

FY03/2020

Financial Results Briefing Presentation

May 11, 2020

Dream Incubator Inc.

(Stock Code: 4310)



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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To Our Shareholders and Investors

All of us at Dream Incubator would like to take this opportunity to express our wishes for a full recovery to all who have been infected by the novel coronavirus disease and to express our sympathy for their families and all other impacted individuals.

Furthermore, we would like to share our deep appreciation for health care professionals and all others who are working to impede the spread of the infection.

1. The DI Business Model

2. FY03/2020 Financial Results Summary

3. Business Conditions

1) Business Investment

2) Professional Services

3) Venture Capital Investment

4. Future Outlook

5. Reference Materials

Historical Backgrounds and DI's Visions

	2000s	2010s	2020s
Historical Backgrounds	Close-Downs > Establishments	Aftermath of the 2008 Financial Crisis	SDGs to Resolve Societal Issues
DI's Main Missions	Provide Corporate Resources (Venture Companies)	Support Business Creation (Incumbent Companies)	
Business Models	Venture Capital investments and Strategic Consulting	Venture Capital Investments, Strategic Consulting and Business Investments	

DI = The Business Producing Company

Mission: **Create Businesses and Change Societies**

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

Value: **Advance Beyond Boundaries.**

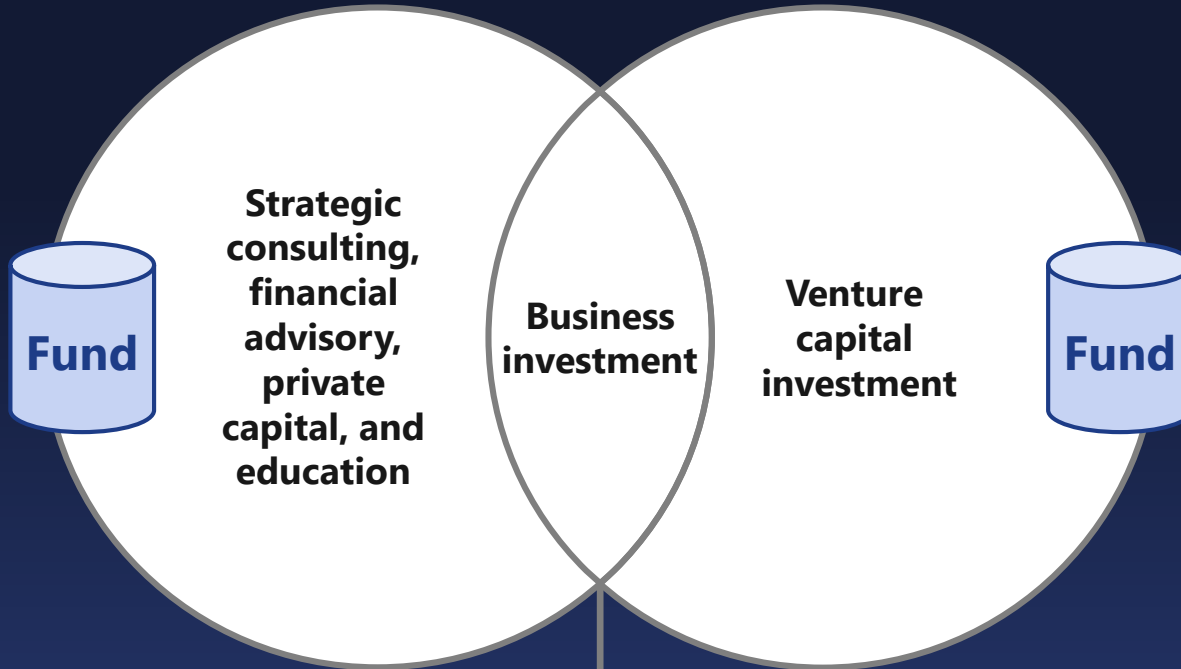
- Envision **Beyond Boundaries** of Areas
- Formulate **Beyond Boundaries** of Customaries
- Partner **Beyond Boundaries** of Organizations
- Challenge **Beyond Boundaries** of Ourselves

Business Model

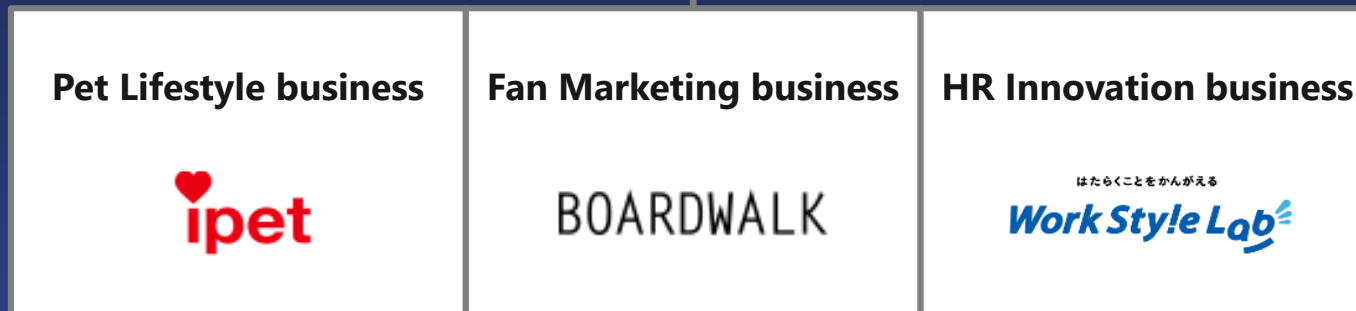
Business Production

Incubation

**Establish SIBs*
(societal issues)**



Expand AUM
(Japan and India)**



Expand to Peripheral Areas (Ignite Innovations)

* Social impact bonds
** Asset under management

Focus Points of Domains Field

Venture Capital Investment

Scale up by shift from principal investment to fund operation

- Principal JPY6.0bn + Funds (JPY1.5bn for India and JPY5.0bn for Japan) → increase in AUM
- Focus areas in Japan: 5G & entertainment, digital technology (Internet, digital transformation, Deep Tech)
- Focus areas in India: SDGs technology (healthcare, financial insurance, empowerment of SMEs)

Business Production

Formulate mechanisms to commercialize resolution of social issues in addition to supporting business creation of major

- Business-creation support, formation of business creation system, technological commercialization (collaboration with Astamuse Company, Ltd.) and M&A
- Generation of mechanisms that allow societal issues to be resolved through business approach (SIBs, SDGs in Asia)

Business Investment

Pet Lifestyle (iPet)

Insurance service and generation of safer and more secure lives with their pets

Fan Marketing (BW)

Reformation of live concert market and music entertainment business

HR Innovation (WSL)

Optimization of workstyles (individuals) and HR procurement (companies)

Consumption of Things Area (Spiritual Happiness)

- Healing and emotional entertainment

Workstyle Area (Career Enrichment)

Business Investment: Context Behind Focus Points

DI's Mission: Create Businesses and Change Societies

Societal context: Change in values from oversaturation of material goods
Needs: Spiritual and career happiness



**DI's
Investments:**



Value added:
Harmonious
coexistence with
pets



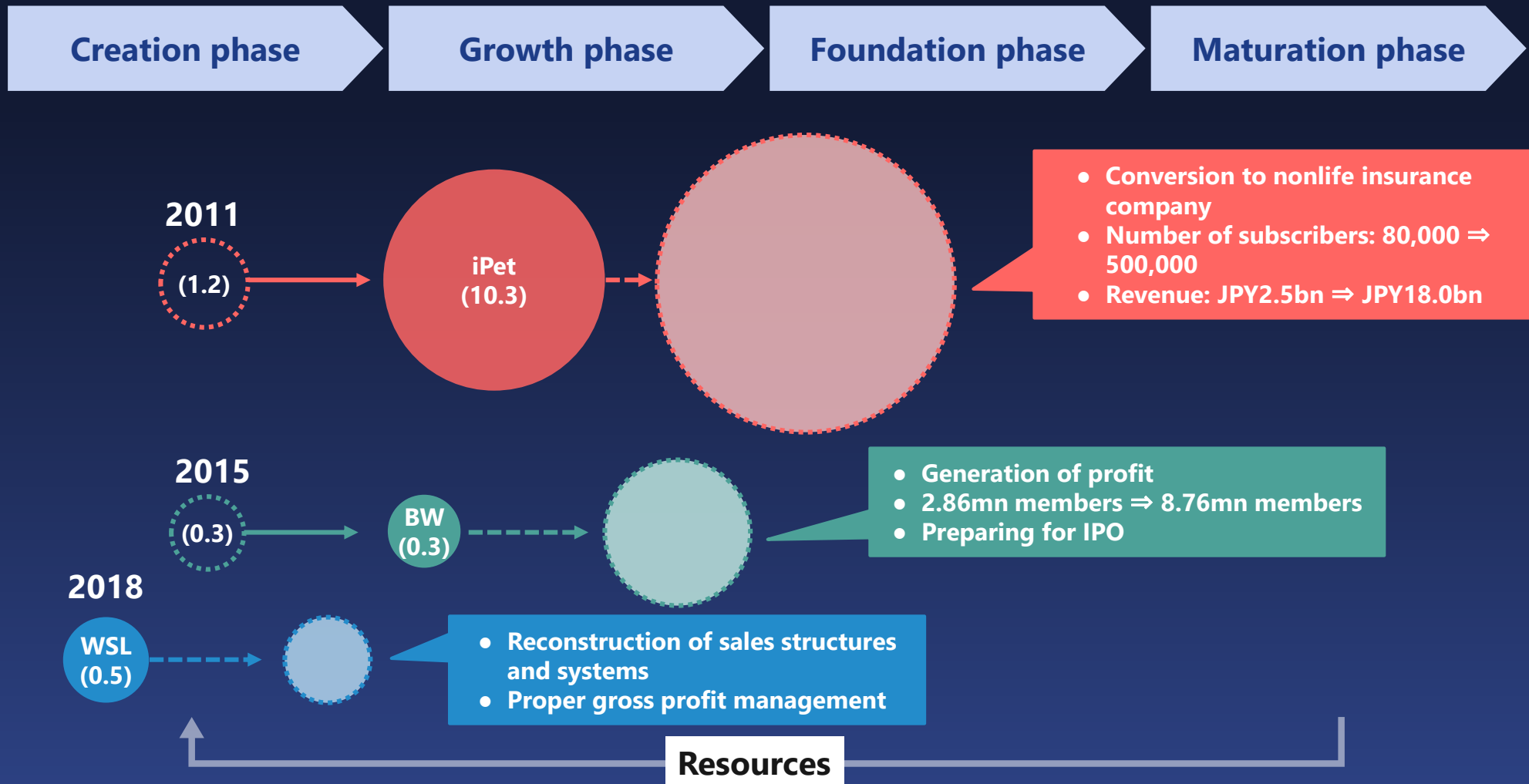
Value added:
Provision of diverse
entertainment
opportunities



Value added:
Workstyle optimization

Growth of Our Business Investments

Initial investment → Present → Three years later



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Financial Results Summary

Consolidated results (after insurance item adjustments*)		YOY change	(Reference) Before insurance item adjustments*
● Sales	JPY22.5bn	+JPY1.89bn	JPY22.5bn
● Recurring profit	JPY0.61bn	-JPY0.28bn	(JPY0.02bn)
● Net income	JPY0.06bn	-JPY0.29bn	(JPY0.19bn)

(attributable to parent company shareholders)

Key points

- Strategic Consulting continues to recover (sales up 17.6% YoY)
- Insurance results remain favorable (sales up 22.1% YoY)
- Venture Capital Investment was affected by lower gains and impairment losses resulting from market deterioration

FY03/2020 Consolidated P&L

(After Insurance Item Adjustments)

(JPYbn)	FY03/ 2019	FY03/ 2020	YoY change	
			Amount	Percentage
Sales	20.70	22.59	+1.89	+9.1%
Gross profit	9.93	10.97	+1.03	+10.5%
Operating profit	0.75	0.65	-0.09	-13.0%
Recurring profit	0.90	0.61	-0.28	-31.9%
Net income	0.35	0.06	-0.29	-82.3%

(attributable to parent company shareholders)

FY03/2020 Consolidated P&L

Reference

(Bfore Insurance Item Adjustments)

(JPYbn)	FY03/ 2019	FY03/ 2020	YoY change	
			Amount	Percentage
Sales	20.70	22.59	+1.89	+9.1%
Gross profit	9.30	10.32	+1.02	+11.0%
Operating profit	0.12	0.01	-0.11	-90.1%
Recurring profit	0.27	-0.02	-0.30	—
Net income (attributable to parent company shareholders)	0.37	-0.19	-0.57	—

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

Adjusted Insurance Accounting Items and Amounts

Reference

(JPYbn)	FY03/ 2019	FY03/ 2020
Unadjusted gross profit (consolidated)	9.30	10.32
<ul style="list-style-type: none"> ● Adjustment related to ordinary underwriting reserves* ● Catastrophe reserve provision** 	+0.15 +0.47	+0.06 +0.58
Total adjustments	+0.63	+0.64
Adjusted gross profit (consolidated)	9.93	10.97

* 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)

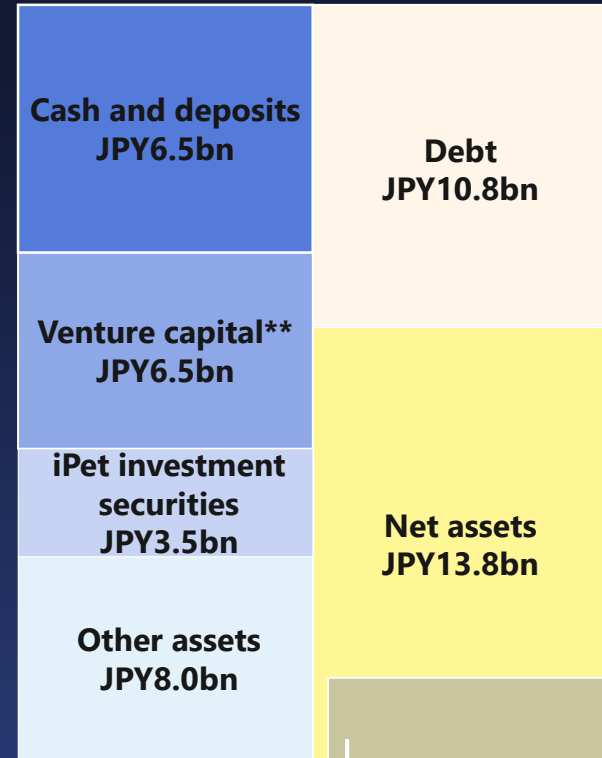
Cumulative FY03/2020 P&L by Business Field

(JPYbn)			FY03/2019	FY03/2020	YoY change
Venture Capital segment		● Sales	2.86	0.80	-72.0%
		● Recurring profit	0.22	-0.40	—
Professional Services segment	Strategic consulting	● Sales	2.07	2.43	+17.6%
		● Recurring profit	-0.02	0.38	—
	DI Asia	● Sales	0.49	0.25	-48.5%
		● Recurring profit	-0.06	-0.17	—
Business Investment	Insurance segment	● Sales	14.87	18.15	+22.1%
		● Recurring profit*	0.79	0.92	+16.5%
	Other segment (WorkStyleLab)	● Sales	0.44**	0.96	+116.2%
		● Recurring profit	-0.02**	-0.12	—

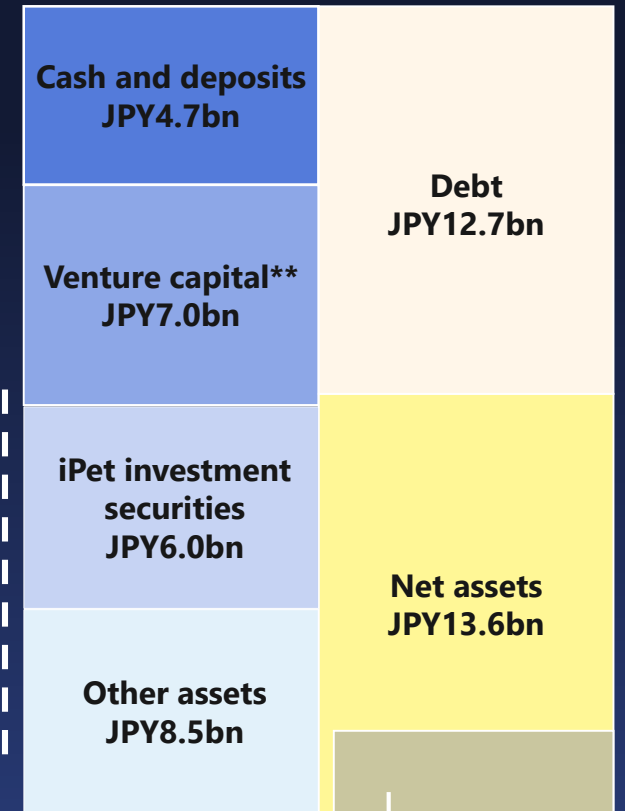
Note: Recurring profit: Segment profit - HQ cost ± Non-operating profit and loss
 * Adjusted for insurance items
 ** Consolidated in Q3 FY03/2019

FY03/2020 Consolidated Balance Sheet

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



March 31, 2020
(Total assets: JPY26.7bn)



Breakdown of change in net assets	
● Net income	-JPY0.19bn
● Non-controlling interests	+JPY0.40bn
● Purchase of treasury shares	-JPY0.29bn
● Valuation difference on available-for-sale securities*	-JPY0.22bn
● Other comprehensive income	+JPY0.09bn
● Total	-JPY0.21bn

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

Of which, JPY2.9bn is non-controlling interest

Off-balance-sheet assets : Approx. JPY7.0bn(iPet unrealized gains)

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

** Includes post-IPO

NAV in FY03/2020: YoY Change

(JPYbn)

March 31, 2019

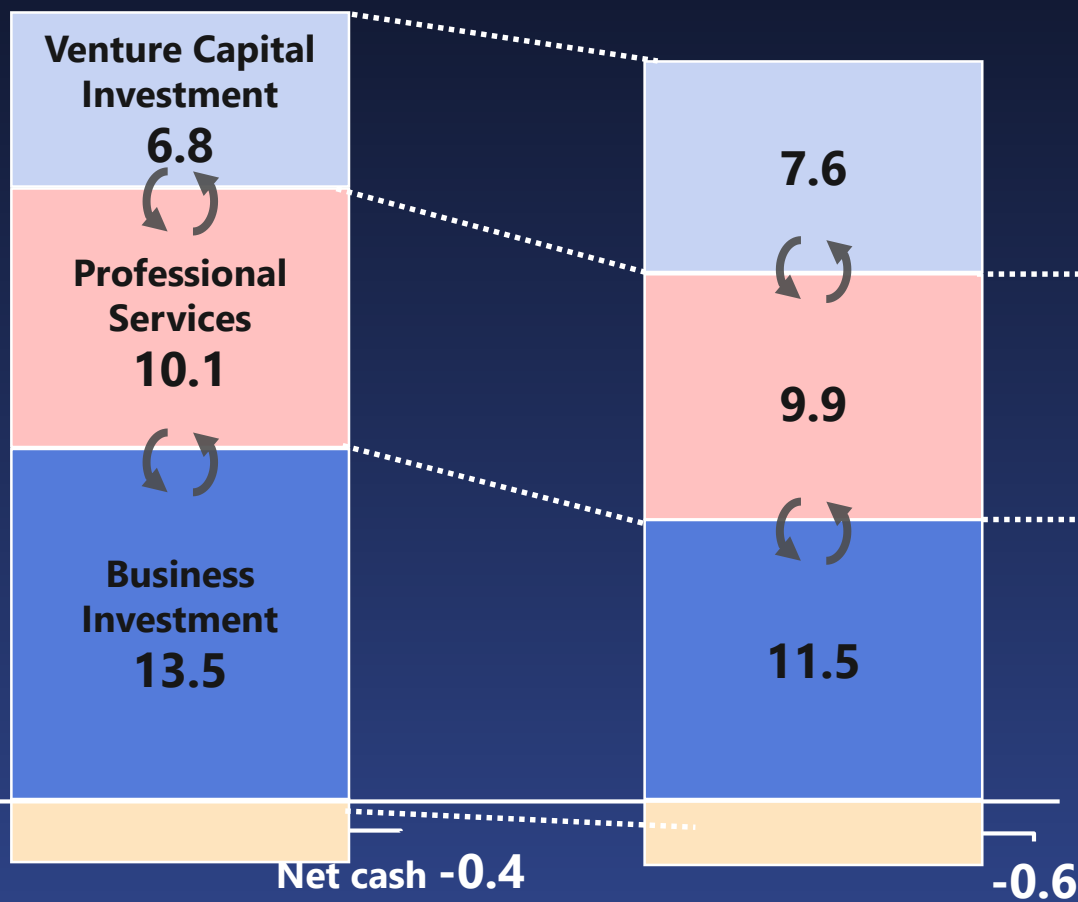
March 31, 2020

Reasons for changes

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

Total: **28.4**
(JPY2,811 per share)

- Established domestic investment fund and accelerated investment (invested in 22 projects)
 - Change in value of holdings +JPY0.74bn
 - Cash recovered on eight projects, including one IPO
 - Impairment losses on five projects
-
- YoY recovery in terms of profit/loss
 - Mostly level five-year average
 - PER of 25x
-
- Drop in iPet share price
 - Valuations unchanged in other invested businesses



DI

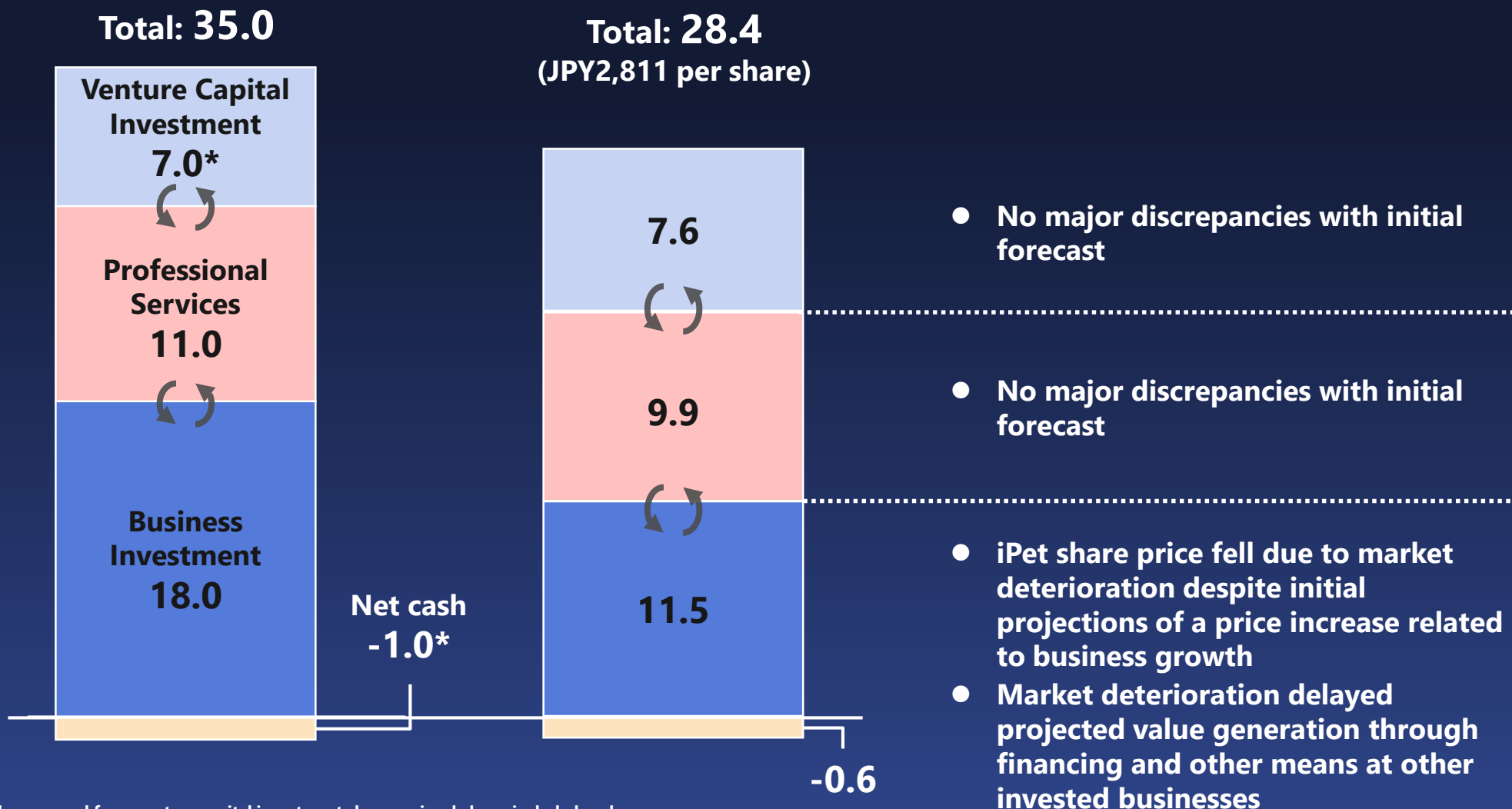
NAV in FY03/2020: Versus Initial Forecast

(JPYbn)

Initial forecast for March 31, 2020

Actual results as of March 31, 2020

Reasons for difference



* Cash recovered from venture capital investments has previously been included under Venture Capital Investment (light blue), but, in this case, has been included under Net cash to illustrate the differences between actual results and the initial forecast.

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.

Shareholder Return Policy: Year-End Dividend vs. Share Buyback

Year-end dividend

No dividend

- In light of current stock price levels, we came to the decision that returning profit to shareholders in the form of a share buyback, rather than a dividend, would maximize shareholder value

Share buyback

Scale of buyback

- Total price of buyback: maximum of JPY300mn
- Total number of shares to be reacquired: maximum of 250,000 shares (2.57% of outstanding shares [excluding treasury shares])

Period of buyback




- April 8, 2020 through March 31, 2021

We will examine ways to maximize shareholder value by allocating funds to share buybacks, dividends, and growth investment

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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
iPet Insurance Co., Ltd. 	Pet health insurance (No. 2 in sector)	56%	10.3	Trend of sustained growth
Boardwalk Inc. 	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
Work Style Lab, Inc. <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

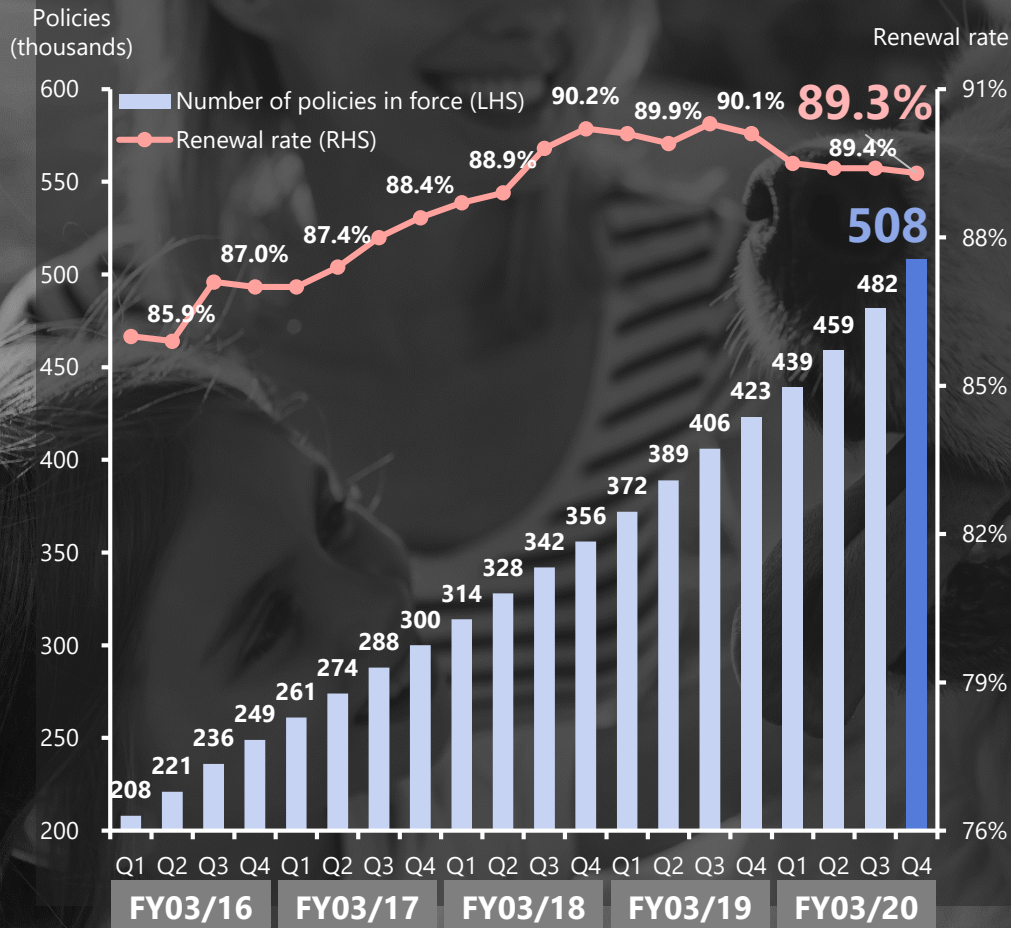
DI Asia Inc.



- Withdrew from market research business

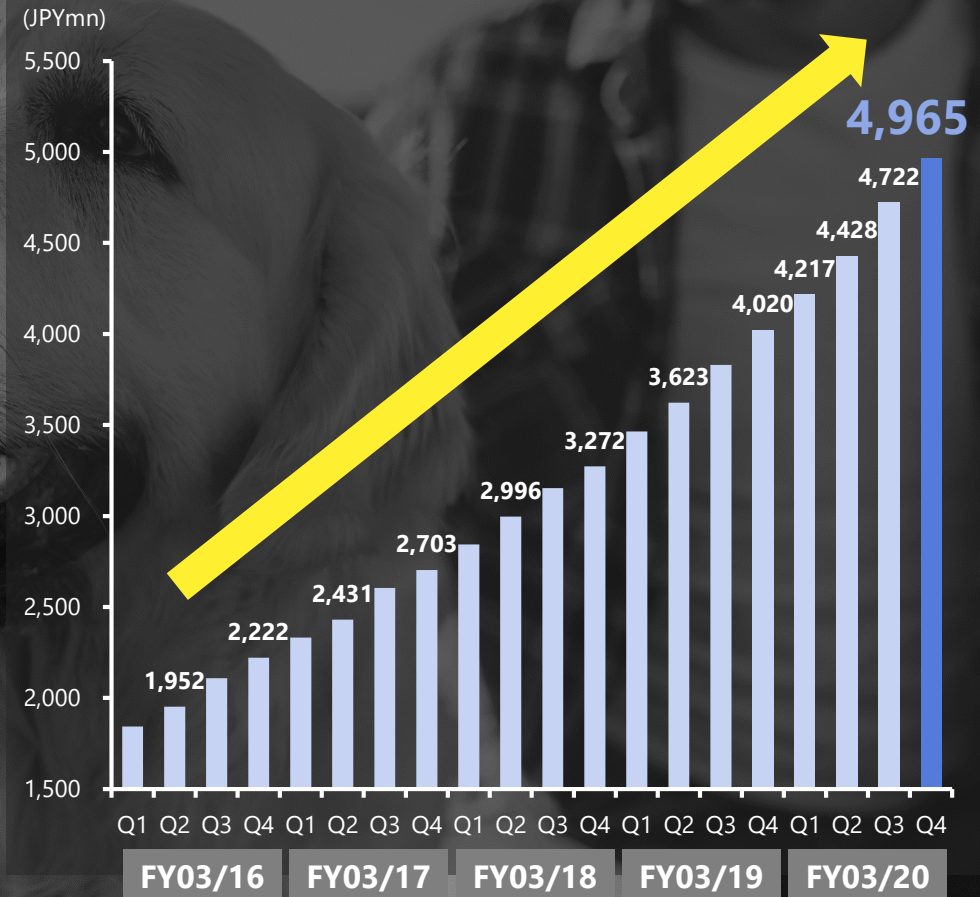
Insurance policies

- Maintained one of the highest renewal rates in the industry, despite growth in the number of policies in force



Revenue (non-consolidated)

- Achieved high rate of revenue growth while maintaining strong business expansion



Status of initiatives

“ticket board” members:

- 8.76mn (as of March 2020)

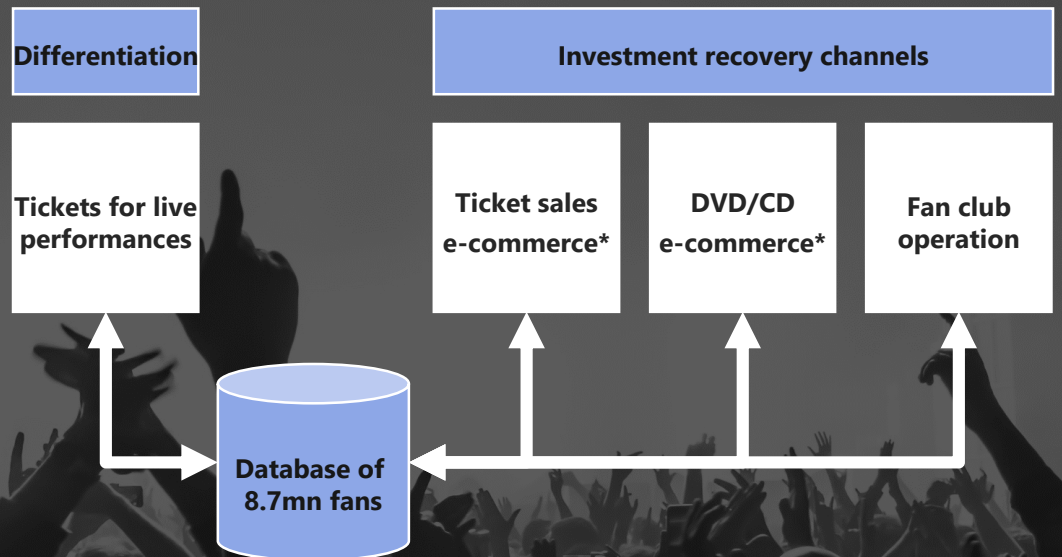
Major artists covered by ticket board (alphabetical):

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

Current Status

- **Performance exceeded forecast** despite a reactionary YoY drop in FY12/2019 caused by extraordinary demand in FY12/2018
- Impact from the novel coronavirus pandemic is inevitable; Boardwalk is currently preparing and conducting online broadcasts of live concerts
- Boardwalk continues to prepare for an IPO

Business model



Low commission fees but platform enables acquisition of fan data

Leverage accumulated data toward direct sales

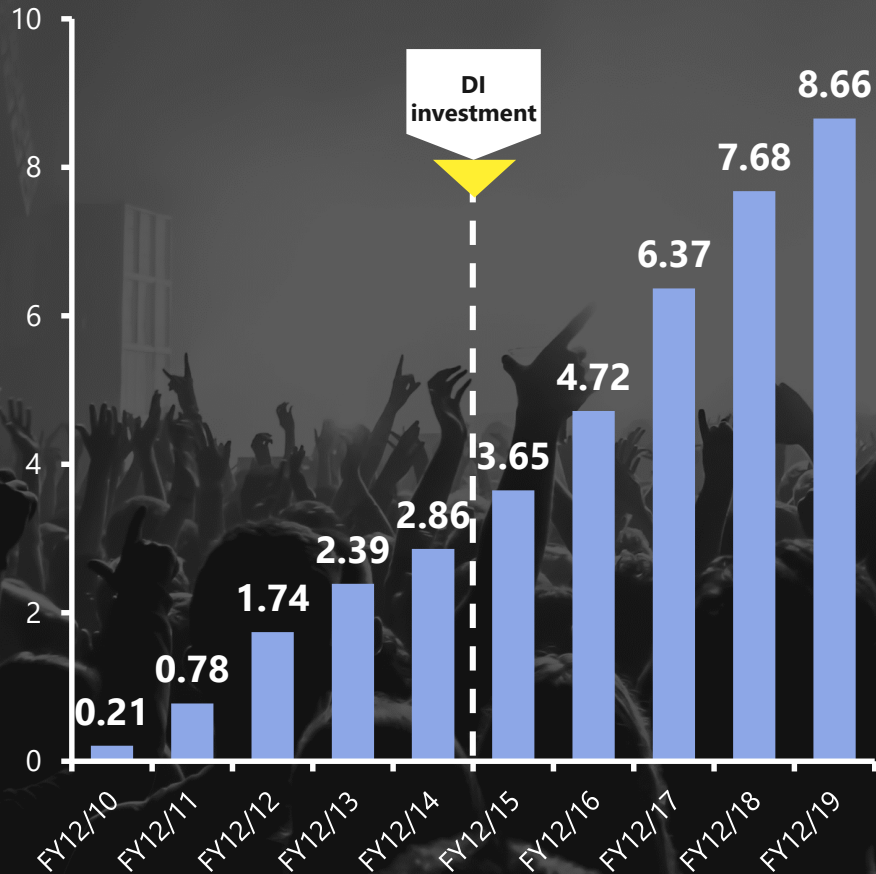
Business that not only handles ticketing, but also engages in direct marketing

Boardwalk Members and Sales

Members

Members (millions)

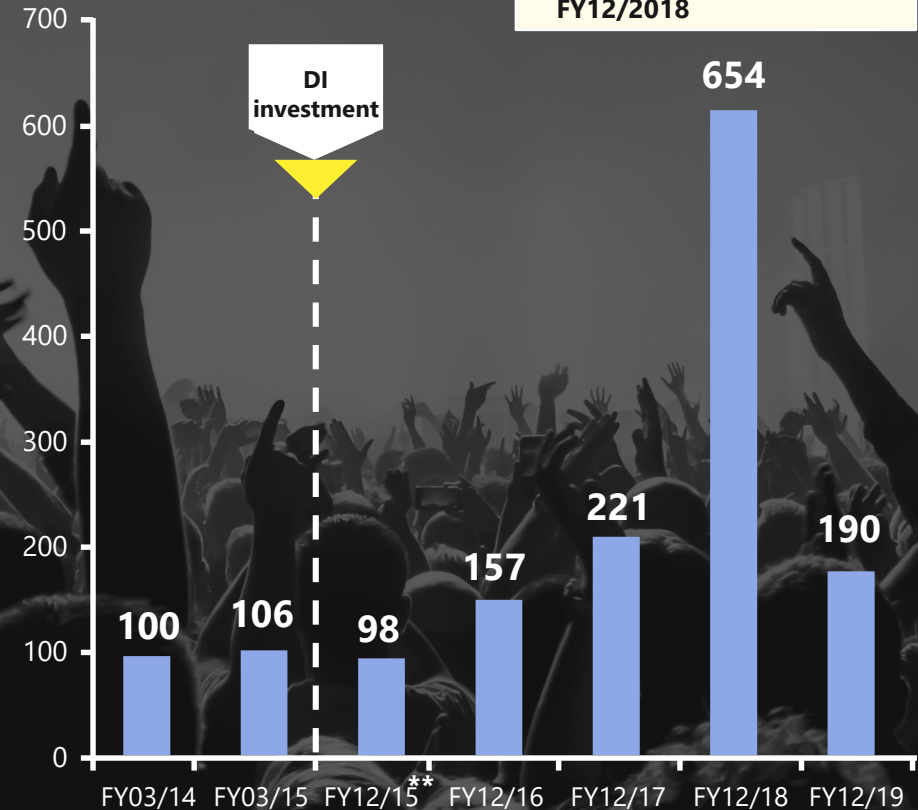
8.76mn (as of March 2020)



Sales*

(FY03/2014 = 100)

● Exceeded forecast despite reactionary decline caused by extraordinary demand in FY12/2018



Net income*** (JPYmn)

Not disclosed 380 50

* Sales indexed to FY03/2014 = 100

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

*** From Official Gazette database

Quarterly gross profit*

(Gross profit in April through June 2016 = 1)



Status of initiatives

Business model

- Operation of freelance consultant matching platform

Overview

- Investment phase to scale its operations ended March 31, 2020 (technology, recruitment, etc.)
- Gross profit, a KPI, grew greatly in 2H thanks in part to sales staff enhancement

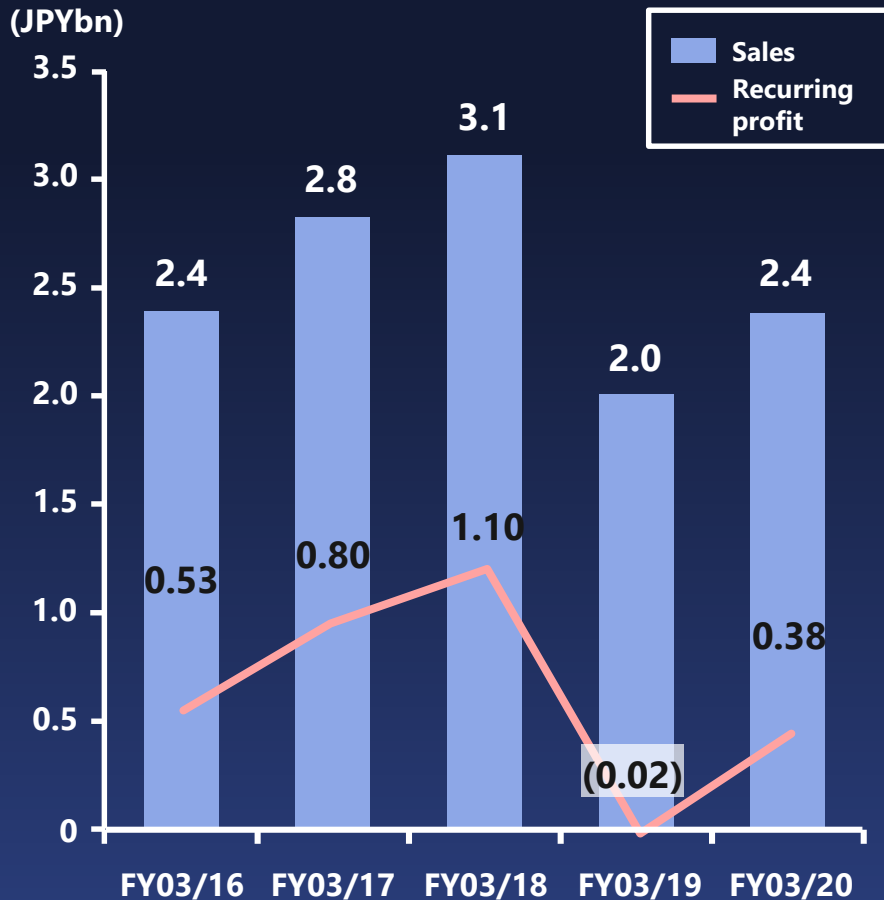
Future Initiatives

- The impact of the novel coronavirus pandemic is currently unclear
- New societal themes related to workstyles (remoteness, avoiding the "three Cs" [closed spaces, crowded places, and close-contact settings]) are a potential growth opportunity for WSL
- Future investment will be targeting scale expansion while the Company maintains an awareness of changing societal needs

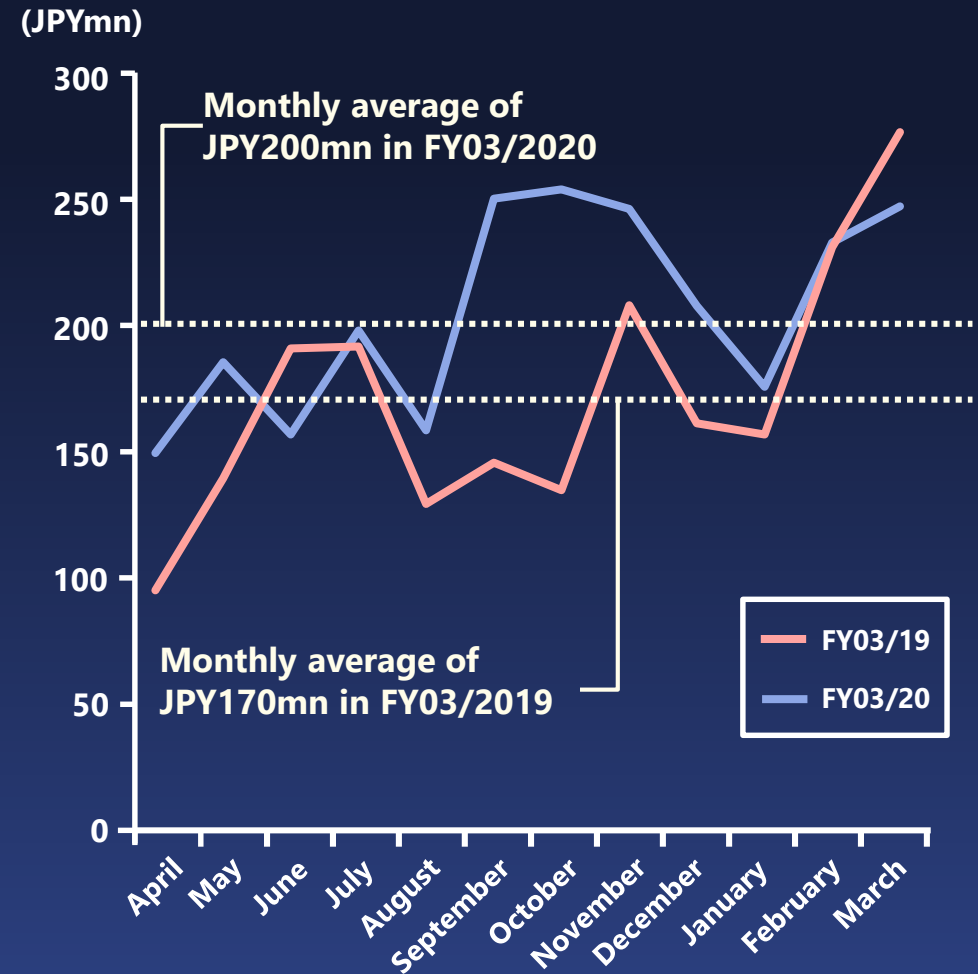
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Professional Services Overview*

Operating performance



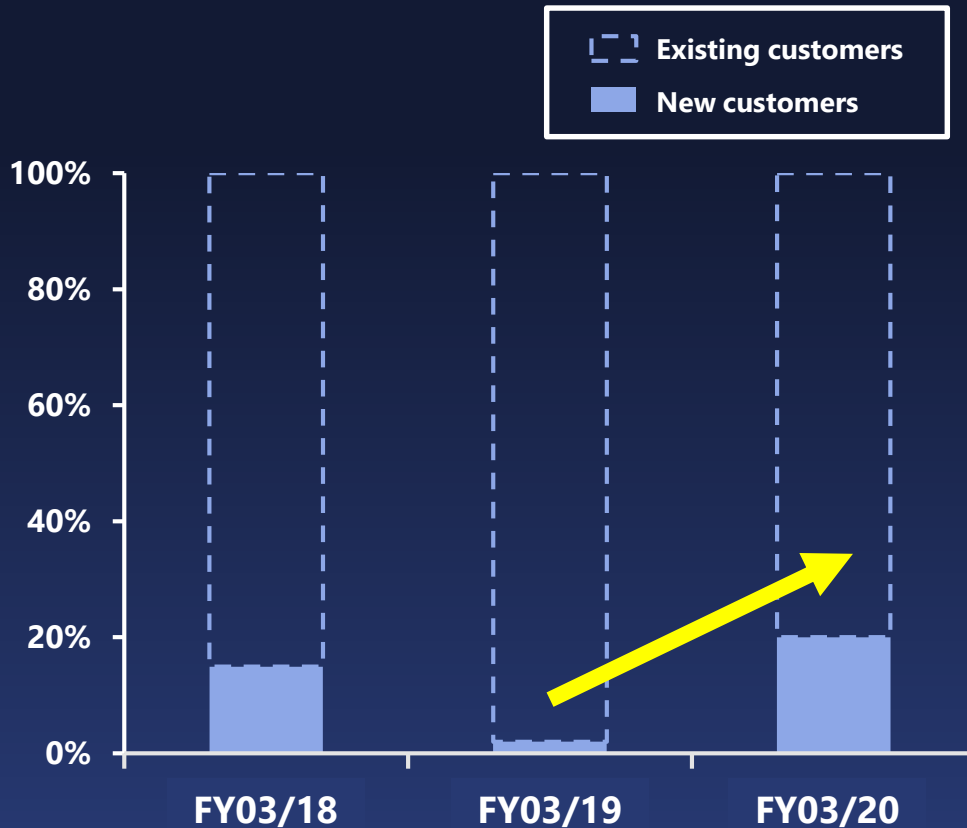
Monthly sales



Rebuilding measures in place since FY03/2019 continue to be successful

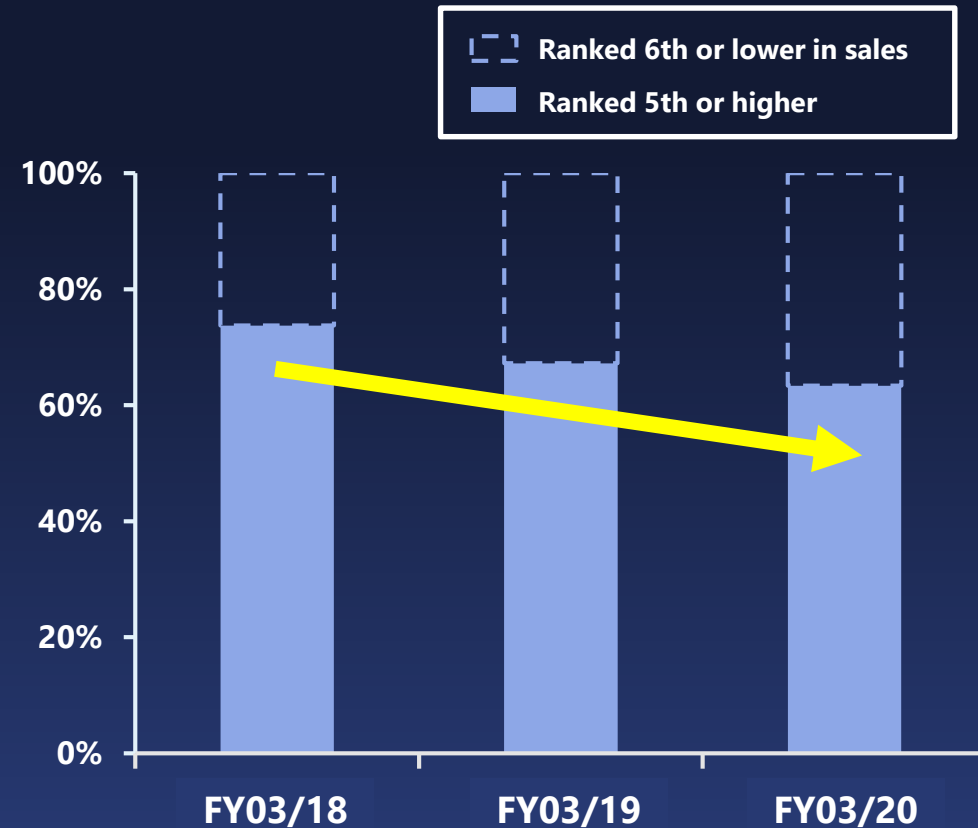
Strategic Consulting: Focus on Strengthening Earnings Base

New customers' share of sales*



Acquire more new customers through means such as expanding available services

Share of sales held by the five top-selling companies*



Decrease dependence on specific customers and diversify earnings sources

* Including Group companies

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Venture Capital Results to Date



179

Investments



8

Countries invested



29

IPOs



2.2x

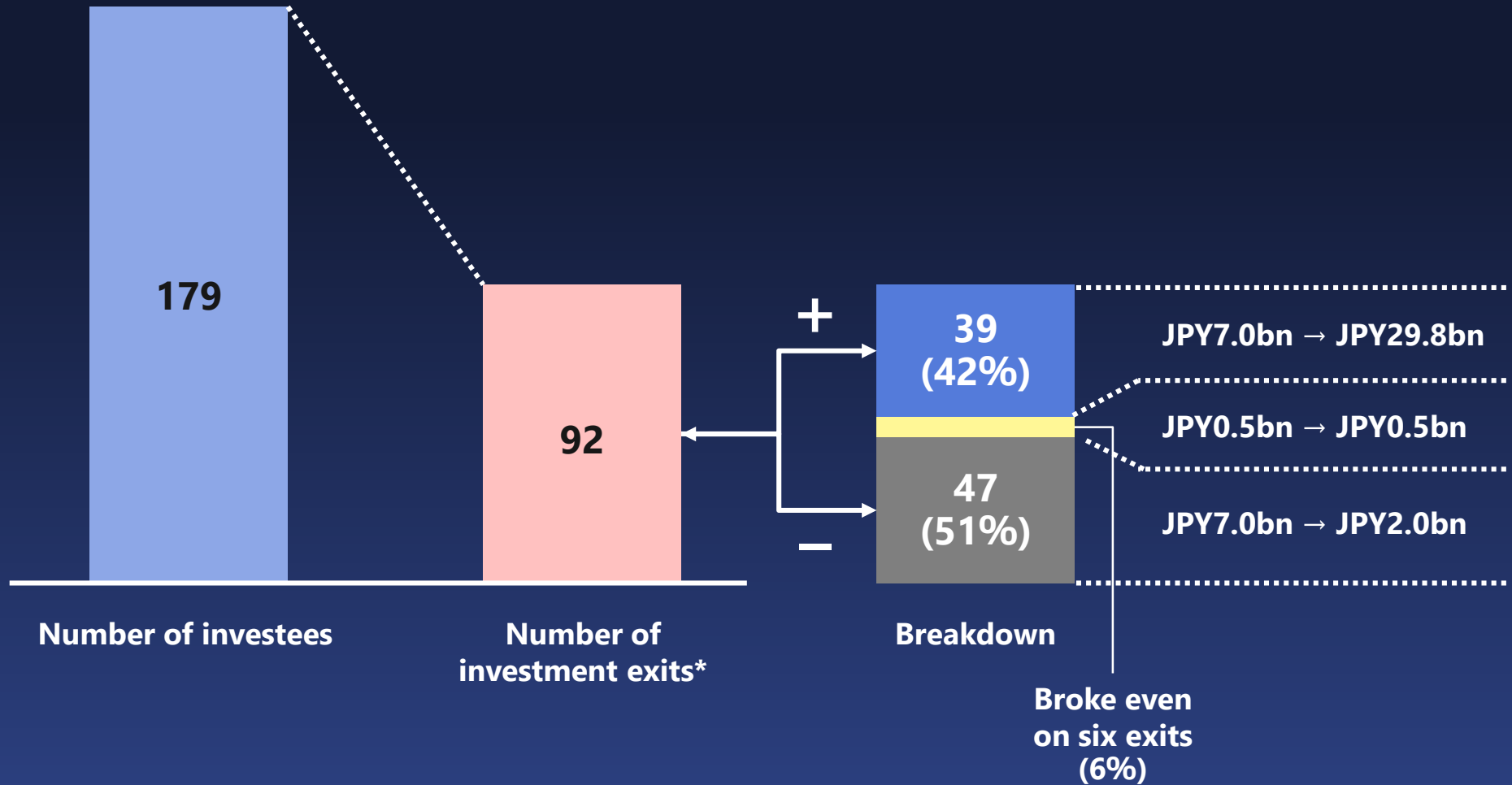
Investment Multiple



14%

IRR

Gains on 42% of Investment Exits



* Represents shares of companies for which investment results are clear (recovery or effective insolvency)
Calculated based on the assumption that all listed shares were sold at their initial prices

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

$(\text{Total return} \div \text{total investment})^{1/\text{average investment period}}$

Portfolio Overview

(JPYbn)		End-March 2019		→	End-March 2020	
			(Number of companies)			(Number of companies)
Main venture portfolio*	Japan	1.6	(18)	+ Investment (22 companies***) - Sold (8 companies) - Impairment losses (5 companies)	2.0	(24)
	India	1.0	(14)		1.2	(19)
	US	0.32	(7)		0.20	(4)
	Others	0.95	(4)		0.56	(3)
	Total	3.9	(43)		4.0	(50)
Other investment**		2.0		2.1		
Investment balance		5.9		6.2		

* 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)

(JPY100mn)

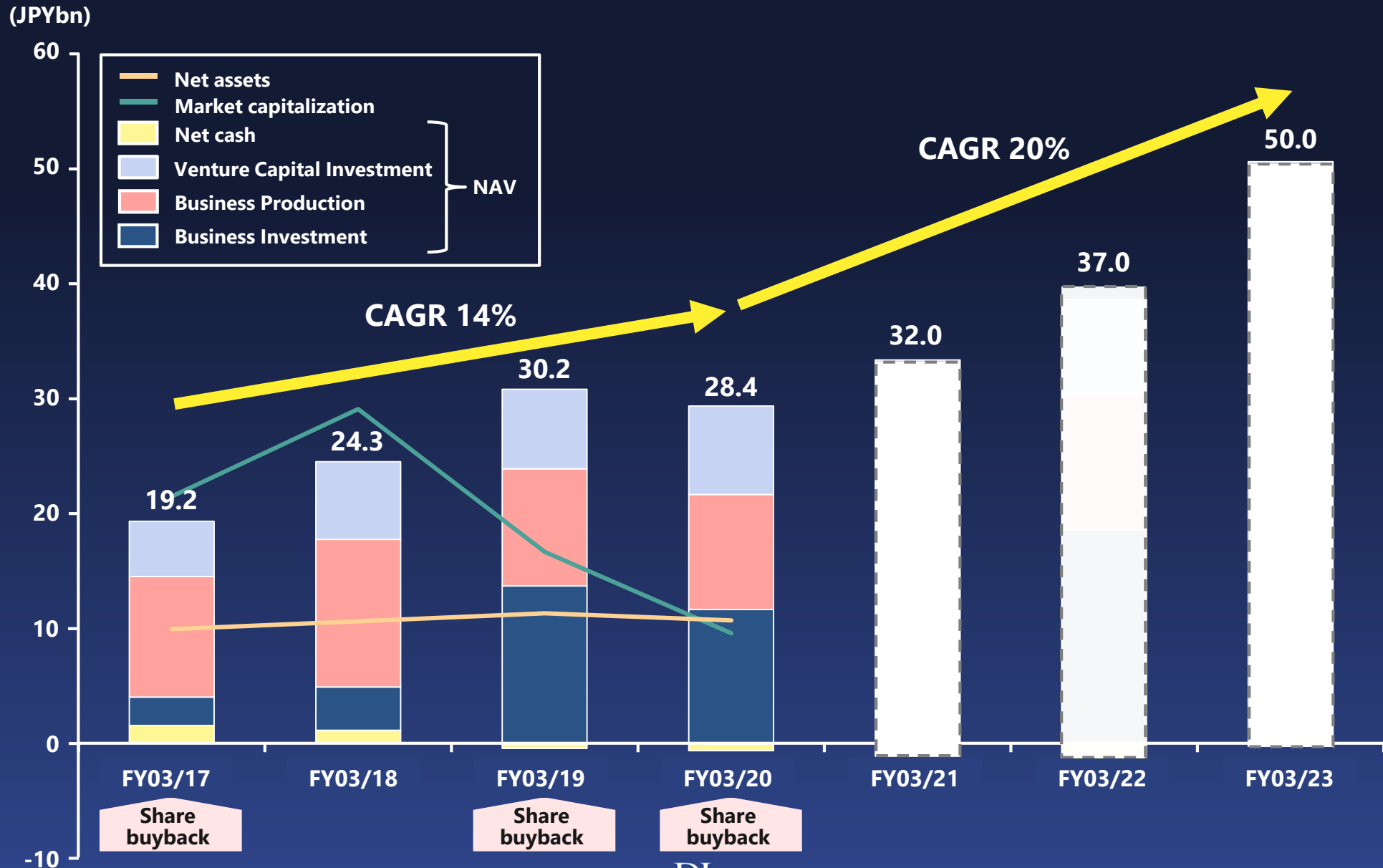
Japan				
Investee	Book value	Unrealized gains	Investment multiple	IRR
A	4.5	1.4	1.3	20%
B	2.5	▲0.6	0.7	-5%
C	2.0	Not revalued*		-
D	1.8	1.0	1.6	27%
E	1.2	Not revalued*		-
F	1.1	2.4	3.0	39%
G	1.0	0.1	1.1	6%
H	0.7	0.3	1.4	6%
I	0.7	0.9	2.3	38%
J	0.6	Not revalued*		-
K	0.5	0.7	2.5	53%

India				
Investee	Book value	Unrealized gains	Investment multiple	IRR
L	1.6	0.3	1.2	17%
M	1.5	▲0.3	0.7	-11%**
N	1.2	▲0.3	0.7	-11%**
O	1.1	▲0.0	0.9	-7%**
P	1.0	0.6	1.6	26%
Q	0.8	0.0	1.0	0%
R	0.7	0.3	1.4	13%
S	0.7	▲0.0	0.9	-14%**
T	0.7	▲0.0	1.0	-0%**
U	0.5	1.7	4.0	97%
V	0.5	0.1	1.2	9%
W	0.5	Not revalued*		-
X	0.5	Not revalued*		-


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

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Forecasts Regarding Net Assets, Market Capitalization, and NAV



Possible Impact of Novel Coronavirus Pandemic on Each Business

		Short-term impact		Medium- to long-term impact
		If the situation is settled in Q1	If the situation is settled in Q3	
Venture Capital Investment		Impact: (effects from stock market during and after the pandemic) <ul style="list-style-type: none"> • Temporary stagnation of stock and IPO and markets → Risk of less capital gain • Long-term stagnation of stock and IPO and markets → Further risk of impairment loss associated with investees 		Possibility that the industrial structure will fundamentally change <ul style="list-style-type: none"> • Burst of generational turnover • Increase in importance of business creation aimed at resolve societal issues and national industrial policies  DI's business opportunity: Increase <ul style="list-style-type: none"> • Mission: Create businesses and Change Societies • Strengths: Strategies, technologies, policies, investments, and restructurings • Network: Major companies, venture companies, and the government
Business Production		Impact: Small <ul style="list-style-type: none"> • Ordered projects are completed without problems 	Impact: Large <ul style="list-style-type: none"> • Risk of fewer orders for new projects 	
Business Investment	Pet Lifestyle (iPet)	Impact: Small <ul style="list-style-type: none"> • No major issues aside from a slight reduction in new subscribers 		
	Fan Marketing (BW)	Impact: Large <ul style="list-style-type: none"> • Cancellation of live events 		
	HR Innovation (WSL)	Impact: Small <ul style="list-style-type: none"> • Fewer inquiries 	Impact: Large <ul style="list-style-type: none"> • Risk of decrease in orders 	

Examples of Initiatives Related to Societal Issues and Business Creation (Release Excerpts)

Signing of memorandum with Toyota City related to social impact bonds, a new type of public–private partnership for solving social issues (February 25, 2020)

- DI and Toyota City will move forward with research and studies with the aim of employing SIBs to address a host of social issues in Japan, including issues in healthcare, infrastructure maintenance and repair, disaster mitigation, recycling, children’s education, and urban planning and development.

DI and the city of Maebashi began considering the implementation of social impact bonds, a new type of public–private partnership for solving social issues (May 8, 2020)

- SIBs are expected to be useful in addressing a host of social issues in Japan, including issues in healthcare, infrastructure maintenance and repair, disaster mitigation, recycling, children’s education, and urban planning and development. DI and Maebashi will investigate and research the application of SIBs to tackle these various social issues.

Dream Incubator contracts a project with JICA to gather basic information and conduct confirmation research for setting up public–private sector fund to foster entrepreneurs and SMEs worldwide (April 17, 2020)

- DI serves as a consultant to track trends in impact investment in developing countries, screening promising business sectors and companies to invest in, and make recommendations to establish an investment framework, including a new public–private sector fund.

Takashi Shimada



**Advisor to the Ministry of Economy,
Trade and Industry
Former Vice-Minister of Economy,
Trade and Industry**

Hideka Morimoto



**Former Vice-Minister of
the Environment**

**Provide advice on overall management and
accelerate new business-creation projects that aim to address major social issues**

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FY03/2020 Results of Venture Capital Investment and Support

Japan

Slogan HR support services for new industrial fields SLOGAN	MESH Well Daywork matching service specializing in apparel 	SHOWROOM Live video platform 	Gojo & Company Microfinance for developing nations Gojo & Company, Inc.
Brandit D2C brand development using influencers 	SingulaNet Blockchain for companies 	COVER* Office management for virtual YouTubers 	Gracia Online gift shop 
LegalForce AI-equipped contract review support 	div Programming skill acquisition support 	Plus two other companies	

India

BulkMRO Online sale of indirect materials 	Aegis Care Advisors Recruitment service for human resources in caregiving and nursing 	Netdox Health Cancer treatment and hospital referral platform 	Tricog Health AI-based support for remote EKG examinations 
Catbus Infolabs Urban logistics platform 	SUPER GAMING Gaming apps 	HealthifyMe Health management app 	Rizort Online travel agent for the wealthy class 
Qyuki DigitalMedia Digital video ads 	WhizDM Innovations Consumer loan marketplace 	Sekhmet Technology CRM service for hospitals 	

Establishment: 2016

Operates one of the largest offices for virtual YouTubers in Asia

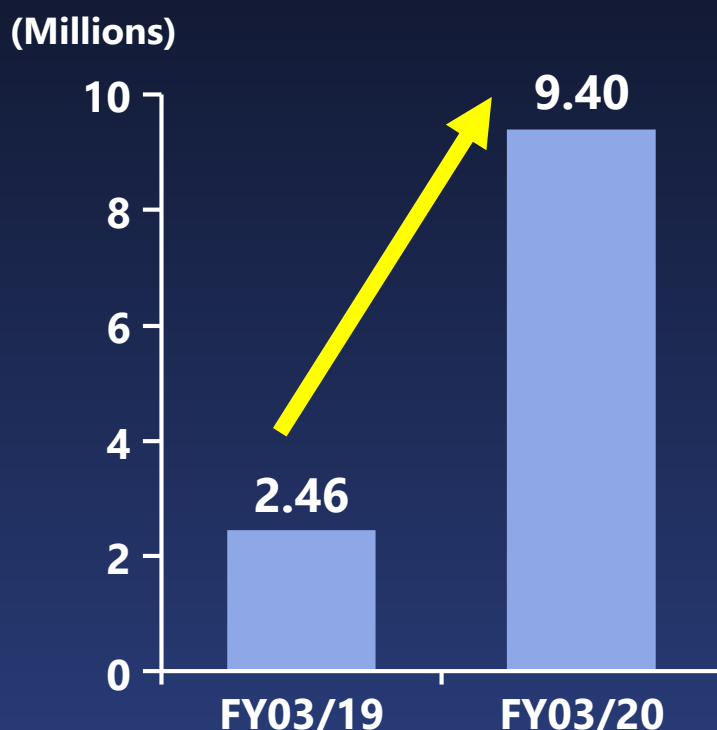
Founder

- Motoaki Tanigo (40s)

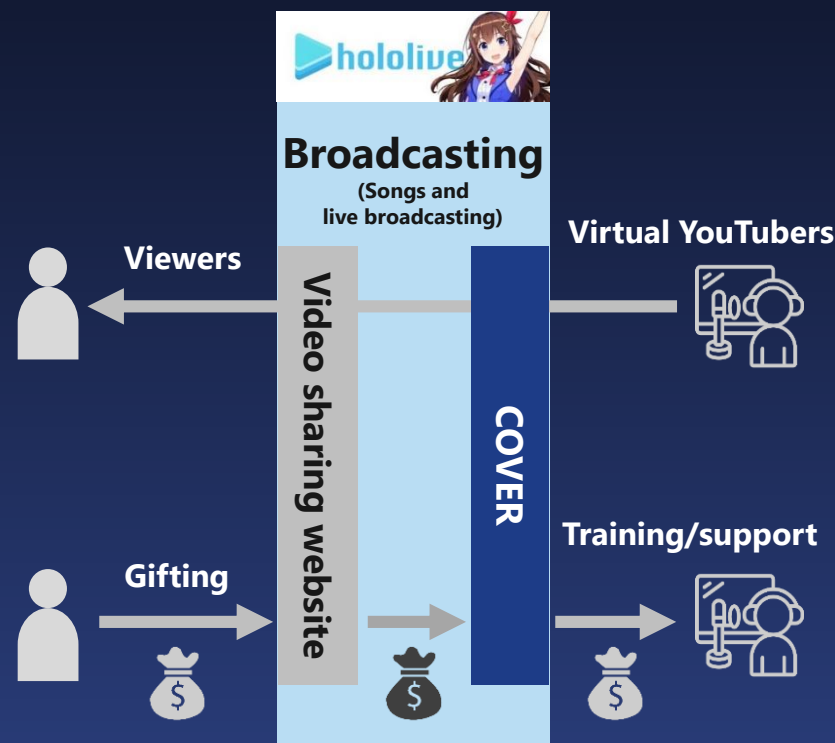


Investment stage: Later

Number of fans*



Business model



Sales increased by 800% YoY and fan count exceeded 9.4mn

* Fans registered through channels such as Youtube and bilibili

Model Investees: SHOWROOM, Gojo & Company

SHOWROOM

すべての人生に、夢中を



- President: Yuji Maeda (30s)
- Manages SHOWROOM, a live video streaming platform
—over 3.5mn members
- Top in earnings from video apps in 2017 and 2018*
- His most recent book, *The Magic of Memos* (Gentosha Inc.), is a bestseller with 500,000 published copies
—Top seller in the business category in 2019**

DIMENSION

Gojo & Company, Inc.



(First project of Dimension venture capital fund)

- President: Taejun Shin (30s)
- Operating a microfinance business in four developing nations***
- Ranked 11th in the 2019 Nikkei NEXT Unicorn Survey, a ranking of estimated corporate values

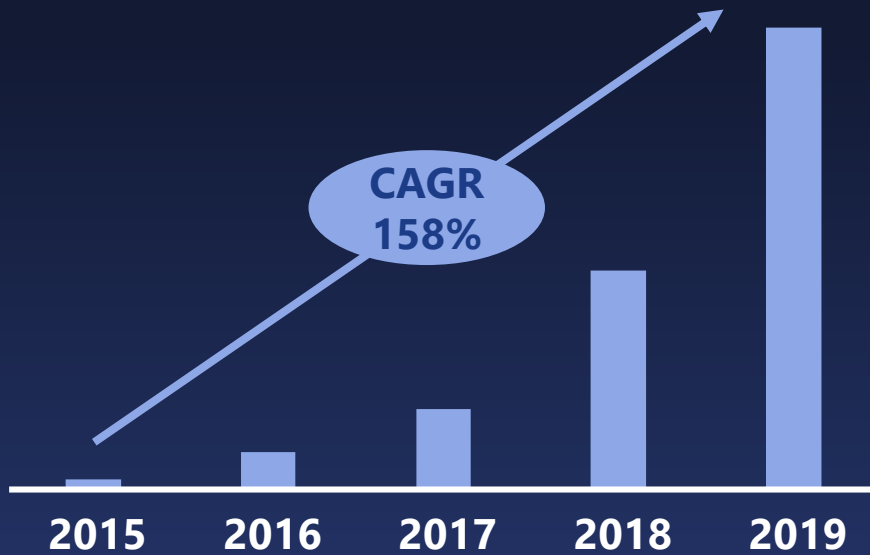
	Company name (business details)	Estimated corporate value
11	Gojo & Company, Inc. (Small loans for companies in developing nations)	JPY33.7bn
12	from scratch Co., Ltd. (Marketing support)	JPY33.1bn

Invested in two notable later-stage venture companies

* Source: App Annie survey blog
** Announcement from TOHAN CORPORATION and NIPPAN
"2019 Bestsellers" (independent business book category)
*** India, Cambodia, Myanmar, and Sri Lanka

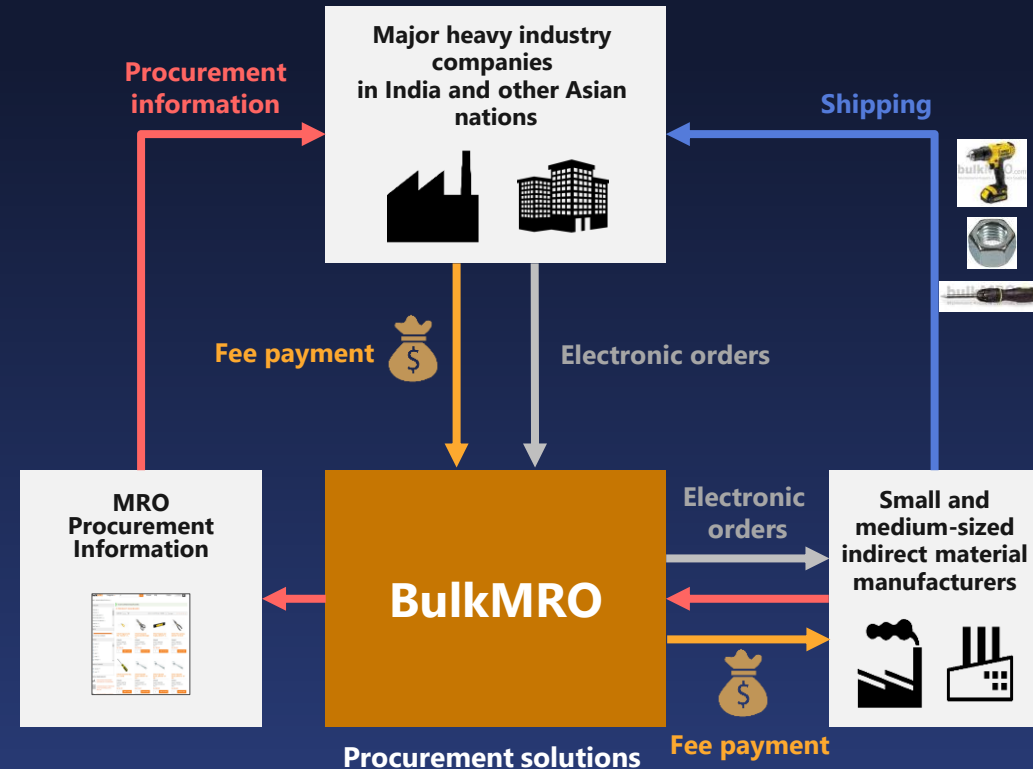
Earnings and characteristics

Sales



- Originated from the Y Combinator incubator program
- Online sales of indirect materials (industrial tools, work clothing, bolts, etc.)

Business model



Simultaneously achieve both profit and high levels of growth

Dream Incubator Inc.