

Q1 FY03/2023

Supplementary Materials for Consolidated Financial Results

August 5, 2022

Dream Incubator Inc.

(Stock Code: 4310)

The logo consists of the letters 'DI' in a white, serif font, centered within a dark blue square. The background of the entire slide is a high-angle photograph of a coastline with white clouds and a bright sun in the sky.

DI

SUMMARY

Q1 results were largely in line with plan

- **Business Production: Continued growth**
 - **Structured organization into three divisions based on Business Production values. Also strengthened external marketing**
 - **Q1 sales reached JPY0.86bn (+40% YoY), growing for the fifth consecutive quarter.**
- **Incubation: Selectively cultivated and appropriately harvested**
 - **ipet: Steady performance on the back of solid pet demand**
 - **Work Style Lab, PEACS: Sales completed. Recorded JPY0.54bn in extraordinary income**
 - **Venture Capital: Secured multiple harvests. Expecting several more in pipeline from Q2 onward**

**Made progress in preparation for medium- to long-term growth
(expanding collaboration with other industries)**

- **Jointly established R&D Transformation Promotion Team with Dentsu**
- **Number of SIB* fund investors grew**
 - **Mitsui Sumitomo Insurance, San-in Godo Bank**

Q1 FY03/2023 CONSOLIDATED P&L (AFTER INSURANCE ITEM ADJUSTMENTS)

(JPYbn)	Q1 FY03/ 2022	Q1 FY03/ 2023	YoY change	
			Amount	%
Sales	7.97	8.98	1.00	13%
Gross profit	3.64	4.56	0.92	25%
Operating profit	0.08	0.96	0.88	1097%
Recurring profit	0.27	1.03	0.75	272%
Net income	0.06	0.97	0.90	1349%
(attributable to parent company shareholders)				

Q1 FY03/2023 CONSOLIDATED P&L (BEFORE INSURANCE ITEM ADJUSTMENTS)

(JPYbn)	Q1 FY03/ 2022	Q1 FY03/ 2023	YoY change	
			Amount	%
Sales	7.97	8.98	1.00	13%
Gross profit	3.42	3.95	0.52	15%
Operating profit	-0.13	0.35	0.49	—
Recurring profit	0.05	0.42	0.36	606%
Net income (attributable to parent company shareholders)	-0.02	0.72	0.74	—

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

ADJUSTED INSURANCE ACCOUNTING ITEMS AND AMOUNTS

(JPYbn)	Q1 FY03/ 2022	Q1 FY03/ 2023
Unadjusted gross profit (consolidated)	3.42	3.95
<ul style="list-style-type: none"> • Adjustment related to ordinary underwriting reserves* • Catastrophe reserve provision** 	+ 0.01	+ 0.37
	+ 0.20	+ 0.24
Total adjustments	+ 0.21	+ 0.61
Adjusted gross profit (consolidated)	3.64	4.56

* 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)

Q1 FY03/2023 P&L BY SEGMENT

(JPYbn)		Q1 FY03/2022	Q1 FY03/2023	YoY change	Notes
Business Production	● Sales	0.61	0.86	40%	<ul style="list-style-type: none"> Sales grew for the fifth consecutive quarter Sales growth exceeded personnel growth, resulting in profit ahead of plan
	● Recurring profit	0.08	0.16	101%	
Venture Capital	● Sales	0.03	0.20	504%	<ul style="list-style-type: none"> Secured multiple harvests Expecting further harvest from IPOs and trade sales from Q2 onward
	● Recurring profit	0.04	0.09	115%	
Business Investment	Pet Lifestyle	● Sales	7.91	19%	<ul style="list-style-type: none"> Steady performance on the back of solid pet demand
		● Recurring profit*	0.78 (0.16)	160%	
	HR Innovation	● Sales	—	—	<ul style="list-style-type: none"> Sold in Q1 FY03/2023 and recorded JPY0.03bn in extraordinary income Excluded from consolidation from beginning of FY03/2023
		● Recurring profit	—	—	
	Fan Marketing	● Sales	—	—	<ul style="list-style-type: none"> Sold in Q1 FY03/2023 and recorded JPY0.51bn in extraordinary income Excluded from consolidation from beginning of FY03/2023
		● Recurring profit	—	—	

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

* After insurance item adjustments (Figures in parentheses are before adjustment)

INITIATIVES TO STRENGTHEN BUSINESS PRODUCTION

Reinforced structure by organizing into three divisions based on Business Production values

Division 1 Value Creation

Industry Production/ Business Production

- Develop ideas and concepts, then leverage DI's core competence of designing new business models and strategies for business creation

Division 2 Execution

Business Production Installation / DX

- Provide support for building organizations that enable business production, and for business implementation

Division 3 Value Expansion

Global Sustainability Transformation (SX) / Incubation

- Provide business creation support on a global scale by extending the concept of business production overseas

Expand Business Production operations by assigning a general manager (COO or senior executive officer) to each division and closely collaborating with one another

Engaging in aggressive marketing activities to spread the details and value of our initiatives to the world



**DI's Works Vol.1
Division 1 Head:
Masahito Ishikawa**

"Our mission is to bring new value to the world"

**DI's Works Vol.2
Division 2 Head:
Takashi Shimazaki**

"We will share our success stories with our customers as a business creation partner"



**DI's Works Vol.3
Division 3 Head:
Kyohei Hosono**

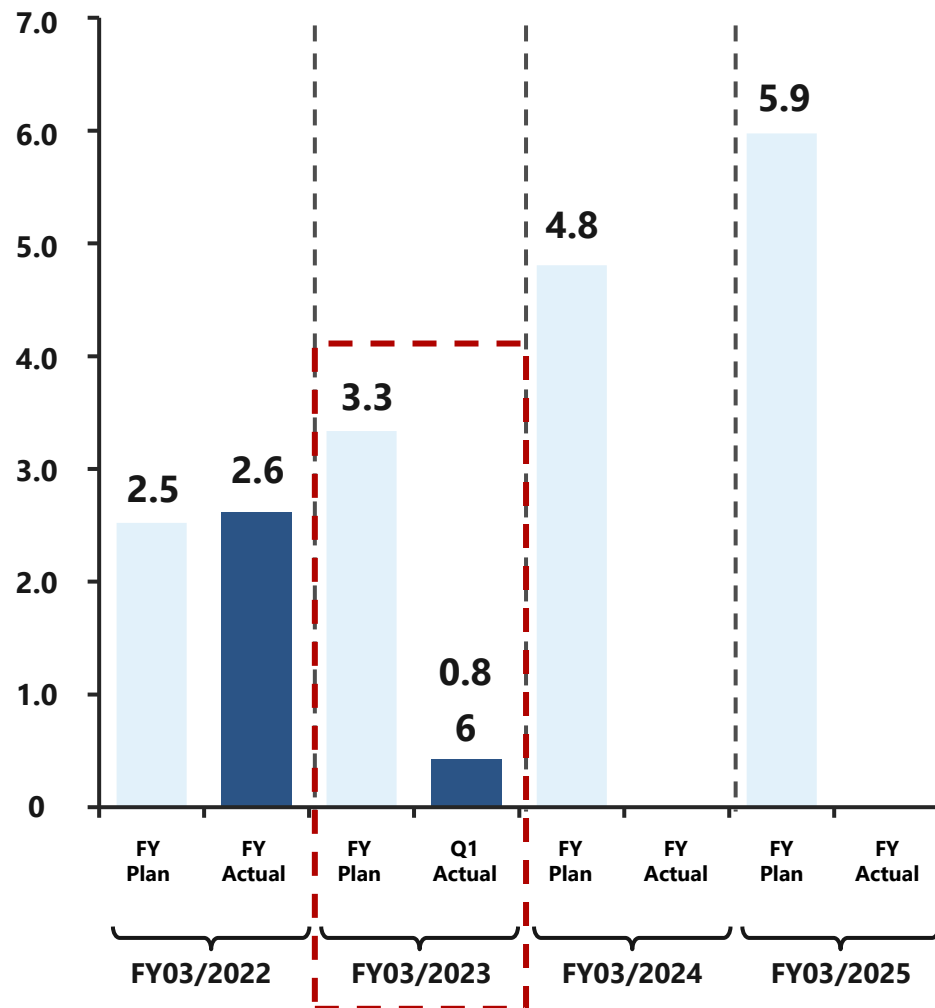
"We will become the preferred partner for solving social issues in developing countries"

Promote the appeal of DI's value not only to customers and partners, but also to employees to boost job fulfillment and expand recruitment

BUSINESS PRODUCTION SALES

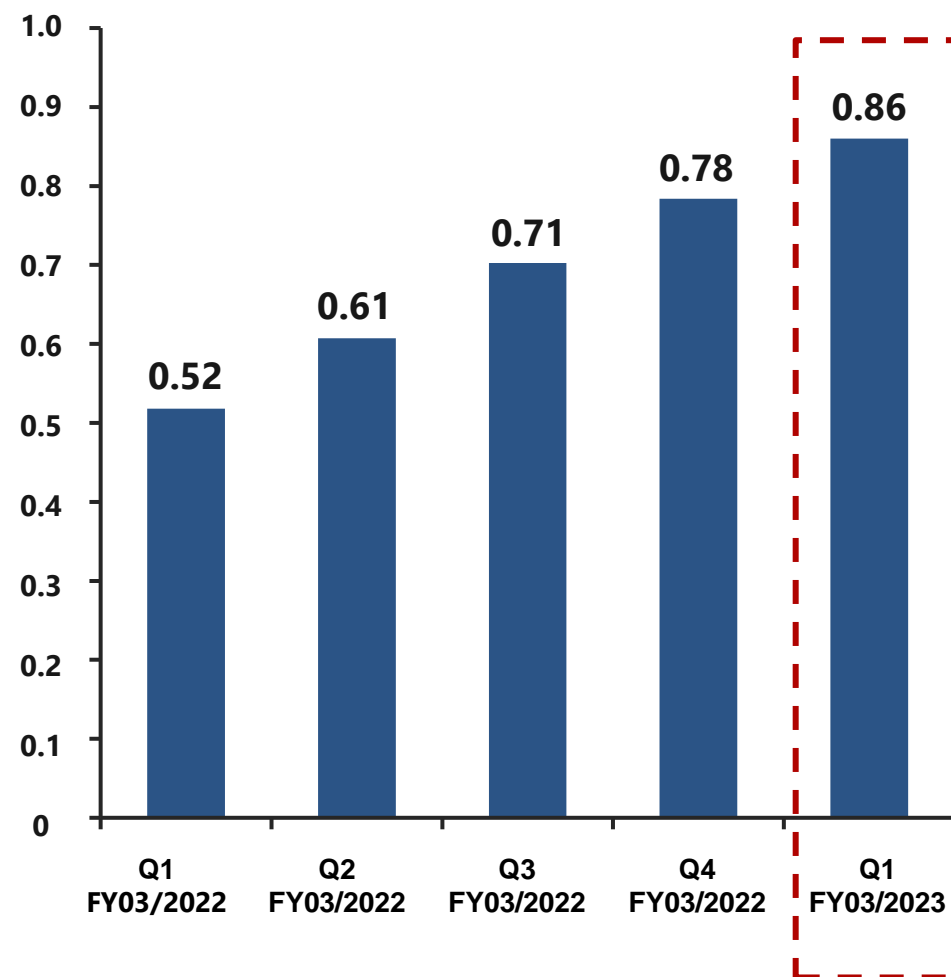
Sales* progress vs. plan

(JPYbn)



Quarterly sales*

(JPYbn)



* Excluding sales and profit from carved-out businesses © DI 2022 — ALL RIGHTS RESERVED.

INCUBATION BUSINESS PERFORMANCE

Business Investment		Business	Investment (Mo/Yr)	Sale (Mo/Yr)	Unrealized/ realized gain or loss ¹ (JPYbn)
Investment in progress	ipet Holdings	Health insurance for pets	Sep 2011	—	+9.8 ²
	Boardwalk	Events E-tickets	Sep 2015	—	Undisclosed ³
Sale completed	Work Style Lab	Matching platform for freelance consultants	Aug 2018	Jun 2022	-0.22 ⁴ (+0.03)
	PEACS	IPs related to hobbies (magazines/ digital media)	Feb 2021	Apr 2022	+0.34 ⁴ (+0.51)
	DI Asia	Market research in Asia	Jul 2014	Oct 2019	-0.26
	ReValue	Asset liquidation	Jul 2010	Jan 2016	-0.70
	TGC (Japan IP Fund 1 ⁵)	Trademark rights to Tokyo Girls Collection	Feb 2012	Jul 2015	+0.24

¹ Lists unrealized gain/loss for “Investment in progress” and realized gain/loss for “Sale in progress” and “Sale completed.” Figures are based on pre-tax cash flows, excluding amounts reflected in consolidated P&L.

² Based on closing price on June 30, 2022

³ In principle, unrealized gains from investments in progress are not disclosed (excluding cases where the investee is listed)

⁴ Amounts include losses from prior periods. Figures in parentheses are only for amounts recorded in the current Q1

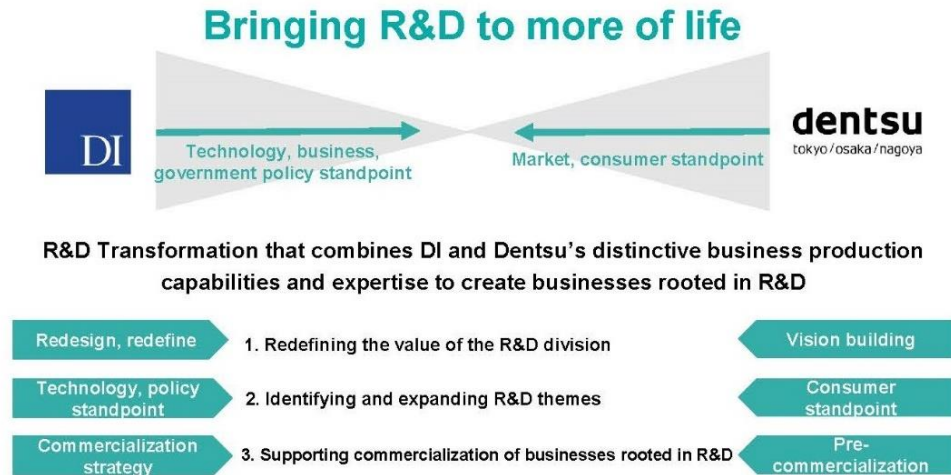
⁵ Takes form of a fund but effectively evaluated as business investment

EXPAND COLLABORATION WITH OTHER INDUSTRIES FOR MEDIUM- AND LONG-TERM GROWTH

Progress of initiatives with Dentsu

Jointly established R&D Transformation Promotion Team with Dentsu (July 4, 2022)

- Integrating Dentsu/DI's knowledge and strengths to unify problem-solving service lines for corporate R&D divisions



Progress of SIB* initiatives

- Number of SIB* fund investors grew (July 1, 2022)
 - Mitsui Sumitomo Insurance
 - San-in Godo Bank

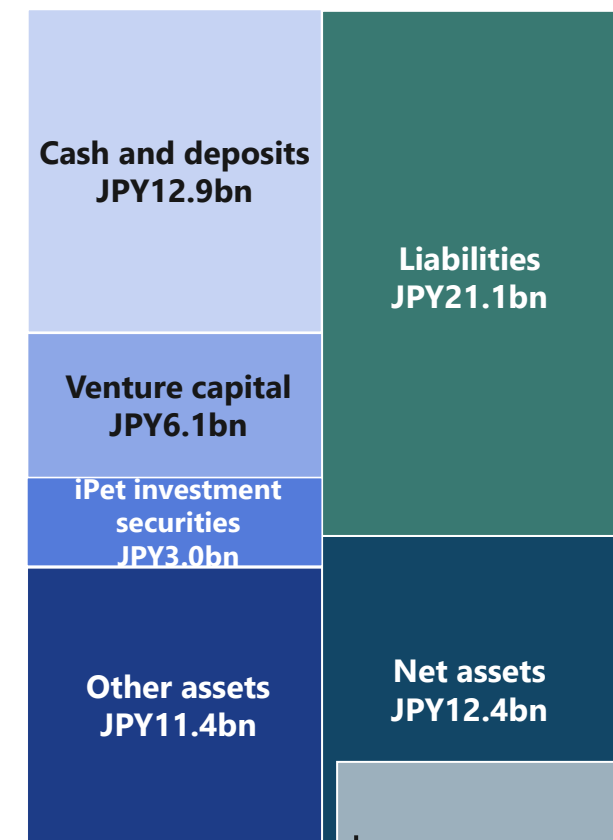


- Signed an MoU with Matsue City, San-in Godo Bank, and Development Bank of Japan for investigation and research on utilizing SIBs (July 22, 2022)



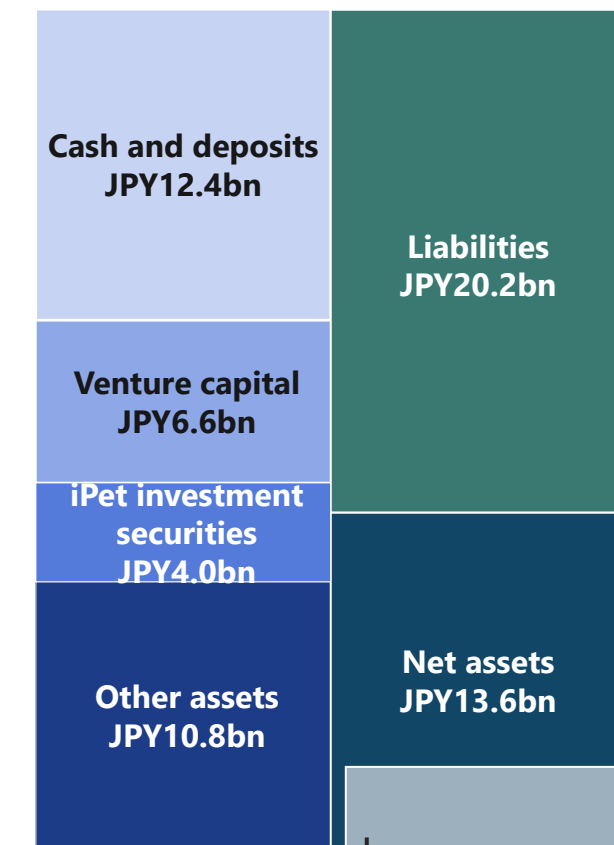
Q1 FY03/2023 CONSOLIDATED BALANCE SHEET

March 31, 2022
(Total assets: JPY33.5bn)



Includes non-controlling
interests of JPY2.6bn

June 30, 2022
(Total assets: JPY33.8bn)

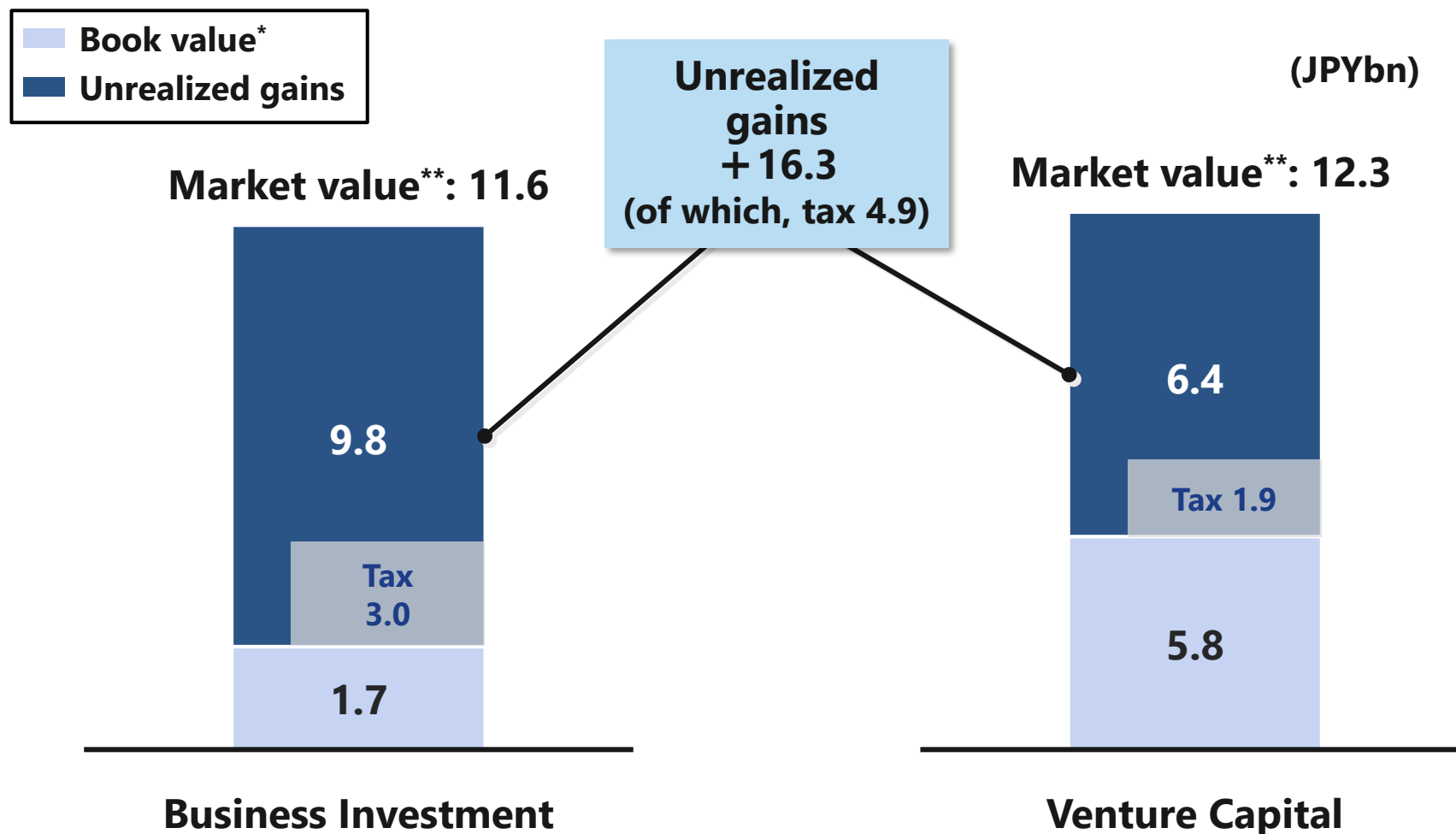


Includes non-controlling
interests of JPY2.7bn

Breakdown of change in net assets

• Net income	+ JPY0.72bn
• Non-controlling interests	+ JPY0.11bn
• Valuation differences on available-for-sale securities	+ JPY0.33bn
• Other comprehensive income	+ JPY0.05bn
• Total	+ JPY1.21bn

STATUS OF INVESTMENT AS OF END-Q1 FY03/2023



* 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.

SUPPLEMENTAL INFORMATION ON INSURANCE ITEM ADJUSTMENTS

1. Adjustment related to ordinary underwriting reserves

- Non-life insurance companies are required under the Insurance Business Act to calculate ordinary underwriting reserves using two methods (unearned premium balance and first year balance) and record the larger of the two as a liability.
- Based on this, ipet Insurance uses the first year balance method for institutional accounting, but emphasizes profit and loss under the unearned premium method, which is equivalent to profit under accrual accounting.
- In addition, since there are no listed non-life insurance companies that use the first year balance method, we believe that the disclosure of profits and losses calculated using the unearned premium method is useful for investors in making investment decisions as it helps with making competitor comparisons.

2. Adjustment related to catastrophe reserves

- A catastrophe reserve is a type of underwriting reserve required by law to be set aside to cover losses from catastrophic events.
- If the loss ratio exceeds the standard loss ratio specified by law, the amount equivalent to the excess of the loss ratio must be reversed (lowers expenses); if the loss ratio is lower, the amount equivalent to the shortage must be reserved.
 - The loss ratio at ipet Insurance is lower than the standard, so the amount of 3.2% multiplied by underwriting revenue must be reserved each fiscal year.
- We focus on the profit and loss excluding the effect of reversals and reserves as a measure of actual profit and loss.

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