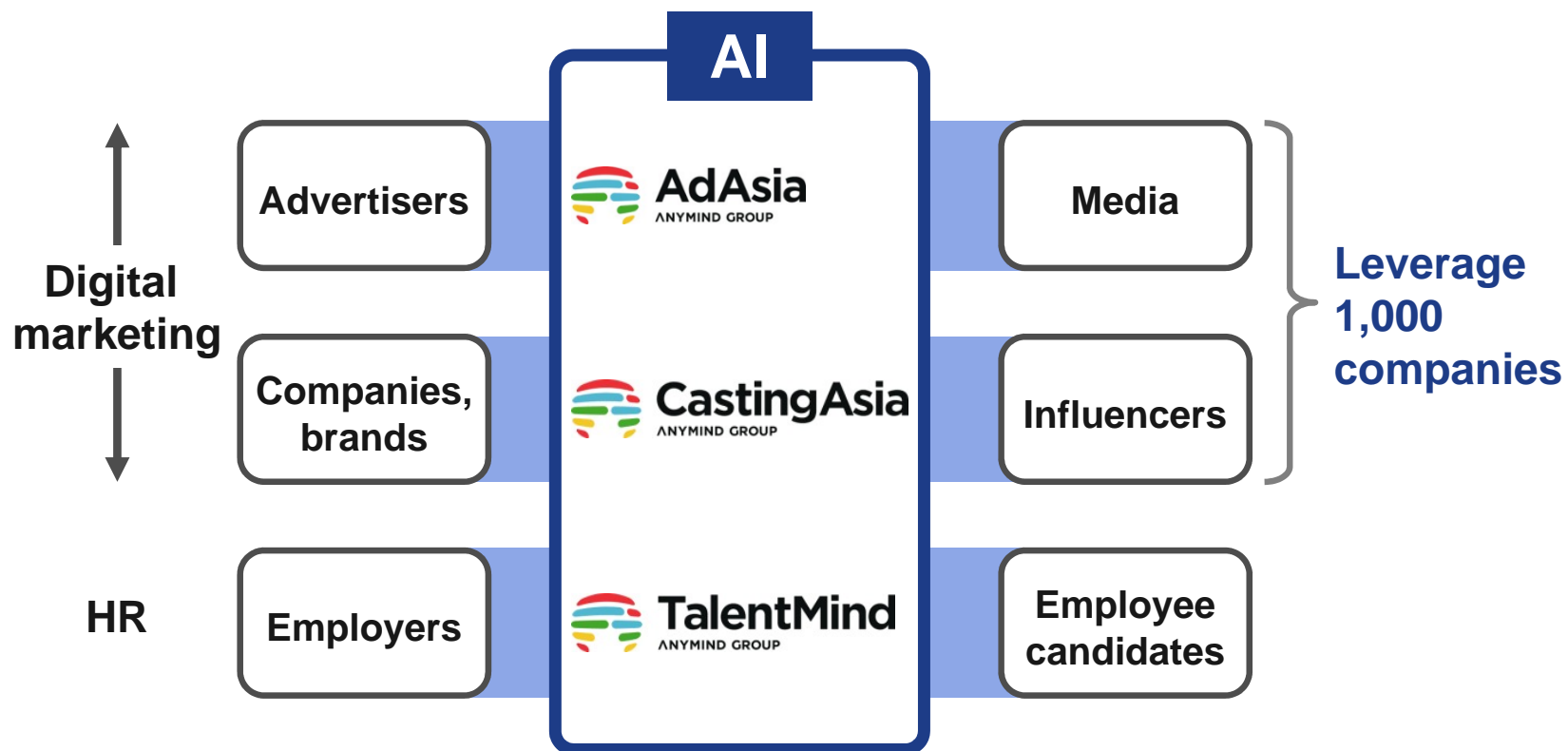
Established: 2016

Founder

- Kosuke Sogo (31 years old)



Rolling out business in 11 countries\* in Asia as a “matching platform that uses AI”



Growing swiftly, with sales of JPY2.8bn two years after establishment

\* 11 countries: Singapore, Thailand, Indonesia, Vietnam, Taiwan, Cambodia, China, Japan, Malaysia, Philippines, Myanmar

# Investee (2): C Channel, One of Japan's Largest Providers of Video Media for Women

Established: 2015

Rolling out business in nine Asian countries\* with C Channel and EC video media for women

Founder:

- Akira Morikawa (52 years old)
  - Previous president of LINE



C Channel



Users

- More than 10 million people



E-commerce

Influencers

Achieved No. 1\*\* status in Japan among videos for women

\* China, South Korea, Taiwan, Thailand, Indonesia, Philippines, Singapore, Malaysia, Vietnam

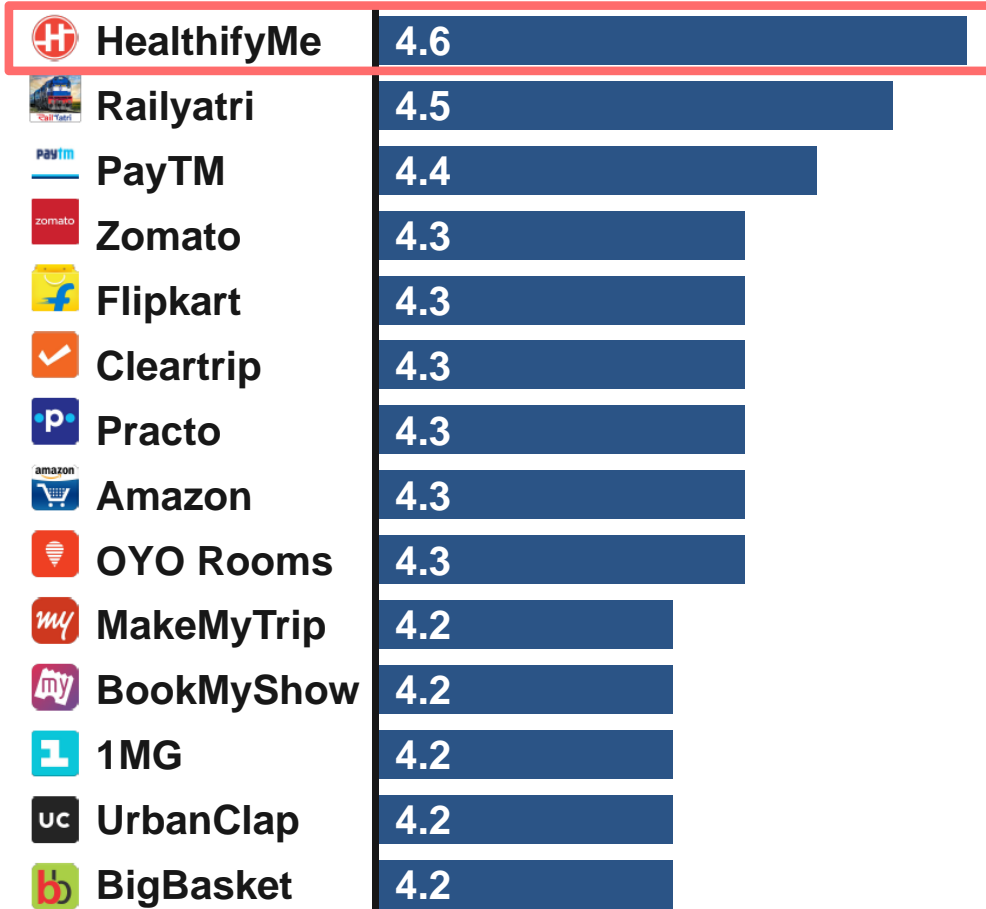
\*\* Web Media Social Survey 2018, Green romp, Ltd.

# Investee (3): HealthifyMe, India's Leading Medical App

## Overview

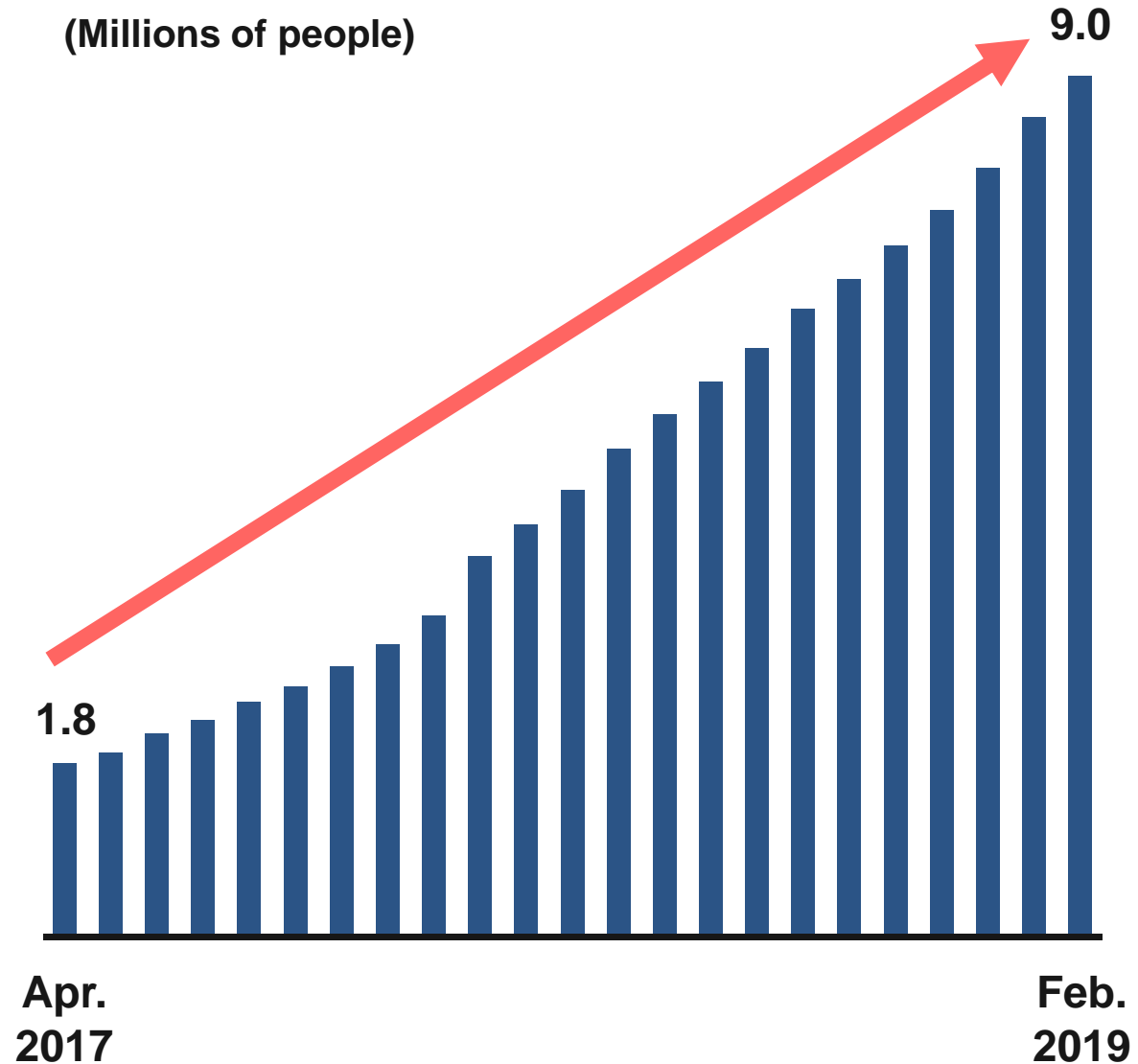
**Business:** Health management app

- 9.0mn registered users, more than 1.4mn MAUs
- No. 1 app satisfaction ranking in India\*\*



## Monthly registered users (cumulative)

(Millions of people)



\* Monthly active users  
 \*\* Google Play Store in January 2019 (Indian apps only)

# Investee (4): Money View, Household Accounts App x Personal Finance

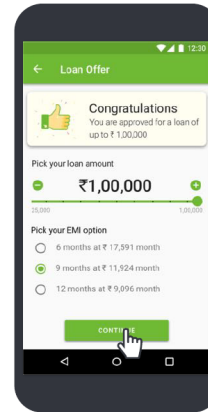
## Overview

### Business:

Measure personal credit score using data from household account book app, facilitate structuring of consumer loans

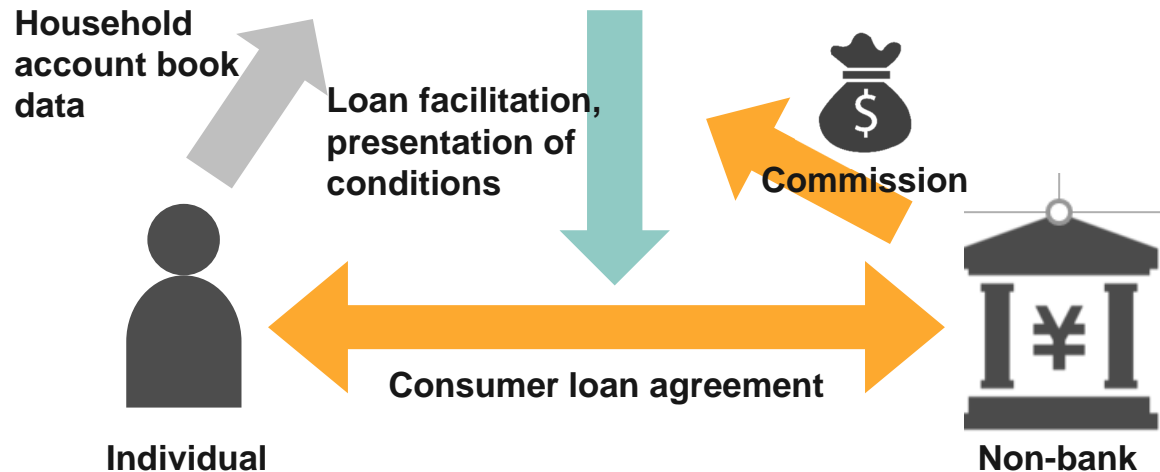
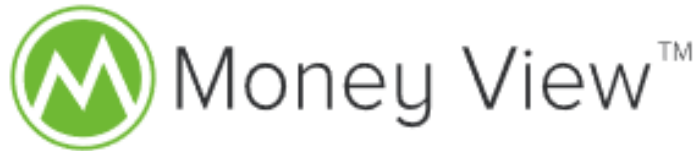
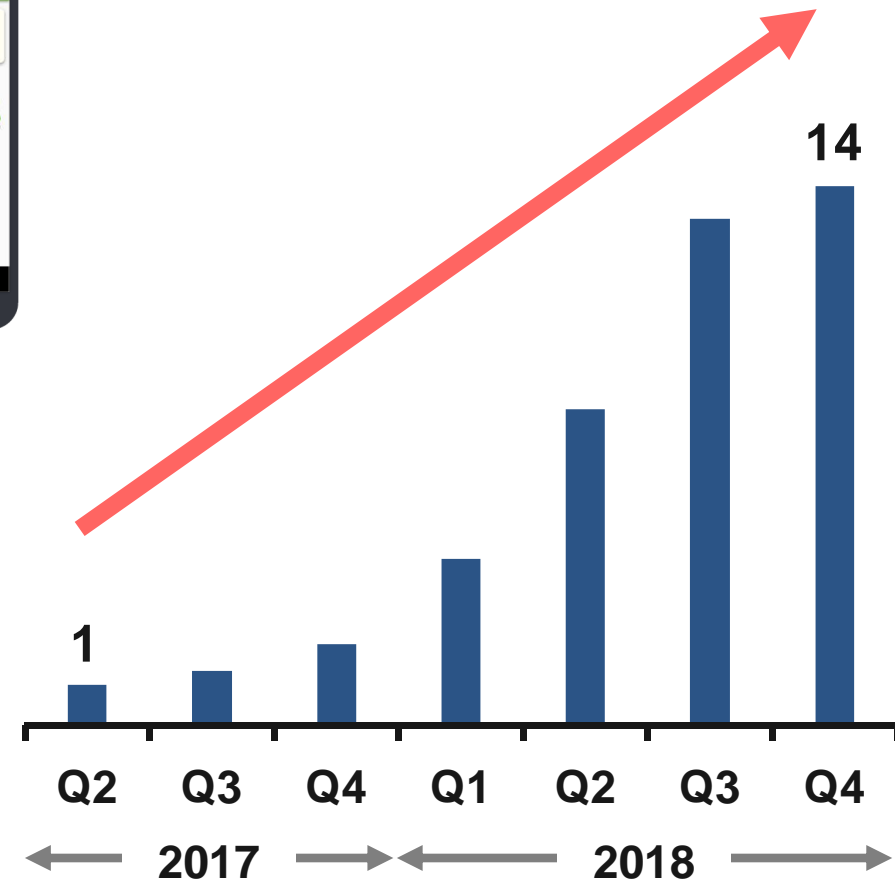
- More than 10mn app downloads
- Low delinquency rate, due to use of artificial intelligence

Joint investment with Accel Partner, a top US venture capital firm



## New financing volume structured

(Q2 of 2017 = 1)



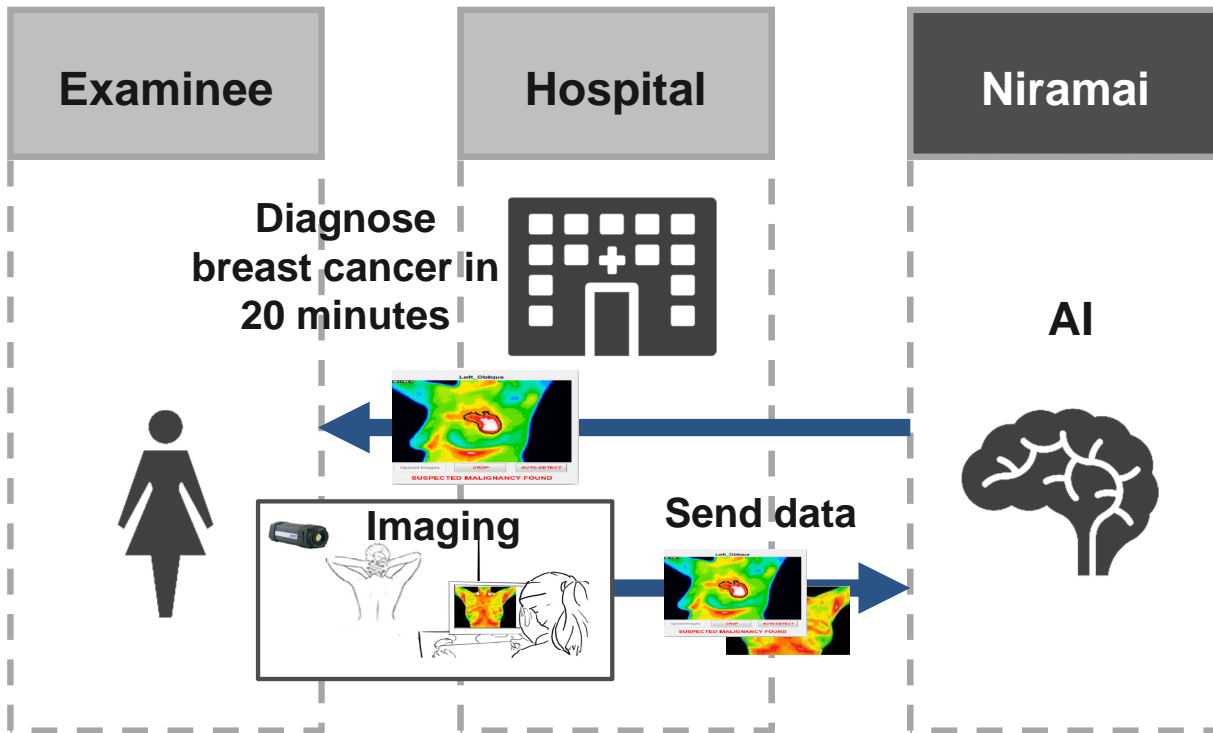
# Investee (5): Niramai, Providing AI Diagnosis for the Early Detection of Breast Cancer

India

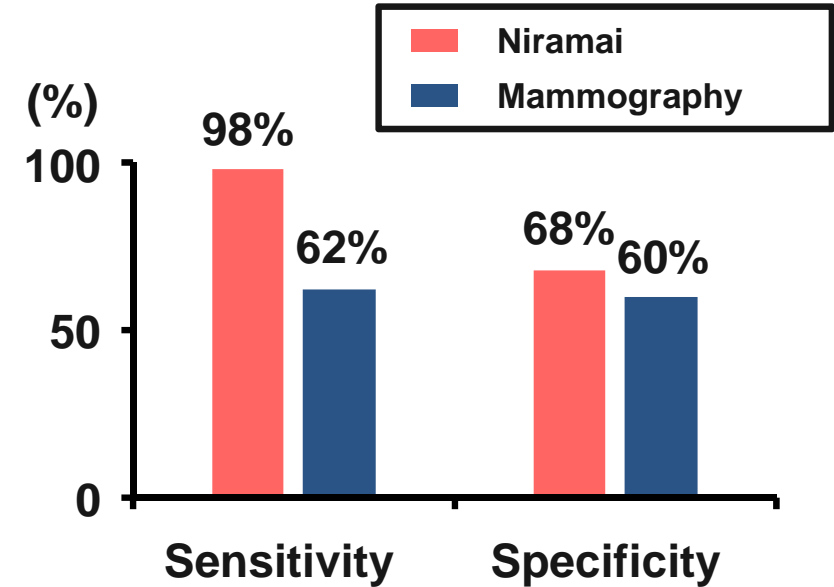
## Overview

**Business: Service using AI to help diagnose breast cancer**

- Total of 5,000 cases to date, has obtained regulatory approval in India
- Rose to the top of 130 companies at a pitch event in Osaka



## Results of clinical trials in India\*



Enables diagnostic efficiency equivalent to or higher than mammography

\* From "Thermalytix, An Advanced Artificial Intelligence-Based Solution for Non-Contact Breast Screening"



# Venture Navi = Social Networking Diffusion-Style Media for Entrepreneurs

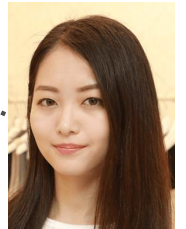
## Marketing activities



Disseminate articles taking an inside look at promising entrepreneurs

### Unlisted

- SHOWROOM President Maeda
- Payme President Goto
- UTSUWA President Inakatsu (Gomi Hayakawa)



### Listed

- Akatsuki President Shiota
- Money Forward CEO Suji
- UZABASE President Umeda



Started reprinting in the online version of *Forbes Japan* in August 2018

Create deal flows and networks

- 1. FY03/2019 Financial Results Summary**
- 2. Business Model and Corporate Value**
- 3. Current Situation of Each Business**
  - 1) Business Investment**
  - 2) Strategic Consulting**
  - 3) Venture Capital Investment**
- 4. Reference**

# Shareholder Returns + Marketing Measure: Introducing a Shareholder Benefit Program

Reference

## Overview of Premium, the shareholder benefit program

- Shareholders are granted “benefit points” corresponding to the number of shares held and the period held.
- Points can be exchanged for products of choice.

*Premium*  
プレミアム優待倶楽部



## Objectives

- Introduced at the same time as iPet
- Total number of benefit points acquired at DI and iPet can be used together



- By making the points available throughout the DI Group, introduce DI businesses and companies targeted for investment and development more broadly to investors and customers.

## Acquisition details

### Scale of acquisition

- Total acquisition price: JPY300mn (maximum)
- Total number of shares: 2mn (maximum)  
(Equivalent to 2.04% of total number of shares issued, excluding treasury stock)

### Acquisition period

- From April 1 to September 30, 2019

**We plan to continue considering such acquisitions, taking into consideration a balance between share price, NAV per share, and investment in growth.**

## 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>**

# Dream Incubator Inc.

The Business Producing Company