

FY03/2021 FINANCIAL RESULTS BRIEFING PRESENTATION

May 14, 2021

Dream Incubator Inc.

(Stock Code: 4310)



DI

SUMMARY

FY03/2021 financial results: Recorded substantial losses due to the COVID-19 pandemic and start of structural reforms

- **Temporary decline in corporate appetite for new business, slowdown in investee businesses, delays in IPOs**
- **Reviewed asset valuation of venture investments and IT development policy of subsidiary ipet Insurance in anticipation of a prolonged pandemic (recorded extraordinary loss)**

The newly formed management team is working on the following four challenges as part of structural reforms to achieve new forms of growth:

- **Controlling volatility of high-risk investments**
- **Making appropriate investments in business production**
- **Creating a mechanism for leveraging strengths**
- **Implementing appropriate governance for the above three points**

By further accelerating structural reforms, we hope to regain the confidence of the stock market and drive new growth



1. FY03/2021 Financial Results Summary

2. Structural Reforms

FY03/2021 CONSOLIDATED P&L (AFTER INSURANCE ITEM ADJUSTMENTS)

(JPYbn)

	FY03/ 2020	FY03/ 2021	YoY change	
			Amount	Percentage
Sales	22.75	27.77	5.02	22.1%
Gross profit	11.08	11.72	0.63	5.8%
Operating profit	0.76	-0.21	-0.98	—
Recurring profit	0.61	-0.23	-0.85	—
Net income (attributable to parent company shareholders)	0.06	-1.80	-1.87	—

- Loss on disposal of ipet fixed assets: -1.4bn
- Increase in tax expenses
(reversal of deferred tax assets): -0.3bn

FY03/2021 CONSOLIDATED P&L (BEFORE INSURANCE ITEM ADJUSTMENTS)

(JPYbn)

	FY03/ 2020	FY03/ 2021	YoY change	
			Amount	Percentage
Sales	22.75	27.77	5.02	22.1%
Gross profit	10.44	10.98	0.54	5.2%
Operating profit	0.12	-0.95	-1.08	—
Recurring profit	-0.02	-0.97	-0.94	—
Net income	-0.19	-2.10	-1.90	—

(attributable to parent company shareholders)

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

ADJUSTED INSURANCE ACCOUNTING ITEMS AND AMOUNTS

(JPYbn)	FY03/ 2020	FY03/ 2021
Unadjusted gross profit (consolidated)	10.44	10.98
<ul style="list-style-type: none"> • Adjustment related to ordinary underwriting reserves* • Catastrophe reserve provision** 	+ 0.06 + 0.58	+ 0.02 + 0.71
Total adjustments	+ 0.64	+ 0.73
Adjusted gross profit (consolidated)	11.08	11.72

* 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 FY03/2021 P&L BY BUSINESS FIELD

(JPYbn)		FY03/ 2020	FY03/ 2021	YoY change	Notes	
Venture Capital	• Sales	0.80	1.09	36.1%	<ul style="list-style-type: none"> • Business conditions weakened and impairment loss widened for COVID-affected companies • Scheduled IPOs postponed 	
	• Recurring profit	-0.40	-1.48	—		
Business Production	• Sales	2.67	2.31	-13.4%	<ul style="list-style-type: none"> • Corporate appetite for new business temporarily diminished, but recovered in 2H • Profit rose on administrative cost cuts 	
	• Recurring profit	0.21	0.29	40.4%		
Business Investment	Pet Lifestyle	• Sales	18.31	22.85	24.8%	<ul style="list-style-type: none"> • Number of policies in force and number of claims rose on stay-at-home demand • Reviewed systems to improve LTV (loss on disposal of fixed assets: JPY1.4bn)
		• Recurring profit*	0.92	0.97	4.9%	
	HR Innovation	• Sales	0.96	1.10	13.7%	<ul style="list-style-type: none"> • 2H earnings grew substantially • Continued growth investment in personnel and digital transformation
		• Recurring profit	-0.12	-0.07	—	
	Other (PEACS)	• Sales	—	0.44	—	<ul style="list-style-type: none"> • Acquired a business with the aim of expanding the fan marketing business domain • Newly consolidated from February 2021
		• Recurring profit	—	0.4	—	

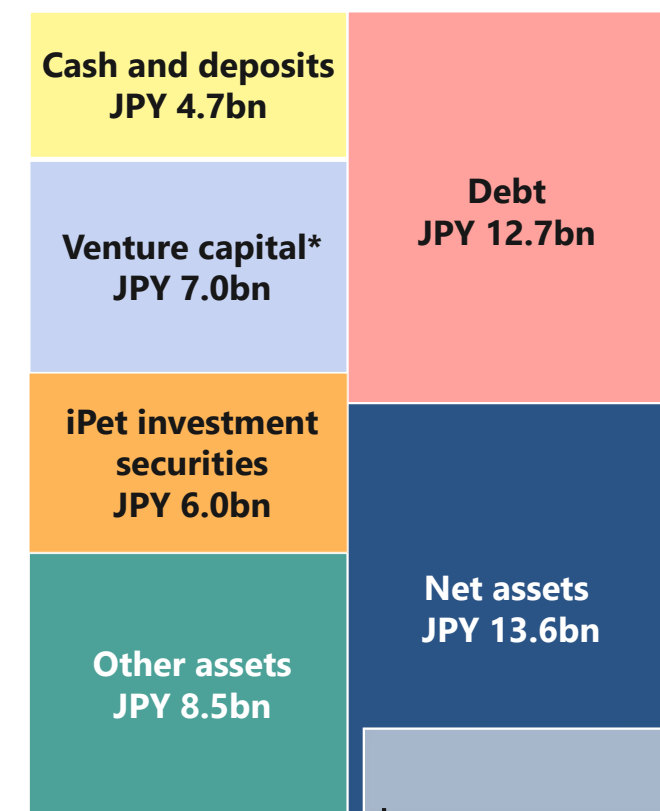
* After insurance item adjustment

Note: Recurring profit was calculated as segment profit – companywide expenses +/- non-operating profit/loss

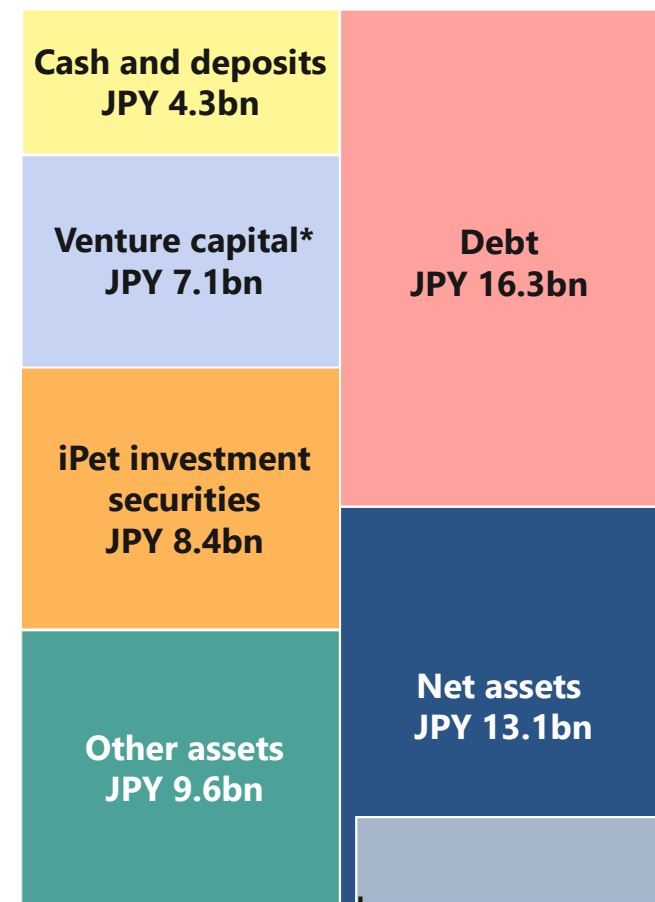
FY03/2021 CONSOLIDATED BALANCE SHEET

March 31, 2020
(Total assets: JPY26.4bn)

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



Breakdown of change in net assets	
• Net income	-JPY2.1bn
• Non-controlling interests	+JPY0.97bn
• Valuation differences on available-for-sale securities	+JPY0.74bn
• Other comprehensive income	-JPY0.05bn
Total	-JPY0.44bn



Includes non-controlling interests of JPY2.9bn

Includes non-controlling interests of JPY3.9bn

* Includes post-IPO

FY03/2021 NET ASSET VALUE (NAV)

(JPYbn)

March 31, 2020

Total: 28.4
(JPY2,811/share)



- Investment +JPY0.5bn
- Valuation loss -JPY0.7bn
- Recovered book value -JPY0.6bn

- Sector P/Es* bounced back from the pandemic-induced slump (25x→34x)
- DI's 5-yr avg. profit fell JPY390mn →JPY360mn

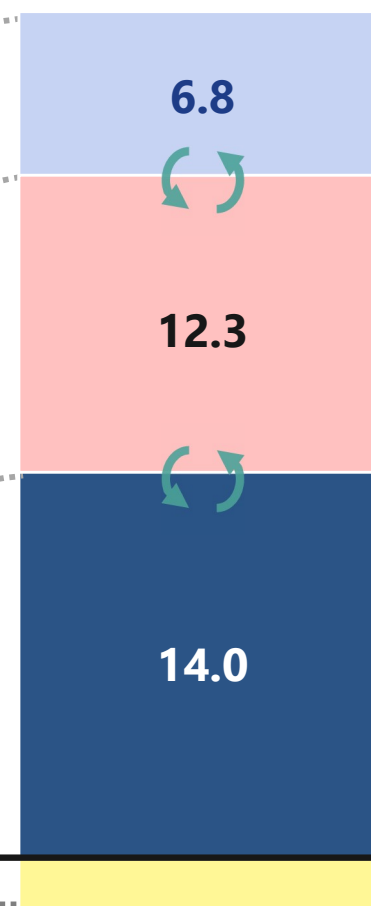
- ipet's share price increased (JPY1,703→JPY2,143)

Net Cash -0.6

FY03/2021

March 31, 2021

Total: 32.4
(JPY3,244/share)



End-FY03/2021 est.

Total: 32.0



-0.7

* The median P/E of other companies listed in the same category on Uzabase, Inc.'s SPEEDA market info service



1. FY03/2021 Financial Results Summary

2. Structural Reforms

Mission

Create Businesses and Change Societies

- Business creation with social impact
- Visionary expertise cultivated through strategic consulting
- Connection with large corporations and government agencies

**Business
Production**

Incubation

- Established trust with venture entrepreneurs
- Extensive knowledge of the investment business
- Experience in business restructuring and management

**Build a sustainable
society**

**Create new
industries**

**Support emerging
entrepreneurs**

STRUCTURAL REFORMS

In FY03/2021, we renewed our management team with members carrying the founding spirit of DI.

The new management team will build on the company's two decades of history and relentlessly pursue a form of growth to achieve its mission and meet the expectations of shareholders.

We are determined to address the following four challenges as part of our structural reform:

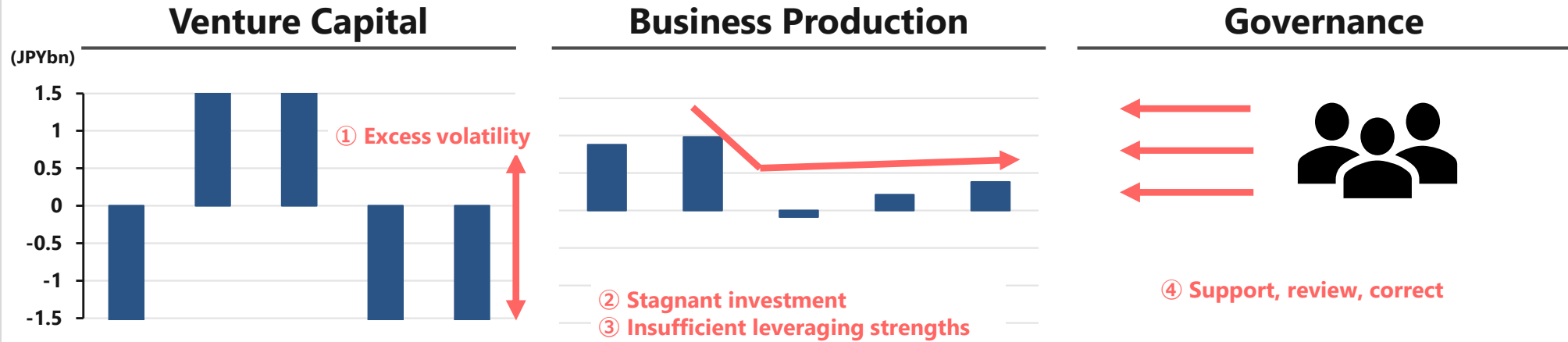
- 1. Mismatch between risk and time horizon due to investment volatility**
- 2. Skewed resource allocation due to heavy weighting of risk assets and stagnation in investment in Business Production, our biggest differentiating feature**
- 3. Need for mechanisms to leverage and expand our differentiating features**
- 4. Governance system that supports and reviews these efforts and makes corrections as necessary**

By overcoming these challenges and promoting structural reforms, we will strike a balance between accomplishing our mission and growing profits, while expanding our impact and controlling volatility.

PAST CHALLENGES AND COUNTERMEASURES

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

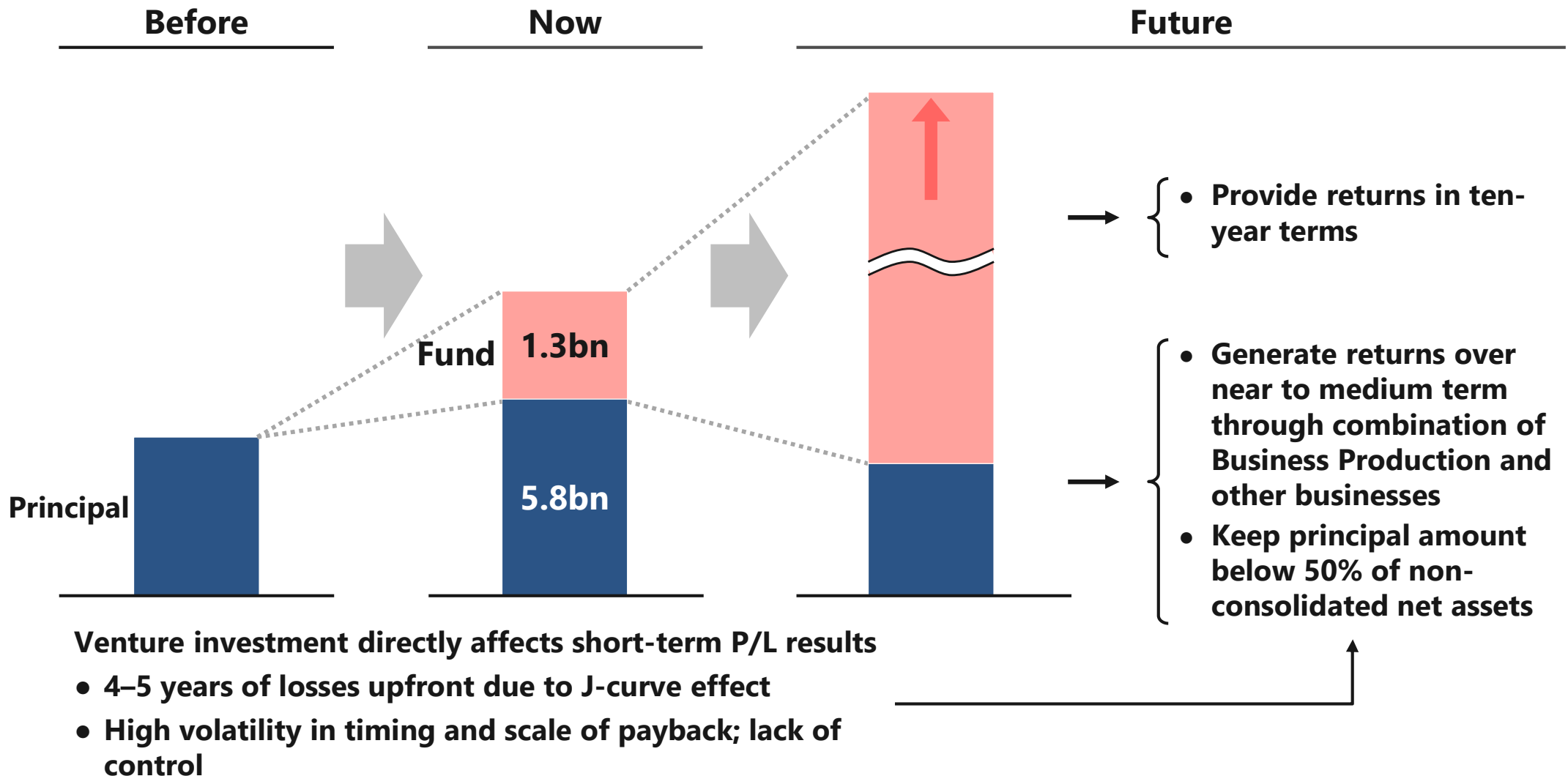
Structural Reform (3) :
Expand business production
by applying financial
functions

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

Achieve "Mission x Profit Growth" and "Volatility Control x Impact Expansion"

STRUCTURAL REFORM (1) LIMIT PRINCIPAL INVESTMENT & EXPAND FUND SIZE

Illustration of venture investment scale using procured funds



STRUCTURAL REFORM (2) STRENGTHEN CORE BUSINESS PRODUCTION CAPABILITIES

Expand offering to 3 functions. Double sales in 3 years by enhancing personnel and forming business tie-ups

Business Production Installation

Customer Driven

- Support a wide range of customer challenges related to business creation

Examples:

- New business creation setup and operational support
- New business and new organizational operating system creation support
- Business creation advisory
- Examination of societal trends and ideal business models

Business Production

Theme Driven

- Major business creation with particular focus on strategy

Examples:

- Carbon sink x Business Creation
- Hydrogen society x Business promotion
- Launch of comprehensive community care business
- Support for commercialization of technology
- R&D management support

Industry Production

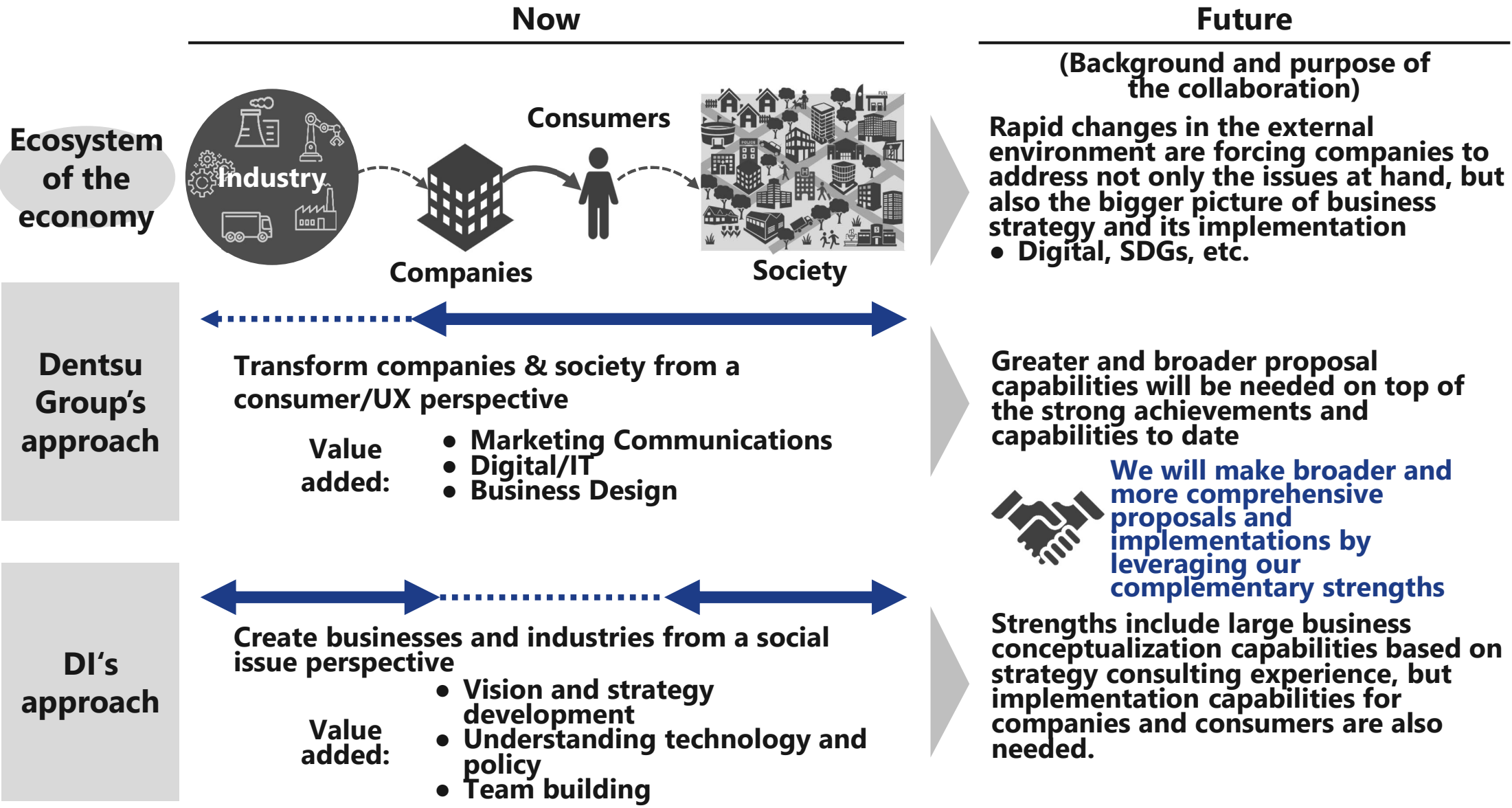
Vision Driven

- Create new business ecocycles with grand visions in collaboration with finance industry

Examples:

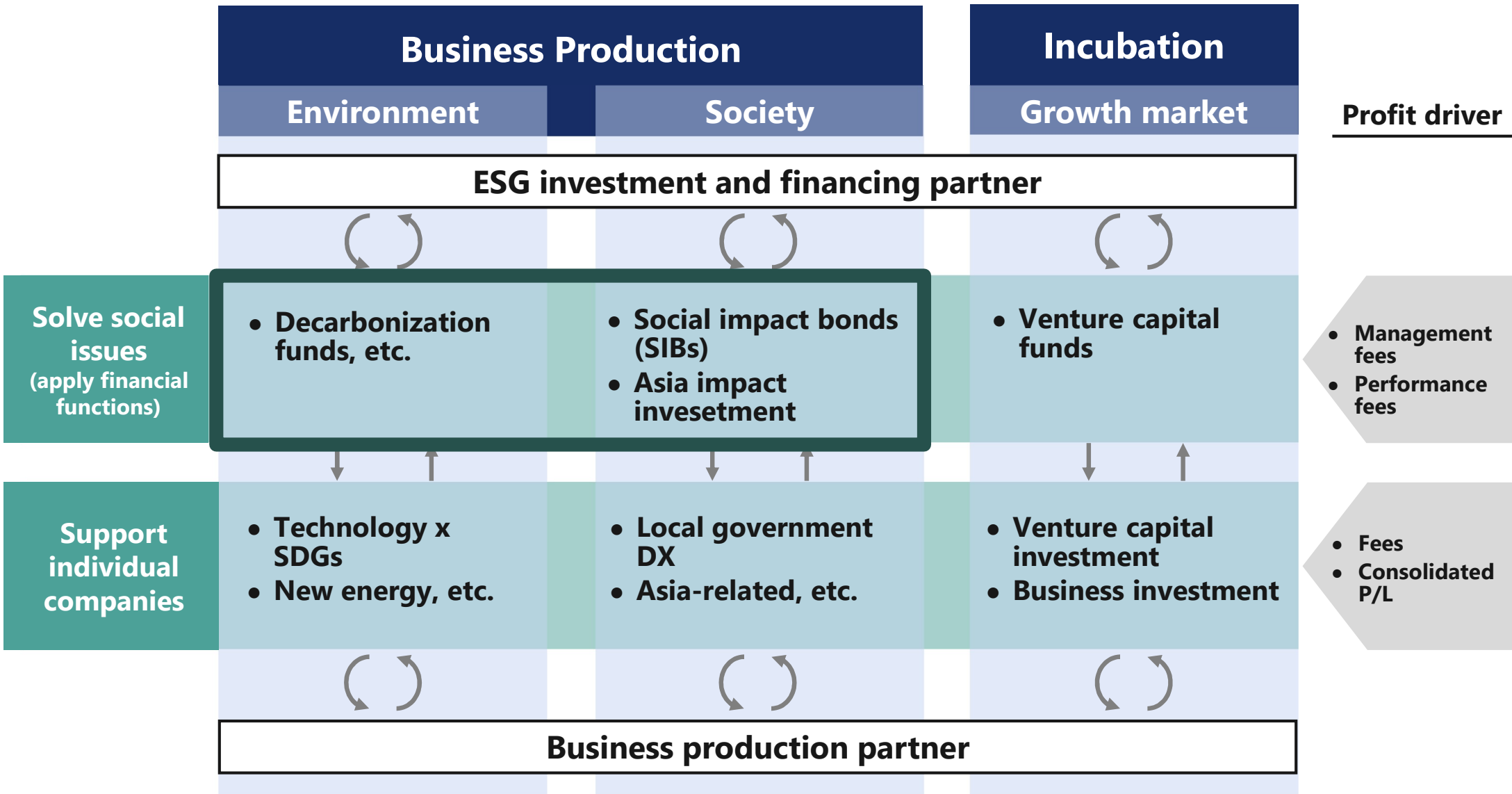
- Establish SIB fund business in Japan
- Overseas SDGs fund launch support
- New industry production and investee value enhancement support
- Cross-border M&A support

CAPITAL AND BUSINESS ALLIANCE WITH DENTSU GROUP TO ACCELERATE EXPANSION



STRUCTURAL REFORM (3) EXPAND BUSINESS PRODUCTION BY APPLYING FINANCIAL FUNCTIONS

Business structure under consideration



STRUCTURAL REFORM (4) STRENGTHEN GOVERNANCE STRUCTURE TO PROMOTE REFORM

Addition of independent outside directors (candidates)



Takashi Shimada

- 1982 Ministry of International Trade and Industry
- 2017 Vice-Minister, Ministry of Economy, Trade and Industry
- 2020 Director, FUJIFILM Holdings



Tsutomu Fujita

- 1982 Yamaichi Securities
- 2010 Vice Chairman of Citigroup
- 2017 Specially Appointed Professor, Hitotsubashi University



Yuriya Komatsu

- 1986 Nomura Securities
- 2014 Director and CFO, Dwango
- 2020 Director, NTN Corporation

Strengthening functions of the board

Board with majority independent outside directors

- Outside: 6
- Inside: 3

Diversified board

- Active discussion of strategy through diversity in backgrounds, expertise, gender, etc.

Strengthen effectiveness of the Nomination and Compensation Committee

- Compose mainly of outside directors; engage in ongoing discussions
- Monitor execution responsibilities in cooperation with the Audit and Supervisory Committee

Improve independence and diversity of outside directors

- Review composition and appointment terms of outside directors in line with strategic issues

SOLVING SOCIAL ISSUES THROUGH BUSINESS PRODUCTION AND FINANCIAL FUNCTIONS

Next Rise Project Launched



ニッポンの
夜明けをつくれ。
Next Rise Project

TARGET AREAS: HOW IT RELATES TO THE JAPANESE GOVERNMENT'S "8 PRIORITY ISSUES" OF SDGS

SUSTAINABLE DEVELOPMENT GOALS

1. Realization of gender equality and a society where every person can play an active role

- Female advancement, corporate governance reform, telework, etc.

2. Achievement of good health and longevity

- Build strong and inclusive health systems, maintain equipment, develop talent, ensure life-saving systems, improve nutrition, etc.

3. Creating growth markets, revitalization of rural areas, and promoting science technology and innovation

- Digital transformation, biotechnology, SDGs future city initiatives, etc.

4. Sustainable and resilient land use, promoting quality infrastructure

- Develop high quality infrastructure such as water supply, roads, power plants, etc.

SIB (healthy aging)

Venture / Incubation

SIB (infrastructure)

5. Energy Conservation and renewable energy, disaster risk reduction and climate change countermeasures, sound material-cycle society

- Achieve carbon neutrality by 2050, create a virtuous cycle between economy and environment, etc.

6. Conservation of biodiversity, forests, and oceans, and other environments

- Zero new pollution from marine plastic waste by 2050, biodiversity conservation, etc.

7. Achieving peaceful, safe and secure societies




- Positive pacifism, rule of law, measures against domestic violence and sexual abuse, prevention of child abuse, etc.

8. Strengthening the means and frameworks for the implementation of the SDGs

- Development assistance for developing countries through government-private sector cooperation, promotion of ESG investment and SDGs, etc.

Decarbonization fund

Asia impact investment fund

Note:  In progress  Launching  Preparing
 Source:SDG Action Plan 2021 (Headquarters for the promotion of the SDGs, Dec. 2020. Headed by the Prime Minister and composed of all cabinet members),
 image Adobe Stock

EXAMPLE INITIATIVE 1: FIRST DOMESTIC SIB* PROJECT STARTING IN JULY 2021



豊田市
TOYOTA CITY

令和3年1月5日

Press Release

問合せ
未来都市推進課（担当者：中神 泰次、丹羽 広和）
（内線）3-0850（直通）0565-34-6982

SIBを活用した官民連携による介護予防事業の推進について 企業版ふるさと納税を活用し、コロナ禍の高齢者の社会参加を促進

豊田市は、豊田市つながる社会実証推進協議会の取組として、新しい官民連携の仕組みであるソーシャル・インパクト・ボンド（以下、SIB（※1））を初めて活用し、介護予防事業を推進します。

本事業は、団塊の世代の後期高齢化に加え、新型コロナウイルスの影響で高齢者の外出機会が減少しているという課題の解決のため、株式会社ドリームインキュベータとともに検討を重ねてきたもので、令和3年度からの事業開始に向けた準備を進めていきます。

- 事業期間
令和3年度から5か年程度の事業実施を想定
- 事業目的
コロナ禍においても、趣味や運動、就労など、人との様々なつながりを得ることができる社会参加機会・社会活動量を増やし、生きがいや楽しみを得られる取組を民間の創意工夫により提供する。
- 事業内容
65歳以上の高齢者（数千人規模）を対象に、社会活動量を増やす“オンライン”や“三密を避けたオフライン（対面）”でのプログラムを提供する。
※事業イメージは別添参照
- 事業規模
 - ・ 事業費は、5年間で5億円以上を想定（※2）
 - ・ 財源として、企業版ふるさと納税も活用

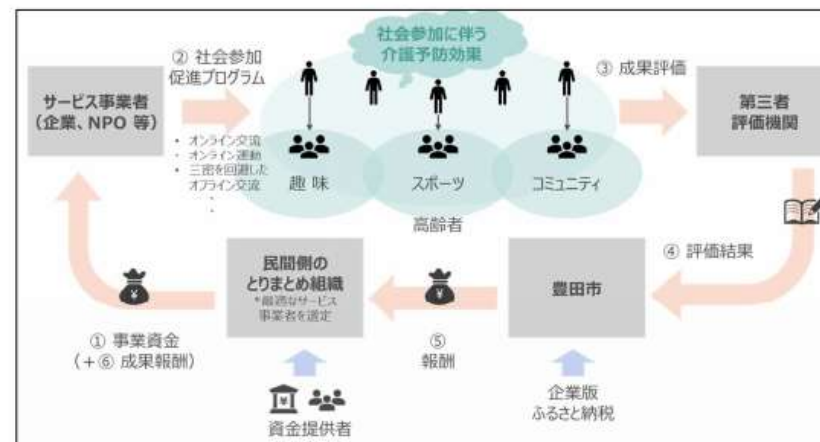
（※1）ソーシャル・インパクト・ボンド（SIB）について
 ・ 民間の活力を社会的課題の解決に活用するため、事業を実施するための資金を民間から集め、事業の成果に応じた成果報酬を、市が後から支払う仕組み
 ・ 委託事業として、民間の創意工夫により様々なプログラムを提供
 ・ 委託費の支払（報酬）については、契約時に指標を設定し、その達成度合いを評価・検証した上で支払う。

（※2）当該事業にかかる予算措置が講じられた場合に限り。

【事業イメージ：実際に提供されるプログラムについては、今後、具体化】



【ソーシャル・インパクト・ボンド（SIB）の全体像】



Multiple cities/prefectures, multiple areas concurrently under consideration

FUTURE DEVELOPMENT FOCUSED ON HEALTHY AGING, FACILITIES, AND INFRASTRUCTURE

Area	Issues	Business Description	Jurisdiction	Scale
Healthcare (Medical)	Diabetic nephropathy patients in Japan (16,000) need dialysis due to increased severity (JPY5mn per person per year)	Reduce medical costs by improving take rate of medical checkups and implementing programs to prevent diseases from growing severe	↑	JPY330mn x disease type (city of 500,000 people)
Recycling	Recycling rate for plastics is 11%, compared with 73% for metals	Reduce processing costs for sorting and separating by establishing large sorting centers		JPY730mn (city of 500,000 people)
Employment (Support)	Unemployed (400,000) among the "Employment Ice Age" generation (35-44 years old) need employment support	Provide consultation services to the unemployed, job matching, and continued skill development after employment	Municipalities ↑ ↓ Prefectures	JPY2.5bn (city of 500,000 people)
Healthy aging	The number of people requiring nursing care and support has grown to over 6.5mn, and the annual cost of nursing care in Japan exceeds JPY10tn	Provide social engagement programs and events for the elderly to reduce cost of care		JPY6bn (city of 500,000 people)
Facilities (schools, etc.)	66% of all school facilities (157.51mn sqm) need repairs. Social welfare facilities, community halls, etc. are also aging	Provide preventive maintenance to public facilities to reduce maintenance costs		JPY8.2bn (city of 500,000 people)
Infrastructure (bridges, tunnels, etc.)	Of the 700,000 bridges in Japan, over 50% will reach the end of their service life within several years, making maintenance difficult. Tunnels and sewers are also aging	Reduce maintenance costs by performing preventive maintenance on bridges and other infrastructure facilities.		JPY61bn x infrastructure type (prefecture of 2.5mn people)
Disaster prevention	Natural disasters such as earthquakes and heavy rains	Mitigate the impact of disaster by improving disaster prevention facilities		JPY180-380bn (prefecture of 2.5mn people)

Source: Cabinet Secretariat, "National Platform for Promoting Support for the Employment Ice Age Generation"; Ministry of the Environment, "Toward Reducing Natural Resource Consumption and Environmental Burden through Material Recycling"; Ministry of Education, Culture, Sports, Science and Technology, "Trends and Developments in Education, Science and Technology Policies" and "Research Collaborators' Meeting on the Future of School Facilities"; Ministry of Land, Infrastructure, Transport and Tourism, "Status of Measures for Aging Social Infrastructure"

PROJECTS IN THE ENVIRONMENTAL AND SOCIAL FIELDS RAPIDLY INCREASING

Examples of recent business production projects

Environment

- Support for achieving a global low-carbon society
- Consideration of platforms for SDGs business creation
- Review of R&D approach to decarbonization
- Support for business creation for a hydrogen society
- Design of new industrial concepts and business creation related to CO2 sinks

Social (health and longevity)

- Support for creation and implementation of businesses related to comprehensive community healthcare
- Solution-oriented business design to create dementia-friendly environment
- Consideration of business utilizing data on seniors
- Consideration of the possibility of healthcare related business
- CDMO business related research

Social (infrastructure)

- Strategy design for infrastructure inspection business
- Strategy for developing solution service business related to infrastructure maintenance
- Production of marketing and horizontal development of infrastructure maintenance business
- Consideration of infrastructure management and investment projects in Asia
- Energy-related business infrastructure strategy

Expanding our production platform and accelerating fund formation to capture even more opportunities

EXAMPLE INITIATIVE 2: PREPARATION FOR THE LAUNCH OF AN ASIA IMPACT INVESTMENT FUND

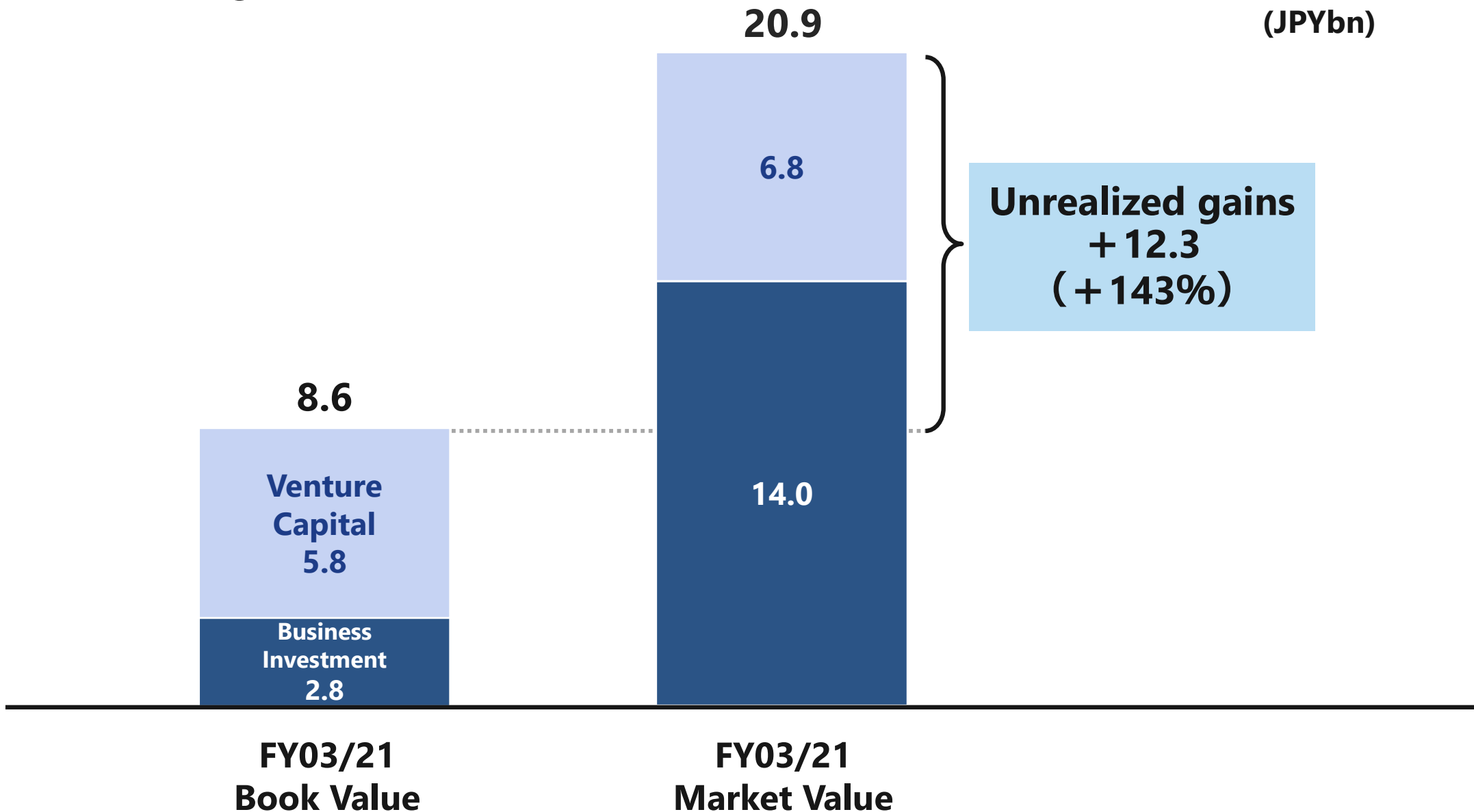


PROJECTS WITH JICA TO SUPPORT SOCIAL ISSUE RESOLUTION IN DEVELOPING COUNTRIES

Ongoing projects with JICA*	Japan	Developing Countries		
		Country	Theme	Local partners
1. Project to support local and Japanese startups that contribute to solving social issues in Asia	<ul style="list-style-type: none"> • Japanese startups (incl. Dimension NW) • Japanese technology (in cooperation with Astamuse) • DI general knowledge (consulting, incubation, SIB) 	India, Vietnam, Indonesia	<ul style="list-style-type: none"> • Medical care • Agriculture 	<ul style="list-style-type: none"> • Startups • Accelerators • Impact investors
2. Project to support local and Japanese startups that contribute to solving social issues in Latin America		Latin American countries centered on Brazil, Mexico, Colombia, Peru, Chile, and Argentina	<ul style="list-style-type: none"> • Medical care • Disaster prevention • Education • Environment • Agriculture • Transportation 	<ul style="list-style-type: none"> • Startups • Accelerators • Inter-American Development Bank
3. Project to examine the feasibility of introducing social impact bonds in Latin America		Latin American countries centered on Brazil, Colombia, and Peru	<ul style="list-style-type: none"> • Employment support • Education • Medical care • Infrastructure 	<ul style="list-style-type: none"> • Local government • SIB intermediary support organization • Inter-American Development Bank

TOTAL UNREALIZED GAIN OF JPY12.3BN ON INVESTMENTS

Unrealized gains on investments

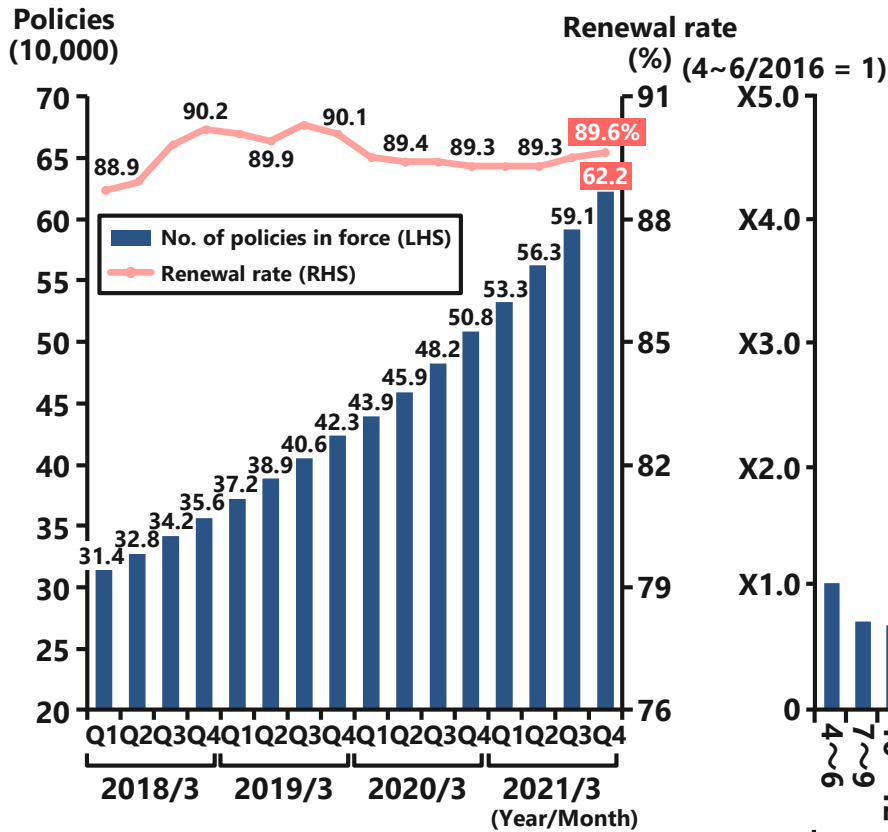


BUSINESS INVESTMENT: SELECTIVELY INCUBATING

Pet Lifestyle



ipet insurance policies

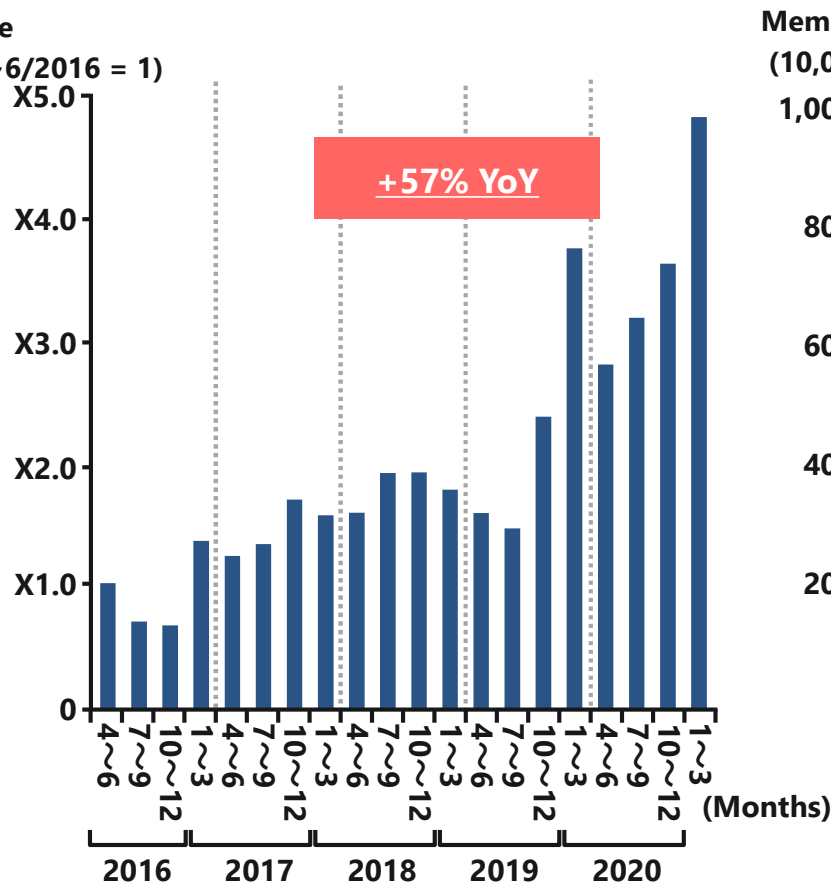


New policies increased; LTV further improved by enhanced DX support

HR Innovation



Quarterly Gross Profit*

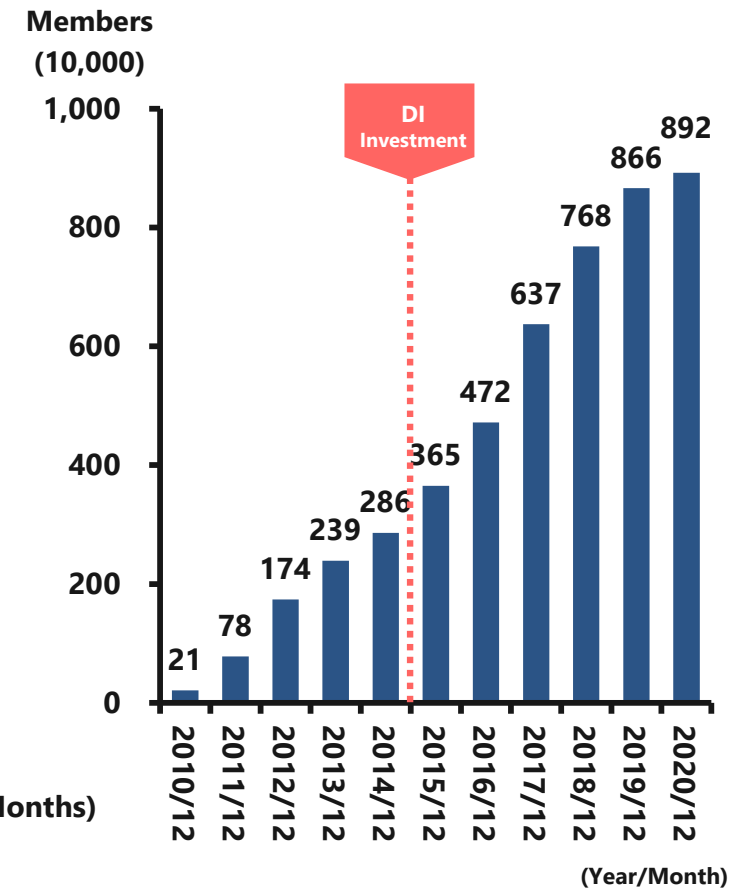


Substantial growth in 2H; Continued to invest in growth (human resources, DX)

Fan Marketing



Members



BOARDWALK heavily affected by COVID-19; Acquired PEACS in February

* Gross profit indexed to April-June 2016 = 1

FAN MARKETING BUSINESS EXPANSION INVESTMENT: ACQUISITION OF PEACS (2021/2)

Background and overview of investment

Acquired following two businesses from Ei-Publishing:

- All businesses under PEACS, which will become a digital subsidiary
- 24 media IP businesses owned by Ei-Publishing

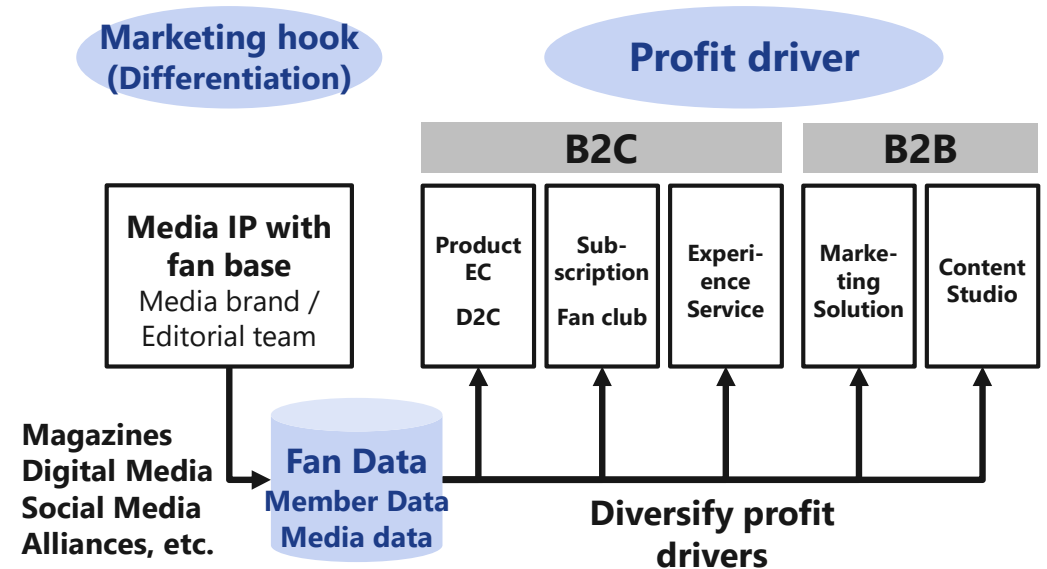


Overview of newly established subsidiary, PEACS Inc. (trade name retained)

Name	PEACS Inc.
Capital	JPY50mn
Office	2-13-2 Tamagawadai, Setagaya, Tokyo
Shareholders	Dream Incubator (100%)
Officers	Manabu Shirato, President & Representative Director Katsuhiko Handa, Representative Director (DI)
Description	Fan Media Studio™

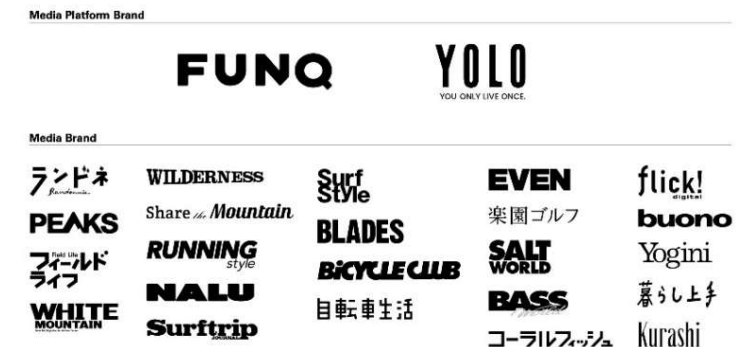
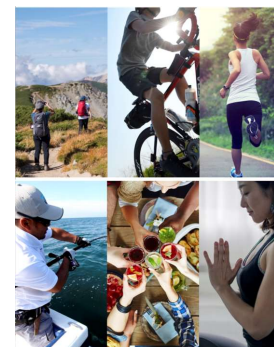
Business model of the new company

Fan Media Studio™ business model



24 Media IPs

Media IP that leads to new lifestyles and values, work style reform, and regional revitalization



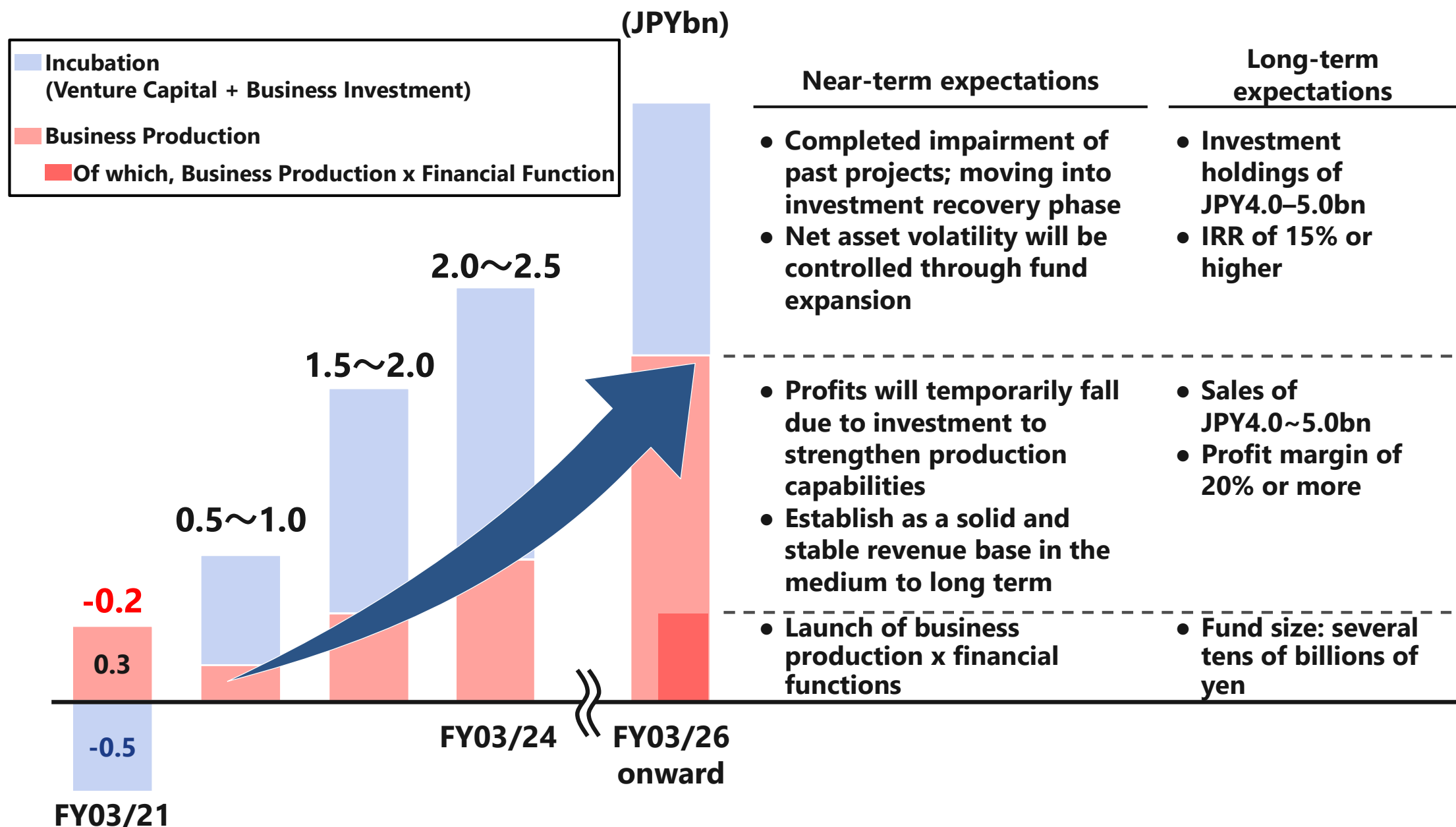
VENTURE CAPITAL: PORTFOLIO AND UNREALIZED GAINS

		End-March 2020	➔	End-September 2020	
(JPYbn)		Book Value (No. of companies)		Book Value (No. of companies)	NAV
Main venture portfolio*	Japan	2.0 (24)	+ Investment (22 companies ^{***}) - Sold (8 companies) - Write-offs (11 companies)	1.7 (26)	2.3
	India	1.2 (19)		1.5 (24)	1.9
	USA	0.2 (4)		0.2 (1)	0.2
	Others	0.5 (3)		- (0)	-
	Total	4.0 (50)		3.3 (51)	4.2
Other investments**		2.1		2.4	2.6
Total investments		6.2		5.8	6.8

Unrealized gains: JPY1.0bn

* 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

QUANTITATIVE TARGETS (RECURRING PROFIT/LOSS*)



* After insurance item adjustment

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

METHOD OF CALCULATING NAV FOR EACH BUSINESS

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.**
- **Business Production:**
 - **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. © DI 2021 – ALL RIGHTS RESERVED.

DISCLAIMER

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Dream Incubator Inc.

The Business Producing Company