

FY03/2023~FY03/2025

Medium-Term Management Plan

May 13, 2022

Dream Incubator Inc.

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The logo for Dream Incubator, consisting of the letters 'DI' in a white serif font, set against a dark blue square background.

DI

Summary

Under the new management team taking up the baton from our founding members, we determined the challenges that need to be met in order to simultaneously fulfill our mission and grow profits, while expanding our impact and controlling volatility. And based on this undertaking, we steadfastly initiated structural reforms.

Going forward, we will seek to further achieve concrete results in these structural reforms, focusing on the following three priority themes, which we believe are essential for enhancing our corporate value in the medium to long term.

- (1) Build a foundation for sustainable growth by expanding Business Production**
- (2) Reap appropriate harvest from Incubation (Venture Capital and Business Investment)**
- (3) Maintain balance between growth investment toward enhancing corporate value, and shareholder returns**

By doing so, we will propel transition to a business structure enabling sustainable earnings growth. Further, by carrying out our mission—“create businesses and change societies,” we will contribute to resolving the major social challenge of creating new industries and businesses, and thereby seek to enhance our corporate value.

From structural reforms to the medium-term management plan

	Initiated structural reforms		As of the end of FY03/2022	Medium-Term Management Plan
	Issue identification	Scope of reforms	Status	
Business Production	Skewed resource allocation due to heavy weighting of risk assets and stagnation of investment into Business Production, our biggest differentiating feature	Strengthen our ability to produce business, which is our core competency	Plan to double the staffing was on track Achieved YoY sales and profit growth thanks to steady flow of new orders	
	Lack of mechanisms to leverage and expand the differentiating feature	Upscale Business Production by applying financial functions	Promoted collaboration with financial and government institutions such as by launching SIB*, etc.	
Incubation	Mismatch between risk and time horizon due to investment volatility	Limit principal investment; expand fund scale	On top of limiting principal investment, revised our expansion policy	
Governance	Governance system that supports and reviews business efforts and makes corrections as necessary	Strengthen the governance structure, which drives our reforms	Established Board with majority outside directors and made modal shift to a Board that monitors	

(1) Build a foundation for sustainable growth by expanding Business Production

The market for business creation at major corporations will expand progressively in the future.

- With Japanese industries being entrenched in a third “lost decade,” business creation has become the top agenda for major corporations.
- Apparent slowdown of existing businesses under the pandemic has accelerated the momentum for business creation.
- Although competitors are emerging, the DI brand substantially stands out in large company-wide business creation projects.

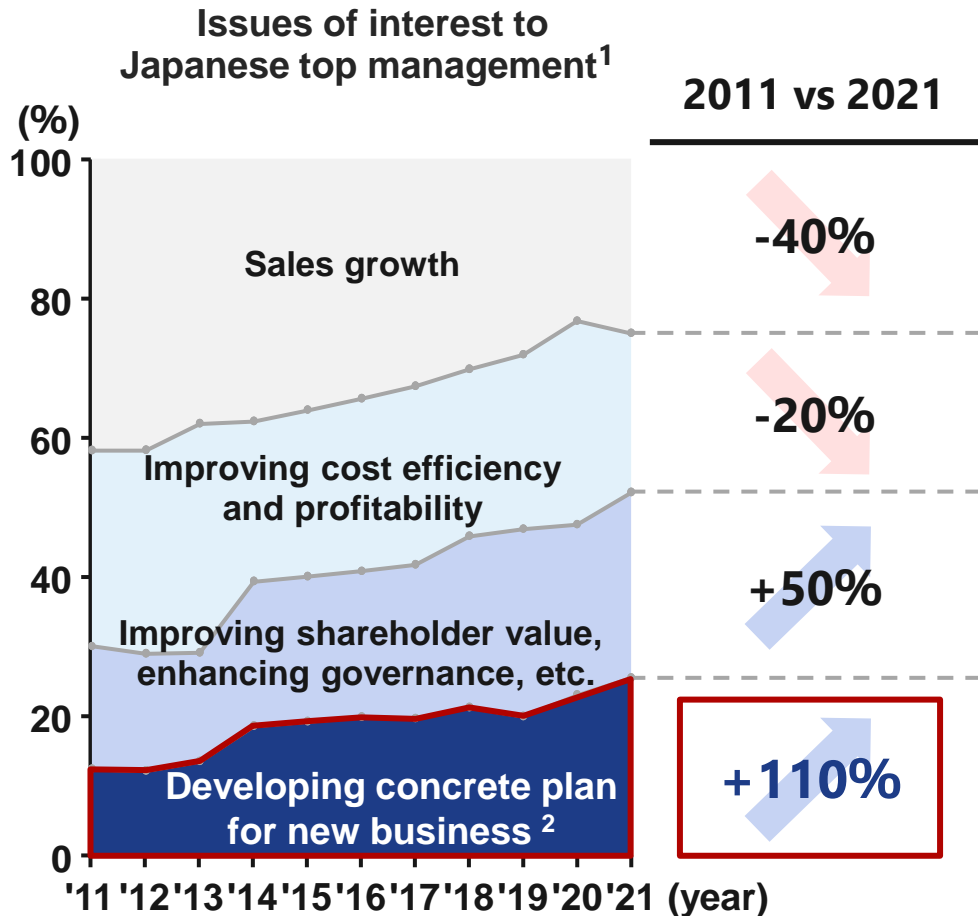
We will build a firm revenue base by focusing on our Business Production operations (business creation support) where we will seek to:

- **Expand service lineup:** Cultivate value chain centered on value added
- **Expand our team:** Step up recruitment and development of business producers
- **Expand collaborations:** Enhance revenue opportunities through partnerships with service providers, financial institutions, etc.
- **Expand functions:** Upscale by reorganizing and applying the capabilities honed in Venture Capital

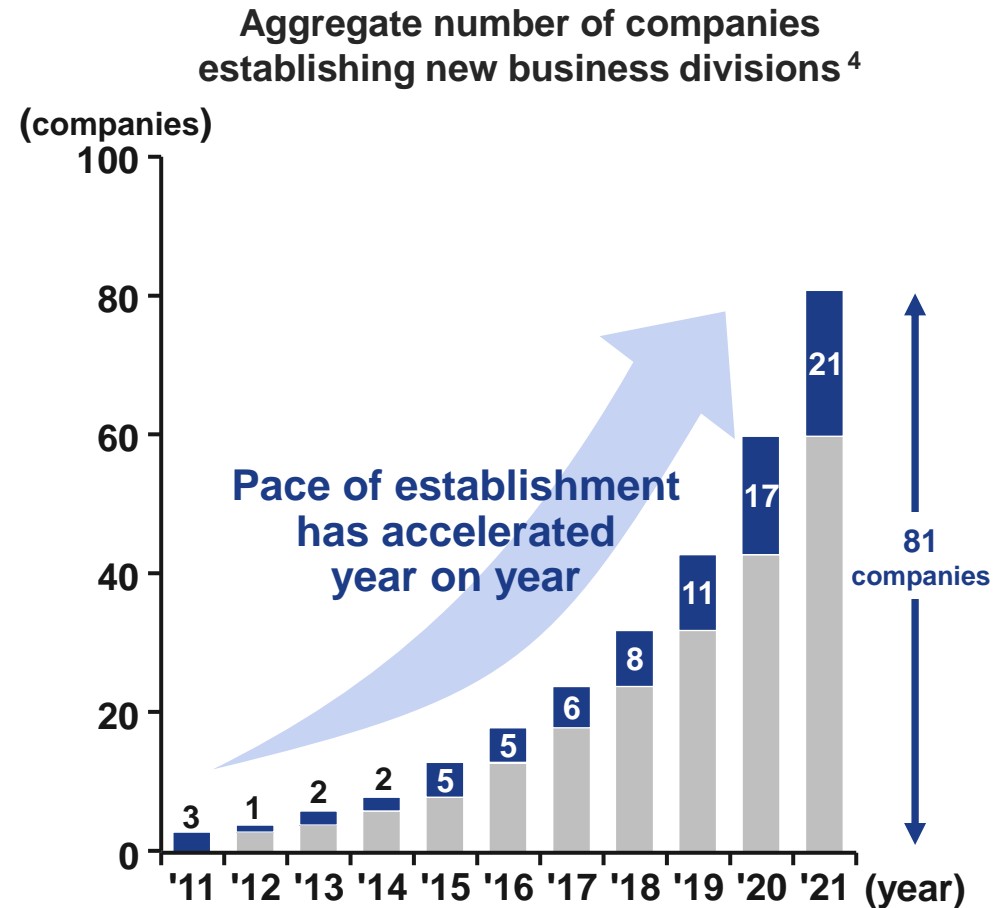
Through these efforts, we plan to double Business Production sales to JPY 6.0bn (versus FY03/2022) and triple net income to JPY1.0bn by FY03/2025 with a view to achieving sustainable growth thereafter.

Business creation becoming the top agenda at an accelerated pace

Interest in new business creation increased the most in past 10 years



80% of top 100 companies³ by sales have put in place a framework for new businesses



Notes: 1 Compiled based on the “Survey on Current Corporate Management Issues” published annually by Japan Management Association.

Each year, top leaders of approximately 500 large companies and SMEs choose the three issues they perceive as most significant.

2 Includes development of new products, services, and businesses, strategic investment in digital technology, etc.

3 Top 100 TSE Prime-listed companies in FY03/2021, ranked by sales

4 Number of independent divisions dedicated to the planning and promotion of new business. Limited to those dedicated to business creation; R&D and other divisions engaged in technological innovation/nascent business before commercialization are excluded.

Source: “Survey on Current Corporate Management Issues” by Japan Management Association; press releases/organizational charts of the companies

DI's value added: Business Production (business creation support)

Support menu

Examples of projects

Industry Production

- Positioning social issues as our starting point, we work together with government bodies to create new business concepts.

- Carbon neutral × New business concept
- Declining birthrate and aging population × New business concept
- Infrastructure maintenance/disaster prevention × New business concept

Business Production

- We formulate strategies to commercialize business concepts and upscale operations.

- Healthcare/medical × Commercialization
- Energy management × Commercialization
- Mobility service × Commercialization

Global Sustainability Transformation (SX)

- We engage in business production overseas.

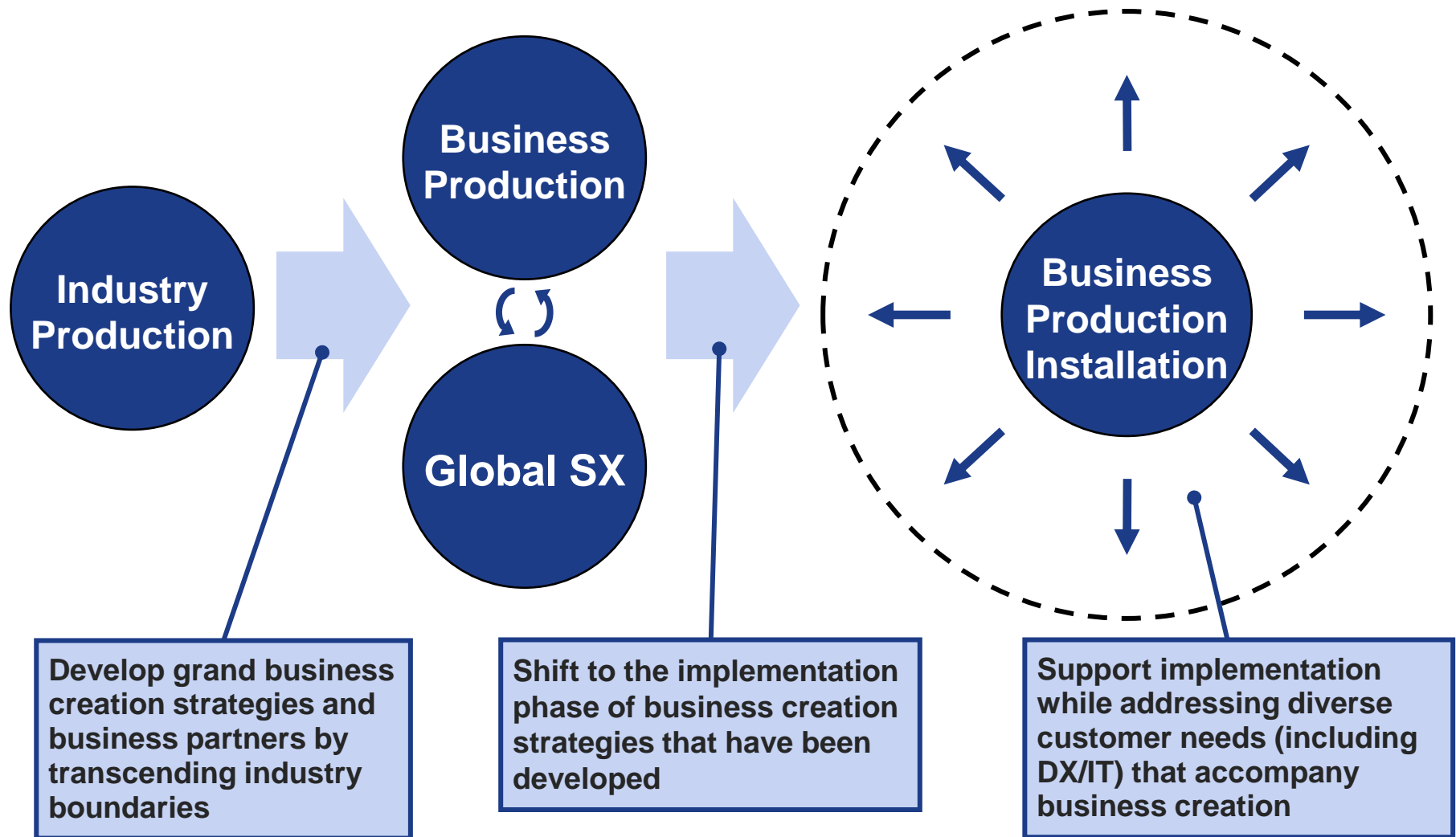
- Investment strategy centered on public-private partnerships in Asia
- Support local and Japanese startups that contribute to decarbonization in developing countries

Business Production Installation

- We support our customers in executing business creation strategies and tackling accompanying issues (DX, etc.).

- Promote realization of new business; handhold during the process
 - Introduce/implement technology
- Implement reforms that enable new business creation; establish new organizations
 - Install management methods

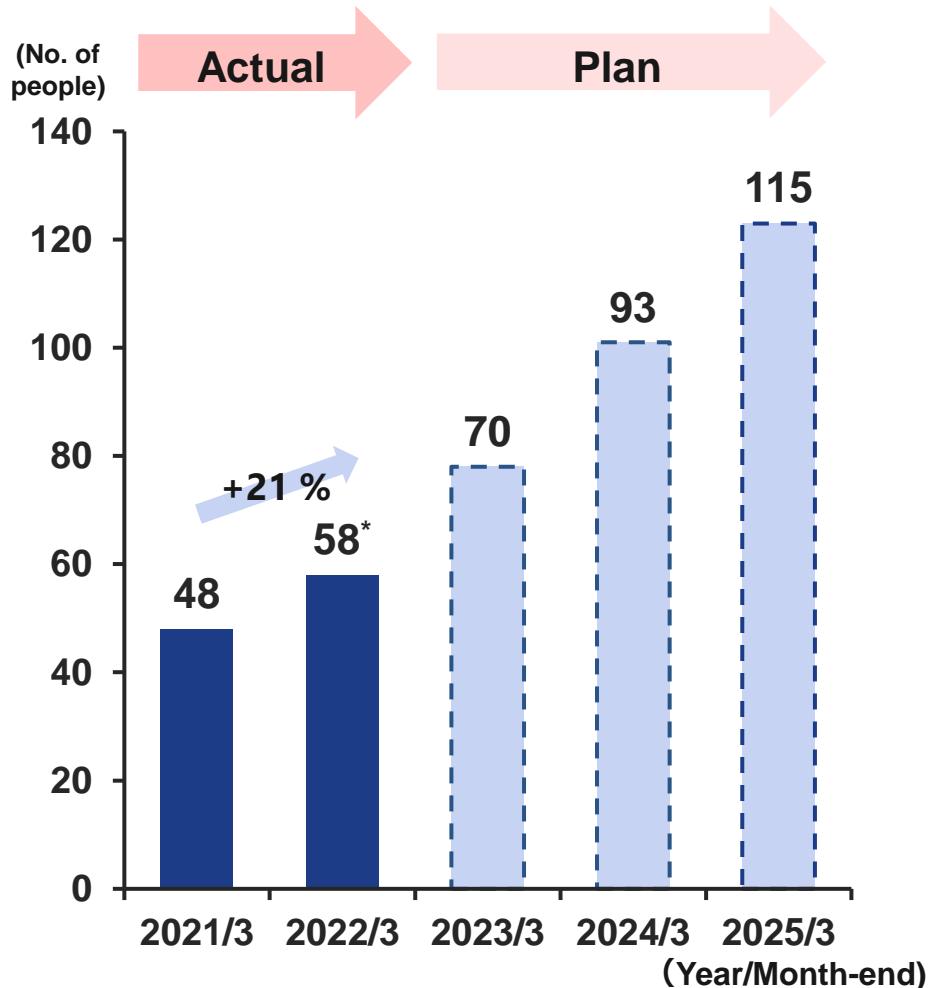
Expand the service lineup: Cultivate value chain centered on value added



We will acquire brand power and customers with Industry Production and Business Production, and expand our operations with Business Production Installation.

Expand our team: Step up recruitment and development of business producers

Personnel plan concerning business producers



DI's ability to attract talent

“Business Production” itself

- Mission: “Create businesses and change societies”
 - Drive creation of large businesses and industries by transcending industry boundaries and getting our government involved



Career path for highly motivated and talented individuals

Some voices of employees who chose DI:

“I want to become someone who can create industries so that there won't be a fourth lost decade in Japan.”

“I want to join a team of professionals who work head-on on significant business creation strategies for leading Japanese corporations.”

“DI's capabilities and network will allow me to create businesses on a scale not possible elsewhere.”

Expand collaborations: Enhance revenue opportunities through partnerships

Sample collaborations with other types of businesses

Partners

Project examples

Comprehensive solution provider

- Dentsu

Financial institution

- Nippon Life Insurance
- Development Bank of Japan
- Yamaguchi Financial Group

Government-affiliated institution

- Japan International Cooperation Agency

- “Real” Platformer Project
 - Provide integrated support to brick-and-mortar stores in the areas of next-generation business strategy formulation, PMO, service and marketing, and store development

- Social Impact Bond
 - Adopts system where the private sector reduces the costs of long-term care, infrastructure maintenance, etc. on behalf of local governments and receives performance-based fees in return

- Providing support to local and Japanese startups that contribute to solving social issues in developing countries
 - Developing countries × Technology to lower carbon emission × Startup support
 - Formulate impact investment strategies under public-private partnerships, etc.

(2) Reap appropriate harvest from Incubation

It is by nature difficult for the Incubation businesses (Venture Capital and Business Investment) to be favorably evaluated by the stock market.

- **The process from investment to recovery requires many years, with losses preceding in the first several years.**
- **Even during the recovery phase, factors such as the timing of IPO, stock price after listing, sale price, and timing of sale are uncontrollable, so earnings become unstable.**
- **Indicating unrealized gains using NAV* does not bear results without being reflected in the P&L statement.**

Meanwhile, our incubation capabilities bear the potential of serving to expand Business Production functions and enhance our profitability.

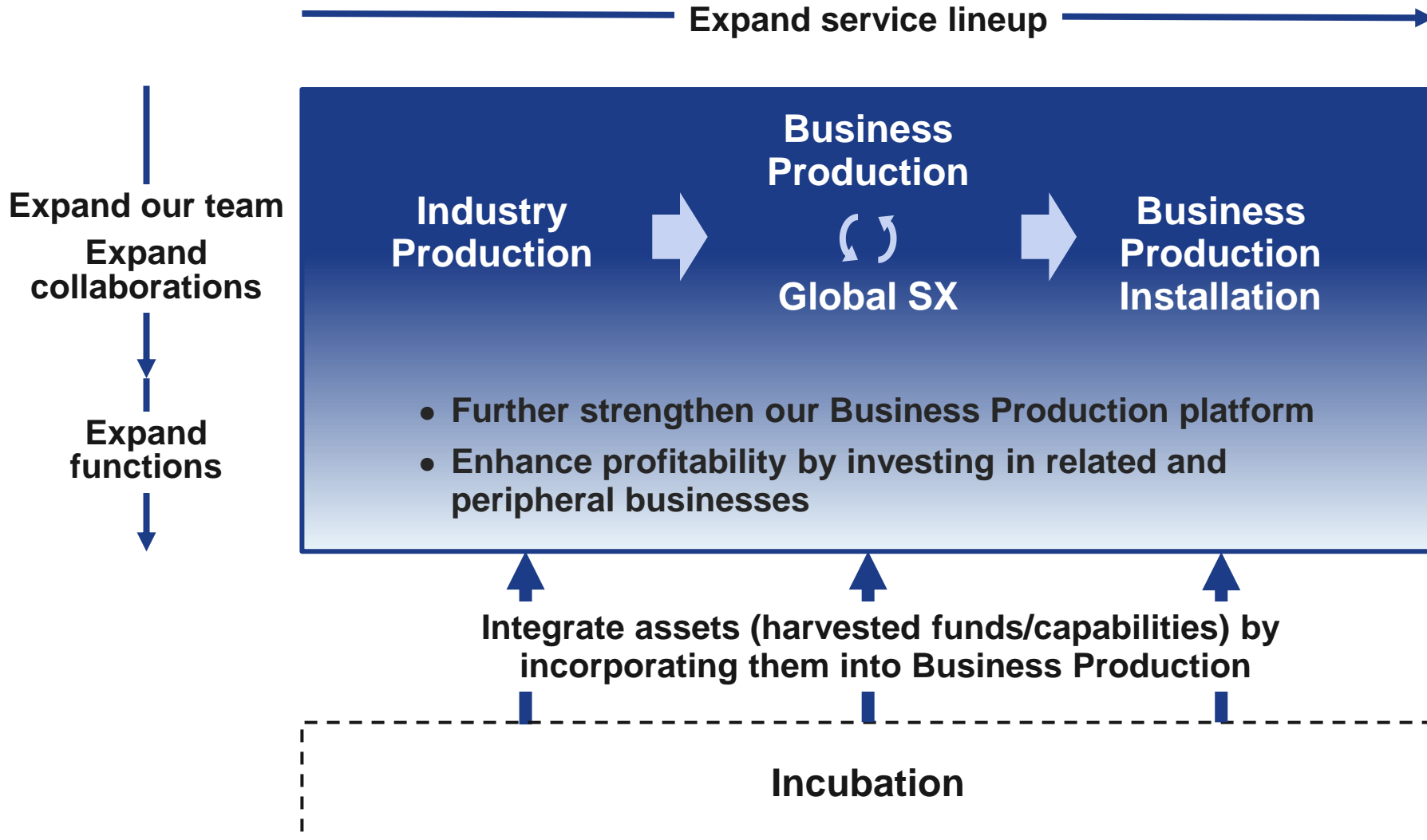
- **Utilization of investment structuring skills honed in our Incubation businesses, business management skills developed through PMI**, etc.**

Based on the above, going forward, we plan to appropriately harvest from invested capital once the recovery phase arrives, and integrate the resulting assets (capabilities and harvested funds) into Business Production.

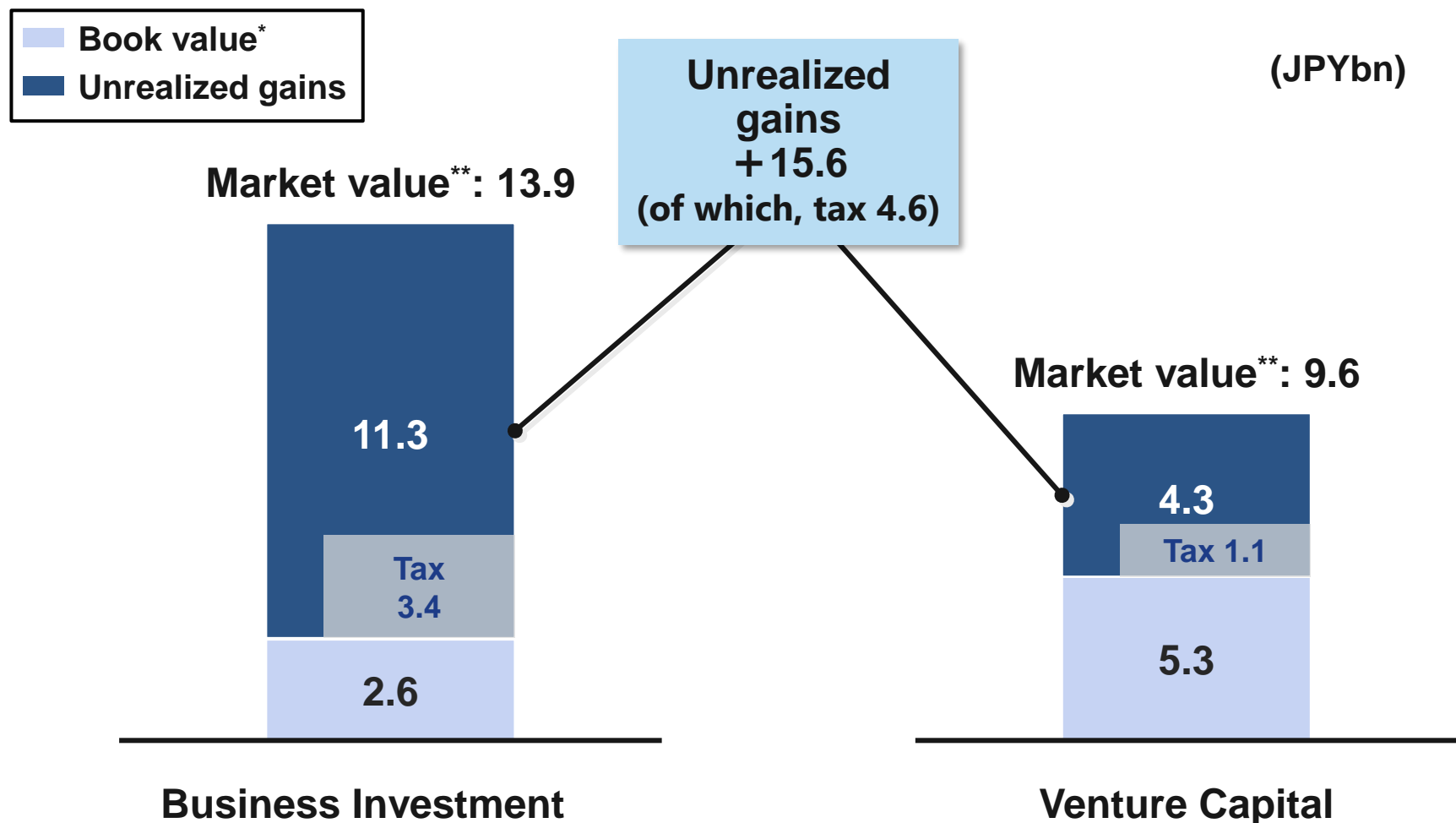
- **Use funds to expand Business Production functions, etc., assuming a certain amount of ROIC can be secured**

* Net Asset Value
** Post Merger Integration

Incorporate investment assets to further strengthen Business Production



Status of investment as of end-FY03/2022



* Fund investments include DI's interests only.

** Listed companies: Market capitalization at period-end × DI's interests

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.

(3) Maintain balance between growth investment toward enhancing corporate value, and shareholder returns

As we transition from NAV-based to P&L-based management, we will be resuming shareholder returns.

Growth investment: Improve profitability
(Expand functions)



Shareholder returns: Improve EPS and PER

Balance

Disciplined investment
(cost effectiveness)

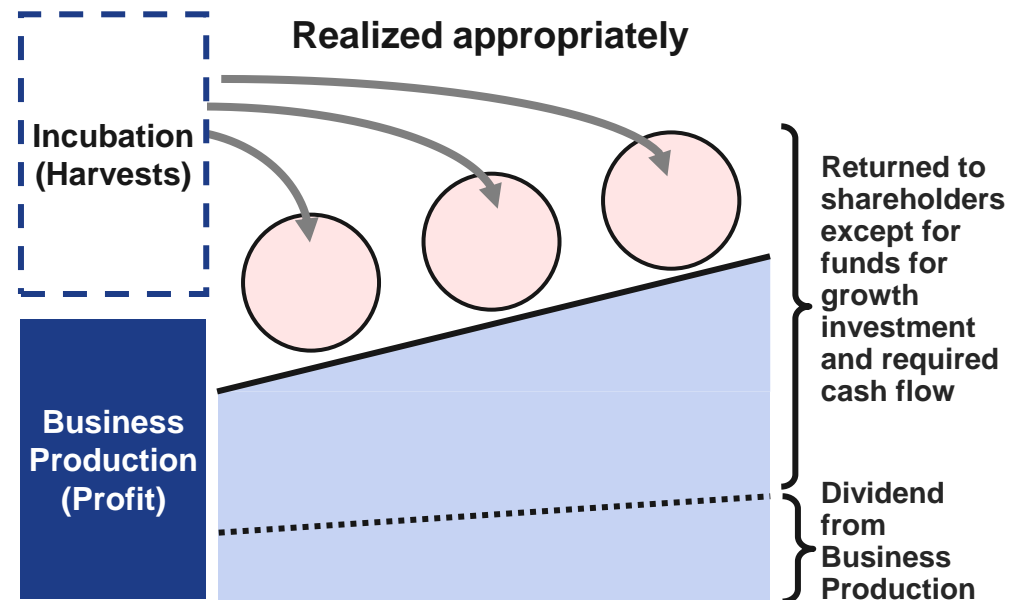
Based on profits from stable growth in P&L
and harvested funds

(1) Further strengthen our Business Production platform

- Invest in recruitment and HR development
- Invest in infrastructure to raise productivity

(2) Enhance profitability by investing in related and peripheral businesses of Business Production

- Invest to bolster capabilities, expand revenue opportunities, etc.
- Estimated ROIC* > 12%



* Net income ÷ invested capital

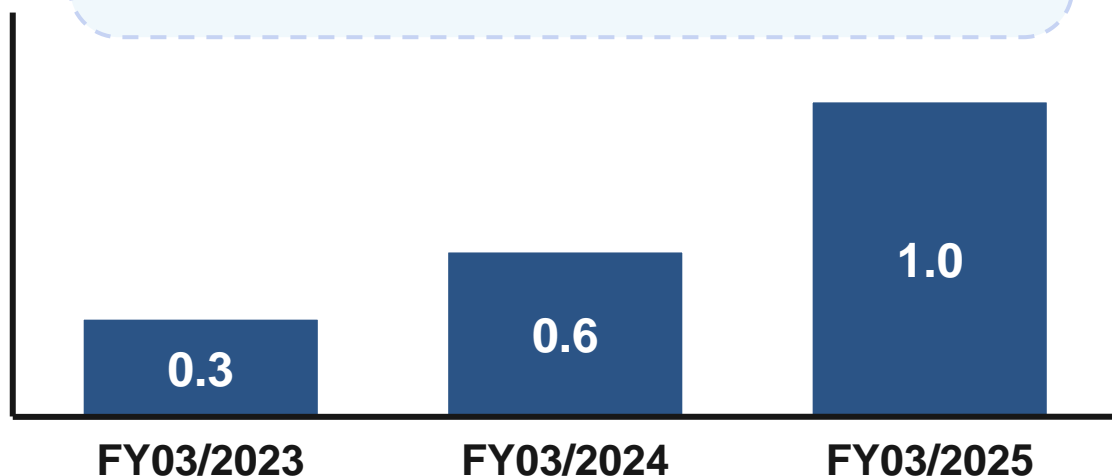
Medium-term profit plan (FY03/2023–FY03/2025)

Net income from Business Production + Potential upside of harvests from Incubation

Net income attributable to parent company shareholders* (JPYbn)

+ JPY11.0bn (unrealized gains after tax)***

Incubation (Harvests: Upside)



Business Production (Base)

	FY03/2023	FY03/2024	FY03/2025
Sales (JPYbn)	3.3	4.8	5.9
Personnel (headcount)	70	93	115
EPS (JPY)**	31	56	102

* Simplified calculation of recurring profit × tax rate of 30%

** Calculation assumes number of shares outstanding as of end-March 2022

*** As of end-March 2022

Our approach to corporate governance

Board of Directors

Board composition

- Majority of outside directors
 - 4 outside directors / 3 inside directors
- Enhanced diversity
 - Seek to achieve composition in line with strategic themes and ensure diversity in terms of experience, expertise, gender, etc.

Transition to a monitoring model

- The Board mainly focuses on deliberating on management strategies, etc. by delegating matters concerning business execution to the inside directors' meeting

Strengthen effectiveness of the nomination and compensation committee

- Committee chaired by an outside director, with deliberations mainly conducted by outside directors
 - Achieve highly objective management of executive remuneration; establish selection/dismissal criteria and succession plans

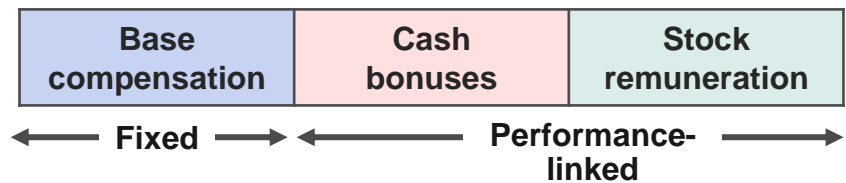
Executive remuneration

We seek to establish a remuneration system aligned with the simultaneous realization of our mission (“create businesses and change societies”) and corporate value enhancement.

- Competitive remuneration levels to attract and retain top talent as directors
- Remuneration system that motivates sustainable growth in corporate value

To further raise awareness of the need to contribute to corporate value enhancement, cash bonuses are linked to single-year earnings, and stock remuneration is linked to the results of initiatives for improving our stock price over the medium to long term.

For remuneration of representative directors, we aim to ensure that the base compensation, cash bonuses, and stock remuneration are approximately equal, in a ratio of 1:1:1*



* Executive officers receive 20% and senior managers 10% of their total remuneration in stock (ESOP trust [BIP trust for directors]). Since stock remuneration is managed by a point system until the recipient retires, the number of underlying shares is not disclosed as individual shareholding.

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

Dream Incubator Inc.

The Business Producing Company